



MANAGEMENT DISCUSSION AND ANALYSIS

For the Six Months Ended October 31, 2016

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 six-month period ended October 31, 2016 and should be read in conjunction with the accompanying unaudited consolidated interim financial statements and the notes thereto for the six-month period ended October 31, 2016 and the audited consolidated financial statements and notes thereto for the year ended April 30, 2016, which are available on SEDAR at www.sedar.com. This MD&A is current as at December 29, 2016, the date of preparation.

The October 31, 2016 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements. All amounts are expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Statements

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.

Q2 2017 Highlights – San Albino Mine:

- the environmental impact assessment (EIA) study, a key component for obtaining the environmental permit, was progressed and our initial submission was made in mid-August 2016. The permitting process continues as the Company works closely with MARENA, the Nicaraguan environmental agency, to obtain the necessary approvals.
- 191 closely spaced pre-production, reverse circulation drill holes, totaling 3,239 metres were completed, with several drill holes intersecting high-grade mineralization, including: 4.0 metres of 37.70 g/t gold and 57.7 g/t silver; 4.0 metres of 27.10 g/t gold and 74.6 g/t silver; 4.0 metres of 19.19 g/t gold and 30.9 g/t silver; and 3.0 metres of 16.27 g/t gold and 41.9 g/t silver.
- the pre-production, grade-control drill results have extended the mineralization along strike and at depth, expanding outwards the initial pit boundaries and suggest that the two smaller pits may be combined into a single, larger open-pit.
- 56 diamond drill holes were cored in over 2,175.3 metres for the combined metallurgical/infill drill program, improving the continuity and confidence of the mineralized zones. Significant results received to date include 3.8 metres of 22.51 g/t gold and 31.5 g/t silver, 2.0 metres of 24.85 g/t gold and 14.5 g/t silver, 3.25 metres of 11.37 g/t gold and 5.7 g/t silver, and 4.2 metres of 8.21 g/t gold and 28.9 g/t silver (see news release dated May 12, 2016). Metallurgical test work continues.
- a condemnation drill program consisting of 965 metres across 17 holes tested the proposed infrastructure locations to ensure that the proposed mill, waste dump and tailings are sited on barren or uneconomic rock as to not compromise future mining operations.
- additional trenching and excavation of exploration pits in the area planned for initial mining activities yielded excellent results, confirming the continuity of the high-grade, open-pittable mineralization at surface.

GRR Strategy

Golden Reign has built a property position that encompasses most of the Corona de Oro gold belt in northern Nicaragua.

Golden Reign's 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 AOI") 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.

Golden Reign's 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

Golden Reign continues to move forward with its pre-development activities at San Albino.

Currently, our focus is on permitting activities. On August 15, 2016, we submitted our environmental impact assessment (EIA) study to the Nicaraguan Ministry of Environment and Natural Resources (MARENA). We have been working closely with MARENA to obtain approval of our development plans for the San Albino Mine. Once our EIA is approved, we will hold public meetings in the local communities that will be impacted by our activities. 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.

In October 2015, the Company announced that it has engaged Sonoran Resources, LLC (Sonoran), the nominated engineering, procurement and construction management (EPCM) firm under the Sailfish gold streaming arrangement, for an initial four-month term to provide pre-development and pre-construction activities to advance its San Albino Gold Project. The contract has been extended on a month-to-month basis. Sonoran has been actively involved in the review of the Company's PEA, preparation of the EIA, and detailed planning of advanced metallurgical testing, acid rock drainage testing and geotechnical work. It is expected that the EPCM contract will be signed shortly; thereafter, Sonoran will prepare and deliver a comprehensive Project budget and Project schedule prior to our transition into the construction and development phases.

Sonoran has the management and technical experience required to advance the project to the production stage. Sonoran is one of the few engineering firms that have senior engineers with direct operating experience in Nicaragua. Sonoran's services are being funded via advances under the gold streaming arrangement with Sailfish.

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.

Grade-Control Drill Program

The Company completed 1,581 metres of Reverse Circulation (RC) drilling at San Albino's West Pit (see September 8, 2016 and October 8, 2016 news releases). The program was designed to define the grade and distribution of mineralization, confirming grade continuity within the area proposed for exploitation during the first stage of open-pit mining.

Drilling was closely spaced, approximately 10 metres by 10 metres apart and to a vertical depth of 20 metres. In all, 79 of the 87 of the drill holes (91%) intersected mineralization:

- 58 drill holes (67%) intersected mineralization above the 1.0 g/t Au cut-off grade
 - these holes average 2.4 metres of 8.95 g/t Au and 14.9 g/t Ag (or 9.11 g/t AuEq, using a Ag:Au ratio of 97:1 for the oxide zone as defined in the PEA)
 - the highest grade interval returned values of 82.50 g/t Au and 74.7 g/t Ag over 1.0 metre
- 4 drill holes intersected voids, 2 of which also intersected mineralized zones above the cut-off grade
- 21 drill holes were mineralized but under the cut-off grade
- 6 drill holes, all of which were located on the periphery of the known mineralized zones and designed to test the pit limits, returned below 0.1 g/t Au

Results from RC holes have previously been verified with diamond drill holes.

As a result of the drilling, along with additional exploration work, the Phase I open-pit plan is being expanded.

Initial plans considered the development of two smaller pits – situated roughly 39 metres apart – representing the first 6 to 12 months of planned open-pit mining activity. In addition to testing the pits vertically to an approximate depth of 20 metres, the grade-control drill program successfully tested the area between the two modelled pits and extended the pit boundaries. Results included 2.0 metres of 21.38 g/t gold, 6.0 metres of 4.47 g/t gold and 2.0 metres of 15.24 g/t gold (see news release dated October 6, 2016). Golden Reign's geologists are now confident that the two smaller pits can be merged into one larger pit.

Other exploration work included the excavation of a 20 metre x 5 metre pre-development pit. Vertical samples from exploration pit SA16-EXPPIT-SA13-TR-18 returned 2.2 metres of 14.90 g/t Au and 63.0 g/t Ag and 2.0 metres of 18.40 g/t Au and 59.0 g/t Ag (these samples do not necessarily represent true width) (see August 3, 2016 news release).

Significantly, the 2016 drilling campaign successfully:

- confirmed grade and structural continuity of the mineralization
- extended the mineralization along strike and at depth, resulting in the expansion of the initial pit boundaries
- confirmed that the area between two smaller starter pits is also mineralized, suggesting that the pits may be combined into a single, larger open-pit
- provided greater definition of the San Albino mineralized zone, with drill intercepts returning higher grades and wider thicknesses than those represented in its Preliminary Economic Assessment Report (PEA) resource estimate and model (*available on the Company's website and SEDAR*)
- resulted in the discovery of another mineralized zone, previously interpreted as irregular branching of the main mineralized zone.

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. (“Marlin”).

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 ounce¹ until Sailfish recovers US\$19.6 million². Thereafter, Sailfish will be entitled to purchase 20% of gold production at US\$700 per troy ounce³. 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 took an 18.51% interest in the Company by purchasing 21.3 million common shares for approximately \$3.2 million. Marlin recently increased its stake in Golden Reign to 19.9% through its participation in the Company’s March 2016 non-brokered private placement of common shares.

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 km²), nearly doubling the Company's land package to an aggregate 13,771 hectares (138 km²). 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

	October 31, 2016	April 30, 2016
Acquisition Costs	\$ 6,036,191	\$ 5,647,761
Deferred Exploration Costs	30,494,722	25,529,553
	\$ 36,530,913	\$ 31,177,314

For a comprehensive breakdown of exploration and evaluation costs, please refer to Note 3 of the interim consolidated financial statements for the six-month period ended October 31, 2016.

RESULTS OF OPERATIONS

Selected Annual Information

Fiscal Year	2016	2015	2014
Net Sales	Nil	Nil	Nil
Net Loss	\$ 466,598	\$ 814,735	\$ 936,198
Comprehensive Income	\$ (594,017)	\$ (1,733,433)	\$ (775,744)
Basic and diluted loss per share	\$ 0.00	\$ 0.01	\$ 0.01
Total Assets	\$ 33,773,374	\$ 28,647,858	\$ 24,056,983
Total Long-term liabilities	\$ 689,179	\$ 144,000	\$ 470,000
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, 2016, 2015, and 2014 is comprised mainly of general and administrative expenses. The reported net loss for 2016, 2015, and 2014 includes share-based compensation expense of \$26,900, \$142,189, and \$146,075, respectively.

Summary of Quarterly Results

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

	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Sales	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	\$(368,210)	\$(791,725)	\$(41,804)	\$(139,788)	\$(144,662)	\$(140,344)	\$(235,195)	\$(138,227)
Comprehensive (loss) income	\$504,617	\$510,075	\$(3,971,049)	\$2,218,807	\$(14,104)	\$2,360,363	\$(1,827,421)	\$3,231,086
Basic and diluted loss per share	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.01)

Three Months ended October 31, 2016

The Company reported a net loss of \$368,210 for the three-month period ended October 31, 2016, as compared to a net loss of \$144,662 for the same period in the prior fiscal year. The increase in loss over the prior year was due primarily to the recording of share-based compensation related to the grant of stock options to directors, officers, and employees of \$232,600 (2015 - \$Nil), as well as increases in travel and promotion, and office expenses.

General and administrative expenses for the three months ended October 31, 2016 totaled \$368,210 (2015 – \$144,870). During the comparative three-month period in the prior year, the Company earned interest income of \$208 on funds held in guaranteed investments.

Wages and benefits decreased by \$17,731 to \$66,337 (2015 - \$84,068) as a result of a reduction in office staff.

Office and miscellaneous expenses increased by \$3,534 to \$27,676 (2015 - \$24,142) and included: bank charges of \$418; office expenses of \$1,254, office rent of \$17,535; telecommunications of \$2,927; commercial liability insurance of \$1,243; office insurance of \$206; and directors' and officers' insurance of \$2,500. Depreciation was \$852 (2015 - \$653).

Travel and promotion costs of \$14,276 (2015 - \$7,005) increased from the prior period as a result of the Company's attendance at and participation in various trade shows. Costs paid included meals and entertainment of \$509, promotion of \$1,190, trade show fees of \$6,914, and shareholder communications costs of \$5,663.

Professional fees of \$22,075 (2015 - \$22,550) consisted of audit fees accrued during the quarter.

Regulatory and listing fees for the quarter were \$4,394 (2015 – \$6,451), the decrease attributable to fewer regulatory fee-based activities during the period ended October 31, 2016.

Six Months ended October 31, 2016

The Company reported a net loss of \$1,159,935 for the six-month period ended October 31, 2016, as compared to a net loss of \$285,006 for the same period in the prior fiscal year. The increase in loss over the prior year was due primarily to the recording of share-based compensation related to the grant of stock options to directors, officers, and employees of \$900,500 (2015 - \$Nil).

General and administrative expenses for the six-months ended October 31, 2016 totaled \$1,159,935 (2015 – \$285,214), including a foreign exchange gain of \$90 (2015 – loss of \$76).

The Company realized a decrease in wages and salaries of \$48,339, which was partially offset by increases in office and miscellaneous, and travel and promotion.

Wages and benefits decreased by \$48,339 to \$134,375 (2015 - \$182,714) as a result of a reduction in office staff.

Office and miscellaneous expenses increased by \$9,854 to \$56,287 (2015 - \$46,433) and included: bank charges of \$1,040; office expenses of \$6,737, office rent of \$35,070; telecommunications of \$5,480; commercial liability insurance of \$2,486; office insurance of \$412; and directors' and officers' insurance of \$5,000. Depreciation was \$1,633 (2015 - \$1,305).

Travel and promotion costs of \$31,929 (2015 - \$8,052) increased from the prior period largely as a result of the Company's attendance at and participation in various trade shows. Costs paid included travel costs of \$2,913, meals and entertainment of \$1,727, promotion of \$1,190, trade shows fees of \$15,085 and shareholder communication costs of \$11,014.

Professional fees of \$29,435 (2015 - \$37,660) consisted of audit fee accruals.

Regulatory and listing fees for the six-month period were \$5,866 (2015 – \$8,974), the reduction in cost attributable for fewer regulatory fee-based activities undertaken during the period.

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 2017.

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. More recently it is priced in the range of US\$1,128 to US\$1,365/oz. Demand for physical gold continues to be good.

Silver is currently trading at approximately US\$16/oz. There is an industrial demand for silver; however, it is the investment demand that primarily drives its pricing.

(Sources include: www.kitco.com; agmetalmminer.com; www.mineweb.net; www.lme.co.uk)

RISK FACTORS

The Company's principal activity of mineral exploration is generally considered to have high risk. Companies involved in this industry are subject to many and varied types of risks, including but not limited to: environmental, commodity prices, political, and economic. Some of the more significant risks are:

- substantial expenditures are required to explore for mineral reserves and the chances of identifying economical reserves are extremely low;
- mineral resource amounts are estimates only and may be unreliable. The Company cannot be certain that any specified level of recovery of minerals from mineralized material will, in fact, be realized or that any of its mineral property interests or any other mineral deposit will ever qualify as a commercially mineable ore body that can be economically exploited. Material changes in the quantity of mineralization, grade or stripping ratio or mineral prices may affect the economic viability of the properties;
- the junior resource market where the Company raises funds is extremely volatile, companies are subject to high level of competition for the same pool of investment dollars, and there is no guarantee that the Company will be able to raise adequate funds in a timely manner to conduct its business;
- although the Company has taken steps to verify title to its exploration and evaluation assets there is no guarantee that the exploration and evaluation assets will not be subject to title disputes or undetected defects; and
- the Company is subject to laws and regulations related to environmental matters, including provisions for reclamation, discharge of hazardous material and other matters. The Company conducts its exploration activities in compliance with applicable environmental legislation and is not aware of any existing environmental problems related to its mineral property interests that may be the cause of material liability to the Company.

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2016, the Company's primary asset was its investment in exploration and evaluation assets of \$36,530,913 (April 30, 2016 - \$31,177,314).

As at October 31, 2016, the Company held cash of \$388,329 (April 30, 2016 - \$2,463,549) and had a working capital deficit of \$187,124 (April 30, 2016 - Working Capital \$1,894,571).

During the six-month period ended October 31, 2016, the Company experienced cash outflows of \$347,621 (2015 - \$252,984) from operating activities. Investing activities used cash of \$2,593,177 (2015 - \$835,837), with \$2,582,921 (2015 - \$835,837) spent on the Company's Nicaraguan projects, and \$10,256 (2015 - \$Nil) paid for equipment. Financing activities realized positive cash flows of \$863,143 comprised of proceeds of \$43,659 (2015 - \$Nil) from the exercise of warrants, \$245,000 from the exercise of options, less share issue costs of \$766, and \$575,250 recorded in respect of advances received from Marlin pursuant to the gold streaming arrangement. In the same period of the prior year, the Company received proceeds of \$324,057 (2016 - \$Nil) from a warrant amendment program, less share issue costs of \$439, and recorded advances of \$181,939 in respect of the gold streaming arrangement.

Subsequent to October 31, 2016, the Company received additional proceeds of \$1,470 from the exercise of share purchase warrants. At the date of this report, in-the-money share purchase warrants and incentive stock options, if exercised, may realize further proceeds of up to \$115,320.

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 six-month period, the Company received additional draw down of US\$385,813 (CAD\$517,414) 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\$922,349 (CAD\$1,236,963). At October 31, 2016, the accrued interest payable on the amount drawn down was US\$20,601 (CAD\$27,466). 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.

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 October 31, 2016, the Company announced that it intends to complete a non-brokered private placement offering of up to 9,545,455 common shares of the Company at a price of \$0.22 per common share for gross proceeds of up to \$2,100,000, subject to regulatory approvals. The net proceeds from the offering will be used for working capital and general corporate purposes. Finder's fees may be paid in connection with the offering.

TRANSACTIONS WITH RELATED PARTIES

During the six-month period ended October 31, 2016, the Company paid or accrued:

- (a) salaries of \$60,000 (2015 - \$60,000) to Kim Evans, a director and officer of the Company;
- (b) salaries of \$24,000 (2015 - \$22,800) to Michele Pillon, an officer of the Company;
- (c) salaries of \$48,000 (2015 - \$48,000) to Zoran Pudar, an officer of the Company, which was capitalized to mineral properties; and,
- (d) salaries of \$150,000 (2015 - \$Nil) to Kevin Bullock, an officer of the Company, which was capitalized to mineral properties.

Included in accounts payable and accrued liabilities is a total of \$5,790 (2015 - \$Nil) 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, receivables, accounts payable and accrued liabilities.

(a) Fair value

The Company's financial instruments include cash, receivables and accounts payable. 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 six-months ended October 31, 2016, the Company received proceeds of \$43,659 from the exercise of warrants, \$245,000 from the exercise of options, less share issue costs of \$766. Subsequent to October 31, 2016, proceeds of \$1,470 were received on the exercise of share purchase warrants.

(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 DECEMBER ●, 2016:

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	163,307,171

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	1,820,000	1,820,000	0.25	February 15, 2017
Options	1,105,000	1,105,000	0.25	August 8, 2017
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
	13,845,000	12,595,000		

(c) Summary of warrants outstanding:

Security	Number	Exercise Price	Expiry Date
Warrants	336,000	0.12	March 22, 2017

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 six-months ended October 31, 2016.

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 unaudited interim consolidated financial statements for the six-months ended October 31, 2016, which are available on the Company's website at www.goldenreign.com or on SEDAR at www.sedar.com.