GoldenReign
RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended April 30, 2012

This Management Discussion and Analysis ("MD&A") of Golden Reign Resources Ltd. (the "Company" or "Golden Reign") provides analysis of the Company's financial results for the year ended April 30, 2012. The following information should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto for the year ended April 30, 2012, which are available on SEDAR at www.sedar.com. This MD&A is current as at August 27, 2012, the date of preparation.

The April 30, 2012 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements, including IFRS 1 "First-Time Adoption of IFRS". For comparative purposes, all financial statement amounts related to the year ended April 30, 2012 have been restated in accordance with IFRS. All other periods remain unchanged from the numbers originally reported under Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are expressed in Canadian dollars, unless otherwise stated.

Forward-Looking Statements
Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements.

Highlights - San Albino-Murra Property, Nicaragua

On June 29, 2009, the Company announced the signing of an option agreement to acquire an 80% interest in the San Albino-Murra Mining Concession (the "Property") located in Nicaragua.

- On May 7, 2012, Golden Reign announced that it had completed the earn-in of its 80% interest in the Property approximately 1.5 years ahead of schedule, marking a very significant milestone for the Company.
- The Corona del Oro Gold Belt is a structural corridor approximately 3 kilometres wide by 15 kilometres long that stretches from the southern to the north-eastern boundaries of the Property. In addition to the 2-square kilometre San Albino Mine area, the corridor hosts over 170 quartz vein structures, 112 tunnels, 148 mine dumps and 354 exploration pits.
- A NI 43-101 compliant maiden resource calculation at San Albino Mine area is expected in Q3 of 2012.
- High-grade mineralization both near surface and at depth has been intersected by drilling at the San Albino Mine area. Over 30,000 metres of drilling has been completed and at least 4 parallel mineralized veins intercepted.
- Drilling and trenching indicate the strong potential for a high-grade combined open-pittable/underground resource at the San Albino Mine area. At present, the potential open-pittable portion of the San Albino zone has a strike length of 400 metres and a down-dip extension of 300 metres. Mineralization, which follows the slope of the San Albino hill, has been intersected from surface to a depth of up to 50 metres.
- A major trenching program at Las Conchitas, approximately 2 kilometres south of San Albino/Arras, led to new discoveries including highly mineralized zones bearing quartz veins ranging from 1 to 8 metres in true thickness, and has outlined excellent targets for drill testing. Preliminary drilling, conducted in October 2011, returned some excellent high-grade intercepts of the Cruz vein.
- High-grade early exploration samples have been returned at other Southern District prospects and from the Northern (Murra) District.

BUSINESS OVERVIEW

Golden Reign was incorporated on April 1, 2004 under the laws of the Yukon Territory and continued into British Columbia under the *British Columbia Corporations Act*. Common shares of the Company are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "GRR".

Since June 2009, Golden Reign has been focused on its operation in Nicaragua. Presently, it has a 138 square kilometre land package comprised of an 80% interest in the San Albino-Murra Property and a 100% interest in the El Jicaro Concession.

San Albino-Murra Property, Nicaragua

The 8,700 hectare San Albino-Murra Property, held under a 25 year mining license expiring February 3, 2027, has a long history of exploration and mining. There are several old mines and workings within the property boundaries. The San Albino mine, a historical small-scale gold producer, commenced production in the early 1920's and operated on and off until approximately 1940, reportedly processing 10 tons per day of 1 oz/t gold material.

Pursuant to the terms of the agreement, the Company made aggregate cash payments of US$450,000, incurred aggregate exploration expenditures of US$5,000,000 on the Property and issued a total of 4,000,000 common shares from its treasury to earn its 80% interest in the Property. The optionor has elected to retain its 20% interest and continue under a participating joint-venture agreement.

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

- it is an advanced exploration project, with historical workings and production;
- it is located in a politically stable environment;
- existing infrastructure includes access roads, water, power and readily available timber;
- it has an all-year exploration/development season;
- the acquisition cost, including share dilution, was reasonable; and
- a quality partnership with the optionor exists.

El Jicaro Concession, Nicaragua

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

The El Jicaro Concession encompasses the southwest extension of the mineralized structures identified on the San Albino-Murra Property. The Concession covers an area of 5,071 hectares (51 km^2), nearly doubling the Company's current land package to an aggregate 13,771 hectares (138 km^2). Several good exploration targets have been outlined on the property. A mapping and prospecting program currently underway is expected to result in the definition of additional prospects.

Nicaragua

Although it boasts a long history of gold production, Nicaragua is under-explored – but is now attracting international interest. A democratic republic since 1996, Nicaragua has a modern mining law, fair tax regime and strong foreign investment law. Bordered by Honduras to the north and Costa Rica to the south, it is easily accessible and has skilled, available labour.

<u>Overview</u>

Golden Reign has successfully outlined a gold belt - the Corona del Oro Gold Belt. It is a structural corridor approximately 3 kilometres wide by 23 kilometres long which spans the entirety of the Company's 138 square kilometre land package. Offering potential for a district-scale gold system, the belt stretches from the El Jicaro Concession in the south, through the San Albino-Murra Property to its northeast corner, and hosts more than 120 veins, 100 tunnels and 35 old mines.

Although the San Albino-Murra Property is well known and the San Albino Mine has a long history of small scale mining, the Property is under-explored. Other than limited trenching and drilling around the Arras Mine in the mid-2000's, there has been no systematic exploration using modern exploration techniques prior to Golden Reign's activities.

The Company started by defining three separate blocks, or districts of the Property: Southern (San Albino) District, Central District and Northern (Murra) District.

Following successful exploration and drilling programs in 2009 and 2010, Golden Reign commenced a Phase II drilling program at the San Albino Mine area which was completed in mid-2012. The 2011/2012 definition drill program extended the mineralized area outlined in 2010, refined the geological model, and produced data that is currently being used to calculate a NI 43-101 compliant mineral resource for the San Albino Mine area.

Fiscal 2012 was a very busy year for Golden Reign - one which management believes will be pivotal for the Company's continued growth and on-going exploration success. Golden Reign continued to work diligently to unlock the value of the San Albino-Murra Property, running multiple programs in tandem – drilling, trenching, sampling, mapping and prospecting. After less than 1.5 years of drilling, Golden Reign anticipates that its maiden resource calculation for the San Albino Mine area will be completed in Q3 2012.

Current operations

Since the commencement of the first phase field program in October 2009, Golden Reign has focused its efforts on the Southern (San Albino) District, which covers approximately 24 square kilometres of the 87 square kilometre property. The San Albino Mine area, covering 2 square kilometres, is the most advanced prospect and the Company's primary target.

A NI 43-101 compliant technical report on the Company's maiden resource is currently being compiled by P&E Mining Consultants Inc. of Brampton Ontario. The San Albino Mine area hosts at least two highly mineralized zones – San Albino and Arras – which are situated roughly 400 metres apart. The Arras vein has been traced along a strike length of 900 metres. In 2010, the San Albino zone was extended from roughly 70 metres to 300 metres in strike length by the initial drill program. Additional drilling led to the discovery of three new mineralized zones, greatly expanding the size potential of such a deposit. The 2011/2012 drill program has established a 600 metre strike length on the San Albino zone. All gold zones remain open along strike and at depth.

Similarly, the Northern and Central District, along with the remainder of the Southern District and new El Jicaro Concession, show great potential. A tremendous number of historical workings and showings – including mines, mine dumps and adits dating back to the Spanish explorers in the late 1700's - have been located, sampled and merit additional review.

Completion of 80% Earn-In

On May 7, 2012, the Company announced that it had earned an undivided 80% interest in the San Albino-Murra mining concession in Nicaragua. The earn-in was completed approximately 1.5 years ahead of schedule, marking a significant milestone for the Company. At April 30, 2012, the Company had expended $12,707,116 with respect to the mineral property, comprised of option payments totaling $2,912,377 and deferred exploration costs of $9,794,739. A further amount of $143,477 (April 30, 2011 - $97,820) was recorded as exploration advances in respect drilling costs for fiscal 2012.

2011/2012 Program

After several very encouraging early drill holes, the Company redesigned and significantly expanded the 2011/2012 Phase 2 diamond drill program – more than doubling the scope of the program. Initially planned to consist of 40 to 60 holes of definition drilling, totalling between 6,000 to 10,000 metres across a series of five fences of drill holes, the Company program was expanded to approximately 30,000 metres cored across a series of six fences of drill holes.

The San Albino Mine area host potential for a combined open-pittable/underground resource. Near-surface gold mineralization exposed by trenching and drilling indicates the strong potential for a high-grade open-pittable resource at the San Albino Mine area. At present, the potential open-pittable portion of the San Albino zone has a strike length of 400 metres and a down-dip extension of 300 metres. Mineralization, which follows the slope of the San Albino hill, has been intersected from surface to a depth of up to 50 metres. Underground resources were drill tested at depth.

Multiple, parallel mineralized zones were encountered: Arras, San Albino, El Jobo, Naranjo. ***Significant estimated true width intersections include:***

Arras Zone

Drill Hole	From (metres)	To (metres)	Width (metres)	Au (g/t)	Ag (g/t)
SA 11-18	247.50	259.50	12.00	16.37	23.5
SA 11-24	239.50	247.50	8.00	2.26	11.9
SA 11-20	252.60	258.50	7.00	12.28	27.9
SA 11-42	217.00	219.00	2.00	85.86	35.1
SA 10-06	247.50	251.50	4.00	13.67	31.4
SA 11-18	257.00	259.50	2.50	14.34	21.7
SA 11-41	217.00	219.00	2.00	85.86	35.1
SA 11-23	219.70	221.50	1.80	22.75	37.6
SA 11-22	244.00	245.50	1.50	11.52	25.2
AR 12-36	222.00	223.00	1.00	212.69	204.2

San Albino Zone

Drill Hole	From (metres)	To (metres)	Width (metres)	Au (g/t)	Ag (g/t)
AR 11-24	6.00	16.50	10.50	5.02	8.0
SA 12-92	34.00	43.30	9.30	11.01	29.8
SA 11-12	49.00	56.00	7.00	8.40	14.8
SA 12-49	58.00	64.50	6.50	13.45	16.6
SA 12-48	64.00	70.00	6.00	9.07	14.3
SA 12-57	19.00	25.00	6.00	6.66	10.0
SA 12-46	69.00	74.50	5.50	20.70	16.6
SA 12-91	29.00	33.50	4.50	12.65	24.9
SA 12-59	33.00	37.00	4.00	20.44	42.7
SA 12-90	26.00	30.00	4.00	13.20	31.8
SA 10-01	29.00	33.00	4.00	7.38	144.4
SA 10-09	38.90	43.73	3.80	24.98	17.7
SA 11-23	84.50	88.00	3.50	11.65	16.5
SA 11-24	59.00	62.50	3.50	13.20	21.1
SA 10-06	48.20	51.30	3.10	22.40	23.1
SA 10-03	45.12	47.25	2.10	10.75	17.5
SA 10-02	54.00	56.00	2.00	29.32	17.2
SA 11-25	107.00	109.00	2.00	14.75	25.1

Naranjo Zone

Drill Hole	From (metres)	To (metres)	Width (metres)	Au (g/t)	Ag (g/t)
SA 11-29	175.00	177.50	2.50	21.60	17.4
SA 11-27	138.50	140.50	2.00	15.08	15.3

In October 2011, a third drill rig was mobilized to the Las Conchitas area of the Southern (San Albino) District, approximately 2.5 kilometres south of San Albino/Arras prior to being moved to the San Albino Mine area. The drill program was designed to follow up an extensive 2011 trenching program that outlined numerous drill targets and successfully exposed a system of sub-parallel, gold-bearing quartz veins ranging from 1 to 8 metres in true width. Trenching was oriented perpendicular to the mineralized zones, which have been traced at surface over a distance of two kilometres and remain open in at least two directions and at depth. In all, four newly discovered, highly prospective mineralized zones were identified.

In 2011, trench TR11-1 exposed a gold-bearing quartz vein, Cruz 1, which returned:

- 2.0 metres of 26.27 g/t gold and 17.4 g/t silver; and
- 5.0 metres of 5.21 g/t gold and 7.3 g/t silver; and
- 2.6 metres of 3.70 g/t gold and 5.9 g/t silver.

Initial drilling at Las Conchitas tested the down-dip extension of the Cruz 1 vein. *Highlights from drilling include:*

- LC 11-01 – 3.0 metres of 62.96 g/t gold and 61.7 g/t silver
- LC 11-02 – 3.0 metres of 12.01 g/t gold and 13.1 g/t silver
  - including 1.2 metres of 29.80 g/t gold and 31.7 g/t silver
- LC 11-03 – 2.5 metres of 14.96 g/t gold and 25.4 g/t silver
  - including 1.0 metre of 36.53 g/t gold and 60.6 g/t silver
- LC 11-04 – 1.5 metres of 9.44 g/t gold and 17.3 g/t silver
  - including 0.6 metres of 20.64 g/t gold and 37.0 g/t silver
- LC 11-05 – 5.0 metres of 8.63 g/t gold and 3.5 g/t silver
  - including 1.0 metre of 35.70 g/t gold and 2.0 g/t silver

Las Conchitas hosts several significant, newly discovered gold bearing veins, with the Cruz 1 vein being the first to be tested by drilling. Golden Reign has confirmed a 400 metre down-dip extension of the Cruz 1 vein, a high-grade gold structure initially observed in trench TR 11-01. The first three drill holes, LC 11-01 through LC 11-03, were located approximately 150 metres from trench TR 11-01. LC 11-03 and LC 11-04 were located at a distance of approximately 250 metres from the first drill pad and 400 metres from trench TR 11-01.

The Cruz 1 vein was intersected in all five drill holes and demonstrated very good continuity of width and grade. The style of mineralization of the vein appears identical in each of the drill holes and is represented by bands of massive galena, sphalerite and arsenopyrite.

In addition, several other mineralized zones, similar in style of mineralization to the Cruz 1 vein, were intersected. The Cruz 2 zone, which was intersected in LC 11-02, LC 11-04 and LC 11-05, also demonstrates good continuity of width and grade:

- LC 11-02 – 0.5 metres of 4.17 g/t gold and 14.8 g/t silver
- LC 11-04 – 1.9 metres of 3.24 g/t gold and 6.0 g/t silver
  - including 0.5 metres of 6.05 g/t gold and 14.3 g/t silver
- LC 11-05 – 1.0 metre of 6.49 g/t gold and 4.0 g/t silver

In both LC 11-04 and LC 11-05, four separate zones of mineralization were encountered.

The Company plans to complete additional drilling at Las Conchitas to further test the Cruz vein and at least five other drill targets exposed by trenching.

Trenching

The California Vein-Las Dolores Mine area is the first of three highly prospective areas located in the southwest corner of the flagship Property to be tested by trenching. Two near-surface high-grade vein prospects –California and Las Dolores – were tested to a depth of approximately 1.5 metres. Highlights from trenching include:

- SAMTR-12-01 - 4.0 metres grading 21.00 g/t gold and 21.9 g/t silver
  and 2.0 metres grading 14.72 g/t gold and 21.6 g/t silver
  and 4.0 metres grading 15.36 g/t gold and 24.0 g/t silver
  - including 1.0 metre of 61.06 g/t gold and 94.0 g/t silver

- SAMTR-12-02 - 3.5 metres grading 42.64 g/t gold and 11.7 g/t silver
  and 4.0 metres grading 9.49 g/t gold and 3.3 g/t silver
  and 2.0 metres grading 7.27 g/t gold and 5.5 g/t silver
- SAMTR-12-04 - 12.6 metres grading 6.56 g/t gold and 12.5 g/t silver
  - including 4.6 metres of 16.02 g/t gold and 29.6 g/t silver

This zone now has a strike length of 750 metres and remains open in both directions and at depth. It extends southwest onto Golden Reign's recently acquired El Jicaro Concession.

California and Las Dolores represent the extension of structures first identified by trenching in 2011 and further outlined by a 2012 sampling program. Highlights from prior trenching and sampling include:

Trenching

TR-21 - 14.0 metres of 5.89 g/t gold and 11.8 g/t silver
including: 4.0 metres of 8.46 g/t gold and 21.2 g/t silver and
7.0 metres of 6.11 g/t gold and 9.8 g/t silver

Sampling

California vein 2.0 metres of 69.33 g/t gold and 47.8 g/t silver
comprised of: 1.0 metre of 137.35 g/t gold and 93.7 g/t silver and
1.0 metre of 1.30 g/t gold and 1.9 g/t silver

Geological mapping and prospecting

Geological mapping and prospecting of the Property is on-going. There was no historical data available for the Central District and limited information for both the Northern (Murra) District and newly acquired El Jicaro Concession. Known historical workings, mines and adits located throughout the Company's land package numbered just over 300 prior to the Company commencing significant, detailed mapping and sampling in early 2011. The number of historical showings now exceeds 1,000, many of which merit additional examination.

Mineral Properties and Deferred Exploration Costs

For a comprehensive breakdown of mineral property costs and deferred exploration costs by property, please refer to Note 7 to the audited consolidated financial statements for the year ended April 30, 2012.

	April 30, 2012	April 30, 2011
Mineral property costs	$ 2,912,377	$ 552,395
Deferred exploration costs	9,794,739	2,117,243
	$ 12,707,116	$ 2,669,638

RESULTS OF OPERATIONS

Selected Annual Information

Fiscal Year	2012	2011	2010*
Net Sales	Nil	Nil	Nil
Net Loss	$ 1,848,096	$ 1,310,381	$ 339,790
Comprehensive Loss	$ 1,802,517	$ 1,507,600	$ -
Basic and diluted loss per share	$ 0.03	$ 0.03	$ 0.01
Total Assets	$ 14,682,822	$ 10,133,803	$ 1,443,616
Total Long-term liabilities	Nil	Nil	Nil
Cash dividends per share, common	N/A	N/A	N/A

* Amounts shown as calculated under Canadian GAAP

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, 2012, 2011, and 2010 is comprised mainly of general and administrative expenses. The reported net loss for 2012, 2011, and 2010 includes share-based compensation expense of $1,100,133, $846,298 and $58,000, respectively.

Summary of Quarterly Results

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

	2012				2011			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net Sales	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net (loss) gain	$(1,886,540)	$(86,726)	$(85,851)	$211,021	$ (738,509)	$(100,590)	$(382,624)	$(88,658)
Comprehensive (loss)gain	$(1,954,411)	$ 38,683	$91,535	$ 21,676	$ (865,353)	$(114,937)	$(459,915)	$(67,395)
Basic and diluted loss per share	($0.03)	$0.00	$0.00	$0.00	($0.02)	$0.00	($0.01)	$0.00

* Amounts shown as calculated under Canadian GAAP

Golden Reign is in an active growth stage. The overall increase in business activities and operations of the Company resulted in higher general and administrative costs during fiscal 2012.

Three Months ended April 30, 2012

The Company reported a net loss of $1,886,540 and a comprehensive loss of $1,954,411 for the three month period ended April 30, 2012, as compared to a net loss of $738,509 and comprehensive loss of $865,353 for the same period in the prior fiscal year. A total of $67,871 (2011- loss of $126,844) was recorded as a cumulative translation adjustment loss.

General and administrative expenses for the three months ended April 30, 2012 totaled $1,770,076 (2011-$684,475). Share-based compensation totaled $1,066,360 (2011-$547,798).

Wages and benefits were increased over the previous year, totaled $51,712 (2011-$33,058). Management fees were $25,500, consistent with the prior year period. Consulting fees of $21,000 (2011-$Nil) were paid for accounting services provided during the period.

Office and miscellaneous expenses totaled $40,480 (2011-$12,767) and included: office rent of $7,277; bank charges of $1,973; courier costs of $481; office expenses of $15,751; recovery of office insurance of $(812); and telecommunication costs of $3,074. Amortization was recorded at $36,049 (2011-$1,220).

Expenditure on travel and promotion totaled $19,265 (2011-$30,666) during the period. Costs paid during the quarter include: $495 (2011-$1,533) for website hosting and maintenance, $742 (2011-$887) for meals and entertainment, $15 (2011-$25) for email broadcasts and $6,837 (2011-$20,119) for news wire services. In the prior year, an amount of $4,788 was incurred in respect of the Company's 2011 Annual General Meeting of Shareholders. There were no similar costs incurred in the same period of fiscal 2012.

Professional fees totaled $15,000 (2011 - $19,727), which consists of legal fees of $Nil (2011 - $677) incurred in respect of general corporate matters and audit related fees and accruals of $15,000 (2011 – $19,500) recorded during the period.

Regulatory and listing fees for the quarter were $10,544 (2011 - $9,847) for general filing fees and transfer agency services rendered.

As the Company is an exploration stage company and does not generate any cash flow, it has no income other than interest income. The Company relies on equity financings for its working capital requirements and to fund its planned exploration activities. Interest income for the three months ended April 30, 2012 was $7,536 (2011 - $7,966).

Twelve Months ended April 30, 2012

The Company reported a net loss of $1,848,096 and a comprehensive loss of $1,802,517 for the twelve month period ended April 30, 2012, as compared to a net loss of $1,310,381 and comprehensive loss of $1,507,600 for the same period in the prior fiscal year. A total of $45,579 (2011- loss of $197,219) was recorded as a cumulative translation adjustment gain.

General and administrative expenses for the twelve months ended April 30, 2012 were $1,779,163 (2011-$1,258,512). Share-based compensation expense totaled $1,100,133 (2011-$846,298).

Wages and benefits increased over those of the previous year and totaled $155,683 (2011-$100,608). Management fees were $102,000, increasing by $16,000 over the prior year. Consulting fees of $33,680 (2011-$Nil) were paid for accounting services provided during the year.

Office and miscellaneous expenses totaled $120,222 (2011-$61,830) and included: office rent of $32,352 (2011-$35,577); bank charges of $6,412 (2011-$3,910); courier costs of $1,117 (2011-$956); office expenses of $41,590 (2011-$13,918); charitable donations of $3,141 (2011-$500); office insurance of $2,218 (2011-$2,499); and telecommunication costs of $8,656 (2011-$5,086). Amortization was recorded at $71,546 (2011-$14,700). The Company purchased Directors' and Officers' liability insurance at a cost of $12,000 (2011-$Nil) during the year.

Expenditure on travel and promotion totaled $83,821 (2011-$61,716). Costs paid include: $1,335 (2011-$2,682) for website hosting and maintenance, $3,357 (2011-$2,346) for meals and entertainment, $5,324 (2011-$3,726) for trade shows, $8,426 (2011-$4,764) for travel, $266 (2011-$99) for email broadcasts $33,945 (2011-$13,500) for promotion $7,749 (2011-$5,389) for expenses related to the Company's Annual General Meeting of Shareholders and $23,407 (2011-$28,523) for news wire services.

Legal fees of $3,922 (2011-$8,168) were incurred in respect of general corporate matters. Audit related fees and accruals of $84,561 (2011-$47,240) were recorded during the year.

Regulatory and listing fees for the period were $23,595 (2011-$29,210) for general filing fees and transfer agency services rendered.

As the Company is an exploration stage company and does not generate any cash flow, it has no income other than interest income. The Company relies on equity financings for its working capital requirements and to fund its planned exploration activities. Interest income for the twelve months ended April 30, 2012 was $55,067 (2011-$10,131). The increase over the same period of the prior year being attributable to greater funds held on account.

Trends

The Company is in a growth pattern, actively exploring with a view to developing its San Albino-Murra Gold property in northern Nicaragua. After acquiring the option on the property in late June 2009, Golden Reign completed geological mapping and prospecting work throughout the property and an initial drill program at the San Albino Mine, the most advanced prospect. In early 2011, the Company undertook a major trenching program in the Southern District. In April 2011, a definition drilling program was initiated at the 2 square kilometre San Albino Mine area. Three drill rigs were active, as the Company worked towards defining a NI 43-101 compliant resource at San Albino Mine area. Outlays increased significantly during fiscal 2012. Volatile market conditions and a scarcity of available financing may affect the Company's planned level of activity and development in fiscal 2013.

The Company's general and administrative expenditures are related to the level of financing and exploration activities that are being conducted, which may in turn depend on the Company's exploration activities and prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. The Company does not acquire properties or conduct exploration work on its properties on a pre-determined basis. Thus, there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

Other than as herein disclosed, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's expenses, income from investing, profitability, liquidity or capital resources, of that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Market Trends

Gold prices have been on an uptrend for more than three years. During 2009, the gold price surged over US$1,000/oz, with an average price of US$972/oz. In 2011, the price of gold reached new heights, briefly exceeding US$1,900/oz prior to settling back at approximately US$1,600/oz. Gold is expected to be volatile, given the continued uncertain U.S. economic outlook and Europe's debt crisis.

Silver is currently trading around US$30/oz. There is an industrial demand for silver; however, it is the investment demand that has been driving prices higher, which is likely to continue.

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

RISK FACTORS

The Company's principal activity of mineral exploration is considered to be very 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 mineral property interests there is no guarantee that the mineral properties 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.

Additionally, turbulent world markets, volatile stock prices, scarcity of capital and fluctuating commodity prices are clear indicators that the economic cycle is currently in a declining phase.

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2012, the Company's primary capital asset was its investment in exploration and evaluation assets of $12,707,116 (April 30, 2011 - $2,669,638).

It held cash of $1,346,557 (April 30, 2011 - $7,167,471) and had working capital of $688,813 (April 30, 2011 - $7,075,838). During the year, proceeds of $2,138,834 were received on the exercise of share options and share purchase warrants.

During fiscal 2012, the Company acquired equipment, primarily for its Nicaraguan operations, at a cost of $315,461 (2011- $137,045). The Company experienced cash outflows of $598,417 (2011- $368,721) from operating activities. Investing activities used cash of $7,360,709 (2011 - $1,727,455). Financing activities realized positive cash flows of $2,136,695 (2011 - $8,825,747). Overall, cash decreased by $5,822,431, as compared to an increase of $6,759,571 for the prior fiscal year.

Subsequent to April 30, 2012, the Company raised gross proceeds of $3.16 million upon completion of a private placement comprised of 4,711,640 units priced at $0.67 per unit. Further financing will be required to progress the flagship San Albino-Murra Property and the El Jicaro Concession. The Company's continuance as a going concern in the future will depend upon its ability to obtain adequate financing.

In addition, the Company received gross proceeds of $631,231 upon the exercise of 2,143,425 share purchase warrants and 1,500 share options priced between $0.25 and $0.75. A further $1.8 million may be realized upon the exercise of 3.3 million stock options and 1.3 million warrants currently outstanding, all of which are in-the-money at present. There are no assurances that these options and warrants will be exercised.

The Company does not derive any revenues from operations and does not expect to generate any revenues from operations in the foreseeable future. The Company has no material income from operations.

The Company's financial performance is dependent upon many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production are difficult to predict. Changes in events could materially affect the financial performance of the Company.

The Company's mineral exploration activities have provided the Company with no sources of income and a history of losses and deficit positions. However, given the nature of its business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of the Company's performance and valuation.

The Company is dependent on raising funds by the issuance of shares or disposing of interests it has in mineral properties in order to finance further acquisitions, undertake exploration and development activities on mineral properties 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 mineral properties. Failure to obtain financing could result in the delay or indefinite postponement of further exploration and the possible partial or total loss of the Company's interest in certain properties. The Company may be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized.

The 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. Such adjustments could be material.

Debt financing has not been used to fund the Company's property acquisitions and exploration activities. The Company has no current plans to use debt financing for such transactions and activities. The Company does not have "standby" credit facilities, or off-balance sheet arrangements and it does not use hedges or other financial derivatives.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the year ended April 30, 2012, the Company paid or accrued:

(a) management fees of $102,000 (2011 - $86,000) to Kim Evans, a director and officer of the Company; and,
(b) consulting fees of $78,000 (2011 - $62,000) to Zoran Pudar, an officer of the Company, for the provision of geological consulting services, which was capitalized to mineral properties.

Included in accounts payable and accrued liabilities is a total of $5,502 (2011 - $8,352) due to related parties for expenses. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Exploration and evaluation assets

Exploration costs prior to obtaining legal title are expensed in the period in which they are incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its exploration and evaluation assets at least annually to consider if there is an impairment value to take into consideration from current exploration results and management's assessment of the exploration results and of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Should a project be put into production, the costs of acquisition will be amortized over the life of the project based on estimated economic reserves.

Foreign currency translation and transactions

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

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses in accumulated other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

Accounting Policy Developments

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is May 1, 2010. The year ended April 30, 2012 is the Company's first reporting year under IFRS. Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Notes 2 and 16 to the Company's April 30, 2012 audited consolidated financial statements. These financial statements also include reconciliations of the previously disclosed comparative periods financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS as set out in Note 16.

IFRS 1 provides for certain mandatory and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

1. *IFRS 2 "Share based payments"*
   The Company has elected not to apply IFRS 2 to share based payments granted and fully vested before the Company's date of transition to IFRS.

2. *IFRS 3 "Business combinations"*
   This standard has not been applied to acquisitions of subsidiaries that occurred before May 1, 2010, the Company's transition date to IFRS. As such, there is no retrospective change in accounting for business combinations.

3. *Cumulative foreign currency translation differences*
   The Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the transition date to IFRS. Any gains and losses on subsequent disposal of foreign operations will not be impacted by translation differences that arose prior to the date of transition.

The Company applied the following mandatory exception:

<u>Estimates:</u>
Hindsight is not used to create or revise estimates. In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of April 30, 2010 are consistent with its GAAP estimates for the same date.

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

1. *IFRS 9 "Financial Instruments"*
   In November 2009, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"), which becomes effective for annual periods beginning on or after January 1, 2015. IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

   Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

2. *IFRS 10 "Consolidated Financial Statements"*
   IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through it power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation – Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

3. *IFRS 11 "Joint Arrangements"*
   IFRS 11, Joint Arrangements, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities— Non-

monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

4. *IFRS 12 "Disclosure of Interests in Other Entities"*
   IFRS 12, Disclosure of Interest in Other Entities, is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

5. *IFRS 13 Fair Value Measurement*
   IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

OUTSTANDING SHARE DATA AS AT AUGUST 27, 2012:

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	67,580,912

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	50,000	-	0.80	August 8, 2014
Options	50,000	-	1.00	August 8, 2014
Options	375,000	375,000	0.20	November 9, 2014
Options	914,000	914,000	0.25	September 20, 2015
Options	400,000	400,000	0.41	October 15, 2015
Options	150,000	150,000	0.50	October 15, 2015
Options	1,450,000	1,450,000	0.56	February 7, 2016
Options	2,000,000	2,000,000	1.10	February 15, 2017
Options	1,365,000	1,365,000	0.80	August 8, 2017
	6,754,000	6,654,000		

(c) Summary of warrants outstanding:

Security	Number	Exercise Price	Expiry Date
Warrants	1,100,000	0.35	September 29, 2012
Warrants	15,459,198	0.75	January 18, 2013
Warrants	4,711,640	0.80	July 12, 2014
Warrants	138,269	0.67	July 12, 2014
	21,409,107		

OTHER INFORMATION

For additional disclosures concerning the Company's general and administrative expenses and mineral properties, please refer to the audited consolidated financial statements for the year ended April 30, 2012, which are available on the Company's web site at www.goldenreign.com or on SEDAR at www.sedar.com.

Internal Controls and Disclosure Controls over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers, such as the Company, from certifying disclosure controls and procedures, as well as internal controls over financial reporting as of December 31, 2007 and thereafter. The Company is now required to file basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at April 30, 2012.