



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended July 31, 2018 and 2017
(Expressed in Canadian dollars)

Q1 Fiscal 2019



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

Expressed in Canadian dollars

As at	July 31, 2018	April 30, 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 3,948,960	\$ 1,072,150
Receivables	41,923	15,354
Prepaid expenses	29,543	20,216
Total current assets	4,020,426	1,107,720
Equipment	74,321	76,703
Exploration and evaluation assets (Note 3)	40,574,608	39,282,575
TOTAL ASSETS	\$ 44,669,355	\$ 40,466,998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 420,678	\$ 319,386
Gold Streaming Arrangement (Note 5)	1,436,424	1,445,045
Marlin Loan Payable (Note 6)	4,000,000	-
TOTAL LIABILITIES	5,857,102	1,764,431
Shareholders' equity		
Share capital (Note 4)	39,910,592	39,886,352
Reserves - share based (Note 4)	7,099,099	7,100,999
Cumulative translation adjustment	6,271,312	5,727,657
Deficit	(14,468,750)	(14,012,441)
Total shareholders' equity	38,812,253	38,702,567
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 44,669,355	\$ 40,466,998

Nature of Operations and Going Concern (Note 1)

Commitments (Note 7)

On behalf of the Board:

"Kevin Bullock"

Director

"Abraham Jonker"

Director

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS

(Unaudited)

Expressed in Canadian dollars

	For the three months ended	
	July 31, 2018	July 31, 2017
OPERATING EXPENSES		
Wages and benefits	\$ 143,597	\$ 68,860
Professional fees	213,805	15,110
Consulting fees	35,000	-
Office and miscellaneous	29,064	27,491
Travel and promotion	23,067	903
Share-based compensation (Note 5)	7,600	-
Regulatory and listing fees	1,058	1,179
Depreciation	943	3,045
Foreign exchange (gain) loss	11,879	18,617
OPERATING LOSS	(466,013)	(135,205)
Interest income	9,704	8,011
LOSS FOR THE PERIOD	\$ (456,309)	\$ (127,194)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	192,133,779	191,995,896

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

Expressed in Canadian dollars

	For the three months ended	
	July 31, 2018	July 31, 2017
Loss for the period	\$ (456,309)	\$ (127,194)
Other comprehensive income (loss)		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation adjustment	543,655	(3,234,753)
Other comprehensive income (loss) for the period	543,655	(3,234,753)
Comprehensive income (loss) for the period	\$ 87,346	\$ (3,361,947)

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

Expressed in Canadian dollars

	Number of shares	Share capital	Reserves - Share based	Cumulative translation adjustment	Deficit	Total Equity
Balance - April 30, 2017	191,995,896	\$ 39,848,458	\$ 6,921,899	\$ 7,941,948	\$ (13,241,137)	\$ 41,471,168
Loss for the period	-	-	-	-	(127,194)	(127,194)
Other comprehensive income	-	-	-	(3,234,753)	-	(3,234,753)
Balance – July 31, 2017	191,995,896	\$ 39,848,458	\$ 6,921,899	\$ 4,707,195	\$ (13,368,331)	\$ 38,109,221
Balance – April 30, 2018	192,103,920	\$ 39,886,352	\$ 7,100,999	\$ 5,727,657	\$ (14,012,441)	\$ 38,702,567
Shares issued on exercise of warrants	67,000	14,740	-	-	-	14,740
Transfer of warrant value	-	9,500	(9,500)	-	-	-
Share-based compensation	-	-	7,600	-	-	7,600
Loss for the period	-	-	-	-	(456,309)	(456,309)
Other comprehensive income	-	-	-	543,655	-	543,655
Balance – July 31, 2018	192,170,920	\$ 39,910,592	\$ 7,099,099	\$ 6,271,312	\$ (14,468,750)	\$ 38,812,253

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

Expressed in Canadian dollars

	For the three months ended	
	July 31, 2018	July 31, 2017
OPERATING ACTIVITIES		
Loss for the period	\$ (456,309)	\$ (127,194)
Items not affecting cash:		
Depreciation	943	3,045
Share-based compensation	7,600	-
Changes in non-cash working capital items related to operations:		
Receivables	(26,568)	24,664
Prepaid expenses	(22,240)	(11,194)
Accounts payable and accrued liabilities	195,623	(12,238)
Cash and cash equivalents used in operating activities	(300,951)	(122,917)
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(955,965)	(646,470)
Cash and cash equivalents used in investing activities	(955,965)	(646,470)
FINANCING ACTIVITIES		
Advance from Marlin	4,000,000	-
Proceeds from exercise of warrants	14,740	-
Cash and cash equivalents generated by financing activities	4,014,740	-
Change in cash and cash equivalents during the period	2,757,824	(769,387)
Effect of foreign exchange on cash	118,986	(69,056)
Cash and cash equivalents, beginning of period	1,072,150	4,737,796
Cash and cash equivalents, end of period	\$ 3,948,960	\$ 3,899,353

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

Expressed in Canadian dollars

Supplemental cash flow information

	For the Three Months Ended July 31, 2018	For the Three Months Ended July 31, 2017
Cash paid during the period for:		
Interest	\$ 59,054	\$ 56,606
Non-cash financing and investing activities:		
Depreciation included in exploration costs	2,455	4,360
Exploration costs included in accounts payable	106	41,231
Accrued interest payable on Gold Streaming Arrangement	9,694	9,323

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

1. NATURE OF OPERATIONS 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”) under the symbol GRR. The address of the Company’s corporate office and principal place of business is Suite 501 – 595 Howe Street, Vancouver, BC, Canada.

The Company’s primary exploration and evaluation asset is the San Albino-Murra Property, located in Nicaragua, which is in an advanced exploration stage. Recovery of the carrying value of an investment in exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary funding 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 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. The Company’s results may inter alia be adversely affected by changes in Nicaragua’s governmental policies with respect to mining laws and regulations, and rates and methods of taxation.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

At July 31, 2018, the Company held cash and cash equivalents of \$3,948,960 (April 30, 2018 - \$1,072,150), had a working capital deficit of \$1,836,676 (April 30, 2018 – \$656,711), has not yet achieved profitable operations, has commitments due in the coming fiscal year, and had an accumulated deficit of \$14,468,750 since inception and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

During the current period, the Company and Marlin Gold Mining Ltd. entered into a definitive bridge loan agreement for a bridge loan from Marlin to Golden Reign of \$4,000,000, having a term of one year and bearing interest at 8% per annum (see Note 6 below).

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to advance its mineral property interests, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. As a result, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated annual financial statements for the year ended April 30, 2018. In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in note 2 to the audited consolidated annual financial statements for the year ended April 30, 2018.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the Three Months Ended July 31, 2018

2. BASIS OF PRESENTATION (cont'd...)

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on September 26, 2018.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 15, Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 applies to an annual reporting period beginning on or after January 1, 2018. The Company has concluded that IFRS 15 had no impact to the financial statements.

IFRS 9, Financial Instruments – Classification and Measurement

IFRS 9 is a new standard on financial instruments which replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has concluded that IFRS 9 had no impact to the financial statements. All of the company's financial assets are short-term and are measured at amortized cost.

3. EXPLORATION AND EVALUATION ASSETS

(a) San Albino-Murra Property, Nicaragua

On May 7, 2012, the Company completed the terms of an 80% earn-in interest property agreement which was signed on June 26, 2009 with Nicoz Resources, S.A., and on October 31, 2012 the Company acquired the remaining 20% interest in the San Albino-Murra Mining Concession (the "Property") located in Nicaragua by making cash payments of US\$1,100,000, incurring aggregate exploration expenditures of US\$5,000,000 and issuing 6,100,000 common shares at a value of \$2,813,770.

There is a net smelter return of 3% payable to the Nicaraguan government pursuant to existing mining laws.

The San Albino-Murra Property license is valid until February 3, 2027 and may be renewed for another 25-year term.

(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 25 years until September 28, 2033 and may be renewed for another 25-year term.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

3. EXPLORATION AND EVALUATION ASSETS (cont'd...)

(c) Exploration and Evaluation Expenditures

For the three months ended July 31, 2018:

	San Albino-Murra	El Jicaro	Total
Acquisition costs			
Balance, April 30, 2018	\$ 5,623,356	\$ 154,032	\$ 5,777,388
Property purchase	(155,188)	-	(155,188)
Translation adjustment	79,581	2,172	81,753
	\$ 5,547,749	\$ 156,204	\$ 5,703,953
Deferred exploration costs			
Balance, April 30, 2018	\$ 33,251,611	\$ 253,576	\$ 33,505,187
Depreciation	213	4,398	4,611
Field office	59,807	-	59,807
Geological consulting	161,765	-	161,765
Professional fees	3,325	-	3,325
Project expenses	486,666	57,518	544,184
Reports	33,788	-	33,788
Share-based compensation	107,631	-	107,631
Travel	16,155	-	16,155
Subtotal, deferred exploration costs	34,120,961	315,492	34,436,453
Translation adjustment	430,741	3,461	434,202
	\$ 34,551,702	\$ 318,953	\$ 34,870,655
Balance, July 31, 2018	\$ 40,099,451	\$ 475,157	\$ 40,574,608

For the Year Ended April 30, 2018:

	San Albino-Murra	El Jicaro	Total
Acquisition costs			
Balance, April 30, 2017	\$ 5,985,221	\$ 163,944	\$ 6,149,165
Translation adjustment	(361,865)	(9,912)	(371,777)
Balance, April 30, 2018	\$ 5,623,356	\$ 154,032	\$ 5,777,388
Deferred exploration costs			
Balance, April 30, 2017	32,218,323	163,586	32,381,909
Consulting	282,026	-	282,026
Depreciation	16,271	1,437	17,708
Field office	345,054	-	345,054
Geological consulting	480,155	-	480,155
Professional fees	97,803	13,291	111,094
Project expenses	1,489,451	102,171	1,591,622
Reports	135,265	-	135,265
Stock-based compensation	90,100	-	90,100
Travel	51,730	-	51,730
Subtotal, deferred exploration costs	35,206,178	280,485	35,486,663
Translation adjustment	(1,954,567)	(26,909)	(1,981,476)
Balance, 30 April 2018	33,251,611	253,576	33,505,187
Balance, April 30, 2018	\$ 38,874,967	\$ 407,608	\$39,282,575



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

4. SHARE CAPITAL

Authorized:

Unlimited number of common shares, without par value

(a) Private placements

During the three months ended July 31, 2018, the Company issued 67,000 shares for the exercise of warrants for gross proceeds of \$14,740.

During the three months ended July 31, 2018 and 2017, the Company did not undertake any equity financings.

(b) Share purchase warrants

Share purchase warrant transactions for the three months ended July 31, 2018 and year ended April 30, 2018 are summarized below:

	For the Three Months Ended July 31, 2018		For the Year Ended April 30, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	650,091	\$ 0.22	671,809	\$ 0.22
Exercised	(67,000)	0.22	(21,718)	0.22
Expired	(583,091)	0.22		
Ending balance	-	-	650,091	\$ 0.22
Warrants exercisable	-	-	650,091	\$ 0.22

As at July 31, 2018 there were no purchase warrants outstanding.

(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 at minimum on the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of five years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve-month period, with no more than ¼ vesting during any three-month period. Vesting provisions for other options are determined by the Company's Board of Directors.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

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

(c) Share options (cont'd...)

The following options were outstanding as at July 31, 2018 and April 30, 2018:

	For the Three Months Ended July 31, 2018		For the Year Ended April 30, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	12,465,512	\$0.23	12,025,000	\$0.23
Granted	-	-	591,818	0.22
Granted	-	-	890,000	0.26
Granted	-	-	150,000	0.35
Expired	(895,000)	0.20	(86,306)	0.20
Expired	(570,512)	0.22	(1,105,000)	0.25
Ending balance	11,000,000	\$0.23	12,465,512	\$0.23
Options exercisable	10,375,000	\$0.25	11,765,512	\$0.24

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
0.25	October 16, 2018	60,000	60,000	0.21 years
0.10	February 19, 2021	2,000,000	1,375,000	2.56 years
0.25	June 14, 2021	5,485,000	5,485,000	2.87 years
0.30	August 25, 2021	2,415,000	2,415,000	3.07 years
0.26	August 21, 2022	890,000	890,000	4.06 years
0.35	October 2, 2022	150,000	150,000	4.18 years
\$ 0.25		11,000,000	10,375,000	2.83 years

(d) Share-based compensation

During the three months ended July 31, 2018, the Company recorded share-based compensation of \$7,600 (2017 - \$Nil), which was expensed as share-based compensation in the condensed consolidated interim statement of loss, with a corresponding increase in reserves-shares based.

During the year ended April 30, 2018, the Company recorded share-based compensation of \$194,800 (2017 - \$1,561,600), of which \$90,100 (2017 - \$480,900) was capitalized as mineral property expenditures and \$104,700 (2017 - \$900,500) was expensed as share-based compensation in operations, and \$Nil (2017 - \$180,200) represents finders' fees as per note 4(a) above, 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:

	Three Months Ended July 31, 2018	Year Ended April 30, 2018
Risk-free interest rate	1.77%	1.51 – 1.77%
Expected life of options	5 years	5 years
Expected volatility	75.64%	75.29 – 75.64%
Weighted average fair value per option	\$ 0.22	\$ 0.24 – 0.32

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

5. GOLD STREAMING ARRANGEMENT

In July 2014, the Company completed an agreement with Marlin Gold Mining Ltd. (“Marlin”) and Sailfish Royalty Corp. (“Sailfish”) for a US\$15.0 million gold streaming arrangement at its San Albino Gold Deposit and surrounding area. Under the arrangement, Sailfish Royalty Corp. (“Sailfish”) will be entitled to purchase 40% of the gold production from the San Albino Gold Deposit at US\$700 per troy ounce, subject to a 1% per year cost escalation beginning three years from commercial production, until Sailfish recovers US\$19,600,000. During this period, the Company will be required to make minimum monthly payments of US\$282,800 per month, either in gold production or in cash, when commercial production commences. Thereafter, Sailfish will be entitled to purchase 20% of gold production at US\$700 per troy ounce, subject to a 1% per year cost escalation beginning three years from commercial production plus 50% of the price differential above US\$1,200 per troy ounce, subject to certain adjustments. Prior to commercial production, Sailfish will be entitled to receive an 8% semi-annual coupon payment on the outstanding balance due from the Company. During the fiscal year ended April 30, 2015, the Company incurred financing fees of \$411,787 associated with the execution of this agreement.

During the year ended April 30, 2016, the Company received an initial draw down of \$705,652 (US\$536,536) of the upfront cash payment amount of US\$15.0 million, to be used for engineering work during the pre-development phase. The balance of the US\$15.0 million is subject to Sailfish’s election to proceed and is payable in installments once the project schedule and project budget are completed, approved by the Company and accepted by Sailfish and the associated Engineering, Procurement and Construction Management contract executed. Prior to commercial production, an 8% semi-annual coupon payment on the outstanding balance is payable by the Company. At April 30, 2016, the Company had recorded interest payable of \$15,934 (US\$11,800).

During the year ended April 30, 2017, the Company received further draw down funds of \$764,410 (US\$559,515) to be used for on-going engineering work during the pre-development phase. The Company recorded interest payable of \$91,339 (US\$68,607) and interest payments were made of \$68,760 (US\$52,118). Differences in foreign exchange rates between the prior year-end rate and the current year-end rate attributed a further \$59,905 to the liability recorded.

During the year ended April 30, 2018, the Company recorded interest payable of \$110,779 (US\$87,683) and interest payments were made of \$111,145 (US\$86,248). Differences in foreign exchange rates between the prior year-end rate and the current period rate resulted in a reduction of \$90,662 to the liability recorded.

During the three months ended July 31, 2018, the Company recorded interest payable of \$28,743 (US\$22,101) and interest payments were made of \$59,054 (US\$44,378). Differences in foreign exchange rates between the prior year-end rate and the current period rate resulted in an increase of \$21,689 to the liability recorded.

On August 7, 2018, the Company announced that it had entered into a definitive agreement (the “Definitive Agreement” described in Note 11(a)) with Marlin Gold Mining Ltd. which has been approved by each of the boards of directors of the Company and Marlin, pursuant to which the Company and Marlin propose to complete the business combination whereby the Company will acquire all of the issued and outstanding shares of Marlin (following completion of the Marlin reorganization and satisfaction of all closing conditions) by way of plan of arrangement (the “Transaction”). As a condition to closing the Transaction Sailfish agreed to restructure its existing gold stream arrangement on San Albino.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

5. GOLD STREAMING ARRANGEMENT (cont'd...)

As at July 31, 2018, the Company had recorded the following:

	USD	CAD Equivalent
Beginning balance, May 1, 2018 (principal & interest)	\$ 1,125,775	\$ 1,445,045
Add:		
Interest payable on draw-downs under Gold Streaming Arrangement	22,101	28,744
Effect of changes in foreign exchange rates	-	21,689
Less:		
Semi-annual interest payments made on draw-downs under Gold Streaming Arrangement	(44,378)	(59,054)
Total principal and interest payable under Gold Streaming Arrangement	\$ 1,103,498	\$ 1,436,424

6. MARLIN GOLD MINING LTD. BRIDGE LOAN

During the three months ended July 31, 2018, the Company and Marlin Gold Mining Ltd. entered into a definitive bridge loan agreement for a bridge loan from Marlin to Golden Reign of \$4,000,000, having a term of one year and bearing interest at 8% per annum (the "Bridge Loan"). Upon completion of the proposed Transaction (Note 11(a)), the Bridge Loan will become intercompany debt and terminated. In the event that (a) Golden Reign shareholders vote not to approve the proposed Transaction, or (b) the Definitive Agreement is terminated in accordance with its terms, then all accrued interest under the Bridge Loan will become immediately due and the maturity date of the Bridge Loan will accelerate to the earlier of the original maturity date or the date that is four months from the negative shareholder vote or termination of the Definitive Agreement, as applicable.

7. RELATED PARTY TRANSACTIONS

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

	Three months ended July 31, 2018	Three months ended July 31, 2017
Management & consulting fees (included in E&E assets)	\$ 99,000	\$ 99,000
Consulting fees paid to a director (John Conlon)	60,000	-
Wages	42,000	42,000
Total	\$ 201,000	\$ 141,000
Accounts payable due to related parties	\$ 5,356	\$ 7,571

8. COMMITMENTS

The Company has entered into an operating lease agreement for its corporate head office premises. The annual lease commitments under the lease are as follows:

2019	\$ 61,018
2020	\$ 40,679



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

9. 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).

Fair value

The Company’s financial instruments include cash and cash equivalents, receivables, accounts payable, and the Gold Streaming Arrangement liability. The carrying values of cash, receivables and payables approximate fair value because of the short-term nature of these instruments.

10. 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, 2018	April 30, 2018
Equipment		
Nicaragua	\$ 70,256	\$ 71,695
Canada	4,065	5,008
	\$ 74,321	\$ 76,703
Exploration and evaluation assets		
Nicaragua	\$ 40,574,608	\$ 39,282,575
	\$ 40,574,608	\$ 39,282,575

	For the Three Months Ended July 31, 2018	For the Three Months Ended July 31, 2017
Net Loss		
Canada	\$ 456,309	\$ 127,194
	\$ 456,309	\$ 127,194

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

11. SUBSEQUENT EVENTS

(a) Business combination

On August 7, 2018, the Company announced that it had entered into a definitive agreement (the “Definitive Agreement”) with Marlin Gold Mining Ltd (“Marlin”) which has been approved by each of the boards of directors of the Company and Marlin, pursuant to which the Company and Marlin propose to complete the business combination whereby the Company will acquire all of the issued and outstanding shares of Marlin (following completion of the Marlin reorganization and satisfaction of all closing conditions) by way of plan of arrangement (the “Transaction”). As a condition to closing the Transaction Sailfish agreed to restructure its existing gold stream arrangement on San Albino.

Under the terms of the Definitive Agreement, the Company will acquire all of the outstanding Marlin common shares with an exchange ratio of 0.5138 of a Company common share (each whole common share, a “GRR Share”) for each Marlin common share acquired (the “Consideration”). In addition, Marlin will distribute an aggregate of 18,148,654 GRR Shares currently held by Marlin to the Marlin Shareholders on the basis of 0.1022 GRR Shares for each Marlin common share, bringing the total GRR Shares to be received by Marlin shareholders to 0.6160 of a GRR Share for each Marlin common share outstanding at Closing. The Transaction will result in Marlin and certain of its subsidiaries, including Oro Gold de Mexico and Marlin Gold Trading, becoming wholly-owned subsidiaries of Golden Reign (the “Combined Company”). In addition to certain terms and conditions, the Definitive Agreement includes customary provisions, including covenants not to solicit other acquisition proposals and the right to match any superior proposals. Termination fees of C\$1 million will be paid to Marlin or the Company in certain circumstances should the Transaction not be completed.

Upon completion of the Transaction, it is expected that the shareholders of Marlin, as of the closing time, will own, in aggregate, approximately 45% of the issued and outstanding common shares of the Combined Company and the shareholders of the Company, as of the closing time, will own, in aggregate, approximately 55% of the issued and outstanding common shares of the Combined Company.

Under the terms of the Arrangement Agreement, as a condition to Closing, Marlin has agreed to undertake a corporate reorganization, pursuant to which it will:

- (i) sell its Commonwealth silver and gold property in Cochise County, Arizona, to Wexford Capital LP or funds controlled by it (“Wexford”), Marlin’s controlling shareholder, which will extinguish all of Marlin’s loans and any other debts and liabilities owing to Wexford;
- (ii) assign to Sailfish its 1% net smelter return royalty on the Parral 2 claims on the La Cigarra project owned by Kootenay Silver Inc. (the “La Cigarra Royalty”) and its 1.5% net smelter return royalty on the majority of the concessions at the El Compas project operated by Endeavour Silver Corp. (the “El Compas Royalty”), and grant an option to Sailfish to purchase its Gavilanes property in Mexico, all as partial consideration for Sailfish agreeing to enter into the amendment to the existing gold stream on San Albino (Note 6);
- (iii) wind-up certain of its non-material subsidiaries that will not be acquired by the Company under the Transaction; and;
- (iv) arrange for the sale of 17,155,191 common shares of Golden Reign, currently held by Marlin, at a price of \$0.1539 on a private placement basis, pursuant to which Wexford will purchase at least 85% of such Golden Reign common shares and an aggregate of at least 993,464 of such Golden Reign common shares will be purchased by current stock option holders of Marlin. The full amount of the gross proceeds from such private placement of \$2,640,184 will remain in Marlin on the Closing of the Transaction.

These pre-Closing transactions being completed by Marlin are collectively referred to herein as the “Marlin Reorganization”.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the Three Months Ended July 31, 2018

11. SUBSEQUENT EVENTS (cont'd...)

(a) Business combination (cont'd...)

San Albino Gold Stream Restructure

Another key condition to the closing of the Transaction is that the Company and its subsidiaries, Marlin and Sailfish enter into a mutually acceptable agreement to restructure the existing gold stream on San Albino (the "Amended and Restated Gold Purchase Agreement") (Note 5). Accordingly, concurrent with the signing of the Arrangement Agreement, Golden Reign and its subsidiaries, Marlin and one of its material subsidiaries and Sailfish have entered into a master agreement (the "Master Agreement") whereby the parties have agreed:

(a) to the substantial form of and the terms and conditions of the Amended and Restated Gold Purchase Agreement, equivalent to a 3% net smelter returns royalty, to be entered into effective as of the closing of the Transaction, with respect to a certain area of interest on San Albino concession (the "AOI"), which includes as a schedule to the Amended and Restated Gold Purchase Agreement, the substantial form of and terms and conditions of a new royalty agreement to be entered into between Golden Reign and its subsidiaries, and Sailfish, with respect to a 2% net smelter returns royalty on production from the San Albino concession (exclusive of the AOI) and the El Jicaro concession;

(b) that Marlin will make cash payments to Sailfish in respect of any amounts recovered by Marlin in certain lawsuits Marlin has filed against the Mexican tax authority for the purpose of obtaining previously denied Mexican value added tax refunds for an aggregate of CAD \$2,612,425 (37,379,097 Mexican pesos) (of which CAD \$523,507 (7,490,437 Mexican pesos) has already been received), before certain interest and inflation adjustments and applicable legal fees;

(c) that Sailfish will extinguish Golden Reign's prepayment liability associated with the existing gold stream on San Albino prior to Closing;

(d) that Sailfish's existing funding obligation of approximately US\$13.9 million will be eliminated prior to the closing of the Transaction; and

(e) to the substantial form of and the terms and conditions of certain assignment, option and royalty agreements, that will be entered into as partial consideration to be paid to Sailfish in consideration for entering into the Amended and Restated Gold Purchase Agreement. Such agreements provide for Marlin's assignment to Sailfish, for no additional consideration, of the El Compas Royalty and La Cigarra Royalty in Mexico. Such agreements also provide for Marlin's agreement to transfer its Gavilanes property in Mexico, to a designee of Sailfish.

(b) Options

On August 9, 2018, the Company announced the granting of 5,145,000 options to certain directors, officers and employees at an exercise price of \$0.195 cents per share for a term of five years. A total of 700,000 of the stock options are subject to vesting requirements whereby they vest immediately upon the first gold pour from the San Albino Gold Mine and the additional 4,445,000 stock options vest immediately. The securities represented by this grant will be subject to a four-month hold period.