CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended July 31, 2013
(unaudited, expressed in Canadian dollars)

Q1 Fiscal 2014

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of Golden Reign Resources Ltd. as at July 31, 2013 and 2012, notes to unaudited consolidated interim financial statements and related Management's Discussion and Analysis have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited)
Expressed in Canadian dollars

As at	**July 31, 2013**	**April 30, 2013**
ASSETS		
Current		
Cash (Note 3)	$ 1,378,310	$ 752,203
Receivables (Note 4)	38,119	45,160
Prepaid expenses	19,406	4,886
Total current assets	1,435,835	802,249
Equipment (Note 5)	344,278	362,244
Exploration advances (Note 6)	157,736	78,086
Exploration and evaluation assets (Note 7)	20,016,348	18,051,029
TOTAL ASSETS	**$ 21,954,197**	**$ 19,296,608**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 570,584	$ 685,774
Deferred tax liability	315,000	315,000
Total liabilities	885,584	1,000,774
Shareholders' equity		
Share capital (Note 9)	25,401,310	22,907,767
Reserves - share based (Note 9)	5,450,121	5,211,184
Reserves - translation adjustment	74,936	(254,633)
Deficit	(9,857,754)	(9,568,482)
Total shareholders' equity	21,068,613	18,595,834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 21,954,197**	**$ 19,296,608**

Corporate information and going concern (Note 1)
Subsequent events (Note 15)

On behalf of the Board:

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

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

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF LOSS
(unaudited)
Expressed in Canadian dollars

	For the three months ended July 31, 2013	July 31, 2012
OPERATING EXPENSES		
Depreciation	$ 773	$ 34,862
Consulting fees	-	15,857
Management fees	-	25,500
Salaries and benefits	98,160	36,932
Foreign exchange	218	906
Office and miscellaneous	28,790	22,846
Professional fees	16,751	20 986
Regulatory and listing fees	6,274	26,074
Share-based compensation (Note 9)	136,675	-
Travel and promotion	3,411	27,115
OPERATING LOSS	**(291,052)**	**(211,078)**
Interest income	1,780	2,328
LOSS BEFORE INCOME TAXES	**(289,772)**	**(208,750)**
Deferred tax expense	-	-
LOSS FOR THE PERIOD	**(289,272)**	**(208,750)**
Basic and diluted loss per common share	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding	**80,016,231**	63,203,740

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

GoldenReign
RESOURCES LTD.

CONSOLIDATED UNAUDITED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)
Expressed in Canadian dollars

	For the three months ended July 31, 2013	July 31, 2012
Loss for the period	**$ (289,272)**	**$ (208,750)**
Other comprehensive gain (loss)		
Currency translation difference	329,569	216,129
Other comprehensive gain for the period	329,569	216,129
Comprehensive gain for the period	**$ 40,297**	**$ 7,379**

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

GoldenReign RESOURCES LTD.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(unaudited)
Expressed in Canadian dollars

	Number of shares	Share capital	Reserves - Share based	Reserves- translation adjustment	Deficit	Total Equity
Balance – April 30, 2012	**60,925,847**	**$ 18,629,397**	**$ 3,371,366**	**$ (151,640)**	**$ (8,102,928)**	**$ 13,746,195**
Share issue costs – finders warrants	-	(52,298)	52,298	-	-	**-**
Share issue costs	-	(240,811)	-	-	-	**(240,811)**
Shares issued on exercise of warrants	1,943,425	560,856	-	-	-	**560,856**
Shares issued on private placement	4,711,640	3,156,799	-	-	-	**3,156,799**
Share-based compensation	-	-	-	-	-	**-**
Loss for the period	-	-	-	-	**(208,750)**	**(208,750)**
Other comprehensive gain	-	-	-	216,129	**-**	**216,129**
Balance – July 31, 2012	**67,580,912**	**$ 22,053,943**	**$ 3,423,664**	**$ 64,489**	**$ (8,311,678)**	**$ 17,230,418**
Balance – April 30, 2013	**69,937,412**	**$ 22,907,767**	**$ 5,211,182**	**$ (254,633)**	**$ (9,568,482)**	**$ 18,295,834**
Share issue costs - finders warrants	-	(35,564)	35,564	-	-	**-**
Share issue costs – finders fees	-	(45,645)	-	-	-	**(45,645)**
Share issue costs	-	(16,923)	-	-	-	**(16,923)**
Shares issued on exercise of warrants	750,000	187,500	-	-	-	**187,500**
Shares issued for exploration and evaluation assets	525,000	94,500	-	-	-	**94,500**
Shares issued on private placement	15,397,830	2,309,675	-	-	-	**2,309,675**
Shares issued on exercise of options	-	-	-	-	-	**-**
Share-based compensation	-	-	203,375	-	-	**203,375**
Loss for the period	-	-	-	-	(289,272)	**(289,272)**
Other comprehensive GAIN	-	-	-	329,569	-	**329,569**
Balance – July 31, 2013	**86,610,242**	**$ 25,401,310**	**$ 5,450,121**	**$ 74,936**	**$ (9,857,754)**	**$ 21,068,613**

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

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(unaudited)
Expressed in Canadian dollars

	For the three months ended	
	July 31, 2013	July 31, 2012
OPERATING ACTIVITIES		
Loss for the period	$ (289,272)	$ (208,750)
Items not affecting cash:		
Depreciation	773	34,862
Share-based compensation	136,675	-
Deferred tax expense	-	-
Changes in non-cash working capital items related to operations:		
Receivables	7,041	(1,331)
Prepaid expenses	(12,850)	(24,110)
Accounts payable and accrued liabilities	(6,686)	19,959
Cash used in operating activities	(164,319)	(179,731)
INVESTING ACTIVITIES		
Acquisition of equipment	(5,815)	(7,163)
Exploration advances	(83,842)	-
Expenditures on exploration and evaluation assets	(1,554,846)	(2,064,039)
Cash used in investing activities	(1,644,503)	(2,071,202)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,309,675	3,717,655
Exercise of warrants	187,500	-
Share issue costs	(62,568)	(240,811)
Cash generated by financing activities	2,434,607	3,476,844
Increase in cash during the period	625,785	1,226,276
Effect of foreign exchange on cash	322	(2,497)
Cash, beginning of period	752,203	1,346,557
Cash, end of period	$ 1,378,310	$ 2,570,331

Supplemental cash flow information (Note 11)

1. CORPORATE INFORMATION AND GOING CONCERN

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 exploration and evaluation assets. The Company is listed on the TSX Venture Exchange ("TSX-V") and under the symbol GRR. The address of the company's corporate office and principal place of business is 501 – 595 Howe Street, Vancouver, BC, Canada.

The Company's primary exploration and evaluation asset 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 exploration and evaluation assets 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.

The Company is a mineral exploration company focused on acquiring, exploring and developing exploration and evaluation assets in Nicaragua. In conducting operations in Nicaragua, the Company is subject to considerations and risks such as the political, economic and legal environments in an emerging market. Among other things, the Company's results may be adversely affected by changes in conditions in Nicaragua, and by changes in governmental policies with respect to mining laws and regulations, and rates and methods of taxation.

The unaudited consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses since its inception, expects to incur further losses in the development of its business and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties.

Management estimates it will have sufficient working capital to conduct its planned operations for fiscal 2014. In the future, the Company may 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 unaudited consolidated interim 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

(a) Statement of compliance

These unaudited consolidated interim financial statements, including comparatives that are unaudited and have been prepared in accordance with IAS 34 ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations by the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited consolidated interim financial statements were approved on September 30, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of presentation

These statements are consolidated from the statements of Golden Reign Resources Ltd. and our Nicaraguan wholly owned subsidiaries, Gold Belt, SA and Nicoz, SA. The functional currency of the Nicaraguan subsidiaries is the US dollar and are restated to Canadian dollars, Golden Reign's reporting currency according to IAS 21 "The Effects of Changes in Foreign Exchange Rate".

These unaudited consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these unaudited consolidated interim financial statements have been prepared using the accrual basis of accounting. The comparative figures presented in these unaudited consolidated interim financial statements are in accordance with IFRS and have been not audited.

The accounting policies set out below have been applied consistently to all periods in these unaudited consolidated interim financial statements.

(c) Basis of Consolidation

These unaudited consolidated interim financial statements include the accounts of the Company's subsidiaries. The financial statements of the subsidiaries are included in the unaudited consolidated interim financial statements from the date that control commences until the date the control ceases.

All intercompany balances, transactions, income and expenses have been eliminated upon consolidation.

(d) Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those of the Company.

The consolidated financial statements of the Company include the following subsidiaries:

Name of subsidiaries	Place of incorporation	Percentage ownership
Nicoz Resources, S.A.	**Nicaragua**	**100%**
Gold Belt, S.A.	**Nicaragua**	**100%**

(e) Determination of Functional Currency

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Golden Reign Resources Ltd., is the Canadian dollar; and the functional currency of the Company's subsidiaries is the US dollar. The presentation currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identifies in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(e) Determination of Functional Currency (cont'd…)

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statements of profit or loss.

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses in accumulated other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiaries, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiaries are reallocated between controlling and non-controlling interests.

(f) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

(i) Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. FVTPL assets are initially recorded at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash is classified as FVTPL.

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Receivables are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(g) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

(i) Other financial liabilities

The category consists of liabilities carried at amortized cost being the effective interest method. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

(h) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been impacted.

For all financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principle payments; or
- It has become probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

In a subsequent period if, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(i) Exploration and evaluation assets

Exploration costs prior to obtaining legal title are expensed in the period in which they are incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its exploration and evaluation assets at least annually to consider if there is an impairment value to take into consideration from current exploration results and management's

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(i) Exploration and Evaluation Assets (cont'd…)

assessment of the exploration results and of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Should a project be put into production, all capitalized costs will be amortized over the life of the project based on estimated economic reserves.

(j) Decommissioning, restoration and similar liabilities

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the decommissioning of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its exploration and evaluation assets.

(k) Equipment

Equipment is recorded at historical cost less related accumulated depreciation and accumulated impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The Company provides for depreciation of equipment on a straight line basis unless otherwise noted using the following annual rates:

Building	20%
Computer equipment	30%
Furniture and equipment	20%
Exploration equipment	20%
Vehicles	30%

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(k) Equipment (cont'd…)

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

When equipment is composed of major components with different useful lives, the components are accounted for as separate items of capital assets. Expenditures incurred to replace an asset component that is accounted for separately, including major inspections and overhaul expenditures, are capitalized.

The Company's equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(l) Share capital

The Company has one class of shares, common shares, which are classified as share capital. These are recorded at the proceeds received less any direct issue costs and related taxes. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Where the Company purchases any of the Company's equity share capital, the consideration paid is deducted from equity attributable to the Company's equity holders until shares are cancelled, reissued or disposed of.

(m) Deferred taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or loss. Current income tax expense represents the expected income tax payable (or recoverable) on taxable income for the period using income tax rates enacted or substantially enacted at the end of the reporting period and taking into account any adjustments arising from prior periods.

Deferred tax is recorded, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(m) Deferred Taxes (cont'd…)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recorded.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(n) Loss per share

The Company presents basic and diluted loss per share data for common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(o) Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services to those performed by an employee.

The fair value of stock option is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to contributed surplus.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based compensation. Otherwise, share-based payments are measured at the fair value of goods or services received.

(p) Significant accounting judgments and estimation uncertainties

The preparation of the unaudited consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statement, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(p) Significant accounting judgments and estimation uncertainties (cont'd…)

(i) Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. The carrying value and the recoverability of exploration and evaluation assets.

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probably mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

2. Valuation of share-based payments and compensatory warrants

Share-based payments and compensatory warrants are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

3. Deferred income taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

(ii) Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy involves judgments or assessments made by management.

(q) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(r) Future accounting pronouncements (effective for annual periods beginning on or after January 1, 2013)

The following standards and interpretations have been issued but are not yet effective:

(i) Fair-value measurement

IFRS 13, "Fair Value Measurement" is a comprehensive standard for fair value measurement and disclosure requirement for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing about fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

(ii) Financial instruments

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

(iii) Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation – Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(r) Future accounting pronouncements (effective for annual periods beginning on or after January 1, 2013) (cont'd…)

(iii) Consolidated financial statements (cont'd…)

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments increase disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

(iv) Income taxes

The IASB issued amendments to IAS 12, "Income Taxes" to introduce an exception to the general measurement requirements in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amended standard is effective for annual periods beginning on or after January 1, 2012.

(v) Presentation of financial statements

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to" (a) require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of income/loss; and (b) require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendments also reaffirm existing requirements that items in OCI and income or loss should be presented as either a single statement or two separate statements.

(vi) Separate financial statements

IAS 27 (2011), "Separate Financial Statements", is the standard to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IAS 27 (2011) supersedes IAS 27 (2008) and carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amended standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(r) Future accounting pronouncements (effective for annual periods beginning on or after January 1, 2013) (cont'd…)

(vii) Financial Instruments: Presentation

The IASB amended IAS 32 "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- The meaning of "currently has a legally enforceable right of set-off";
- The application of simultaneous realization and settlement;
- The offsetting of collateral amount; and
- The unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2012.

(viii) Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

The Company does not expect the above pronouncements to have any significant impact on its financial statements.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. CASH

Cash consists of the following:

	July 31, 2013	April 30, 2013
Cash	$ 78,310	$ 77,203
Demand deposit	1,300,000	675,000
	$ 1,378,310	$ 752,203

As at July 31, 2013, the Company's demand deposit consisted of two guaranteed investment certificates bearing an interest rate of prime lending rate of the Bank of Montreal less 1.8% and 1.75% which are redeemable, in whole or in part, at any time with an expiry date of July 10, 2014 and February 5, 2014.

4. RECEIVABLES

Receivables consist of the following:

	July 31, 2013	April 30, 2013
HST/GST Receivable	$ 25,923	$ 31,958
Accounts Receivable	10,250	10,143
Interest Receivable	1,946	3,419
	$ 38,119	$ 45,160

5. EQUIPMENT

	Building	Computer equipment	Furniture and Equipment	Exploration Equipment	Vehicles	Total
Cost						
Balance at April 30, 2012	**$ 106,560**	**$ 32,114**	**$ 45,448**	**$ 184,152**	**$ 133,378**	**$ 501,652**
Additions and Reclassifications	16,259	64,736	(29,432)	(105,051)	138,787	85,299
Disposals	-	-	-	-	-	-
Translation adjustment	2,082	-	672	3,596	2,606	8,956
Balance at April 30, 2013	**$ 124,901**	**$ 96,850**	**$ 16,668**	**$ 82,697**	**$ 274,771**	**$ 595,907**
Additions and Reclassifications	-	2,606	3,195	-	-	5,801
Disposals	-	-	-	-	-	-
Translation adjustment	2,481	1,285	110	1,642	5,457	10,975
Balance at July 31, 2013	**$ 127,382**	**$ 100,741**	**$ 19,993**	**$ 84,339**	**$ 280,228**	**$ 612,683**
Depreciation and impairment						
Balance at April 30, 2012	**$ 10,656**	**$ 16,651**	**$ 13,298**	**$ 30,620**	**$ 37,638**	**$ 108,863**
Additions	11,189	23,666	330	2,074	82,912	120,171
Disposals	-	-	-	-	-	-
Translation adjustment	209	-	88	598	734	1,629
Balance at April 30, 2013	**$ 22,054**	**$ 40,317**	**$ 13,716**	**$ 33,292**	**$ 121,284**	**$ 230,663**
Additions and reclassifications	2,929	4,438	2,717	7,829	15,861	33,774
Disposals	-	-	-	-	-	-
Translation adjustment	437	409	53	661	2,408	3,968
Balance at July 31, 2013	**$ 25,420**	**$ 45,164**	**$ 16,486**	**$ 41,782**	**$ 139,553**	**$ 268,405**
Carrying amounts						
At April 30, 2012	**$ 95,904**	**$ 15,463**	**$ 32,150**	**$ 153,532**	**$ 95,740**	**$ 392,789**
At April 30, 2013	**$ 102,847**	**$ 56,533**	**$ 2,972**	**$ 49,405**	**$ 153,487**	**$ 365,244**
At July 31, 2013	**$ 101,962**	**$ 55,577**	**$ 3,507**	**$ 42,557**	**$ 140,675**	**$ 344,278**

6. EXPLORATION ADVANCES

The Company has paid the following exploration advances related to the San Albino-Murra Property:

		July 31, 2013		April 30, 2013
Drilling Advance	$	82,176	$	30,000
Surface fees		51,620		19,842
Professional fees		23,940		28,244
	$	**157,736**	**$**	**78,086**

7. EXPLORATION AND EVALUATION ASSETS

(a) San Albino-Murra Property, Nicaragua

The Company acquired an 80% interest in the San Albino-Murra Mining Concession (the "Property") located in Nicaragua by making cash payments of US$450,000, incurring aggregate exploration expenditures of US$5,000,000 and issuing 4,000,000 common shares at a value of $2,200,000.

In October 2012, the Company entered into an agreement (the "Agreement") to acquire the remaining 20% interest in the Property by making cash payments totaling US$650,000 and issuing 2,100,000 common shares over a period of 12 months, as follows:

i) the payment of US$100,000 upon signing of the Agreement on October 23, 2012 (the "Acceptance Date");

ii) the payment of US$137,500 on or before each three month anniversary from the Acceptance Date over a period of twelve months, for an aggregate of US$550,000; and

iii) the issuance of 2,100,000 common shares, to be issued in four equal installments of 525,000 common shares on or before each three month anniversary from the Acceptance Date over a period of twelve months.

Subsequent to the payment made upon signing per (i) above, the first three scheduled payments of US$137,500 and the first three issuances of 525,000 common shares of the Company were completed in January, April and July 2013.

There is no net smelter royalty, other than that payable to the Nicaraguan government pursuant to existing mining laws.

The San Albino-Murra Property license is valid for a period of twenty-five years until February 3, 2027.

(b) El Jicaro Concession, Nicaragua

In January 2012, the Company paid $119,472 (USD$120,000) to acquire a 100% interest in the El Jicaro Concession, which is contiguous to the San Albino-Murra Property, located in Nueva Segovia, Nicaragua. The El Jicaro Concession license is valid for a period of twenty-five years until September 28, 2033.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

For the Period Ended July 31, 2013:

		San Albino-Murra		El Jicaro		Total
Acquisition costs						
Balance, April 30, 2013	$	3,629,843	$	120,864	$	3,750,707
Option payments		141,240				141,240
Shares issued		92,265				92,265
Translation adjustment		72,078		2,400		74,478
	$	3,935,426	$	123,264	$	4,058,690
Deferred exploration costs						
Balance, April 30, 2013		14,288,130		12,192		14,300,322
Assaying		234,483		-		234,483
Depreciation		32,999		-		32,999
Drilling		503,628		-		503,628
Field office		54,091		-		54,091
Geological consulting		208,369		-		208,369
Professional fees		10,770		-		10,770
Project expenses		240,038		3,888		243,926
Reports		7,018		-		7,018
Share-based compensation		66,700		-		66,700
Travel		12,745		-		12,745
Translation adjustment		282,364		243		282,607
		15,941,335		16,323		15,957,658
Balance, July 31, 2013	**$**	**19,876,761**	**$**	**139,587**	**$**	**20,016,348**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		July 31, 2013		April 30, 2013
Accounts payable	$	127,069	$	492,733
Accrued liabilities		443,515		193,041
	$	570,584	$	685,774

9. SHARE CAPITAL

Authorized:

Unlimited number of common shares, without par value

See the consolidated statements of changes in equity for a summary of changes in Share capital and Reserves share based for the periods ended July 31, 2013 and 2012.

(a) Private placement during the period ended July 31, 2013

In June 2013, the Company closed a non-brokered private placement of 15,797,830 units at a price of $0.15 per unit to raise gross proceeds of approximately $2.37 million. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase an additional common share a price of $0.25

9. SHARE CAPITAL (cont'd…)

(a) Private placement during the period ended July 31, 2013 (cont'd…)

for a period of two years. In connection with the offering, the Company paid finder's fees of $45,645 cash and 242,800 warrants priced at $0.25 per share exercisable for a period of two years. The share purchase warrants were valued at $35,564 and credited to reserves-share based. Fair value was determined using the Black-Scholes valuation model, based on a risk free interest rate of 1.07%, an expected life of two years, an expected volatility of 80.37% and a dividend yield rate of nil.

(b) Share purchase warrants

Share purchase warrant transactions are summarized for the periods ending as at July 31, 2013 and April 30, 2013:

	July 31, 2013			April 30, 2013		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Opening balance	11,464,686	$	0.65	18,702,623	$	0.51
Granted	15,640,630		0.25	4,849,909		0.80
Exercised	(750,000)		0.25	(3,243,425)		0.31
Expired	-		-	(15,459,198)		0.75
Ending balance	26,355,316	$	0.43	11,464,686	$	0.65
Warrants exercisable	26,355,316	$	0.43	11,464,686	$	0.65

At July 31, 2013 and April 30, 2013 the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	July 31, 2013	April 30, 2013	Weighted Average Remaining Contractual Life
January 18, 2014	$0.55	6,614,777	6,614,777	0.47 years
July 12, 2014	$0.80	4,711,640	4,711,640	0.95 years
July 12, 2014	$0.67	138,629	138,269	0.95 years
June 4,2015	$0.25	14,647,830	-	1.84 years
June 4, 2015	$0.25	242,800	-	1.84 years
	$0.43	**26,355,316**	**11,464,686**	**1.21 years**

9. SHARE CAPITAL (cont'd...)

(c) Share options

The Company has a share option plan, under which the Board of Directors is authorized to grant options to employees, directors, officers and consultants, 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 share as calculated on the date of grant. The options can be granted for a maximum term of five periods. 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 as at July 31, 2013 and April 30, 2013:

	July 31, 2013		**April 30,2013**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	6,774,000	$0.70	5,340,500	$ 0.67
Granted	1,875,000	0.20	1,545,000	0.91
Exercised	-	-	(6,500)	0.25
Expired	-	-	(105,000)	0.84
Ending balance	8,649,000	$0.59	6,774,000	$ 0.70
Options exercisable	8,149,000	$0.59	6,749,000	$ 0.70

All share options had exercise prices that were higher or equal to market prices at the date of grant.

Weighted Average Exercise Price	**Expiry Date**	**Number Outstanding**	**Number Exercisable**	**Weighted Average Remaining Contractual Life**
$ 0.80	August 8, 2014	50,000	50,000	1.02 years
1.00	August 8, 2014	50,000	50,000	1.02 years
0.20	November 9, 2014	375,000	375,000	1.28 years
0.25	September 20, 2015	909,000	909,000	2.14 years
0.41	October 15, 2015	400,000	400,000	2.21 years
0.50	October 15, 2015	150,000	150,000	2.21 years
0.56	February 7, 2016	1,450,000	1,450,000	2.52years
1.10	February 15, 2017	1,945,000	1,945,000	3.53 years
0.80	August 8, 2017	1,365,000	1,365,000	4.02 years
0.80	September 10, 2017	80,000	80,000	4.12 years
0.20	July 13, 2018	1,875,000	1,375,000	4.95 years
$ 0.59		**8,649,000**	**8,149,000**	**2.64 years**

9. SHARE CAPITAL (cont'd...)

(d) Share-based compensation

During the first three months ended July 31, 2013, the Company recorded share-based compensation totaling $203,375 (2012-$Nil) of which $66,700 was capitalized as mineral property expenditures and $136,675 was expensed as share-based compensation in operations, with a corresponding increase in reserves-share based.

The fair value of share 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:

The fair values of the options granted were estimated using the Black-Scholes option pricing model with the following assumptions:

	2014	2013
Risk-free interest rate	1.07 -1.73%	1.16 – 1.39%
Expected life of options	2 - 5 years	2 - 5 years
Expected volatility	80.37 – 106.78%	88.39 – 109.74%
Weighted average fair value per option	$0.15	$0.14 - $0.54
Dividend yield	Nil	Nil

10. RELATED PARTY TRANSACTIONS

Key management includes directors (executive and non-executive), the President, CFO, COO and VP of Exploration. The Compensation paid or payable to key management for employee services is shown below:

	July 31, 2013	July 31, 2012
Management and consulting fees	$ 10,000	$ 45,000
Salaries	76,500	-
Share-based compensation	120,945	-
Total	$ 207,445	$ 45,000
Accounts payable due to related parties	$ 15,556	$ 11,876

11. SUPPLEMENTAL CASH FLOW INFORMATION

	July 31, 2013	July 31, 2012
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Non-cash financing and investing activities:		
Issuance of common shares for exploration and evaluation assets	$ 94,500	$ -
Stock-based compensation included in exploration costs	66,700	-
Reallocation of long term advances	5,352	-
Depreciation included in exploration costs	32,999	-
Exploration costs included in accounts payable	120,966	126,143
Fair value of warrants issued as finders' fees	35,564	52,298

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

(a) Fair value

Cash is measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of receivables and payables and accrued liabilities approximate fair value because of the short-term nature of these instruments.

(b) Credit and interest 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 no significant concentration of credit risk arising from operations. 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 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 primarily due from a government agency. The Company's credit risk has not changed significantly from the prior period.

(c) 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. At July 31, 2013, the Company had a cash balance of $1,378,310 to settle current liabilities of $570,586.

The Company's financial instruments include cash, receivables, and accounts payable and accrued liabilities.

(d) Commodity 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.

(e) Foreign currency risk

The Company's functional currency is the Canadian dollar; however, its subsidiaries' functional currency however is the US dollar. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates and the degree of volatility in these rates. Currently this risk is quantified at a 1% change. The Company has not hedged its exposure to currency fluctuations.

13. CAPITAL MANAGEMENT

The Company manages its common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand and demand deposits. There have been no changes to the Company's approach to capital management during the period ended July 31, 2013. The Company is not subject to externally imposed capital requirement.

14. SEGMENTED INFORMATION

The Company operates in the single business segment of mineral acquisition and exploration. The Company's identifiable capital assets are located primarily in Nicaragua. Geographic information is as follows:

		July 31, 2013		April 30, 2013
Equipment				
Nicaragua	$	332,681	$	352,874
Canada		11,597		12,370
		344,278		**365,244**
Exploration and evaluation assets				
Nicaragua	$	20,016,348	$	18,051,029
Canada		-		-
	$	**20,016,348**	**$**	**18,051,029**

15. SUBSEQUENT EVENTS

Subsequent to July 31, 2013, the Company amended an aggregate 6,081,244 share purchase warrants by reducing the exercise price from $0.55 to $0.30 per share. The exercise period of the re-priced warrants will be reduced to 30 days if, for any ten consecutive trading days during the unexpired term of the warrants the closing price of the Company's shares exceeds $0.56.