Golden Reign RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Golden Reign Resources Ltd.

We have audited the accompanying consolidated financial statements of Golden Reign Resources Ltd. which comprise the consolidated balance sheets as at April 30, 2011 and 2010 and the consolidated statements of loss, comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Golden Reign Resources Ltd. as at April 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

August 25, 2011

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GOLDEN REIGN RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT APRIL 30

	2011	2010
ASSETS		
Current		
Cash	$ 7,167,471	$ 437,900
Receivables	48,452	10,137
Prepaid expenses	5,826	5,350
	7,221,749	453,387
Equipment (Note 3)	153,178	30,833
Exploration advances (Note 4)	97,820	-
Mineral properties (Note 4)	2,884,653	985,774
	$ 10,357,400	$ 1,469,994
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 145,911	$ 60,069
Future income tax liability (Note 10)	62,000	-
	207,911	60,069
Shareholders' equity		
Share capital (Note 5)	14,120,827	5,116,055
Contributed surplus (Note 5)	2,250,851	1,211,943
Deficit	(6,222,189)	(4,918,073)
	10,149,489	1,409,925
	$ 10,357,400	$ 1,469,994

Nature of operations (Note 1)
Commitments (Note 7)
Subsequent events (Note 12)

On behalf of the Board:

"Kim Evans" Director — ***"Bryce Porter"*** Director

Kim Evans — Bryce Porter

The accompanying notes are an integral part of these consolidated financial statements.

GOLDEN REIGN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED APRIL 30

	2011	2010
EXPENSES		
Amortization	$ 14,700	$ 6,253
Consulting	-	9,000
Management fees	86,000	78,000
Office and miscellaneous	61,830	45,125
Professional fees	55,408	21,953
Property investigation	-	2,497
Regulatory and listing fees	29,210	23,584
Stock-based compensation (Note 5)	840,033	58,000
Travel and promotion	64,458	15,945
Wages and benefits	100,608	81,785
	(1,252,247)	(342,142)
OTHER ITEMS		
Interest income	10,131	2,352
Loss before income tax	(1,242,116)	(339,790)
Future income tax expense (Note 10)	(62,000)	-
Loss and comprehensive loss for the year	(1,304,116)	(339,790)
Deficit, beginning of year	(4,918,073)	(4,578,283)
Deficit, end of year	$ (6,222,189)	$ (4,918,073)
Basic and diluted loss per common share	$ (0.03)	$ (0.01)
Weighted average number of basic and diluted common shares outstanding	39,668,424	26,672,250

The accompanying notes are an integral part of these consolidated financial statements.

GOLDEN REIGN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,304,116)	$ (339,790)
Items not affecting cash:		
Amortization	14,700	6,253
Stock-based compensation	840,033	58,000
Future income tax expense	62,000	-
Changes in non-cash working capital items		
Increase in receivables	(38,315)	(1,880)
Increase in prepaid expenses	(476)	(2,445)
Increase in accounts payable and accrued liabilities	57,453	2,640
Cash flows used in operating activities	(368,721)	(277,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(137,045)	(27,047)
Expenditures on mineral properties	(1,492,590)	(791,905)
Exploration advances	(97,820)	-
Cash flows used in investing activities	(1,727,455)	(818,952)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	9,135,270	375,000
Share issue costs	(309,523)	(23,000)
Cash flows provided by financing activities	8,825,747	352,000
Increase (decrease) in cash during the year	6,729,571	(744,174)
Cash, beginning of year	437,900	1,182,074
Cash, end of year	$ 7,167,471	$ 437,900
SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS		
Issuance of 1,000,000 common shares for mineral properties (Note 4)	$ 150,000	$ 140,000
Stock-based compensation included in deferred exploration costs (Note 5)	$ 227,900	$ 29,600
Deferred exploration costs included in accounts payable	$ 52,658	$ 24,269
Fair value of options exercised allocated to share capital	$ 167,835	$ -
Fair value of warrants issued as finders' fees	$ 138,810	$ -
Cash paid during the year for:		
Interest	$ -	$ -
Income taxes	-	-

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Golden Reign Resources Ltd. (the "Company") was incorporated on April 1, 2004 under the laws of the Yukon Territory and continued into British Columbia under the *British Columbia Corporations Act*. Its principal business activity is the acquisition and exploration of mineral properties.

The Company's primary mineral property is the San Albino-Murra Mining Concession, located in Nicaragua, which is in the exploration stage. Recovery of the carrying value of the investment in mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP") which assume that the Company will continue in operation for the foreseeable future and be able to discharge its liabilities and commitments in the normal course of operations.

Management estimates it will have sufficient working capital to conduct its planned operations for fiscal 2012. In future, the Company may to raise additional financing through the issuance of share capital, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, or the impact on the statement of operations and balance sheet classifications that would be necessary were the going concern assumption not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared according to Canadian GAAP as issued by the Canadian Institute of Chartered Accountants ("CICA"). All financial figures are presented in Canadian dollars unless otherwise stated.

Principles of Consolidation

The consolidated financial statements at April 30, 2011 include the accounts of the Company and its subsidiary Gold Belt, S.A., incorporated in Nicaragua from the date of formation. All intercompany accounts, transactions and balances have been eliminated on consolidation.

Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant estimates include stock-based compensation, useful lives of equipment, asset retirement obligations, carrying values of mineral properties and future income taxes. Actual results could differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production. The amounts shown for mineral properties represent costs incurred to date and are not intended to reflect present or future values.

Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in material future write-downs of capitalized property carrying values.

Equipment

Equipment is recorded at cost and is amortized over the estimated useful life at the following rates:

Computer equipment	30% per annum, declining balance
Equipment and furniture	20% per annum, declining balance
Vehicles	30% per annum, declining balance

Foreign currency translation and transactions

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses denominated in a foreign currency are translated at rates approximating those on the transaction date. Foreign exchange gains and losses are included in loss for the year.

Stock-based compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options at the date of the grant is accrued and charged to operations or capitalized to mineral properties, with the offsetting credit to contributed surplus. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date when the equity instruments are granted if they are fully vested and non-forfeitable.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years provided, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not currently have any asset retirement obligations.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

Future income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Mineral properties in the exploration stage do not have established mineral reserves and a basis for the preparation of a projection of the estimated future net cash flow from the properties does not exist.

However, a mining enterprise is required to consider the conditions for impairment write-down. The conditions include significant unfavourable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, capitalized costs are written down to the estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading, financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Company designates its cash as held-for-trading, which is measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Company had no other comprehensive income or loss transactions during the years presented and no opening or closing balances for accumulated other comprehensive income or loss.

The Company provides disclosure to enable users to evaluate the significance of financial instruments on the Company's financial position and performance, the nature and extent of risks arising from financial instruments the Company is exposed to during the reporting period and as at the balance sheet date, and how the Company is managing those risks.

The Company classifies its fair value measurements within a fair value hierarchy. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Accounting Policy Developments

i) Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of the Company will be May 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011.

ii) CICA Handbook Section 1582 *Business Combinations*, 1601 *Consolidated Financial Statements* and 1602 *Non-controlling interests* will replace the former Sections 1581 *Business Combinations*, 1600 *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 is effective for business combinations for which the acquisition date is on or after January 1, 2011 and Sections 1601 and 1602 apply to consolidated financial statements relating to years beginning on or after January 1, 2011.

3. EQUIPMENT

	April 30, 2011			April 30, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 16,629	$ 13,342	$ 3,287	$ 16,629	$ 11,934	$ 4,695
Equipment and furniture	111,135	12,330	98,805	16,521	8,131	8,390
Vehicles	63,311	12,225	51,086	20,880	3,132	17,748
	$ 191,075	$ 37,897	$ 153,178	$ 54,030	$ 23,197	$ 30,833

4. MINERAL PROPERTIES

San Albino-Murra Property, Nicaragua

On June 29, 2009, the Company entered into an option agreement (the "Agreement"), to acquire an 80% interest in the San Albino-Murra Mining Concession (the "Property") located in Nicaragua by:

a) making cash payments to the optionor as follows:
   - (i) US$30,000 (paid) on signing of the Agreement;
   - (ii) US$100,000 (paid), of which US$50,000 was paid upon delivery of an acceptable legal title opinion to the Property and receipt by the Company of conditional acceptance of the Agreement by the TSX-V (received) and the remaining US$50,000 was paid upon receipt by the Company of final acceptance of the Agreement by the TSX-V (the "Approval Date"), which was received on September 30, 2009;
   - (iii) US$40,000 on each six month anniversary of the signing of the Agreement, for the duration of the option earn-in period (paid US$200,000)(Note 12(b)).

b) incurring aggregate exploration expenditures of US$5,000,000 on the Property, as follows:
   - (i) US$200,000 (incurred) on or before the first anniversary of September 30, 2010;
   - (ii) US$1,000,000 (incurred) on or before the second anniversary of September 30, 2011;
   - (iii) US$1,800,000 on or before the third anniversary of September 30, 2012; and
   - (iv) US$2,000,000 on or before the fourth anniversary of September 30, 2013.

c) issuing a total of 4,000,000 common shares of the Company, as follows:
   - (i) 1,000,000 common shares (issued at a value of $140,000) within five business days of the Approval Date; and
   - (ii) 1,000,000 common shares to be issued on each of the first (issued at a value of $150,000), second (Note 12(b)) and third anniversary dates of the Agreement.

Upon the Company earning its 80% interest, a participating joint-venture agreement will be entered into, unless the optionor elects to convert its 20% working interest to a 3% Net Smelter Royalty ("NSR") and cause the transfer of its working interest to the Company. In which case, the Company has the right to purchase 50% of the NSR, or 1.5%, for an amount of US$1,850,000, and, further, will have the right of first refusal to purchase the remaining 1.5% NSR should it be offered for sale at any time.

Should a commercial production decision be reached, the Company, at its election, will issue to the optionor additional shares in its capital or cash or a combination thereof, the value of which is to be equivalent to US$3,500,000.

During the fiscal year ended April 30, 2011, the Company paid $97,820 in exploration advances related to the San Albino-Murra Concession.

4. MINERAL PROPERTIES (cont'd…)

		April 30, 2011		April 30, 2010
San Albino-Murra Property, Nicaragua				
Acquisition costs				
Balance, beginning of year	$	349,596	$	-
Option payments		251,426		349,596
		601,022		349,596
Deferred Exploration Costs				
Balance, beginning of year	$	636,178	$	-
Assaying		177,499		60,990
Drilling		167,793		-
Field office		29,358		6,461
Geological consulting		336,671		239,206
Professional fees		111,327		27,522
Project expenses		480,256		149,240
Reports		10,046		11,874
Surface fees		70,731		52,419
Stock-based compensation		227,900		29,600
Translation		1,190		6,658
Travel		34,682		52,208
		2,283,631		636,178
San Albino-Murra Property – Balance, end of year	$	2,884,653	$	985,774

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares		Share Amount		Contributed Surplus
Authorized:					
Unlimited number of common shares, without par value					
Issued:					
Balance at April 30, 2009	25,939,716	$	4,624,055	$	1,124,343
Private placements	1,875,000		375,000		-
Mineral property	1,000,000		140,000		-
Share issue costs	-		(23,000)		-
Stock-based compensation	-		-		87,600
Balance at April 30, 2010	28,814,716		5,116,055		1,211,943
Private placements	23,314,757		8,975,751		-
Stock option exercises	535,000		276,585		(167,835)
Warrant exercises	183,075		50,769		-
Mineral property	1,000,000		150,000		-
Share issue costs	-		(448,333)		138,810
Stock-based compensation	-		-		1,067,933
Balance at April 30, 2011	53,847,548	$	14,120,827	$	2,250,851

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

Private placements

In April 2010, the Company completed the first tranche of a non-brokered private placement issuing 1,875,000 units at a price of $0.20 per unit for gross proceeds of $375,000. Each unit was comprised of one common share and one-half of one share purchase warrant, each full warrant entitling the holder thereof to purchase one additional common share at a price of $0.25 for a period of two years. Finder' fees of $23,000 were paid in cash.

In June 2010, the Company completed the second and final tranche of a non-brokered private placement, issuing 4,463,560 units at a price of $0.20 per unit for gross proceeds of $892,712. Each unit was comprised of one common share and one-half of one share purchase warrant, each full warrant entitling the holder thereof to purchase one additional common share at a price of $0.25 for a period of two years. Finders' fees of $23,000 cash and 125,000 warrants exercisable into 125,000 common shares at a price of $0.25 per share for a period of two years were paid in connection with this tranche of the private placement. The share purchase warrants were valued at $11,119 and credited to contributed surplus. Fair value was determined using the Black-Scholes valuation model, based on a risk free interest rate of 1.82%, an expected life of two years, an expected volatility of 117.90% and a dividend yield rate of nil. Including the first tranche that closed on April 1, 2010, the Company raised gross proceeds of $1,267,712.

In October 2010, the Company completed a non-brokered private placement issuing 2,000,000 units at a price of $0.25 per unit for gross proceeds of $500,000. Each unit was comprised of one common share and one share purchase warrant, each warrant entitling the holder thereof to purchase one additional common share at a price of $0.35 for a period of two years, subject to an acceleration clause should the trading price of the Company's shares for 20 consecutive trading days exceed $0.70 per share during the exercise period, then the expiry time of the warrants shall be 30 calendar days from the date that written notice is provided by the Company to the warrant holders.

In January 2011, the Company completed a non-brokered private placement issuing 16,851,197 units at a price of $0.45 per unit for gross proceeds of $7,583,039. Each unit was comprised of one common share and one share purchase warrant, each warrant entitling the holder thereof to purchase one additional common share at a price of $0.75 for a period of two years. Finders' fees of $250,893 cash and 494,020 warrants exercisable into 494,020 common shares at a price of $0.75 per share for a period of two years were paid in connection with the private placement. The share purchase warrants were valued at $127,691 and credited to contributed surplus. Fair value was determined using the Black-Scholes valuation model, based on a risk free interest rate of 1.76%, an expected life of two years, an expected volatility of 90.92% and a dividend yield rate of nil.

Warrants

A summary of the share purchase warrants outstanding at April 30, 2011 and 2010 and the changes for those years is presented below:

	Warrants Outstanding	Weighted Average Exercise Price
Balance April 30, 2009	-	$ -
Issued	937,500	0.25
Balance, April 30, 2010	937,500	0.25
Issued	21,701,997	0.66
Exercised	(183,075)	0.28
Balance, April 30, 2011	22,456,422	$ 0.64

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

Warrants (cont'd…)

At April 30, 2011 and 2010, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	2011	2010
April 8, 2012	$0.25	912,500	937,500
June 9, 2012	$0.25	2,248,705	-
September 29, 2012	$0.35	1,950,000	-
January 18, 2013	$0.75	17,345,217	-
		22,456,422	937,500

Stock options

The Company has a stock option plan, under which the Board of Directors is authorized to grant options to employees, consultants, officers and directors enabling them to acquire up to 10% of the issued and outstanding share capital of the Company. The exercise price of each option is based on the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve month period, with no more than ¼ vesting during any three month period. Vesting provisions for other options are determined by the Company's Board of Directors.

The following options were outstanding and exercisable as at April 30, 2011 and April 30, 2010:

	April 30, 2011			April 30, 2010		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Opening balance	2,250,000	$	0.20	1,675,000	$	0.40
Granted	3,215,000		0.46	575,000		0.20
Exercised	(535,000)		(0.20)	-		-
Re-priced	-		-	(1,675,000)		(0.40)
Re-priced	-		-	1,675,000		0.20
Expired/Cancelled	(100,000)		(0.20)	-		-
Ending balance	4,830,000	$	0.37	2,250,000	$	0.20
Options exercisable	4,678,750	$	0.36	2,250,000	$	0.20

During the year ended April 30, 2010, the Company repriced 1,675,000 outstanding stock options to the exercise price of $0.20 per share, resulting in additional stock-based compensation of $39,000 which was expensed to operations.

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

Stock options (cont'd…)

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
$ 0.20	November 27, 2011	1,125,000	1,125,000	0.58 years
0.20	January 11, 2012	50,000	50,000	0.70 years
0.85	March 28, 2012	165,000	13,750	0.91 years
0.20	November 9, 2014	475,000	475,000	3.53 years
0.25	September 20, 2015	965,000	965,000	4.39 years
0.41	October 15, 2015	400,000	400,000	4.46 years
0.50	October 15, 2015	150,000	150,000	4.46 years
0.56	February 7, 2016	1,500,000	1,500,000	4.78 years
$ 0.37		4,830,000	4,678,750	3.39 years

Stock-based compensation

During fiscal 2010, the Company recognized stock-based compensation totaling $48,600, of which $29,600 was capitalized as mineral property expenditures and $19,000 was expensed as stock-based compensation in operations, with a corresponding increase in contributed surplus.

During fiscal 2011, the Company recorded stock-based compensation totaling $1,067,933 of which $227,900 was capitalized as mineral property expenditures and $840,033 was expensed as stock-based compensation in operations, with a corresponding increase in contributed surplus.

The fair value of stock options was estimated on the measurement date using the Black-Scholes option-pricing model and is amortized over the vesting period of the underlying options. The assumptions used to calculate the fair value were as follows:

	2011	**2010**
Risk-free interest rate	**2.36%**	**1.59%**
Expected life of options	**5 years**	**3 years**
Expected volatility	**114.87%**	**133.06%**
Weighted average fair value per option	**$0.35**	**$0.12**
Dividend yield	**Nil**	**Nil**

6. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2011, the Company paid or accrued:

a) management fees of $86,000 (2010 - $78,000) to a director and officer of the Company; and
b) consulting fees of $62,000 (2010 - $54,000) to an officer of the Company for the provision of geological consulting services, of which $62,000 (2010 - $45,000) was capitalized to mineral properties.

Included in accounts payable and accrued liabilities is a total of $8,352 (2010 - $1,109) due to related parties for expenses. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. COMMITMENTS

As at April 30, 2011, the Company was committed to the following:

a) a management agreement with a director and officer of the Company to pay $8,500 per month for management fees. In the event the Company terminates the agreement without cause, the Company is obligated to pay severance equal to two year's salary;
b) a consulting agreement with an officer of the Company to pay $6,500 per month for consulting fees. In the event the Company terminates the agreement without cause, the Company is obligated to pay severance equal to two year's salary; and
c) an operating lease agreement for office premises expiring on December 31, 2014. The minimum lease payments per fiscal year are:

2012	$	53,724
2013	$	53,724
2014	$	53,724
2015	$	35,816

8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

i) to safeguard its ability to continue as a going concern;
ii) continue the development and exploration of its mineral properties; and
iii) maintain a capital structure which optimizes the cost of capital at acceptable risk.

The management of capital includes cash and shareholders' equity comprised of share capital, contributed surplus and deficit. As at April 30, 2011, the Company had no bank indebtedness and no capital requirements.

The Company is involved in mineral exploration which is a high risk activity. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

Management reviews its capital management approach on an ongoing basis and believes this approach, given the relative size of the Company, is reasonable.

9. FINANCIAL INSTRUMENTS

Fair value

The Company's financial assets and liabilities consist of cash, receivables and accounts payable and accrued liabilities. The estimated fair values of receivables and accounts payable and accrued liabilities approximate their respective carrying values due to the short period to maturity.

Cash is valued using Level 1 inputs.

Financial risk factors:

Credit and Interest rate risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has significant cash balances but no interest-bearing debt. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and other receivables. The Company's current policy is to invest excess cash in variable interest investment-grade demand deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk to be remote. Receivables are due from a government agency.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short term obligations. The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met through a combination of cash flows from operations, dispositions of assets and accessing financing through private placements. The exposure of the Company to liquidity risk is considered to be minimal.

Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of commodities for which it is exploring. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Foreign currency risk

The Company's functional currency is Canadian dollars. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates. A reduction in the value of the Nicaraguan Cordoba ("NIO") relative to the Canadian dollar would have a favourable impact on funding required for exploration, subject to any resulting inflationary impacts; while an increase in that value would have an unfavourable impact. The Company has not hedged its exposure to currency fluctuations.

Political Uncertainty

In conducting operations in Nicaragua, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Nicaragua, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2011	2010
Loss for the year before income tax	$ (1,242,116)	$ (339,790)
Expected income tax recovery	$ (346,000)	$ (100,000)
Non-deductible (deductible) items	238,000	(197,000)
Share issue costs	(51,000)	-
Unrecognized benefit of non-capital losses carried forward	97,000	297,000
Total income tax recovery (expense)	$ (62,000)	$ -

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

	2011	2010
Future income tax assets		
Equipment	$ 6,000	$ 6,000
Share issuance costs	65,000	34,000
Mineral properties	295,000	17,000
Non-capital losses available for future periods	674,000	714,000
	1,040,000	771,000
Future income tax liability		
Mineral properties – foreign jurisdiction	(62,000)	-
Valuation allowance	(1,040,000)	(771,000)
Net future income tax assets (liabilities)	$ (62,000)	$ -

The Company has approximately $2,695,000 of Canadian non-capital losses which may be applied to reduce taxable income in future years, and which if not utilized, will expire through to 2031. Additionally, the Company has available $1,240,000 of capital losses. Future tax benefits which may arise as a result of future income tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

11. SEGMENTED INFORMATION

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company’s identifiable capital assets are located primarily in Canada and Nicaragua. Geographic information is as follows:

	April 30, 2011	April 30, 2010
Capital assets		
Nicaragua	$ 3,031,759	$ 1,008,431
Canada	6,072	8,176
	$ 3,037,831	$ 1,016,607

12. SUBSEQUENT EVENTS

Subsequent to April 30, 2011, the Company:

a) issued 1,914,220 common shares for gross proceeds of $1,337,665 upon the exercise of 140,000 stock options and 1,774,220 share purchase warrants; and

b) paid cash of $39,796 (US$40,000) and issued 1,000,000 common shares pursuant to the San Albino-Murra Property agreement (Note 4).

MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended April 30, 2011

This Management Discussion and Analysis ("MD&A") of Golden Reign Resources Ltd. (the "Company" or "Golden Reign") provides analysis of the Company's financial results for the three months (Q4 2011) and year ended April 30, 2011. The following information should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto for the year ended April 30, 2011, which are available on SEDAR at www.sedar.com. This MD&A is current as at August 25, 2011.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles and presented in Canadian dollars unless otherwise indicated.

Forward-Looking Statements
Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements.

BUSINESS OVERVIEW

Highlights

Golden Reign was incorporated on April 1, 2004 under the laws of the Yukon Territory and continued into British Columbia under the *British Columbia Corporations Act*. Common shares of the Company are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "GRR". On June 29, 2009, the Company announced the signing of an option agreement to acquire an 80% interest in the San Albino-Murra Mining Concession (the "Property") located in Nicaragua.

- The Company has determined that a structural corridor approximately 3 kilometres wide by 15 kilometres long stretches from the southern to the north-eastern boundaries of the Property
- Drill programs at the San Albino Mine area first commenced in the fall of 2009, have established a series of at least 4 parallel, mineralized veins comprising the Arras/San Lorenzo vein, San Albino vein and two intermediate veins. The Arras/San Lorenzo vein has been traced along a strike length of 900 metres, while work to establish a 600 metre strike length at the San Albino vein is in process. The mineralized zones remain open along strike in both directions and at depth.
- The 2011 diamond drilling program of approximately 10,000 metres of definition drilling is currently underway, with the intent of obtaining sufficient data to calculate a NI 43-101 compliant mineral resource at the San Albino Mine area
- A major trenching program to the south of San Albino/Arras has led to new discoveries including highly mineralized zones bearing quartz veins ranging from 1 to 8 metres in true thickness, and has outlined excellent targets for drill testing
- High-grade early exploration samples have been reported at other Southern District prospects and at Mina Estrella in the Northern (Murra) District
- The Company is well funded, with approximately $7M in cash. To date in fiscal 2012(?), proceeds of $1,337,665 have been received from the exercise of 140,000 stock options and 1,774,220 warrant shares.

The 8,700 hectare Property, held by a private Nicaraguan company under a 25 year mining license expiring February 3, 2027, has a long history of exploration and mining. There are several old mines and workings within the property boundaries. The San Albino mine, a historical small-scale gold producer commenced production in the early 1920's and operated on and off until approximately 1940, reportedly producing 10 tons per day of 1 oz/t gold material.

Under the terms of the agreement, the Company is required to make aggregate cash payments of US$450,000, incur aggregate exploration expenditures of US$5,000,000 on the property and issue a total of 4,000,000 common shares from its treasury over a period of 4 years to earn an 80% interest in the property. To date, the Company has made cash payments of US$330,000, issued a total of 3,000,000 common shares to the vendor.

Upon the Company earning its 80% interest, a participating joint-venture agreement will be entered into, unless the optionor elects to convert its 20% working interest to a 3% Net Smelter Royalty (“NSR”). In which case, the Company has the right to purchase 50% of the NSR, or 1.5%, for an amount of US$1,850,000, and, further, will have the right of first refusal to purchase the remaining 1.5% NSR should it be offered for sale at any time.

San Albino-Murra Property, Nicaragua

The San Albino-Murra Property meets the key criteria identified by management for prospective projects:

- it is a more advanced exploration project, with historical workings and production;
- it is located in a politically stable environment;
- existing infrastructure includes access roads, water, power and readily available timber;
- it has an all-year exploration/development season;
- the acquisition cost, including share dilution, is reasonable; and
- a quality partnership with the vendor is being developed.

Although it boasts a long history of gold production, Nicaragua is under-explored - particularly when compared to other Latin American countries such as Brazil, Peru and Chile. A democratic republic since 1996, Nicaragua has a modern mining law, fair tax regime and strong foreign investment law. Bordered by Honduras to the north and Costa Rica to the south, it is easily accessible and has skilled, available labour.

Current operations

Since the commencement of its first phase field program in October 2009, Golden Reign has focused its efforts on the Southern (San Albino) District, which covers approximately 24 square kilometres of the 87 square kilometre property. The San Albino Mine area, covering 2 square kilometres, is the most advanced prospect and the Company’s primary target.

The San Albino Mine area has an excellent potential to host a significant gold deposit. It hosts at least two highly mineralized zones – San Albino and Arras/San Lorenzo – which are situated roughly 450 metres apart. The Arras/San Lorenzo vein has been traced along a strike length of 900 metres. In 2010, the San Albino zone was extended from roughly 70 metres to 300 metres in strike length by the initial drill program. Further, drilling led to the discovery of three new mineralized zones, which has greatly expanded the size potential of such a deposit. The 2011 drill program currently in progress is working to establish a 600 metre strike length on the San Albino zone. All gold zones remain open along strike and at depth.

Similarly, the Northern and Central District, along with the remainder of the Southern District, have shown great potential. A tremendous number of historical workings and showings – including mines, mine dumps and adits dating back to the Spanish explorers in the late 1700’s - have been located, sampled and merit additional review.

2011 Program

Golden Reign’s exploration plans for 2011 comprise four main components: (1) drilling (2) trenching (3) re-opening 400 level of San Albino Mine and (4) continued mapping and prospecting.

<u>Drilling</u>

The 2011 Phase 2 diamond drill program will consist of up to 10,000 metres, of definition drilling to further extend the mineralized area, refine the geological model, and obtain sufficient data to calculate a NI 43-101 compliant mineral resource for San Albino/Arras. It is designed as a follow-up to the successful 2010 initial Phase 1 drill campaign.

Presently, six fences of drill holes are designed to test the continuity and extension of the mineralized structures mapped on the surface and intersected by the 2010 drill program. Approximately 40 to 60 holes will be cored to a maximum drill hole depth of 350 metres. The holes will be spaced approximately 50 metres apart, and drilled at angles in the ranges of 45°-55° and 70°- 90°. The Company has budgeted approximately $4,000,000 for the program.

Trenching

A major trenching program in the San Pablo and Las Conchitas areas of the Southern District, situated roughly 1.5 and 2.5 kilometres, respectively, south of the San Albino Mine area, was completed in late Spring 2011. Systematic trenching was conducted across highly mineralized zones identified during the Company's 2010 exploration program. The trenches were designed to expose near-surface mineralized quartz veins, confirm the direction, size and continuity of the mineralized structures and delineate additional targets for the 2011 diamond drill program.

Mineralization in the San Pablo area, situated in the central part of the southern district, is predominantly controlled by 60 degree trending structures, producing quartz veins up to 8 metres true thickness. Sheeted veins containing native gold, arsenopyrite, pyrite, galena and scorodite form large mineralized stockwork zones of roughly 50 x 50 metres. These stockwork zones are situated where the veins are intersected by 310 degree structures. Thus far, trenching has exposed several veins, one of which ranges from 5 to 8 metres in width. The veins have been traced for over 700 metres of strike length and remain open in both directions. Visible gold was observed in each of the trenches. Highlights from trenching include:

- Trench 2: 8.5 metres averaging 8.94 g/t gold, including 4.5 metres of 15.26 g/t gold
- Trench 4: 16.0 metres averaging 6.25 g/t gold, including 9.0 metres of 6.51 g/t gold and 3.0 metres of 13.14 g/t gold
- Trench 5: 3.0 metres averaging 9.19 g/t gold
- Trench 10: 5.3 metres averaging 48.28 g/t gold and 20.98 g/t silver, including 2.0 metres of 118.91 g/t gold and 40.20 g/t silver

The Las Conchitas area also hosts sheeted quartz veins containing native gold, arsenopyrite, pyrite, and galena. One grab sample of vein material returned an assay of 121.0 g/t gold. Similar to San Pablo and the San Albino Mine area, mineralization is controlled by regional trending structures, or shear zones.

In early 2011, a total of five trenches were completed at Mina Estrella to test the extension and continuity of gold bearing quartz veins sampled in the old adit. Trenching exposed two steeply dipping veins ranging from 2 to 5 metres in width, which extend over a mapped length of at least 100 metres. Individual veins have been traced by prospecting for over 200 metres. Quartz veins, up to 5 metres wide, were exposed in each trench. They are mineralized by pyrite, galena and contain visible gold. Sampling of the trench floors returned two metres averaging 10.72 g/t gold in Trench #2. The best trenching results came from sampling along the vein in Trench #3, which returned excellent results at depth in the vein and produced an intersection of 7.0 metres of 15.89 g/t Au, including 2.0 metres of 46.49 g/t Au and 1.0 metre of 72.15 g/t Au (see news release dated March 24, 2011).

400 Level of San Albino Mine

The 400 level portal to the historic San Albino Mine has been reopened and the drift is being cleared and re-timbered in faulted areas. Historic, systematic sampling in 1919 and 1935 returned a grade of 0.89 ounces gold per ton (30.7 g/t gold) over a strike of approximately 70 metres and an average vein width of 1.25 metres. The Company plans to re-open and resample the 400 level to obtain a better understanding of geological controls and confirm these historic grades and widths. Additionally, a bulk tonnage sample may be taken for the purpose of metallurgical testing.

Geological mapping and prospecting

Geological mapping and prospecting of the Property is on-going. There was no historical data available for the Central District and limited information for the Northern (Murra) District. Known historical workings, mines and adits located throughout the Property numbered just over 300 prior the Company commencing significant, detailed mapping and sampling in early 2011. The number of historical showings now exceeds 1,000, many of which merit additional examination.

2010 Program

In July 2010, the Company commenced a first phase diamond drill program designed to test grade and continuation of mineralization of the San Albino Mine area at depth and along strike. Drilling was completed in early October 2010. A total of 1,515 metres were cored.

A fence of nine diamond drill holes was drilled at the San Albino zone. All nine diamond drill holes intersected the San Albino vein structure, confirming the uniformity of high-grade near-surface mineralization, both in thickness and grade. As previously reported, several drill holes returned high-grade gold intervals over significant widths:

- SA10-06 averaged 22.40 g/t gold over 3.1 metres.
- SA10-02 averaged 29.32 g/t gold over 2.0 metres
- SA10-03 averaged 10.75 g/t gold over 2.13 metres
- SA10-01 averaged 7.35 g/t gold over 4.0 metres

In addition, drill holes SA10-06 and SA10-04 identified new, parallel mineralized zones below the San Albino zone. SA10-06 intersected a total of four highly mineralized gold zones, ending at 284.38 metres within a graphitic schist package hosting gold mineralization. The San Albino zone was intersected at 48.2 metres. The three new parallel gold zones were intersected at 128.93 metres, 247.50 metres and 268.00 metres depth, respectively.

Results from drill holes SA10-01 through SA10-09 correlate strongly with historical underground sampling of the 200, 300 and 400 levels of the San Albino Mine. Systematic sampling in 1919 and 1935 was conducted to effectively define ore grade and to ensure an economically optimized mill feed during the mining operation.

- On the 200 and 300 levels, sampling returned a grade of 0.70 ounces gold per ton (24 g/t gold) over a strike length of 70 metres and an average vein width of 1.33 metres
- On the 400 level, sampling returned a grade of 0.89 ounces gold per ton (30.7 g/t gold) over a strike length of approximately 70 metres and an average vein width of 1.25 metres

A 3D model of drilling completed at San Albino is available on the Company's website at www.goldenreignresources.com.

The San Albino Gold Zone, which hosts the San Albino Mine, has been extended from 70 metres to 200 metres along strike. Additionally, the zone has been extended to depth by up to 50 metres below Level 400, giving merit to historical projections for the development of new levels, 500 and 600, at San Albino Mine. The San Albino Zone remains open in both directions along strike and at depth. This zone is one of four parallel zones being investigated in the area of the San Albino Mine.

A total of five diamond drill holes were completed at the Arras prospect, located approximately 450 metres southeast of the San Albino Mine. Drill holes AR10-01, AR10-03, AR10-04 and AR10-05 all intersected the Arras zone mineralization, with the best intercepts returning:

- AR10-01 1.15m of 31.15 g/t gold and 83.6 g/t silver
- AR10-03 2.14 metres of 21.43 g/t gold and 47.3 g/t silver

Drilling at Arras has confirmed high-grade, near surface mineralization. The silver to gold ratio is roughly 2:1 at Arras, as compared to the 1:1 silver to gold ratio received from drilling at the San Albino Mine.

A cross-section from San Albino drill hole SA10-06 to the Arras surface showing indicates that the Arras mineralized zone can be traced 450 metres down dip. The Arras zone, which has already been traced for 200 metres along strike, is open in both directions and down dip. The third intersection in drill hole SA10-06, which returned **4.0 metres of 13.67 g/t gold** and **31.41 g/t silver** including **0.8 metres of 42.28 g/t gold** and **123.0 g/t silver**, and the Arras mineralization are not only visually similar but also chemically similar in that the silver to gold ratio is approximately 2:1. A copy of the cross-section is available on the Company's website.

Large, regional shear zones host the mineralized zones and are responsible for continuity of both grade and thickness within the mineralized zones.

Concurrent with the first phase drill program, geological mapping, prospecting and sampling of the northern-most district, the Murra District, of the Property continued. While there is little information available on Murra, the area is also host to a number of historic workings, many dating back to the Spaniards.

One such prospect is Mina Estrella, an old artisanal underground working. This was sampled, returning an average of 62.34 g/t gold over 3.0 metres (see news release dated September 8, 2010). This included 1.0 metre of 54.14 g/t gold, 1.0 metre of 23.41 g/t gold and 1.0 metre of 109.47 g/t gold. High-grade results received from the first phase exploration program were followed up by a second program comprised of continuous channel sampling over the entire width of the adit which returned 10.5 metres of 24.75 g/t gold, including 1.1 metres of 112.09 g/t gold and 0.7 metres of 176.18 g/t gold.

Within the Mina Estrella adit, the main vein is 5.0 metres wide, averaging 26.47 g/t gold. It is one of three exposed quartz veins that intrude into the chlorite schist host rock. These quartz veins, as well as the other quartz veins mapped within the

Murra District are similar in style and chemistry to those at the San Albino Mine in the southern district. Most of the veins consist of drusy, white quartz with manganese and iron oxide. The chlorite schist often contains quartz veinlets, several centimetres wide, which carry significant gold mineralization. Mineralized veins within the Murra District are substantially wider (five metres or more) and steeper dipping (subvertical) than the veins in the southern, San Albino District.

Overview

Although the San Albino-Murra Property is well known and the San Albino Mine has a long mining history, the Property is under-explored. Other than limited trenching and drilling around the Arras Mine in the mid-2000's, there has been no systematic exploration using modern exploration techniques.

The Company started by defining three separate blocks, or districts of the Property: Southern (San Albino) District, Central District and Northern (Murra) District.

The 2009 Phase I exploration program consisted of geological mapping, prospecting and surface channel sampling of mineralized outcrops within the San Albino District. Golden Reign was also able to evaluate several old workings and finalize rehabilitation plans. Priority has been given to old workings where sampling, both historical and more recent, returned the highest values of gold mineralization - San Albino, Arras/San Lorenzo, and San Pablo/Las Conchitas.

The 2010 program similarly focused on the San Albino District. It included geological mapping, prospecting, trenching, and underground and surface channel sampling. The first half of the program consisted of follow-up evaluation of anomalous values received from the 2009 exploration program. Work confirmed the structural controls for gold mineralization; identified extensive old Spanish workings; and samples taken had encouragingly high gold values.

Golden Reign has outlined a structural corridor approximately 3 kilometres wide by 15 kilometres long, which spans the Property, stretching from Las Conchitas in the south to the northeast mining town of Murra. Old workings exist along the corridor. The San Albino Mine flanks the northwestern edge of this structural trend.

Southern District

Based on the work done to date, including reviews of historical data, the San Albino vein is considered a substantial initial target for exploration. It is also postulated that it is one of a series of parallel veins that have penetrated SW-NE trending shear zones. Gold values are found in veins and also in immediately adjacent host rocks.

Broad, north-east trending highly mineralized shear zones, similar to those previously established at the San Albino Mine, have now been confirmed in three additional areas of the Property; thus, greatly expanding the scope of a potential resource. The newly identified shear zones are situated in the following areas:

- San Pablo-Las Conchitas, which lies to the south of the San Albino Mine area
- San Jose, which is situated across the Jicaro River to the east of the San Albino Mine area
- Central District, trending northeast into the Murra District.

Petrographical studies have verified that the mineralization is epithermal in nature, lying within (metavolcanic(?) rocks.

Historic San Albino Mine

The first discovery of gold mineralization within the area, and perhaps within Nicaragua itself, was made by Spaniards in the immediate vicinity of San Albino around 1790. During the 1920's, limited mining activities were conducted before revolutionary activity halted mining and development. After that period, there were attempts to rehabilitate the mine and continue exploration in the area, but no mine production was reported.

Gold mineralization is observed within both quartz veins and the surrounding schists.

Situated 100 metres southwest of the San Albino Mine, is the El Jobo mine, which returned 16.06 g/t gold over 1.4 metres in quartz veins. The Company believes that the mineralization found at San Albino is an extension of that at El Jobo; however, further evaluation is required.

Arras/San Lorenzo
Recent sampling and mapping by Golden Reign has confirmed the continuity of the Arras vein system to include the San Lorenzo vein, for a total length of 900 metres.

Further, sampling results obtained at the old San Lorenzo mine site and surface exposure of the mineralized structure within the Arras and San Lorenzo historical workings justify reopening the mine and performing systematic sampling.

Historical sampling at Arras was validated by the Company's 2009 sampling program, with values of 10.0 to 20.0 g/t gold in quartz veins over 2.0 to 4.0 metres wide and more recently by the 2010 drill program.

At San Lorenzo, quartz veins returned grades ranging from 1.4 to 27.0 g/t gold from grab samples of quartz float.

San Pablo-Las Conchitas area
Further to the south, the San Pablo-Las Conchitas area is less advanced than San Albino Mine area but has returned promising sample results. This area is comprised of two structurally controlled, highly mineralized zones - the San Pablo and Las Conchitas zones - situated approximately 1.5 and 2.5 kilometres south, respectively, of the San Albino Mine. Consistent with the San Albino area, gold and silver mineralization is predominately controlled by 60^{O} trending structures. Mineralization has been traced at surface over a distance of 1.5 kilometres. The majority of the samples taken during the 2010 program were quartz with sulphides. The more significant sampling results ranged from 1.67 to 126.99 g/t Au and 1.70 to 180.80 g/t Ag.

Northern (Murra) District
Underground sampling of schists with quartz stockworks has returned strong gold values, confirming that gold mineralization is not constrained to quartz veins. Highlights from underground sampling are as follows:

- Mina Estrella, adit #5 – 1.8 metre channel sample returned 18.29 g/t Au
- Minas El Soccoro, adit # 4 – 1.5 metre chip channel sample returned 10.16 g/t Au
- Minas El Soccoro, adit # 4 – 1.2 metre chip channel sample returned 8.44 g/t Au
- Minas Gresin – 1.7 metre chip channel sample returned 6.32 g/t Au
- Minas Gresin – 1.6 metre chip channel sample returned 6.39 g/t Au

At Mina Estrella Adit #5, historical artisanal workings did not reach the targeted quartz vein material. However, high grade gold values received from sampling of the host rock indicate that the quartz vein is situated nearby, likely within approximately within a few metres of the adit.

At Minas El Soccoro and Mina Gresin, the majority of the samples carried gold mineralization. Both prospects represent areas of old artisanal underground workings with extensive tunneling, most of which is flooded. Both have large underground galleries constructed within chlorite schists hosting a well developed quartz stockwork. Based upon proximity, the two prospects may be separate approaches to the same deposit. Further work is planned.

Mineral Properties and Deferred Exploration Costs

	Balance April 30, 2010	Additions	Written-Off	Balance April 30, 2011
Mineral property costs	$ 349,596	$ 251,426	$ -	$ 601,022
Deferred exploration costs	636,178	1,647,453	-	2,283,631
	$ 985,774	$ 1,898,879	$ -	$ $2,884,653

For a comprehensive breakdown of mineral property costs and deferred exploration costs by property, please refer to Note 4 to the audited consolidated financial statements for the year ended April 30, 2011.

RESULTS OF OPERATIONS

Selected Annual Information

Fiscal Year	2011	2010	2009
Net Sales	Nil	Nil	Nil
Net and comprehensive Loss	$ 1,304,116	$ 339,790	$ 304,361
Basic and diluted loss per share	$ 0.03	$ 0.01	$ 0.01
Total Assets	$ 10,357,400	$ 1,469,994	$ 1,203,275
Total Long-term liabilities	Nil	Nil	Nil
Cash dividends per share, common	N/A	N/A	N/A

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

The Company's recorded loss for the financial years ended April 30, 2011, 2010, and 2009 is comprised mainly of general and administrative expenses. The reported net loss for 2011, 2010, and 2009 includes write-down of mineral property interests of $Nil, $Nil, and $1, respectively and stock-based compensation expense of $840,033, $58,000, and $Nil, respectively.

Summary of Quarterly Results

Selected financial information for each of the eight most recently completed quarters are as follows:

	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net and comprehensive loss	$ 732,244	$ 100,590	$ 382,624	$ 88,658	$ 115,528	$ 91,557	$ 61,232	$ 71,473
Basic and diluted loss per share	$ 0.02	$ 0.00	$ 0.01	$ 0.00	$ 0.00	$ 0.01	$ 0.00	$ 0.00

Three Months ended April 30, 2011

Golden Reign is in an active growth stage. The overall increase in business activities and operations of the Company resulted in higher general and administrative costs in fiscal 2011. In Q4 2011, however, stock-based compensation expense of $541,533 (2010 - $39,000) recorded in connection with stock option grants, calculated using the Black-Scholes model, comprised just over 80% of expenditures.

During Q4 2011, stock-based compensation of $681,333 (2010 - $87,600) was recorded in relation to the grant of 1,665,000 incentive stock options to directors, officers, employees and consultants of the Company, of which $139,800 (2010 - $29,600) was capitalized as mineral property expenditures and $541,533 (2010 - $58,000) was expensed as stock-based compensation in operations, with a corresponding credit to contributed surplus.

The Company reported a net and comprehensive loss of $732,244 for the three month period ended April 30, 2011 compared to a net and comprehensive loss of $115,528 for the same period in the prior fiscal year. General and administrative expenses for Q4 2011 totalled $678,210 (2010 - $115,712).

Consulting fees paid or accrued during the quarter for geological consulting services provided by an officer of the Company totalled $19,500 (2010 - $13,500), which was capitalized to mineral properties.

Wages and benefits were increased over of the previous year, totalling $33,058 (2010 - $20,449). Management fees were $25,500, increasing by $6,000 over the same period of the prior year.

Office and miscellaneous expenses totalled $12,767 (2010 - $8,614) and included: office rent of $8,876; bank charges of $1,287; courier costs of $135; office expenses of $527; office insurance of $555; and, telecommunication costs of $1,299. During the quarter, the Company realized a foreign exchange loss of $88, as compared to a $4,891 gain in the prior year. Amortization was recorded at $1,220 (2010 - $2,765).

Expenditure on travel and promotion totalled $33,408 (2010 - $4,012) during the period. Costs paid during the quarter include: $2,742 (2010 - $3,145) for advertising; $1,532 (2010 - $560) for website hosting and maintenance, $2,060 (2010 - $Nil) for travel, $1,044 (2010 - $Nil) for trade shows, meals and entertainment of $887 (2010 - $306) and $20,143 (2010 - $Nil) for news wire services. In addition, effective April 2011 the Company entered into a six-month agreement with Senergy Communications Inc. ("Senergy"), whereby Senergy is providing investor relations and communications services at a cost of $5,000 per month.

Legal fees of $677 (2010 - $1,102) were incurred in respect of general corporate matters. Audit related fees and accruals of $19,500 (2010 – $7,500) were recorded during the period.

Regulatory and listing fees for the quarter were $9,847 (2010 - $12,683) and included $6,600 paid as TSX-V annual sustaining fees, $700 for general filing fees and $450 for filings related to the Company's news releases, plus $2,097 paid for transfer agency services rendered.

As the Company is an exploration stage company and does not generate any cash flow, it has no income other than interest income. The Company relies on equity financings for its working capital requirements and to fund its planned exploration activities. Interest income for the three months ended April 30, 2011 was $7,966 (2010 - $187). The increase over the same period of the prior year being attributable to greater funds held on account.

Year ended April 30, 2011

The Company reported a net and comprehensive loss of $1,304,116 for the year ended April 30, 2011, as compared to a net and comprehensive loss of $339,790 for the prior fiscal year. Stock-based compensation expense comprised $840,033, or 68%, of the reported loss. General and administrative expenses for fiscal 2011 totalled $1,252,247 (2010 - $342,142).

The increase in expenditures over the prior year is primarily attributable to stock-based compensation of $1,067,933 (2010 - $87,600), which was computed under the fair value method of accounting for stock options upon the grant and vesting of options granted to directors, officers, employees and consultants. This amount is offset by a credit of the same amount to contributed surplus. Of this amount, $227,900 was capitalized as mineral properties expenditures and the remaining balance of $840,033 was expensed to operations. Future income tax expense of $62,000 (2010 - $Nil) was recorded in respect of the capitalized portion.

Consulting fees paid or accrued during the quarter for geological consulting services provided by an officer of the Company totaled $62,000 (2010 - $45,000), which was capitalized to mineral properties. In fiscal 2010, consulting fees of $9,000 were expensed to operations.

Wages and benefits totaled $100,608 (2010 - $81,785). Management fees were $86,000 (2010 - $78,000). The increase in expenditures is attributable to the ramp-up in activity and corporate operations.

Office and miscellaneous expenses were $61,830 (2010 - $45,125) and included: office rent of $35,577; bank charges of $3,910; courier costs of $956; office expenses of $14,416; office insurance of $2,498; and, telecommunication costs of $5,085. During fiscal 2011, the Company realized a foreign exchange gain of $612, as compared to $81 in the prior year. Amortization was recorded at $14,700 (2010 - $6,253).

Expenditure on travel and promotion totalled $64,458 (2010 - $15,945) during the year. Costs include $3,429 for advertising (2010 - $3,145), $2,682 (2010 - $4,082) for website hosting and maintenance, meals and entertainment of $2,346 (2010 - $341), $4,764 for travel, $3,726 for trade shows and $28,622 (2010 - $1,353) for news wire services. An amount of $5,389 (2010 - $7,023) was incurred with respect to the Company's 2010 Annual General Meeting of Shareholders. An additional amount of $13,500 (2010 - $Nil) was paid to third parties in connection with investor relations and promotional activities provided during the year.

Legal fees of $8,168 (2010 - $2,155) were incurred during fiscal 2011 for general corporate matters. Audit related fees and accruals of $47,240 (2010 - $16,998) were recorded. In fiscal 2010, an amount of $2,800 was paid for the preparation of the Company's annual tax return.

Regulatory and listing fees for the year were $29,210 (2010 - $23,584) and included: $23,401 for statutory filings, including $4,049 paid in relation to the Company's Frankfurt listing, $6,600 paid as TSX-V annual sustaining fees, and various other corporate filing fees; and $5,809 paid for transfer agency services rendered.

In the prior year, the Company paid property investigation costs of $2,497 during the review of potential acquisitions. There were no similar costs incurred during fiscal 2011.

As the Company is an exploration stage company and does not generate any cash flow, it has no income other than interest income. The Company relies on equity financings for its working capital requirements and to fund its planned exploration activities. Interest income for the year ended April 30, 2011 was $10,131 (2010 - $2,352).

Trends

The Company is in a growth pattern, actively exploring with a view to developing its San Albino-Murra Gold property in northern Nicaragua. Since acquiring the option on the property in late June 2009, Golden Reign has completed geological mapping and prospecting work and an initial drill program at the San Albino Mine, the most advanced prospect. In early 2011, the Company undertook a major trenching program. In April 2011, a follow-up diamond drilling program of approximately 10,000 metres was initiated at the San Albino Mine area. Outlays have been increasing and are expected to trend sharply upwards during fiscal 2012, as the Company continues drilling with the intent to define a resource.

The Company's general and administrative expenditures are related to the level of financing and exploration activities that are being conducted, which may in turn depend on the Company's exploration activities and prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. The Company does not acquire properties or conduct exploration work on its properties on a pre-determined basis. Thus, there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

Other than as herein disclosed, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's revenues, income from continuing operations, profitability, liquidity or capital resources, of that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Market Trends

Gold prices have been on an uptrend for more than three years. During 2009, the gold price surged over US$1,000/oz, with an average price of US972/oz. In 2011, the price of gold has reached new heights, briefly exceeding US$1,900/oz prior to settling back at approximately US$1,845/oz. Gold is expected to remain at or above current levels throughout the year, driven by investors seeking an alternative to increasingly volatile currencies, the uncertain U.S. economic outlook and Europe's debt crisis.

Silver is currently trading around US$42/oz. There is an industrial demand for silver; however, it is the investment demand that has been driving prices higher, which is likely to continue.

(Sources include: www.kitco.com; agmetalminer.com; www.mineweb.net; www.lme.co.uk)

RISK FACTORS

The Company's principal activity of mineral exploration is considered to be very high risk. Companies involved in this industry are subject to many and varied types of risks, including but not limited to: environmental, commodity prices; political; and economic. Some of the more significant risks are:

- Substantial expenditures are required to explore for mineral reserves and the changes of identifying economical reserves are extremely low;
- Mineral resource amounts are estimates only and may be unreliable. The Company cannot be certain that any specified level of recovery of minerals from mineralized material will, in fact, be realized or that any of its mineral property interests or any other mineral deposit will ever qualify as a commercially mineable ore body that can be economically exploited. Material changes in the quantity of mineralization, grade or stripping ratio or mineral prices may affect the economic viability of the properties.
- The junior resource market where the Company raises funds is extremely volatile, companies are subject to high level of competition for the same pool of investment dollars, and there is no guarantee that the Company will be able to raise adequate funds in a timely manner to conduct its business;

- Although the Company has taken steps to verify title to its mineral property interests there is no guarantee that the mineral properties will not be subject to title disputes or undetected defects; and
- The Company is subject to laws and regulations related to environmental matters, including provisions for reclamation, discharge of hazardous material and other matters. The Company conducts its exploration activities in compliance with applicable environmental legislation and is not aware of any existing environmental problems related to its mineral property interests that may be the cause of material liability to the Company.

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment.

Additionally, turbulent world markets, volatile stock prices, scarcity of capital and fluctuating commodity prices are clear indicators that the economic cycle is currently in a declining phase.

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2011, the Company's primary capital asset was its investment in mineral properties of $2,884,653 (April 30, 2010 - $985,774).

It held cash of $7,167,471 (April 30, 2010 - $437,900) and had working capital of $7,075,838 (April 30, 2010 - $393,318). During the year, the Company completed non-brokered private placements for gross proceeds of $8,975,751. Additional proceeds of $159,519 were received on the exercise of options and warrants. Cash on hand will be sufficient to fund planned operations. Further financing will be required to maintain and progress the San Albino-Murra Property. The Company's continuance as a going concern in the future will depend upon its ability to obtain adequate financing.

On June 29, 2009, the Company announced that it had entered into an option agreement to acquire an 80% interest in the San Albino-Murra mining concession in Nicaragua. At April 30, 2011, the Company had expended $2,884,653 with respect to the mineral property, comprised of option payments totaling $601,022 and deferred exploration costs of $2,283,631. A further amount of $97,820 (2010 - $Nil) was recorded as exploration advances in respect drilling costs for fiscal 2011/2012.

During fiscal 2011, the Company acquired equipment, primarily for its Nicaraguan operations, at a cost of $137,045 (2010 - $27,047).

On April 1 2010, the Company completed the first tranche of a non-brokered private placement issuing 1,875,000 units at a price of $0.20 per unit for gross proceeds of $375,000. Each unit was comprised of one common share and one-half of one share purchase warrant, each full warrant entitling the holder thereof to purchase one additional common share at a price of $0.25 for a period of two years. Cash finder's fees of $23,000 were paid in connection with the initial tranche. On June 9, 2010, a further 4,463,560 units, subject to the same terms, were issued via the second tranche of the private placement for gross proceeds of $892,712. Finder's fees of $23,000 and 125,000 warrants exercisable into 125,000 common shares at $0.25 per share for a period of two years were paid in connection with the second tranche of the placement. The gross proceeds for the two tranches, totalling $1,267,712, was used for continued mineral property exploration and general working capital.

In early October 2010, a further $500,000 was raised via the issuance of 2,000,000 units priced at $0.25 pursuant to a non-brokered placement. The units were comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.35 for a period of two years, subject to an acceleration clause should the trading price of the Company's shares for 20 consecutive trading days exceed $0.70 per share during the exercise period, then the expiry time will be 30 calendar days from the date that written notice is provided by the Company, at its election, to the warrant holders. There were no finder's fees paid in connection with the financing.

In mid-January 2011, the Company announced the closing of a non-brokered private placement comprising 16,851,197 units priced at $0.45 per unit for gross proceeds of $7,583,039. Each unit was comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share at a price of $0.75 for a period of two years. Finders' fees of $250,893 cash and 494,020 warrants, with the same terms as the private placement warrants, were paid in connection with the offering.

For the year ended April 30, 2011, the Company experienced negative cash flows of $368,721 (2010 - $277,222) from operating activities. Investing activities used cash of $1,727,455 (2010 - $818,952). Overall, cash increased by $6,729,571 in fiscal 2011, as compared to a decrease of $744,174 in the prior fiscal year.

Subsequent to April 30, 2011, the Company received gross proceeds of $1,337,665 upon the exercise of 140,000 stock options and 1,774,220 share purchase warrants. Additionally, a further $14.9 million may be realized upon the exercise of the currently outstanding 4.69 million stock options and 20.7 million warrants, all of which are in-the-money. There are no assurances that these options and warrants will be exercised.

The Company does not derive any revenues from operations and does not expect to generate any revenues from operations in the foreseeable future. The Company has no material income from operations.

The Company's financial performance is dependent upon many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production are difficult to predict. Changes in events could materially affect the financial performance of the Company.

The Company's mineral exploration activities have provided the Company with no sources of income and a history of losses and deficit positions. However, given the nature of its business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of the Company's performance and valuation.

The Company is dependent on raising funds by the issuance of shares or disposing of interests it has in mineral properties in order to finance further acquisitions, undertake exploration and development activities on mineral properties and meet general and administrative expenses in the long term.

There is no assurance that additional funding will be available to allow the Company to fully explore its mineral properties. Failure to obtain financing could result in the delay or indefinite postponement of further exploration and the possible partial or total loss of the Company's interest in certain properties. The Company may be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized.

The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, or the impact on the statement of operations and balance sheet classifications that would be necessary were the going concern assumption not appropriate. Such adjustments could be material.

Debt financing has not been used to fund the Company's property acquisitions and exploration activities. The Company has no current plans to use debt financing for such transactions and activities. The Company does not have "standby" credit facilities, or off-balance sheet arrangements and it does not use hedges or other financial derivatives.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the year ended April 30, 2011, the Company paid or accrued:

(a) management fees of $86,000 (2010 - $78,000) to Kim Evans, a director and officer of the Company; and,
(b) consulting fees of $62,000 (2010 - $45,000) to Zoran Pudar, an officer of the Company, for the provision of geological consulting services, of which $62,000 (2010 - $45,000) was capitalized to mineral properties.

Included in accounts payable and accrued liabilities is a total of $8,352 (2010 - $1,109) due to related parties for expenses. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production. The amounts shown for mineral properties represent costs incurred to date and are not intended to reflect present or future values.

Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in material future write-downs of capitalized property carrying values.

Foreign currency translation and transactions

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method.

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses denominated in a foreign currency are translated at rates approximating those on the transaction date. Foreign exchange gains and losses are included in loss for the year.

Financial Instruments

Fair value
The Company's financial assets and liabilities consist of cash, receivables and accounts payable and accrued liabilities. The estimated fair values of receivables and accounts payable and accrued liabilities approximate their respective carrying values due to the short period to maturity.
Cash is valued using Level 1 inputs.

Financial risk factors:

Credit and Interest rate risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has significant cash balances but no interest-bearing debt. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and other receivables. The Company's current policy is to invest excess cash in variable interest investment-grade demand deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk to be remote. Receivables are due from a government agency.

Liquidity risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its short term obligations. The Company forecasts cash flows for a period of twelve months to identify financial requirements.

These requirements are met through a combination of cash flows from operations, dispositions of assets and accessing financing through private placements. The exposure of the Company to liquidity risk is considered to be minimal.

Commodity price risk
The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of commodities for which it is exploring. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Foreign currency risk
The Company's functional currency is Canadian dollars. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates. A reduction in the value of the Nicaraguan Cordoba ("NIO") relative to the Canadian dollar would have a favourable impact on funding required for exploration, subject to any resulting inflationary impacts; while an increase in that value would have an unfavourable impact. The Company has not hedged its exposure to currency fluctuations.

Political Uncertainty
In conducting operations in Nicaragua, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Nicaragua, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

Accounting Policy Developments

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA confirmed that International Financial Reporting Standards ("IFRS") will be mandatory in Canada for all publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Company's first financial statements presented in accordance with IFRS will therefore be the three-month period ended July 31, 2011. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements.

As a result of this convergence, the Company is developing a plan to convert its financial statements to IFRS. This plan commenced in Q4 2011 with the planning of an initial scoping phase intended to identify key differences, important dates, development milestones and potential training issues. A detailed evaluation phase is in process which will include a detailed comparison of Canadian GAAP to IFRS – including policy alternatives, business process implications, information systems, internal controls over financial reporting, disclosure controls and procedures and compensation arrangements. The final phase will be implementation and review.

A detailed implementation plan and timeline is being developed, which will also include identification of any further training and resources necessary to complete the conversion. The implementation plan will be focused on the design, planning and implementation phases, which will include determining the specific qualitative and quantitative impacts for each IFRS requirement that is relevant to the Company.

Consolidated Financial Statements, Business Combinations and Non-controlling Interests

CICA Handbook Section 1582 *Business Combinations*, 1601 *Consolidated Financial Statements* and 1602 *Non-controlling interests* will replace the former Sections 1581 *Business Combinations*, 1600 *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 is effective for business combinations for which the acquisition date is on or after January 1, 2011 and Sections 1601 and 1602 apply to consolidated financial statements relating to years beginning on or after January 1, 2011.

OUTSTANDING SHARE DATA AS AT AUGUST 25, 2011:

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	56,761,768

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	1,100,000	1,100,000	$ 0.20	November 27, 2011
Options	50,000	50,000	0.20	January 11, 2012
Options	165,000	68,750	0.85	March 28, 2012
Options	375,000	375,000	0.20	November 9, 2014
Options	950,000	950,000	0.25	September 20, 2015
Options	400,000	400,000	0.41	October 15, 2015
Options	150,000	150,000	0.50	October 15, 2015
Options	1,500,000	1,500,000	0.56	February 7, 2016
	4,690,000	4,593,750		

(c) Summary of warrants outstanding:

Security	Number	Exercise Price	Expiry Date
Warrants	875,000	$ 0.25	April 8, 2012
Warrants	2,242,705	0.25	June 9, 2012
Warrants	1,950,000	0.35	September 29, 2012
Warrants	15,614,497	0.75	January 18, 2013
	20,682,202		

OTHER INFORMATION

The Company's web site address is www.goldenreign.com. Other information relating to the Company may be found on SEDAR at www.sedar.com.

Internal Controls and Disclosure Controls over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers, such as the Company, from certifying disclosure controls and procedures, as well as internal controls over financial reporting as of December 31, 2007 and thereafter. The Company is now required to file basic certificates, which is has done during fiscal 2009 and 2010. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at April 30, 2011.