

### Goldrea Resources Corp. (TSXV: GOR) – Underground development progressing at the Golden Rose Mine; Initial resource estimate on the Empress Mo property – FINAL REPORT

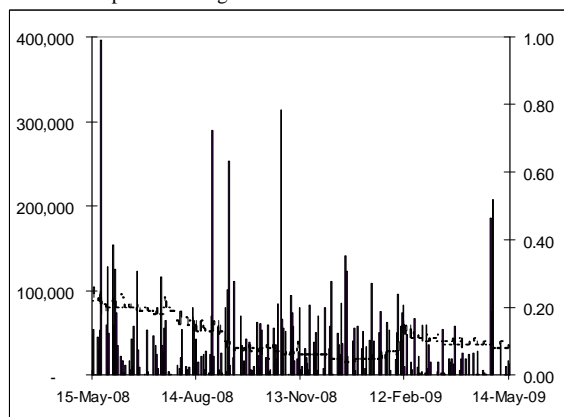
Sector/Industry: Junior Mining

www.goldrea.com

#### Market Data (as of May 15, 2009)

Current Price	C\$0.08
Fair Value	<b>C\$0.20</b>
Rating*	<b>BUY</b>
Risk*	<b>5 (Highly Spec)</b>
52 Week Range	C\$0.04 – C\$0.26
Shares O/S	59.51 mm
Market Cap	C\$4.76 million
Current Yield	N/A
P/E	N/A
P/B	0.39
YoY Return	-69.2%
YoY TSXV	-58.7%

\*see back of report for rating and risk definitions



#### Highlights

- Underground development is progressing at the Golden Rose Mine in Shandong Province, China. As of March 2009, the company had stockpiled about 12,000 tonnes of gold sulphide material from the development crosscuts. GOR intends to ship material to the 1,850 tpd Daye mill facility once the stockpile reaches 20,000 tonnes.
- Plans to commence diamond drilling on the Ludi joint venture later this year.
- Plans to initiate a study to apply for permits for drilling on the Gold Rush and Gold Chain properties located in Arizona.
- In January 2009, GOR and Molycor (TSXV: MOR) announced an initial resource estimate for the Empress deposit near Summerland BC. An indicated resource of 5.33 million lbs, and an inferred resource of 4.77 million lbs at a cut-off grade of 0.02% Mo was estimated. The project is on hold until molybdenum prices pick up.
- At the end of Q2-2009 (end of January 2009), GOR had \$3.21 million in cash. We believe the company is in a sound cash position, and believe that current cash will be sufficient to fund exploration and working capital for 2009.
- We have maintained our valuation at \$0.20 per share.

#### Key Financial Data (FYE - July 31)

in C\$	2007	2008	2009 (6 mo)
Cash	9,717,875	5,509,134	3,207,892
Working Capital	9,423,916	4,468,388	2,638,687
Mineral Assets	6,617,559	9,598,855	10,781,557
Total Assets	16,836,214	16,435,706	15,187,234
LT Debt / Assets	-	0.5%	-
Net Loss	(1,997,605)	(2,298,829)	(829,682)
Loss per Share	(0.05)	(0.04)	(0.02)

Goldrea Resources Corp. (GOR) is a junior mining company, that holds joint venture projects in Shandong Province China. The company commenced production from its Golden Rose Mine, with mineral materials to be processed in the Daye Mill. In addition, the company has gold and molybdenum projects in the U.S. and Canada.

**Rushan Joint Venture**

As of March 2009, the company had stockpiled about 12,000 tonnes of gold sulphide material from development crosscuts. As per the original plan, GOR intends to ship material to the 1,850 tpd Daye mill facility once the stockpile reaches 20,000 tonnes. GOR has negotiated an agreement with the Daye Mine to operate and develop the ore at the Golden Rose shaft.

The company's Chief Operating Officer and Director, Paul Blair, and Consulting Geologist, Norm Tribe, P.Eng, are currently in China developing a program to facilitate the mining of 100 - 200 tpd from the Golden Rose shaft, and to continue the development of mineral up and down dip from the shaft. GOR expects to disclose the plans of operation once they are finalized.

**Resource Estimate:** The Rushan Joint Venture project has a 43-101 compliant indicated resource estimate of 2.66 million tonnes at 2.03 g/t containing 0.17 million oz of gold. The NPV of the project was calculated to be \$6.77 million at a gold price of US\$800/oz, and US\$12.73 million at \$900/oz.

**Ludi Joint Venture**

GOR plans to commence diamond drilling on the Ludi joint venture later this year. GOR has to spend \$1.4 million over 4 years to earn a 64% interest in the Joint Venture. Eight exploration licenses have been granted for this area, which are immediately to the south and west of the company's existing exploration licenses along the Daye Mineral zone. The 3rd Brigade, the company's joint venture partner, has drilled and returned 4.24 g/t gold over 9 meters from a drill hole positioned approximately 200 meters to the south of GOR's existing drilling.

**Gold Rush and Gold Chain Claims, Arizona**

GOR is planning to initiate a study to apply for permits for drilling on the Gold Rush and Gold Chain properties located in Arizona.

**Gold Rush Property** - The 100% owned Gold Rush property consists of 18 mining claims, and is located in Mojave County, 25 miles west-northwest of Kingman, Arizona. The property has a historical resource estimate of over 40,000 oz of gold (1.3 million tons grading 0.032 opt gold) delineated by Western States (the previous operator).

**Gold Rush Claims** – These claims have been mapped, sampled and drilled by several operators from 1986 to 1990. Former lease-holder, Anaconda, postulated a historical resource of 48,000 oz (3.2 million tons of 0.482 gpt Au/ 0.015 opt Au).

**Flap Gold Property, British Columbia**

Although previous drilling and trenching by Rea Gold Corp. returned up to 76.73 gpt Au over 1 meter from diamond drilling, and 17.8 - 25.6 gpt in chip samples from the surface, GOR feels that the drill program was negatively biased due to the nugget effect in the mineralization. Subsequent surface trenching by the GOR/MOR Joint Venture returned up to 3.10 g/t over 6 meters. The joint venture believes that larger diameter RC drill holes will better define the distribution of gold in the system and may partially reduce the nugget effect in the mineralization. GOR has plans for about 6 - 10 RC drill holes on the property.

**Initial  
Resource  
Estimate on the  
Empress Mo  
Property**

In January 2009, GOR and MOR announced the completion of an initial resource estimate (calculated by N. Tribe & Associates Ltd.) for the Empress deposit near Summerland BC. The resource estimate was based on the 2007, and spring 2008 programs, which included 19 holes drilled totaling 3,493 meters drilled in the central portion of a 730 x 360 m area of mineralization. The resource estimates at 0.02% Mo and 0.05% Mo cut-off grades are shown below.

<b>Cut-off Grade</b>	<b>0.02% Mo</b>	<b>0.05% Mo</b>
<b>Indicated</b>		
Tonnage	3,996,155	1,703,000
Grade	0.061%	0.095%
Contained Mo (lbs)	5,330,058	3,559,240
<b>Inferred</b>		
Tonnage	3,498,000	1,657,498
Grade	0.062%	0.095%
Contained Mo (lbs)	4,773,586	3,460,487
Mo Price	US\$22/lb	US\$10/lb
Recovery	85%	85%

Based on a cut-off grade of 0.02% Mo, N.Tribe calculated an indicated resource of 5.33 million lbs, and an inferred resource of 4.77 million lbs. No value was assigned to copper or gold

The deposit, which is open to the northeast, southeast and at depth, consists of widespread, molybdenum bearing sulphide mineralization hosted in Middle Jurassic quartz monzonite porphyry associated with the Osprey Lake Batholith. N.Tribe has recommended a drilling program to expand the limits of the known mineralization.

The company has put this project on hold at this time, and intends to resume work once molybdenum prices pick up.

**Financials**

At the end of Q2-2009 (end of January 2009), the company had \$3.21 million in cash. Working capital at the end of Q2 was \$2.64 million. In the first six months of FY2009, GOR reported a net loss of \$0.83 million (EPS: \$0.02). We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.37 million per month in the first six months of FY2009, compared to \$0.38 million per month in FY2008 (12-month period). The following table shows the cash and liquidity position at the end of Q2-2009.

<b>C\$</b>	<b>2007</b>	<b>2008</b>	<b>2009 (6 mo)</b>
Current Ratio	15.24	3.89	4.13
Working Capital (in \$)	9,423,916	4,468,388	2,638,687
LT Debt / Assets	-	0.48%	0.00%
Monthly Burn Rate incl. CFI (in \$)	(266,276)	(378,590)	(370,327)
Cash from Financing (in \$)	11,737,327	129,400	(79,027)

**Stock Options and Warrants:** At the end of January 2009, the company had 3.70 million stock options (weighted average exercise price - \$0.45; maturity dates between February 2010 and January 2012) and 8.80 million warrants (exercise price - \$0.75; maturity date – May 2009) outstanding. None of the options and warrants are currently ‘in-the-money’.

**Conclusion:** We believe the company is in a sound cash position, and believe that current cash will be sufficient to fund exploration and working capital for 2009.

### **Valuation**

Our revised valuation on the company dropped slightly from \$0.20 to \$0.19 per share. A summary of our valuation is shown below.

<b>Valuation Summary</b>	<b>Value</b>	<b>VPS</b>
Rushan Joint Venture	\$6,315,810	\$0.11
Arizona Properties	\$1,320,000	\$0.02
Empress Mo Property	\$232,943	\$0.00
Book value of Other Properties	\$1,384,441	\$0.02
Working Capital - Debt	\$2,209,660	\$0.04
<b>Net Fair Value</b>	<b>\$11,462,853</b>	<b>\$0.19</b>

**Rushan Joint Venture** – Our revised valuation was maintained at \$0.11 per share as we did not make any major changes in our inputs and assumptions.

**Arizona Properties** – Our valuation of \$0.02 per share (versus \$0.01 per share in our previous report) was based on 0.044 million oz of Au (50% of the total historic resource estimates on the properties) using a valuation metric of \$30/oz (which we believe is the average valuation for early stage Au projects at this time).

**Empress Mo Property** – Our valuation of \$0.23 million (\$0.004 per share) was based on 7.7 million lbs of Mo (we took 100% of indicated, but only 50% of inferred resources for conservatism) using a valuation metric of \$0.03/lb (which we believe is the average valuation for early stage Mo projects at this time).

Adding the book value of the company’s other projects and current working capital to our valuation on the above-mentioned projects, we arrived at a fair value of \$0.19 per share.

### **Conclusion & Rating**

**Based on our revised valuation models and review of the projects since our previous report, we reiterate our BUY rating and maintain our fair value at \$0.20 per share.**

**Risks**

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The company will have to continue to rely on equity or debt financing to carry out its exploration and development activities. The company's ability to raise cash will depend on its share price, and a depressed share price will limit Goldrea's ability to finance future initiatives without significantly diluting the interest of existing shareholders.
- A long-term drop in the price of gold will have a negative effect on the share price of the company.
- The success of drilling, project development and resource expansion are important long-term success factors for the company.

**We continue to rate the shares Risk 5 (Highly Speculative).**

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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