GoldenReign
RESOURCES LTD.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended October 31, 2015*
(Expressed in Canadian dollars)

## Q2 Fiscal 2016

## 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 October 31, 2015 and 2014, notes to unaudited consolidated interim financial statements and related Management's Discussion and Analysis have been prepared by and are the responsibility of management.

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

GoldenReign
RESOURCES LTD.

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

| As at | October 31, 2015 | April 30, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 126,149 | $ 693,257 |
| Receivables (Note 3) | 13,224 | 15,667 |
| Prepaid expenses | 16,368 | 7,214 |
| **Total current assets** | 155,741 | 716,138 |
| | | |
| **Equipment** (Note 4) | 166,719 | 206,233 |
| **Exploration and evaluation assets** (Note 5) | 30,971,765 | 27,725,487 |
| **TOTAL ASSETS** | **$ 31,294,225** | **$ 28,647,858** |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 6) | $ 401,936 | $ 322,380 |
| **Deferred tax liability** (Note 11) | 144,000 | 144,000 |
| **Total liabilities** | 545,936 | 466,380 |
| | | |
| **Deferred revenue** (Note 10) | 181,939 | - |
| | | |
| **Shareholders' equity** | | |
| Share capital (Note 7) | 29,842,903 | 29,843,342 |
| Reserves - share based (Note 7) | 5,976,132 | 5,652,074 |
| Reserves - translation adjustment | 6,351,736 | 4,005,477 |
| Deficit | (11,604,421) | (11,319,415) |
| **Total shareholders' equity** | 30,566,350 | 28,181,478 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **$ 31,294,225** | **$ 28,647,858** |

**Corporate information and going concern (Note 1)**

**On behalf of the Board:**

***"Kim Evans"*** Director ***"Abraham Jonker"*** Director

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

GoldenReign
RESOURCES LTD.

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | October 31, 2015 | October 31, 2014 | October 31, 2015 | October 31, 2014 |
| **OPERATING EXPENSES** | | | | |
| Amortization | $ 653 | $ 829 | $ 1,305 | $ 1,599 |
| Foreign exchange | 1 | 871 | 76 | 855 |
| Office and miscellaneous | 24,142 | 28,675 | 46,433 | 52,016 |
| Professional fees | 22,550 | 12,600 | 37,660 | 21,200 |
| Regulatory and listing fees | 6,451 | 9,613 | 8,974 | 35,006 |
| Share-based compensation (Note 7) | - | - | - | 123,000 |
| Travel and promotion | 7,005 | 4,761 | 8,052 | 14,787 |
| Wages and benefits | 84,068 | 96,847 | 182,714 | 193,927 |
| **OPERATING LOSS** | **(144,870)** | **(154,196)** | **(285,214)** | **(442,390)** |
| **OTHER INCOME** | | | | |
| Interest income | 208 | 920 | 208 | 1,077 |
| **LOSS FOR THE PERIOD** | **$ (144,662)** | **$ (153,276)** | **$ (285,006)** | **$ (441,313)** |
| **Basic and diluted loss per common share** | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |
| **Weighted average number of common shares outstanding** | 116,491,941 | 112,028,875 | 116,491,941 | 112,028,875 |

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

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
Expressed in Canadian dollars

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **October 31, 2015** | **October 31, 2014** | **October 31, 2015** | **October 31, 2014** |
| **Loss for the period** | **$ (144,662)** | **$ (153,276)** | **$ (285,006)** | **$ (441,313)** |
| **Other comprehensive gain (loss)** | | | | |
| Currency translation adjustment | (14,104) | 845,406 | 2,346,259 | 771,081 |
| **Other comprehensive gain (loss) for the period** | (14,104) | 845,406 | 2,346,259 | 771,081 |
| **Comprehensive gain (loss) for the period** | **$ (158,766)** | **$ 692,130** | **$ 2,061,253** | **$ 329,768** |

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

GoldenReign RESOURCES LTD.

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

| | Number of shares | Share capital | Reserves - Share based | Reserves -translation adjustment | Deficit | Total Equity |
|---|---|---|---|---|---|---|
| **Balance - April 30, 2014** | **93,914,353** | **$ 26,632,309** | **$ 5,461,423** | **$ 1,457,309** | **$ (10,504,680)** | **$ 23,046,361** |
| Share issue costs | - | (159,241) | - | - | - | **(159,241)** |
| Shares issued on exercise of warrants | 1,244,255 | 186,638 | - | - | - | **186,638** |
| Share issued on private placement | 21,333,333 | 3,200,000 | - | - | - | **3,200,000** |
| Share-based compensation | - | - | 168,100 | - | - | **168,100** |
| Loss for the year | - | - | - | - | (441,313) | **(441,313)** |
| Other comprehensive gain | **-** | **-** | **-** | 771,081 | - | **771,081** |
| **Balance –October 31, 2014** | **116,491,941** | **$ 29,859,706** | **$ 5,629,523** | **$ 2,228,390** | **$ (10,945,993)** | **$ 26,771,261** |
| **Balance – April 30, 2015** | 116,491,941 | $ 29,843,342 | $5,652,074 | $ 4,005,477 | $ (11,319,415) | **$ 28,181,478** |
| Share issue costs | - | (439) | - | - | - | **(439)** |
| Funds received on repricing of warrants | - | - | 324,058 | - | - | **324,058** |
| Loss for the year | - | - | - | - | (285,006) | **(285,006)** |
| Other comprehensive gain | **-** | **-** | **-** | 2,346,259 | - | **2,346,259** |
| **Balance –October 31, 2015** | **116,491,941** | **$ 29,842,903** | **$ 5,976,132** | **$ 6,351,736** | **$ (11,604,421)** | **$ 30,566,350** |

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

GoldenReign
RESOURCES LTD.

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

| | For the six months ended | |
|---|---|---|
| | **October 31, 2015** | **October 31, 2014** |
| **OPERATING ACTIVITIES** | | |
| Loss for the period | $ (285,006) | $ (441,313) |
| Items not affecting cash: | | |
| Depreciation | 1,304 | 1,599 |
| Share-based compensation | - | 123,000 |
| Changes in non-cash working capital items related to operations: | | |
| Receivables | 2,442 | (16,108) |
| Prepaid expenses | (9,156) | (7,590) |
| Accounts payable and accrued liabilities | 37,432 | (65,281) |
| **Cash used in operating activities** | (252,984) | (405,693) |
| **INVESTING ACTIVITIES** | | |
| Acquisition of equipment | - | (1,493) |
| Exploration advances | - | 5,772 |
| Expenditures on exploration and evaluation assets | (835,837) | (1,499,343) |
| **Cash used in investing activities** | (835,837) | (1,495,064) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from issuance of shares | - | 3,200,000 |
| Warrant amendment program | 324,057 | 186,638 |
| Deferred revenue – gold stream agreement | 181,939 | - |
| Share issue costs | (439) | (159,606) |
| **Cash generated by financing activities** | 505,557 | 3,227,032 |
| **Change in cash during the period** | (583,264) | 1,326,275 |
| **Effect of foreign exchange on cash** | 16,156 | 8,648 |
| **Cash, beginning of period** | 693,257 | 111,047 |
| **Cash, end of period** | $ 126,149 | $ 1,445,970 |

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

GoldenReign
RESOURCES LTD.

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

**Supplemental cash flow information**

| | October 31, 2015 | April 30, 2015 |
|---|---|---|
| **Non-cash financing and investing activities:** | | |
| Share-based compensation included in exploration costs | $ - | $ 48,462 |
| Depreciation included in exploration costs | $ 41,884 | $ 67,853 |
| Exploration costs included in accounts payable | $ 53,504 | $ 38,128 |

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

## 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") 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 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 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 consolidated 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.

In the future, the Company may raise additional financing through the issuance of share capital and/or debt instruments, however, there can be no assurance that it will be successful in its efforts to do so or that the terms will be favorable to the Company. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, or the impact on the statement of operations and balance sheet classifications that would be necessary were the going concern assumption not appropriate. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interim Financial Reporting IAS 34.

These consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's April 30, 2015 annual consolidated financial statements.

These unaudited consolidated interim financial statements were approved by the Board of Directors on December 21, 2015.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### (b) Basis of presentation

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

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

### (c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company's subsidiaries. The financial statements of the subsidiaries are included in the consolidated 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 presentational currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

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

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

**(ii) Loans and receivables**

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### (g) Financial liabilities

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

#### (i) Other financial liabilities

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

### (h) Impairment of financial assets

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

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

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

Management reviews the capitalized costs on its exploration and evaluation assets at least annually to consider if there is an impairment 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.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are tested for impairment and then reclassified to development assets within property, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any preproduction revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met.

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) Deferred revenue**

Deferred revenue consists of payments received by the Company in consideration for future commitments to deliver payable gold at contracted prices. As deliveries are made, the Company will record a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated commitment.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

**(l) Equipment**

Equipment is recorded at historical cost less related accumulated depreciation and 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 | 10% |
| Computer equipment | 20% - 50% |
| Furniture and equipment | 30% |
| Exploration equipment | 50% |
| Vehicles | 20% - 50% |

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.

**(m) 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 its 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.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

**(n) 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; nor 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.

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.

**(o) 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 year. 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.

**(p) 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 similar to those performed by an employee.

The fair value of stock options 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 Reserves.

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.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

**(q) Significant accounting judgments and estimation uncertainties**

The preparation of the consolidated 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 consolidated 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.

**(i) Critical accounting estimates**

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 probable 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.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

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

**(ii) Critical accounting judgments**

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company determined the functional currency of its Canadian operations to be the Canadian dollar, and the functional currency of its Nicaraguan operations to be the United States dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Capitalization of exploration costs

The determination of the Company's transition from exploration to development requires judgement in determining the timing at which to begin capitalizing development costs and whether future economic benefits, which are based on assumptions about future events and circumstances, may be realized.

**(r) 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.

**(s) Changes in accounting policies and new accounting pronouncements**

**New accounting standards and interpretation**

The following standards and amendments to existing standards have been adopted by the Company effective April 1, 2014:

IAS 32 (Amendment): Offsetting Financial Assets and Financial Liabilities, IAS 36 (Amendment) Recoverable Amount Disclosures for Non-Financial Assets, and IFRIC 21 Levies. The Company has adopted these policies and they did not have a significant effect on the financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

The nature and the impact of each new standard is described below:

***Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)***

The amendment to IAS 32, Financial Instruments: Presentation requires that a financial asset and financial liability should only be offset and the net amount reported when an entity has a legal enforceable right to set off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

**(s) Changes in accounting policies and new accounting pronouncements** (cont'd…)

***Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)***
Under the amended IAS 36, Impairment, the recoverable amount of a CGU is required to be disclosed only when an impairment loss has been recognized or reversed.

***IFRIC 21, Levies***

IFRIC 21 clarifies that obligating events giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payments of the levy.

**Accounting standards not yet effective**

<u>IFRS 7, *Financial Instruments – Disclosure*</u>

IFRS 7 has been amended to require additional disclosures on transition from IAS 39 to IFRS 9 and is effective for annual periods beginning on or after January 1, 2015.

<u>IFRS 15, *Revenue from Contracts with Customers*</u>

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 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2017.

In May 2015, IASB proposed to defer the effective date to January 1, 2018.

<u>IFRS 9, *Financial Instruments – Classification and Measurement*</u>

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.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

## 3. RECEIVABLES

Receivables consist of the following:

| | October 31, 2015 | April 30, 2015 |
|---|---|---|
| HST/GST Receivable | **$ 13,224** | $ 12,728 |
| Interest Receivable | **-** | 2,939 |
| | **$ 13,224** | $ 15,667 |

## 4. EQUIPMENT

| | Building | Computer equipment | Furniture and Equipment | Exploration Equipment | Vehicles | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at April 30, 2014** | **$ 135,914** | **$ 106,329** | **$ 20,597** | **$ 90,590** | **$ 298,998** | **$ 652,430** |
| Additions and Reclassifications | - | 1,493 | 949 | - | - | 2,442 |
| Disposals | - | - | - | - | - | - |
| Translation adjustment | 13,690 | 7,376 | 960 | 9,125 | 30,118 | 61,269 |
| **Balance at April 30, 2015** | **$ 149,604** | **$ 115,198** | **$ 22,506** | **$ 99,715** | **$ 329,116** | **$ 716,139** |
| Additions and Reclassifications | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| Translation adjustment | 12,538 | 6,754 | 959 | 8,357 | 27,580 | 56,188 |
| **Balance at October 31, 2015** | **$ 162,142** | **$ 121,952** | **$ 23,465** | **$ 108,072** | **$ 356,696** | **$ 772,327** |
| | | | | | | |
| **Depreciation and impairment** | | | | | | |
| **Balance at April 30, 2014** | **$ 37,589** | **$ 58,207** | **$ 15,305** | **$ 63,849** | **$ 186,754** | **361,704** |
| Additions and Reclassifications | 17,171 | 19,671 | 2,324 | 18,826 | 57,187 | 115,179 |
| Disposals | - | - | - | - | - | - |
| Translation adjustment | 3,789 | 3,563 | 428 | 6,431 | 18,812 | 33,021 |
| **Balance at April 30, 2015** | **$ 58,549** | **$ 81,441** | **$ 18,057** | **$ 89,106** | **$ 262,753** | **$ 509,904** |
| Additions and Reclassifications | 7,423 | 10,648 | 839 | 8,072 | 29,088 | 56,070 |
| Disposals | - | - | - | - | - | - |
| Translation adjustment | 4,907 | 4,655 | 586 | 7,466 | 22,019 | 39,633 |
| **Balance at October 31, 2015** | **$ 70,879** | **$ 96,744** | **$ 19,482** | **$ 104,644** | **$ 313,860** | **$ 605,609** |
| **Carrying amounts** | | | | | | |
| ***At April 30, 2015*** | **$ 91,055** | **$ 33,757** | **$ 4,449** | **$ 10,609** | **$ 66,363** | **$ 206,233** |
| ***At October 31, 2015*** | **$ 91,263** | **$ 25,208** | **$ 3,983** | **$ 3,428** | **$ 42,836** | **$ 166,719** |

## 5. EXPLORATION AND EVALUATION ASSETS

### (a) San Albino-Murra Property, Nicaragua

The Company acquired an 100% 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 no net smelter return, other than that 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.

In July 2014, the Company completed an agreement with Marlin Gold Mining Ltd. ("Marlin") for a US$15.0 million gold streaming arrangement at its San Albino Gold Deposit and surrounding area. Under the arrangement, Marlin's wholly-owned subsidiary, Sailfish Royalty Corp. ("Sailfish") will be entitled to purchase 40% of 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 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.

The Company incurred financing fees of $411,787 associated with this agreement.

### (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 and may be renewed for another 25- year term.

## 5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

### For the Six month Period Ended October 31, 2015:

| | San Albino-Murra | El Jicaro | Total |
|---|---|---|---|
| Acquisition costs | | | |
| Balance, April 30, 2015 | $ 5,285,149 | $ 144,768 | $ 5,429,917 |
| Property purchase | - | - | - |
| Translation adjustment | 442,912 | 12,132 | 455,044 |
| | **$ 5,728,060** | **$ 156,900** | **$ 5,884,960** |
| Deferred exploration costs | | | |
| Balance, April 30, 2015 | 22,240,662 | 54,908 | 22,295,570 |
| Consulting | 57,121 | - | 57,121 |
| Depreciation | 32,162 | - | 32,162 |
| Field office | 76,966 | - | 76,966 |
| Geological consulting | 210,570 | - | 210,570 |
| Professional fees | 21,761 | 1,536 | 23,297 |
| Project expenses | 220,946 | 32,433 | 253,379 |
| Reports | 199,835 | - | 199,835 |
| Travel | 78,437 | - | 78,437 |
| Translation adjustment | 1,879,260 | 5,178 | 1,884,438 |
| | **24,992,750** | **94,055** | **25,086,805** |
| **Balance, October 31, 2015** | **$ 30,720,810** | **$ 250,955** | **$ 30,971,765** |

### For the Year Ended April 30, 2015:

| | San Albino-Murra | El Jicaro | Total |
|---|---|---|---|
| Acquisition costs | | | |
| Balance, April 30, 2014 | $ 4,489,152 | $ 131,520 | $ 4,620,672 |
| Property purchase | 327,703 | - | 327,703 |
| Translation adjustment | 468,294 | 13,248 | 481,542 |
| | **$ 5,285,149** | **$ 144,768** | **$ 5,429,917** |
| Deferred exploration costs | | | |
| Balance, April 30, 2014 | 18,959,332 | 29,935 | 18,989,267 |
| Assaying | 50,526 | - | 50,526 |
| Consulting | 44,051 | - | 44,051 |
| Depreciation | 106,806 | - | 106,806 |
| Field office | 246,269 | - | 246,269 |
| Geological consulting | 420,166 | - | 420,166 |
| IVA Recoveries | (795,192) | - | (795,192) |
| Professional fees | 223,261 | - | 223,261 |
| Project expenses | 555,459 | 20,929 | 576,388 |
| Reports | 338,609 | - | 338,609 |
| Share-based compensation | 51,073 | - | 51,073 |
| Travel | 29,378 | - | 29,378 |
| Translation adjustment | 2,010,924 | 4,044 | 2,014,968 |
| | **22,240,662** | **54,908** | **22,295,570** |
| **Balance, April 30, 2015** | **$ 27,525,811** | **$ 199,676** | **$ 27,725,487** |

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | October 31, 2015 | April 30, 2015 |
|---|---|---|
| Accounts payable | $ 121,699 | $ 45,328 |
| Accrued liabilities | 280,237 | 277,052 |
| | $ 401,936 | $ 322,380 |

## 7. 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 October 31, 2015 and 2014.

**(a) Private placements during the year ended April 30, 2015:**

Concurrent with the completion of the gold streaming arrangement in July 2014 (Note 5), Marlin purchased 21,300,000 common shares for $3,200,000. A fee of $160,000 was paid to PI Financial Corp., advisors to Golden Reign.

**Private placement during the year ended April 30, 2014:**

In December 2013, the Company closed the first tranche of a non-brokered private placement of 2,429,411 units at a price of $0.17 per unit to raise gross proceeds of $413,000. 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. The Company paid finder's fees of $20,850 cash and 28,235 warrants priced at $0.25 per share exercisable for a period of two years. The share purchase warrants were valued at $1,119 and credited to reserves-share based. Fair value was determined using the Black- Scholes valuation model, based on a risk free interest rate of 1.10%, an expected life of two years, an expected volatility of 74.75% and a dividend yield rate of nil. The second and final tranche of the non-brokered private placement of units was closed in March 2014 and comprised 4,349,700 units to raise gross proceeds of $739,449. In connection with the second tranche, the Company paid finder's fees of $7,284 cash and 12,000 warrants priced at $0.25 per share exercisable for a period of two years. The share purchase warrants were valued at $783 and credited to reserves-share based. Fair value was determined using the Black- Scholes valuation model, based on a risk free interest rate of 1.02%, an expected life of two years, an expected volatility of 77.55% and a dividend yield rate of nil.

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 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.

**7. SHARE CAPITAL** (cont'd...)

**(b) Share purchase warrants**

During the six month period ended October 31, 2015, the Company raised gross proceeds of $324,057 under a warrant amendment program (the "Program") whereby the expiry date of 6,481,155 common share purchase warrants was extended to December 31, 2017 and the exercise price reduced to $0.05 from $0.25 per share for a period of 12 months or $0.10 per share thereafter until expiry of the term.

The amended warrants are subject to an accelerated expiry clause during the unexpired term:

- if the closing price of the Company's shares is $0.12 or greater for a period of 10 consecutive trading days during the first 12 months or
- from the 13th month through to the December 31, 2017 expiry date, the closing price of the Company's shares is $0.18 or greater for a period of 10 consecutive trading days.

A total of 1,562,310 warrants were not eligible for amendment pursuant to TSX-V policies. A further 13,666,511 warrants, the holders of which did not elect to amend the warrant terms, continued to be exercisable in accordance with the original terms. During the period, 11,033,984 warrants expired unexercised and an additional 2,145,882 expired subsequently (Note 14(b)).

During the year ended April 30, 2015, the Company amended an additional 4,711,640 share purchase warrants by extending the expiry date to December 31, 2014 and reducing the price to $0.15 if exercised on or before the original expiry date of July 12, 2014 and at a price of $0.25 thereafter until the end of the revised term.

Share purchase warrant transactions as at October 31, 2015 and April 30, 2015 are summarized below:

| | October 31, 2015 | | | April 30, 2015 | | |
|---|---|---|---|---|---|---|
| | Number of Warrants | | Weighted Average Exercise Price | Number of Warrants | | Weighted Average Exercise Price |
| Opening balance | 21,709,976 | $ | 0.25 | 26,559,885 | $ | 0.35 |
| Exercised | - | | - | (1,244,255) | | (0.15) |
| Expired | (11,033,984) | | (0.25) | (3,605,654) | | (0.27) |
| Repriced | (6,481,155) | | (0.15) | (4,711,640) | | (0.80) |
| Repriced | 6,481,155 | | 0.05 | 4,711,640 | | 0.15 |
| Ending balance | 10,675,993 | $ | 0.13 | 21,709,976 | $ | 0.25 |
| Warrants exercisable | 10,675,993 | $ | 0.13 | 21,709,976 | $ | 0.25 |

At October 31, 2015 and April 30, 2015 the following share purchase warrants were outstanding:

| Expiry Date | Exercise Price | October 31, 2015 | April 30, 2015 | Weighted Average Remaining Contractual Life |
|---|---|---|---|---|
| December 13, 2015 | $0.25 | 2,117,647 | 2,429,411 | 0.12 years |
| December 13, 2015 | $0.25 | 28,235 | 28,235 | 0.12 years |
| March 12, 2016 | $0.25 | 2,036,956 | 4,349,700 | 0.37 years |
| March 12, 2016 | $0.25 | 12,000 | 12,000 | 0.37 years |
| December 31, 2017 | $0.05 | 6,481,155 | - | 2.17 years |
| | | **10,675,993** | **21,709,976** | **0.63 years** |

**7. 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 years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve month period, with no more than ¼ vesting during any three month period. Vesting provisions for other options are determined by the Company's Board of Directors.

The following options were outstanding as at October 31, 2015 and April 30, 2015:

| | October 31, 2015 | | April 30,2015 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Opening balance | 7,339,000 | $0.24 | 7,814,000 | $0.63 |
| Granted | - | 0.00 | - | 0.00 |
| Repriced | - | 0.00 | (5,310,000) | (0.81) |
| Repriced | - | 0.00 | 5,310,000 | 0.25 |
| Expired | (1,459,000) | 0.00 | (475,000) | 0.35 |
| Ending balance | 5,880,000 | $0.24 | 7,339,000 | $0.24 |
| Options exercisable | 5,880,000 | $0.24 | 7,339,000 | $0.24 |

At the Annual General Meeting of Shareholders held on June 26, 2014, an aggregate 5,310,000 share options were re-priced to $0.25. The expected weighted average assumptions used to fair value the repriced share options are risk free interest rate of 1.09%, expected life of options of 2.35 years, expected volatility of 79.90%, and a dividend yield of Nil. There was no additional compensation attributable to the repricing.

| Weighted Average Exercise Price | Expiry Date | Number Outstanding | Number Exercisable | Weighted Average Remaining Contractual Life |
|---|---|---|---|---|
| 0.25 | February 7, 2016 | 1,450,000 | 1,450,000 | 0.27 years |
| 0.25 | February 15, 2017 | 1,945,000 | 1,945,000 | 1.30 years |
| 0.25 | August 8, 2017 | 1,365,000 | 1,365,000 | 1.77 years |
| 0.20 | July 15, 2018 | 1,060,000 | 1,060,000 | 2.71 years |
| 0.25 | October 16, 2018 | 60,000 | 60,000 | 2.96 years |
| **$ 0.24** | | **5,880,000** | **5,880,000** | **1.81 years** |

**7. SHARE CAPITAL** (cont'd...)

**(d) Share-based compensation**

During the year ended April 30, 2015, the Company recorded share-based compensation totaling $190,651 (2014 - $212,775) of which $48,462 (2014 - $66,700) was capitalized as mineral property expenditures and $142,189 (2014 - $146,075) was expensed as share-based compensation in operations, with a corresponding increase in reserves-share based. To date, there was no similar cost incurred during Fiscal 2016.

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:

| | **2015** | **2014** |
|---|---|---|
| Risk-free interest rate | Nil | 1.73 -1.94% |
| Expected life of options | Nil | 1 - 4 years |
| Expected volatility | Nil | 91.11 - 106.78% |
| Weighted average fair value per option | Nil | $0.11 |
| Dividend yield | Nil | Nil |

**8. DEFERRED REVENUE**

In July 2014, the Company completed an agreement with Marlin Gold Mining Ltd. for a US$15.0 million gold streaming arrangement at its San Albino Gold Deposit and surrounding area (See Note 5(a) above).

During the period, the Company received an initial draw down of US$139,150 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 Marlin'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 Marlin.

**9. RELATED PARTY TRANSACTIONS**

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

| | **October 31, 2015** | **October 31, 2014** |
|---|---|---|
| Wages | **$ 130,800** | $ 130,800 |
| Share-based compensation | **-** | 41,825 |
| Total | **$ 130,800** | $ 172,625 |
| Accounts payable due to related parties | **$ -** | $ 1,417 |

## 10. COMMITTMENTS

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:

| | | |
|---|---|---|
| 2016 | $ | 27,756 |
| 2017 | $ | 56,565 |
| 2018 | $ | 58,675 |
| 2019 | $ | 58,675 |
| 2020 | $ | 39,116 |

## 11. 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

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

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

**(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.

## 12. 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 October 31, 2015.

## 13. 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:

| | October 31, 2015 | April 30, 2015 |
|---|---|---|
| **Equipment** | | |
| Nicaragua | $ 159,325 | $ 197,534 |
| Canada | 7,394 | 8,699 |
| | **$ 166,719** | **$ 206,233** |
| **Exploration and evaluation assets** | | |
| Nicaragua | $ 30,971,765 | $ 27,725,487 |
| Canada | - | - |
| | **$ 30,971,765** | **$ 27,725,487** |

## 14. SUBSEQUENT EVENTS

Subsequent to October 31, 2015, the Company:

(a) received IVA (VAT) refunds from Nicaraguan tax authorities aggregating NIO 3,755,035.74, equivalent to approximately CAD$181,900; and

(b) recorded the expiry of an aggregate 2,145,882 share purchase warrants priced at $0.25.