



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.



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.



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.



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)

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



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended July 31, 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".



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended July 31, 2013

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.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended July 31, 2013

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%



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended July 31, 2013

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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended July 31, 2013

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".

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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
	<u>\$ 1,378,310</u>	<u>\$ 752,203</u>

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.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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
	<u>\$ 38,119</u>	<u>\$ 45,160</u>

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	<u>\$ 124,901</u>	<u>\$ 96,850</u>	<u>\$ 16,668</u>	<u>\$ 82,697</u>	<u>\$ 274,771</u>	<u>\$ 595,907</u>
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	<u>\$ 127,382</u>	<u>\$ 100,741</u>	<u>\$ 19,993</u>	<u>\$ 84,339</u>	<u>\$ 280,228</u>	<u>\$ 612,683</u>
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	<u>\$ 22,054</u>	<u>\$ 40,317</u>	<u>\$ 13,716</u>	<u>\$ 33,292</u>	<u>\$ 121,284</u>	<u>\$ 230,663</u>
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	<u>\$ 25,420</u>	<u>\$ 45,164</u>	<u>\$ 16,486</u>	<u>\$ 41,782</u>	<u>\$ 139,553</u>	<u>\$ 268,405</u>
Carrying amounts						
At April 30, 2012	<u>\$ 95,904</u>	<u>\$ 15,463</u>	<u>\$ 32,150</u>	<u>\$ 153,532</u>	<u>\$ 95,740</u>	<u>\$ 392,789</u>
At April 30, 2013	<u>\$ 102,847</u>	<u>\$ 56,533</u>	<u>\$ 2,972</u>	<u>\$ 49,405</u>	<u>\$ 153,487</u>	<u>\$ 365,244</u>
At July 31, 2013	<u>\$ 101,962</u>	<u>\$ 55,577</u>	<u>\$ 3,507</u>	<u>\$ 42,557</u>	<u>\$ 140,675</u>	<u>\$ 344,278</u>



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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
	<u>\$ 3,935,426</u>	<u>\$ 123,264</u>	<u>\$ 4,058,690</u>
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
	<u>15,941,335</u>	<u>16,323</u>	<u>15,957,658</u>
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
	<u>\$ 570,584</u>	<u>\$ 685,774</u>

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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	2.52 years
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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended July 31, 2013

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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.



NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)
For the Three Months Ended July 31, 2013

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.



MANAGEMENT DISCUSSION AND ANALYSIS For Three months ended July 31, 2013

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 ended July 31, 2013 and should be read in conjunction with the accompanying unaudited consolidated interim financial statements and the notes thereto for the three months ended July 31, 2013, and the audited consolidated financial statements and notes thereto for the year ended April 30, 2013, which are available on SEDAR at www.sedar.com. This MD&A is current as at September 26, 2013, the date of preparation.

The July 31, 2013 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements. All amounts are expressed in Canadian dollars, unless otherwise stated.

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.

The Vision – transition from explorer to emerging producer

Golden Reign continues to explore its highly prospective 138 square kilometre land package in north-central Nicaragua, with the goal of moving towards production.

The Company is looking to advance its San Albino Gold Deposit open-pit oxide zone to production on an expedited basis via a small, low impact operation that would offer the opportunity to self-fund exploration and growth through cash flow.

The blue sky potential of the Las Conchitas area located just 1 kilometre south of the San Albino Deposit is currently being tested, with the aim of expanding Golden Reign’s open-pittable resources.

Milestones - San Albino-Murra Property, Nicaragua

- On April 26, 2012, the Company announced the early earn-in of its 80% interest in the San Albino-Murra Gold Concession (the “Property”) - completed approximately 1.5 years ahead of schedule - marking a very significant milestone for the Company.
- In October 2012, Golden Reign entered into an agreement (the “Agreement”) to acquire the remaining 20% interest its flagship Property by making cash payments totalling US\$650,000 (US\$512,500 paid) and issuing 2,100,000 common shares (1,575,000 common shares issued) over a period of 12 months.
- In November 2012, the Company published its initial resource calculation at the San Albino Mine area - with the following highlights:
 - Indicated resources of 95,000 ounces gold equivalent at 8.47 g/t contained in 348,000 tonnes
 - Inferred resources of 805,000 ounces gold equivalent at 7.43 g/t contained in 3,371,000 tonnes
 - an Exploration Target beyond the resource estimate has been identified with an estimated 5 to 10 million tonnes at a grade between 6 to 10 grams gold equivalent per tonne
 - mineral resources are at shallow depth, within approximately 300 metres from surface
 - potential to add resources through additional in-fill and step-out drilling

Only 0.6 square kilometres of the 2 square kilometre San Albino Mine area has been drill tested. All mineralized zones remain open at depth and along strike in both directions

- On January 4, 2013, the Company filed a National Instrument (“NI”) 43-101 compliant Technical Report and Resource Estimate on the San Albino Gold Deposit
- The Company has outlined the Corona de Oro Gold Belt, a structural corridor approximately 3 kilometres wide by 23 kilometres long that stretches from the southern to the north-eastern boundaries of the Property. In addition to the 2 square kilometre San Albino Gold Deposit area, the corridor hosts over 170 quartz vein structures, 112 adits, 148 mine dumps and 354 exploration pits.

BUSINESS OVERVIEW

Golden Reign Resources Ltd. is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “GRR”.

Since June 2009, Golden Reign has been focused on its operations in Nicaragua. Golden Reign has a 138 square kilometre land package, comprising its flagship San Albino-Murra Property and the El Jicaro Concession.

San Albino-Murra Property, Nicaragua

The 8,700 hectare San Albino-Murra Property, held 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 processing 10 tons per day of 1 oz/t gold material.

Pursuant to the terms of the agreement, the Company made aggregate cash payments of US\$450,000, incurred aggregate exploration expenditures of US\$5,000,000 on the Property and issued a total of 4,000,000 common shares from its treasury to earn its 80% interest in the Property. The Company has entered into an agreement (the “Agreement”) to purchase the remaining 20% interest in the Property by making cash payments totalling US\$650,000 and issuing 2,100,000 common shares from its treasury over a period of 12 months, as follows:

- i) the payment of US\$100,000 (paid) 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 (US\$412,500 paid to date); and
- iii) the issuance of a total of 2,100,000 common shares, to be issued in four equal installment of 525,000 common shares on or before each three month anniversary from the Acceptance Date over a period of twelve months (1,575,000 common shares issued to date).

As of the date of this report, payments of US\$ 412,500 have been made and 1,575,000 shares have been issued. Possibility of final payments before statements filed?

There is no Net Smelter Royalty (“NSR”) other than that payable to the Nicaraguan government pursuant to existing mining laws.

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

- it is an 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; and
- the acquisition cost, including share dilution, was reasonable.

El Jicaro Concession, Nicaragua

In early February 2012, the Company announced the acquisition of the El Jicaro Concession (the “Concession”) at a cost of US\$120,000 (CAD\$119,472). The Concession license, valid for a period of twenty-five years until September 28, 2033, was acquired from a third party, individual Nicaraguan title holder.

The El Jicaro Concession encompasses the southwest extension of the mineralized structures identified on the San Albino-Murra Property. The Concession covers an area of 5,071 hectares (51 km²), nearly doubling the Company’s current land package to an aggregate 13,771 hectares (138 km²). Several good exploration targets have been outlined on the property. A mapping and prospecting program currently underway is expected to result in the definition of additional prospects.

Nicaragua

Although it boasts a long history of gold production, Nicaragua is under-explored – but is now attracting international interest. 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

San Albino Gold Deposit

An independent NI 43-101 compliant technical report on the Company’s maiden resource, the San Albino Gold Deposit, was completed by P&E Mining Consultants Inc. of Brampton Ontario and filed in early January, 2013. This marks a major milestone for the Company. The San Albino Gold Deposit is envisaged by the Company as the first of potentially several similar sized deposits to be outlined within an 8 square kilometre area in the Southern District of the Property.

In-line with the Company’s prime objective of adding resources – in particular, open-pittable resources - trenching and exploration activities recommenced in early 2013. Further trenching and drilling at the San Albino Gold Deposit was conducted with the aim of expanding open-pittable resources. In addition, Golden Reign is aiming to add potentially open-pittable resources at Las Conchitas, approximately 1.5 kilometres to the south.

A further 8 trenches were excavated at the San Albino Deposit. The trenches, covering 1,411 metres, have more than doubled the surface exposure of the San Albino Zone from 350 to 750 metres. The San Albino Zone is one of three zones comprising the Company’s NI 43-101 compliant resource estimate.

Highlights from 2013 trenching include:

- SA13-TR-12 13.50 g/t gold and 8.3 g/t silver over 2.0 metres
 and 8.51 g/t gold and 7.2 g/t silver over 2.0 metres
- SA13-TR-13 13.38 g/t gold and 39.7 g/t silver over 10.0 metres
 and 22.20 g/t gold and 66.4 g/t silver over 2.0 metres
 and 14.02 g/t gold and 50.3 g/t silver over 2.8 metres
 and 23.72 g/t gold and 65.0 g/t silver over 3.0 metres
 and 19.53 g/t gold and 45.7 g/t silver over 3.0 metres
 and 7.74 g/t gold and 8.2 g/t silver over 1.25 metres
- SA13-TR-15 2.27 g/t gold and 1.6 g/t silver over 2.0 metres
- SA13-TR-16 3.49 g/t gold and 6.9 g/t silver over 3.6 metres
 and 4.03 g/t gold and 20.6 g/t silver over 3.3 metres
 and 2.97 g/t gold and 3.5 g/t silver over 4.0 metres

When trenching SA13-TR-13, the Company encountered a robust vein structure that returned very strong assay results. Situated in very close proximity to trench SA13-TR-13 is drill hole AR11-12. The discovery of the vein structure in SA13-TR-13 led the Company to test the upper portion of drill hole AR11-12, never previously assayed. Mineralization started at surface and continued to 8 metres depth, averaging 22.74 g/t gold and 63.4 g/t silver. The upper portions of certain other 2011 drill holes were similarly re-sampled.

Highlights from 2013 resampling of select drill holes:

- AR-11-12 22.74 g/t gold and 63.4 g/t silver over 8.0 metres from surface
 including 43.66 g/t gold and 130.6 g/t silver over 3.5 metres
- AR-11-10 1.97 g/t gold and 4.7 g/t silver over 6.0 metres from 5.5 metres depth
 including 2.95 g/t gold and 6.7 g/t silver over 3.0 metres
- AR-11-11 1.96 g/t gold and 4.8 g/t silver over 7.0 metres from surface
 including 2.40 g/t gold and 6.8 g/t silver over 2.5 metres
 including 3.48 g/t gold and 7.2 g/t silver over 2.0 metres

Golden Reign excavated exploration pits at 4 of the 8 trenches to further expose the dip and true thickness of the vein. Results include the following:

Highlights from 2013 exploration pits include:

- SA13-TR-11 9.27 g/t gold and 12.9 g/t silver over 3.0 metres
 and 6.45 g/t gold and 11.4 g/t silver over 1.5 metres
 and 13.94 g/t gold and 18.9 g/t silver over 1.8 metres
 and 7.21 g/t gold and 14.7 g/t silver over 1.8 metres
 and 9.40 g/t gold and 22.5 g/t silver over 2.0 metres

- SA13-TR-13 20.40 g/t gold and 38.2 g/t silver over 3.0 metres
 and 9.61 g/t gold and 42.3 g/t silver over 4.0 metres
 and 36.44 g/t gold and 111.0 g/t silver over 2.0 metres
 and 7.56 g/t gold and 13.9 g/t silver over 2.0 metres
 and 7.55 g/t gold and 10.0 g/t silver over 2.0 metres
 and 4.41 g/t gold and 13.0 g/t silver over 2.0 metres
 and 9.01 g/t gold and 30.4 g/t silver over 2.0 metres
- SA13-TR-14 24.03 g/t gold and 34.6 g/t silver over 1.8 metres
- SA13-TR-16 46.38 g/t gold and 65.5 g/t silver over 2.0 metres
 and 10.52 g/t gold and 49.1 g/t silver over 1.1 metres

Golden Reign is also excavating an additional 14 trenches and 7 exploration pits to further extend the surface exposure of the Arras Zone contained within the San Albino Deposit. Results are pending.

An updated NI 43-101 resource estimate on the San Albino Gold Deposit is planned for Winter 2013.

San Albino Deposit initial metallurgical test work very positive

In mid-May 2013, the Company announced the results of its initial metallurgical test work, performed by Inspectorate Exploration & Mining Services Ltd. (“Inspectorate”), of Richmond, British Columbia, on material from the San Albino Gold Deposit. Testing highlights are:

- extremely high gravity recoveries of 80.2 to 84.4% gold were achieved on composite samples A through C at a grind target P₈₀ of 100 microns, indicating the presence of significant amounts of coarse gold amenable to gravity concentration
- strong gold recoveries from sulphide flotation on all composite samples ranged between 76.6 to 85.5% at a grind target of P₈₀ of 75 microns after 8 minutes of flotation
- the combination of gravity and flotation recovery methods is expected to produce high overall gold recoveries

A second phase of metallurgical testing - sequential (full stream) testing - of composites to develop an optimum flow sheet for the mineralization was completed in June 2013. Inspectorate designed a test to obtain the best possible combined recovery rates using gravity and flotation conditions to optimize recovery from both oxidized and non-oxidized mineralization. Highlights include:

- sequential gravity-flotation tests produced high overall recoveries of 96.4% gold and 92.6% silver
- testing demonstrates high gold and silver recoveries achievable without use of cyanide leaching
- the combination of gravity and flotation processing complement each other well, with flotation recovering finer gold particles not recovered via gravity methods
- sequential gravity-flotation testing resulted in optimum recoveries from both oxidized and non-oxidized mineralization

San Albino Gold Deposit - Moving towards production

In mid-July 2013, the Company announced the appointment of Mr. Kevin Weston, B.Eng, as its Chief Operating Officer. Kevin has extensive experience in gold mining and processing, bringing over 30 years of operations experience in Canada, Africa and Latin America.

Golden Reign’s strategy is to transition from explorer to emerging producer. The initial high-grade, near-surface the San Albino Gold Deposit offers:

- the ability to advance the open-pit oxide zone to production on a short time line (target: December 2014)
- a small, low-impact operation
- opportunity to self-fund exploration and growth through cash flow

A small modular plant is being sourced. Locations for the plant, waste and tailings are being evaluated. The Company is also currently conducting baseline environmental and sociological studies and further metallurgical test work, and additional trenching and drilling to confirm and increase open-pittable resources.

The Company is focused on initially developing all or part of the 8 square kilometre area of the Southern District, which hosts the San Albino Gold Deposit and highly prospective Las Conchitas area.

Las Conchitas

The Las Conchitas area, situated 1.5 kilometres south of the Company's San Albino Gold Deposit, hosts 4 very prospective areas of high-grade, near-surface mineralization over an area of 2.5 square kilometres. All four zones remain open in both directions and at depth. Golden Reign anticipates that it will be able to extend quite significantly all mineralized zones.

The Intermediate Area is one of four near-surface, high-grade mineralized zones outlined by trenching. It has a current strike length of approximately 1.0 kilometre, remaining open along strike in both directions and down-dip. A comprehensive trenching program consisting of 13 trenches across 417 metres was completed in 2011. Highly-mineralized intercepts, as previously reported, in trenches INT11-TR-01 through INT11-TR-04 were targeted for drilling in July 2013. Highlights from drilling include:

- INT13-01 2.5 metres averaging 15.69 g/t gold and 15.5 g/t silver
- INT13-02 3.0 metres averaging 3.39 g/t gold and 10.3 g/t silver
- INT13-03 21.3 metres averaging 7.20 g/t gold and 14.2 g/t silver
 including 5.0 metres averaging 28.45 g/t gold and 53.7 g/t silver

These true-width mineralized intersections are within approximately 55 metres vertical depth from surface.

The Northern and Central District, along with the remainder of the Southern District and new El Jicaro Concession, offer tremendous exploration potential. Hundreds 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.

Operations Overview

Fiscal 2012 & 2013 was a very busy and pivotal period for Golden Reign –

- an **initial high-grade resource** was delineated after only 15 months of drilling
- the 80% interest in the Property was earned-in approximately 1.5 years in advance
- the 20% remaining interest in the Property has been secured under an option agreement

Golden Reign commenced a Phase II drilling program at the San Albino Mine area which was completed in mid-2012. The 2012/2013 definition drill program extended the mineralized area outlined in 2012, refined the geological model, and produced data that was used to calculate a NI 43-101 compliant mineral resource for the San Albino Mine area:

Current Resources

	Cut-off grade (g/t AuEq)	Classification	Tonnes	Au (g/t)	Au ounces	Ag (g/t)	Ag ounces	AuEq (g/t)	AuEq ounces
Open-pittable	0.5	Indicated	247,000	9.00	71,000	10.8	86,000	9.18	73,000
	0.5	Inferred	682,000	8.25	181,000	10.7	234,000	8.42	185,000
Underground	1.5	Indicated	101,000	6.59	21,000	9.7	31,000	6.76	22,000
	1.5	Inferred	2,689,000	7.00	605,000	10.6	912,000	7.17	620,000

Mineral Resource Estimate Notes and Parameters:

1. Mineral Resource estimates are based upon an October 31, 2012 two year trailing average gold price of US\$1,592 per ounce, a 95% recovery rate, bulk density of 2.8 t/m³, open-pit mining costs of US\$3 per tonne, pit slopes of 45 degrees, underground mining costs of US\$48 per tonne, milling costs of US\$20 per tonne, and general and administrative costs of US\$5 per tonne;
2. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves;
3. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues, although the Company is not aware of any such issues;
4. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured mineral resource category.
5. Gold Equivalent was calculated on the basis of 1 gram gold = 60 grams silver.

The San Albino resource model consists of three shallow dipping, high grade vein systems over a strike length of 850 metres, down dip extension of 925 metres, with a minimum true width of one metre and average true width of 2.6 metres. Grade capping varied from no capping to 100 g/t depending on the vein system. All silver assays were capped at 100 g/t. Inverse distance cubed grade interpolation was on 2m x 2m x 6m blocks utilizing Gemcom. 166 of 201 drill holes and trenches on the Property were utilized in the resource estimate calculation.

The resource estimate was completed by P&E Mining Consultants Inc. (“P&E”) of Brampton, Ontario, Canada. P&E prepared a mineral resource estimate for the San Albino Mine area in accordance with the Canadian Securities Administrators (“CSA”) NI 43-101 and resources have been estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

An independent NI 43-101 compliant technical report relating to the initial Mineral Resource estimate for the San Albino Mine area was filed on SEDAR on January 4, 2013.

The San Albino Gold Deposit, a combination open-pit/underground resource, offers:

- mineral resources at shallow depth, within approximately 300 metres from surface. This open-pittable target potentially provides a quick payback on development expenditures and de-risks development of the Property
- the near-term potential to add resources through additional in-fill and step-out drilling. An Exploration Target beyond the resource estimate (along strike and down dip) has been identified with an estimated 3 to 5 million tonnes at a grade between 6 to 10 grams gold equivalent per tonne. The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in discovery of a mineral resource

It is important to note that only 0.6 square kilometres of the 2 square kilometre San Albino Mine area has been drill tested. All mineralized zones remain open at depth and along strike in both directions.

Golden Reign is very encouraged by this initial resource calculation, which provides a cornerstone on which to build, adding additional potential resources in the San Albino Mine area and from numerous regional targets currently being assessed within its much larger 138 square kilometre land package.

Although the San Albino-Murra Property is well known and the San Albino Mine has a long history of small scale mining, 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 prior to Golden Reign’s activities.

Since first commencing work at the end of 2009, Golden Reign has outlined considerable blue sky potential within the Property. This includes the successful outlining of the Corona de Oro Gold Belt. It is a structural corridor approximately 3 kilometres wide by 25 kilometres long which spans the entirety of the Company’s land package. Offering potential for a district-scale gold system, the belt stretches from the El Jicaro Concession in the south, through the San Albino-Murra Property to its northeast corner, and hosts more than 170 quartz vein structures, 112 adits, 148 mine dumps and 354 exploration pits.

Exploration and Evaluation Assets

	July 31, 2013	April 30, 2013
Acquisition Costs	\$ 4,058,690	\$ 3,750,707
Deferred Exploration Costs	15,957,658	14,300,322
	\$ 20,016,348	\$ 18,051,029

For a comprehensive breakdown of exploration and evaluation costs by property, please refer to Note 7 of the unaudited consolidated interim financial statements for the three months ended July 31, 2013.

RESULTS OF OPERATIONS

Selected Annual Information

Fiscal Year	2013	2012	2011
Net Sales	Nil	Nil	Nil
Net Loss	\$ 1,465,554	\$ 1,848,096	\$ 1,310,381
Comprehensive Loss	\$ 1,568,547	\$ 1,802,517	\$ 1,507,600
Basic and diluted loss per share	\$ 0.02	\$ 0.03	\$ 0.03
Total Assets	\$ 19,296,608	\$ 14,682,822	\$ 10,133,803
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, 2013, 2012, and 2011 is comprised mainly of general and administrative expenses. The reported net loss for 2013, 2012, and 2011 includes share-based compensation expense of \$ 589,024, \$1,100,133 and \$846,298, respectively.

Summary of Quarterly Results

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

	2014		2013		2012			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Sales	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net (loss) gain	\$(289,272)	\$(71,805)	\$(421,450)	\$(763,549)	\$(208,750)	\$(1,886,540)	\$(117,115)	\$(154,910)
Comprehensive (loss)gain	\$40,297	\$(450,467)	\$(214,184)	\$(911,275)	\$7,379	\$(1,954,411)	\$(57,704)	\$488,953
Basic and diluted loss per share	\$0.00	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.03)	\$0.00	\$(0.00)

Three Months ended July 31, 2013

The Company reported a net loss of \$289,272 for the three month period ended July 31, 2013, as compared to a net loss of \$208,750 for the same period in the prior fiscal year.

General and administrative expenses for the three months ended July 31, 2013 totalled \$291,052 (2012 - \$211,078) including a foreign exchange loss of \$218 (2012 - \$906). Share-based compensation expense was \$136,675 (2012 - \$Nil).

General and administrative expenses increased to \$291,052 from \$211,078 in Q1 2013, due primarily to \$136,675 (2012- \$Nil) of share compensation charges based on stock option grants; together with an increase of \$20,000 in the combined total of salaries, benefits, management fees and consulting fees (reflecting corporate growth). These were offset primarily by reduced travel, lower listing fees and lower depreciation (depreciable equipment was principally deployed on capitalized exploration activities).

Office and miscellaneous expenses totalled \$28,790 (2012 - \$22,846) and included: bank charges of \$2,110; courier costs of \$258; office expenses of \$5,002, office rent of \$13,558; telecommunications of \$2,862; office insurance of \$537; commercial liability insurance of \$1,463; and directors' and officers' insurance of \$3,000.

Expenditure on travel and promotion totalled \$3,411 (2012 - \$21,502). Costs paid included meals and entertainment of \$503, email and newswire services of \$2,488 and website creation/maintenance costs of \$420.

Professional fees of \$16,751 (2012 - \$20,986) consisted of audit fees and accruals of \$15,430 and legal fees of \$1,321.

Regulatory and listing fees for the quarter were \$6,274 (2012 - \$26,074) for general filing fees \$4,997 and transfer agency service expenses of \$1,277.

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 July 31, 2013 was \$1,780 (2012 - \$2,328). The decrease over the same period of the prior year being attributable to fewer funds held on account.

Trends

The Company is in a growth pattern, actively exploring with a view to developing its San Albino-Murra Gold Property in northern Nicaragua. After acquiring the option on the Property in late June 2009, Golden Reign completed geological mapping and prospecting work throughout the property and an initial drill program at the San Albino Mine, the most advanced prospect. In early 2012, the Company undertook a major trenching program in the Southern District. In April 2012, a definition drilling program was initiated at the 2 square kilometre San Albino Gold Deposit, completing in July 2012. The Company's initial resource calculation was announced in late November 2012. An independent NI 43-101 technical report and resource estimate was filed in early January 2013.

Volatile market conditions and a scarcity of available financing may affect the Company's planned level of activity and development during the balance of fiscal 2013 and into fiscal 2014.

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 expenses, income from investing, 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

In recent years, the gold price has experienced high levels of volatility. In 2012, the price of gold reached new heights, briefly exceeding US\$1,900/oz. It currently is priced at approximately US\$1,325/oz. Demand for physical gold continues to be strong, despite the more recent sell-off of gold ETFs. After hitting a low in late June 2013, Comex Gold has rallied 17% to reach a mid-August high, consolidating price dips and gains. A number of potential bullish factors – South African mining disputes, the U.S Federal Reserve stimulus package and continued sluggish world economies – could support higher prices in the near-term.

Silver is currently trading approximately US\$22/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; agmetalmminer.com; www.mineweb.net; www.lme.co.uk)

RISK FACTORS

The Company's principal activity of mineral exploration is generally considered to have 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 chances 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 exploration and evaluation assets there is no guarantee that the exploration and evaluation assets 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.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2013, the Company's primary capital asset was its investment in exploration and evaluation assets of \$20,016,348 (April 30, 2013 - \$18,051,029).

It held cash of \$1,378,310 (April 30, 2013 - \$752,203) and had working capital of \$865,251 (April 30, 2013 - \$116,475). During the quarter, the Company raised gross proceeds in June 2013 of approximately \$2.37 million when it completed a non-brokered private placement of 15,797,830 units at a price of \$0.15 per unit. A further \$450,000 may be realized upon the exercise of 2,250,000 stock options currently in-the-money; however, there are no assurances that these options will be exercised. Further financing will be required to progress the flagship San Albino-Murra Property and the El Jicaro Concession.

During the first quarter of fiscal 2014, the Company experienced cash outflows of \$164,319 (2012 - \$179,371) from operating activities. Investing activities used cash of \$1,644,503 (2012 - \$2,071,202), including \$1,554,846 (2012 - \$2,064,039) spent on the Company's Nicaraguan projects and \$5,815 (2012 - \$7,163) paid for equipment. Financing activities realized positive cash flows of \$2,434,607 (2012 - \$3,476,844). Overall, cash increased by \$625,785, as compared to \$1,226,276 in the prior fiscal year.

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 exploration and evaluation assets in order to finance further acquisitions, undertake exploration and development activities on exploration and evaluation assets 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 exploration and evaluation assets. 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 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 loss 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 three months ended July 31, 2013, the Company paid or accrued:

- (a) salaries of \$30,000 (2012 - \$25,500 in management fees) to Kim Evans, a director and officer of the Company
- (b) salaries of \$22,500 (2012 - \$Nil) to Janice Craig, an officer of the Company,
- (c) salaries of \$24,000 (2012 - \$19,500 in consulting fees) to Zoran Pudar, an officer of the Company, for the provision of geological consulting services, which was capitalized to mineral properties; and,
- (d) consulting fees of \$10,000 (2012 - \$Nil) to Kevin Weston, an officer of the Company, which was capitalized to mineral properties.

Included in accounts payable and accrued liabilities is a total of \$15,566 (2012 - \$11,876) 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

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 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, the costs of acquisition will be amortized over the life of the project based on estimated economic reserves.

Foreign currency translation and transactions

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. The Company’s Nicaraguan subsidiaries functional currency is the US dollar.

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 subsidiary, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

Accounting Policy Developments

The Company has not yet assessed the impact of the following standards or determined whether it will adopt these standards early:

1. IFRS 9 “Financial Instruments”

In November 2009, the IASB published IFRS 9, “Financial Instruments”, 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.

2. IFRS 10 “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.

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.

3. IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12, “Disclosure of Interest 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”.

4. *IFRS 13 Fair Value Measurement*

IFRS 13, “Fair Value Measurement”, is a comprehensive standard for fair value measurement and disclosure requirements 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 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.

5. *IAS 1, “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.

6. *IAS 27 (2011), “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”.

7. *IAS 32 “Financial Instruments”*

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.

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).

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

(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 their 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 and other tools. At July 31, 2013, the Company had a cash balance of \$1,378,310 to settle current liabilities of \$570,584 and meet expenses of ongoing exploration and administration.

(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, there are transactions in US dollars. The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates and the degree of volatility in these rates. The subsidiary's functional currency however is USD and therefore the entire subsidiary is USD. As this is where all exploration and evaluation spending occurs, it would make sense that the Company would be exposed to foreign currency risk and currently this risk is quantified at a 1% change. A reduction in the value of the US Dollar 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.

OUTSTANDING SHARE DATA AS AT SEPTEMBER 30, 2013:

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	86,610,242

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	50,000	50,000	\$ 0.80	August 8, 2014
Options	50,000	50,000	1.00	August 8, 2014
Options	375,000	375,000	0.20	November 9, 2014
Options	909,000	909,000	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	1,450,000	1,450,000	0.56	February 7, 2016
Options	1,945,000	1,945,000	1.10	February 15, 2017
Options	1,365,000	1,365,000	0.80	August 8, 2017
Options	80,000	80,000	0.80	September 10, 2017
Options	1,875,000	1,375,000	0.20	July 15, 2018
	8,649,000	8,149,000		

(c) Summary of warrants outstanding:

Security	Number	Exercise Price	Expiry Date
Warrants	533,533	\$ 0.55	January 18, 2014
Warrants	6,081,244	0.30	January 18, 2014
Warrants	4,711,640	0.80	July 12, 2014
Warrants	138,269	0.67	July 12, 2014
Warrants	14,890,630	0.25	June 4, 2015
	26,355,316		

SUBSEQUENT EVENTS

Subsequent to July 31, 2013, the Company amended 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.

OTHER INFORMATION

For additional disclosures concerning the Company's general and administrative expenses and exploration and evaluation assets, please refer to the unaudited interim consolidated financial statements for the three months ended July 31, 2013, which are available on the Company's web site at www.goldenreign.com or on SEDAR at www.sedar.com.