



## MANAGEMENT DISCUSSION AND ANALYSIS For the Year Ended April 30, 2017

*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 year ended April 30, 2017 and should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto for the year ended April 30, 2017, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A is current as at August 24, 2017, the date of preparation.*

*The April 30, 2017 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All amounts are expressed in Canadian dollars, unless otherwise stated.*

### ***Forward-Looking Statements***

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

### **Q4 2017 Highlights**

- The permitting process for the San Albino Project is advancing. The Company has recently received formal approval of its environmental impact assessment (EIA) study - a key component for obtaining the environmental permit - from MARENA, the Nicaraguan environmental agency. As its next step, Golden Reign will hold a public hearing in the affected municipality. Subject to public acceptance, the Company expects to receive its environmental permit shortly thereafter. Golden Reign will continue to work closely with MARENA, and other Nicaraguan environmental agencies, to obtain the necessary approvals to develop the San Albino Gold Deposit.
- Golden Reign commenced an exploration program, comprising 2,150 metres of trenching and up to 2,000 metres of drilling, within the Las Conchitas area of the San Albino-Murra Gold Property. This work continues exploration activities initiated in 2011 that identified at least 7 highly mineralized structures with strike lengths ranging from 500 to 1,500 metres. The 2017 program is intended to outline and further define near-surface, high-grade mineralization that is potentially open-pittable.

### **GRR Strategy**

Golden Reign has built a property position that encompasses most of the Corona de Oro gold belt in northern Nicaragua. Our strategy is to accelerate the development of a gold camp hosting multiple high-grade, open-pittable deposits.

Golden Reign’s initial objective is to establish a low cost, profitable cornerstone operation at San Albino - *an area that represents only 2% of our landholdings* - with the aim of self-funding exploration and growing our operations, in a non-dilutive manner, through free cash flow.

Located near the southern end of a 20-kilometre long mineralized trend outlined and defined by Golden Reign as the Corona de Oro Gold Belt, the San Albino Gold Deposit (“San Albino”) is the first of the five areas slated for potential development by the Company. GRR is seeking to advance San Albino on an expedited basis with a goal of achieving early production. In July 2014, the Company signed a US\$15.0 million gold streaming arrangement with Sailfish Royalty Corp. (“Sailfish”), a wholly owned subsidiary of Marlin Gold Mining Ltd. (“Marlin”), that covers solely San Albino, a 3.5 square kilometre area (the “Marlin AOP”) within the Company’s 138 square kilometre landholdings.

The Company believes that the remaining four areas, all of which lie outside of the Marlin AOI, are characterized by similar mineralogy, grades and thicknesses as those outlined at San Albino, and offer potential for future development.

Our most significant asset continues to be the exploration potential of the Nicaraguan property holdings. The Company will continue to advance exploration targets at Las Conchitas, Murra and on the El Jicaro Concession.

**Preliminary Economic Assessment (PEA)**

On May 31, 2015, the Company announced the filing of a National Instrument 43-101 (“NI 43-101”) compliant technical report for the Preliminary Economic Assessment (“PEA”) on its wholly-owned San Albino Gold Deposit. The PEA study was prepared by P&E Mining Consultants Inc. (“P&E”) and is based upon an updated mineral resource estimate, open pit and underground mine plan and a 250 tonne per day processing plant. The PEA is available on the Company’s website (www.goldenreign.com) and SEDAR (www.sedar.com).

The San Albino Gold Deposit is a low tonnage, high-margin gold project with an average mined diluted grade of 8.02 g/t AuEq, an after-tax NPV@5% discount of \$105.4 million and an after-tax IRR of 37.4%.

The PEA study progressed the San Albino Gold Deposit to a level that includes metallurgical studies and detailed process opex/capex estimates. Once in production, San Albino is projected to be a low-cost gold producer, with a forecasted All-In Sustaining Cost (AISC) gold equivalent of just US\$464 per ounce – placing it in the lowest quartile in terms of costs in the industry.

Due to its high-grade nature and excellent projected gold recoveries, the Project shows strong resilience to variances in gold prices, thus mitigating risk.

**Current operations**

During the fourth quarter of Fiscal 2017, Golden Reign’s primary focus continued to be on permitting activities. We have been working closely with the Nicaraguan Ministry of Environment and Natural Resources (MARENA) to obtain approval of our development plans for the San Albino Gold Deposit.

On August 15, 2016, we submitted our environmental impact assessment (EIA) study to MARENA. After its initial review, MARENA responded seeking clarification or further information on 17 items. On December 20, 2016, we submitted an addendum to the EIA in response to MARENA’s queries. Subsequently, MARENA returned a request for clarification of three further items, which were addressed. Golden Reign has very recently received notice of acceptance of our amended EIA by MARENA. As its next step in the process, the Company will host a public hearing in the affected municipality of El Jicaro and, subject to public acceptance, expects thereafter to receive its environmental permit.

The Company has received both its Water Use Permit and Forestry Permit. The mining permit is expected to be granted once the environmental permit has been issued.

The Company continues to communicate and engage with local and federal governments, and further strengthen its relationships and partnerships within the local communities.

Pre-development activities underway during the period included the continuation of advanced metallurgical testing, with a focus on optimal filtration techniques for dry stack tailings disposal.

Results from a hydrological test hole completed during pre-development were released on March 7, 2017. A diamond drill hole, SA16-GEOT-4020, drilled for hydrological testing purposes was logged, assayed and returned uncut values of 6.0 metres averaging 13.94 g/t gold and 142.7 g/t silver. Recoveries in the mineralized intersection were poor. The drill hole is comprised of the following intervals:

From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)
44.60	47.50	2.90	6.20	126.0
47.50	49.10	1.60	34.30	71.4
49.10	50.60	1.50	7.20	251.0

This drill hole is situated roughly 40 metres from metallurgical drill hole SA16-MET-02, cored in 2016, and four high-grade holes completed in 2012. The results from drill hole SA16-GEOT-4020 correlate well with results from SA16-MET-02 and the 2012 drill holes:

SA16-MET-02	3.8 metres averaging 22.51 g/t gold and 31.5 g/t silver (see news release dated May 12, 2016)
SA12-45	0.6 metres averaging 14.54 g/t gold and 58.8 g/t silver (see news release dated April 4, 2012)
SA12-46	3.6 metres averaging 31.53 g/t gold and 24.4 g/t silver (see news release dated April 4, 2012)
SA12-47	3.6 metres averaging 5.38 g/t gold and 11.6 g/t silver (see news release dated April 4, 2012)
SA12-48	3.9 metres averaging 13.74 g/t gold and 21.5 g/t silver (see news release dated April 4, 2012)

The mineralized intervals shown above utilize a 1.0 g/t gold cut-off grade, whereas intervals originally reported on April 4, 2012 were not subject to a cut-off grade and were thus reported differently.

Based on the information and findings from pre-development work completed to date, the Company has a dramatically improved understanding of, and confidence in, the Phase I open-pit area. The 2016 infill drilling successfully confirmed continuity of the gold bearing system and improved confidence of finding additional high-grade mineralization at the northwestern end of the proposed West Pit. The San Albino Gold Deposit remains open at depth and in all directions.

### **Mitigating Risk**

Golden Reign continues to actively work to mitigate the risk associated with developing the San Albino Gold Deposit by:

- focusing on a high margin development scenario, with low-tonnage, high-grade material and a modest initial capital investment;
- completing substantial, advanced metallurgical test work for the PEA, where simple gravity concentration tests returned excellent gold recoveries and overall recoveries for the oxide zone were 91% for gold, 59% for silver and the fresh (sulphide) zone were 95% for gold and 91% for silver;
- utilizing existing infrastructure – the project is easily accessible via good year-round roads, it has multiple on-site water sources, the national power grid passes directly through the property and its gentle topography is very amenable to the planned mining operations;
- continuing to nurture and develop strong community relations;
- maintaining good relationships with the Nicaraguan government and its agencies;
- planning the expansion of potential resources through additional shallow drilling and trenching; and
- securing funding for the development and construction of the San Albino mine under a Gold Streaming Arrangement with Marlin Gold Mining Ltd.

### ***San Albino Gold Deposit - Moving towards production with a US\$ 15.0 Million Gold Streaming Arrangement***

In July 2014, Golden Reign completed a Gold Streaming Arrangement (the “Arrangement”) with Marlin at the Company’s San Albino Gold Deposit (refer to Company news release dated July 11, 2014). The Arrangement only covers the San Albino Gold Deposit, a 3.5 square kilometre area within the Company’s highly prospective 138 square kilometre landholdings.

For a purchase price of US\$15.0 million Marlin’s wholly-owned subsidiary, Sailfish Royalty Corp., will be entitled to purchase 40% of gold production from the San Albino Gold Deposit, comprising a total 3.5 square kilometres, at US\$700 per troy ounce<sup>1</sup> until Sailfish recovers US\$19.6 million<sup>2</sup>. Thereafter, Sailfish will be entitled to purchase 20% of gold production at US\$700 per troy ounce<sup>3</sup>. Prior to commercial production, Sailfish will be entitled to receive an 8% semi-annual coupon payment on the advances from Sailfish.

- 1 Subject to a 1% per year cost escalation beginning three years from commercial production.
- 2 Golden Reign will be required to make minimum monthly payments of US\$282,800 per month when commercial production commences. Golden Reign, at its sole discretion, may increase the amount of gold delivered and/or cash payments made to Sailfish in order to accelerate repayment and reduce the payment stream percentage.
- 3 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.

Under the 250 tonnes per day (tpd) PEA scenario, Sailfish would purchase a maximum of 27,883 ounces of gold at an average price of US\$703 per ounce (or a combination of gold ounces and cash) in repayment for the funds advanced. Thereafter, Sailfish would purchase an additional 119,174 gold ounces at an average price of US\$852 per ounce. Total potential gold stream revenues to Sailfish are estimated at US\$121 million, representing 22.3% of total gold production. Golden Reign would retain 77.7% (513,151 ounces) of its gold production and over 90% of its revenue, valued at US\$1,250 per ounce, which is estimated at US\$639 Million plus 100% of the silver ounces produced which, valued at US\$19.50 per silver ounce, is an estimated US\$20.4 Million.

Concurrent with the closing of the transaction, Marlin held an 18.51% interest in Golden Reign through the purchase of 21.3 million common shares for proceeds of approximately \$3.2 million. Marlin has participated in all of the Company's financings and has increased their holdings to a total of 36,297,218 common shares, representing 18.91% of the Company's issued and outstanding common shares as at the date of this report.

## 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. Along the Corona de Oro Gold Belt, Golden Reign acquired 8,700 hectares, held under a 25-year mining license expiring February 3, 2027. The property 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.

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. In October 2012, the Company entered into a further agreement, acquiring the remaining 20% interest in the property by making cash payments totaling US\$650,000 and issuing 2,100,000 common shares from its treasury over a period of 12 months.

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

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

El Jicaro encompasses the southwest extension of the mineralized structures identified on the Corona de Oro Gold Belt. It covers an area of 5,071 hectares (51 km<sup>2</sup>), nearly doubling the Company's land package to an aggregate 13,771 hectares (138 km<sup>2</sup>). Several good exploration targets have been outlined on El Jicaro. The mapping and prospecting programs completed to date have defined four parallel zones of mineralization. Further work is planned.

### Nicaragua

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

### Exploration and Evaluation Assets

	April 30, 2017	April 30, 2016
Acquisition Costs	\$ 6,149,165	\$ 5,647,761
Deferred Exploration Costs	32,381,909	25,529,553
	<b>\$ 38,531,074</b>	<b>\$ 31,177,314</b>

For a comprehensive breakdown of exploration and evaluation costs, please refer to Note 3 of the audited consolidated financial statements for the year ended April 30, 2017.

## RESULTS OF OPERATIONS

### Selected Annual Information

Fiscal Year	2017	2016	2015
Net Sales	Nil	Nil	Nil
Net Loss	\$ (1,455,124)	\$ (466,598)	\$ (814,735)
Comprehensive Income	\$ 1,420,732	\$ 594,017	\$ 1,733,433
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.01)
Total Assets	\$ 43,409,438	\$ 33,773,374	\$ 28,647,858
Total Long-term liabilities	Nil	Nil	\$ 144,000
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, 2017, 2016 and 2015 is comprised mainly of general and administrative expenses. The reported net loss for 2017, 2016 and 2015 includes share-based compensation expense of \$900,500, \$26,900 and \$142,189, respectively.

### Summary of Quarterly Results

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

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	\$(134,258)	\$(160,931)	\$(368,210)	\$(791,725)	\$(41,804)	\$(139,788)	\$(144,662)	\$(140,344)
Comprehensive (loss) income	\$ 1,633,285	\$(1,227,245)	\$504,617	\$510,075	\$(3,971,049)	\$2,218,807	\$(14,104)	\$2,360,363
Basic and diluted loss per share	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

### Three Months ended April 30, 2017

The Company reported a net loss of \$134,258 for the three-month period ended April 30, 2017, as compared to a net loss of \$41,804 for the same period in the prior fiscal year. The difference is primarily attributable to a future income tax recovery of \$144,000 recorded in fiscal 2016. There was no similar tax recovery recorded in fiscal 2017. A reduction of the Vancouver office staffing costs was offset by slight increases in office expenses, and regulatory and listing fees.

General and administrative expenses for the three months ended April 30, 2017 totaled \$143,249 (2016 - \$185,806), including a foreign exchange gain of \$6,436 (2016 - \$449). Share-based compensation expense was \$Nil (2016 - \$26,900), related to the grant of stock options that vested during the quarter.

Wages and benefits decreased by \$18,824 to \$71,199 (2016 - \$90,023) as a result of a reduction in office staff.

Office and miscellaneous expenses increased by \$2,342 to \$32,272 (2016 - \$29,930) and included: bank charges of \$611 (2016 - \$788); office expenses of \$5,368 (2016 - \$2,700); office rent of \$18,045 (2016 - \$17,910); telecommunications of \$2,749 (2016 - \$2,809); commercial liability insurance of \$1,243 (2016 - \$1,243); and, office insurance of \$206 (2016 - \$206); directors' and officers' insurance of \$2,500 (2016 - \$3,000). Depreciation was \$954 (2016 - \$653).

Expenditure on travel and promotion totaled \$8,302 (2016 - \$13,248). Costs paid included meals and entertainment of \$955, travel of \$114, trade show fees of \$3,478, and shareholder communications costs of \$3,755. The increased costs for the current year over the prior year were due to the Company's attendance and participation at various trade shows.

Professional fees of \$17,208 (2016 - \$18,284) consisted of audit fees and accruals of \$16,880, and legal fees of \$328.

Regulatory and listing fees for the quarter were \$19,749 (2016 - \$7,217), with \$18,417 (2016 - \$5,900) paid as filing and listing fees in respect of the Company's stock option plan and annual sustaining fees, and \$1,332 (2016 - \$1,317) for transfer agency services.

**Twelve months ended April 30, 2017**

The Company reported a net loss of \$1,455,124 and comprehensive income of \$1,420,732 for the twelve-month period ended April 30, 2017, compared to a net loss of \$466,598 and comprehensive income of \$594,017 for the same period in the prior fiscal year. A total of \$2,875,856 (2016 - \$1,060,615) was recorded as a currency translation adjustment gain.

General and administrative expenses for the year ended April 30, 2017 totaled \$1,464,115 (2016 - \$610,808), including a foreign exchange loss of \$12,622 (2016 – gain of \$376). The increased costs for the current period were due to the recording of share-based compensation expense of \$900,500 (2016 - \$26,900) related to the grant of stock options that vested during the year.

The Company realized a decrease in wages and salaries of \$91,956 to \$274,199 (2016 - \$366,155) due to a reduction in staff in the Vancouver office, which was partially offset by increases in office expenses, regulatory and listing fees, and travel and promotion.

Office and miscellaneous expenses increased marginally by \$14,502 to \$116,849 (2016 - \$102,347) and included: bank charges of \$2,135 (2016 - \$1,689); office expenses of \$11,650 (2016 - \$7,369), office rent of \$70,917 (2016 - \$59,659); telecommunications of \$10,722 (2016 - \$11,368); commercial liability insurance of \$4,972; office insurance of \$825; and directors' and officers' insurance of \$10,000 (2016 - \$12,000). Depreciation was \$3,403 (2016 - \$2,610). The increase is primarily attributable to additional office space rented in Toronto.

Travel and promotion costs of \$59,526 (2016 - \$23,159) increased from that of the prior year, largely as a result of the Company's attendance at and participation in various trade shows. Costs paid included travel costs of \$6,751, meals and entertainment of \$3,942, promotion of \$1,190, trade shows fees of \$28,987, and shareholder communication costs of \$18,656.

Professional fees of \$69,694 (2016 - \$72,188) consisted of audit fees and accruals of \$67,595 and legal fees of \$2,099.

Regulatory and listing fees for the twelve months ended April 30, 2017 were \$27,322 (2016 – \$17,825), with \$21,601 (2016 - \$13,031) paid as filing and listing fees and \$5,721 (2016 - \$4,794) for transfer agency services. Filing fees pertained to renewal of the Company's stock option plan, filing of the 2016 audited financial statements, and the TSX-V annual sustaining fees.

**Trends**

The Company has been 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 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. In July 2014, the Company reported an updated NI 43-101 compliant resource at the San Albino Gold Deposit. On May 1, 2015, Golden Reign announced the filing of the Preliminary Economic Analysis and updated mineral resource estimate for its San Albino Gold Deposit.

Volatile market conditions and the availability of financing may affect the Company's planned level of activity and development during Fiscal 2018.

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 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. Over the course of the last year, the gold price has ranged from US\$1,128 to US\$1,363/oz. Demand for physical gold continues to be good. (Source: www.kitco.com)

Silver is currently trading at approximately US\$17/oz. There is an industrial demand for silver; however, it is the investment demand that primarily drives its pricing.

## 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 April 30, 2017, the Company's primary asset was its investment in exploration and evaluation assets of \$38,531,074 (April 30, 2016 - \$31,177,314).

As at April 30, 2017, the Company held cash and cash equivalents of \$4,737,796 (April 30, 2016 - \$2,463,549) and had working capital of \$2,835,928 (April 30, 2016 - \$1,205,390).

During the year ended April 30, 2017, the Company experienced cash outflows of \$598,646 (2016 - \$538,149) from operating activities. Investing activities used cash of \$4,121,258 (2016 - \$2,085,550), with \$4,134,100 (2016 - \$2,259,959) spent on the Company's Nicaraguan projects, and \$25,805 (2016 - \$2,915) paid for equipment. During the prior year, the Company had recovered \$177,324 in IVA (VAT) refunds. There were no similar refunds received in 2017. Financing activities realized positive cash flows of \$6,934,705 (2016 - \$4,388,598) comprised of proceeds of \$6,237,599 (2016 - \$3,116,640) from private placements, \$85,449 (2016 - \$324,057) from the exercise of warrants, \$245,000 (2016 - \$Nil) from the exercise of options, less share issue costs of \$397,753 (2016 - \$81,808), and \$764,410 (2016 - \$705,652) recorded in respect of advances received from Marlin pursuant to the gold streaming arrangement. In the prior year, the Company received additional proceeds of \$324,057 from a warrant amendment program.

Development of the Company's initial operation at the San Albino Gold Mine is anticipated to be funded mainly under the Marlin/Sailfish gold streaming arrangement. However, if capital requirements exceed US\$15.0 million additional funds will be required. During the 2017 fiscal year, the Company received additional draw down of US\$559,515 (CAD\$764,410) of the upfront cash payment amount of US\$15.0 million to be used for engineering work during the pre-development phase. Drawdowns to date now total US\$1,096,051 (CAD\$1,470,062). During fiscal 2017, Golden Reign made two interest payments on the principal amount drawn down, aggregating US\$52,118 (CAD\$68,760). At April 30, 2017, the accrued interest payable on the amount drawn down was US\$28,289 (CAD\$38,648). A third interest payment of US\$42,286

(CAD\$54,875) was made subsequently, on June 30, 2017. The balance of the US\$15.0 million is subject to Marlin's election to proceed and is payable in installments once the project schedule and project budget are complete, approved by the Company and accepted by Marlin and the associated Engineering, Procurement and Construction Management contract executed.

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, and impacted by 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 through the issuance of shares and/or debt instruments, 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.

Other than the gold streaming arrangement described herein, debt financing has not been used to fund the Company's property acquisitions and exploration activities. The Company, other than as stated herein, 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.

#### **SUBSEQUENT EVENTS**

Subsequent to April 30, 2017:

- i) 1,105,000 options expired unexercised on August 8, 2017;
- ii) the Company granted 890,000 options to directors, officers, employees and consultants at an exercise price of \$0.26 per share for a term of five years.

#### **TRANSACTIONS WITH RELATED PARTIES**

During the year ended April 30, 2017, the Company paid or accrued:

- (a) salaries of \$300,000 (2016 - \$84,677) to Kevin Bullock, a director and officer of the Company, which was capitalized to mineral properties;
- (b) salaries of \$120,000 (2016 - \$120,000) to Kim Evans, a director and officer of the Company;
- (c) salaries of \$48,000 (2016 - \$46,400) to Michele Pillon, an officer of the Company; and,
- (d) salaries of \$96,000 (2016 - \$96,000) to Zoran Pudar, an officer of the Company, which was capitalized to mineral properties.

Included in accounts payable and accrued liabilities is a total of \$2,693 (2016 - \$1,048) 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.

### Foreign currency translation and transactions

Transactions in currencies other than the entity's functional currency 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 for 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.

### 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 and cash equivalents, receivables, accounts payable and accrued liabilities, and the Gold Streaming Arrangement liability.

#### (a) 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.

#### (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 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 year.

#### (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 by accessing financing through private placements and other tools. During the year ended April 30, 2017, Golden Reign completed two equity financings, issuing 28,352,725 common shares for aggregate gross proceeds of \$6,237,599, less finder's fees of \$270,362 and share issue costs of \$126,107. The Company also received gross proceeds of \$85,449 from the exercise of warrants and \$245,000 from the exercise of options, less share issue costs of \$1,284.

**(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 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. A 1% change in rates would result in a nominal increase / decrease to monetary assets. The Company has not hedged its exposure to currency fluctuations.

**OUTSTANDING SHARE DATA AS AT AUGUST 24, 2017:**
**(a) Authorized and issued share capital:**

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	191,995,896

**(b) Summary of options outstanding:**

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	960,000	960,000	0.20	July 15, 2018
Options	60,000	60,000	0.25	October 16, 2018
Options	2,000,000	750,000	0.10	February 19, 2021
Options	5,485,000	5,485,000	0.25	June 14, 2021
Options	2,415,000	2,415,000	0.30	August 25, 2021
Agents' Options	591,818	591,818	0.22	July 24, 2018
	11,511,818	10,261,818		

**(c) Summary of warrants outstanding:**

Security	Number	Exercise Price	Expiry Date
Warrants	154,483	0.22	June 30, 2018
Warrants	517,326	0.22	July 12, 2018

**FUTURE 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.

**IFRS 9, Financial Instruments – Classification and Measurement**

IFRS 9 is a new standard on financial instruments that will replace 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.

**IFRS 16, Leases**

IFRS 16 specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

The Company is in the process of determining the impact that these changes will have on its financial statements.

**CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109")), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited Consolidated Financials Statements and the respective accompanying Management's Discussion and Analysis for the year ended April 30, 2017.

**DISCLOSURE CONTROLS**

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

TSXV listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making.

**OTHER INFORMATION**

For additional disclosures concerning the Company's general and administrative expenses and exploration and evaluation assets, please refer to the audited consolidated financial statements for the year ended April 30, 2017, which are available on the Company's website at [www.goldenreign.com](http://www.goldenreign.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).