



REUNION GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 2016 and 2015

In Canadian dollars



Independent Auditor's Report

To the Shareholders of
Reunion Gold Corporation

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We have audited the accompanying consolidated financial statements of Reunion Gold Corporation, which comprise the consolidated statements of financial position as at March 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Reunion Gold Corporation as at March 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Cholet Grant Thornton LLP¹

Montréal
July 28, 2016

¹ CPA auditor, CA public accountancy permit no. A127023

Reunion Gold Corporation

Consolidated Statements of Financial Position

<i>(audited, in Canadian dollars)</i>	March 31, 2016	March 31, 2015
	\$	\$
ASSETS		
Current		
Cash	75,388	73,713
Receivable from related parties	861	-
Sales taxes receivable	-	41,743
Other receivables (Note 4)	283,726	20,498
Prepaid expenses and others	4,632	52,655
	364,607	188,609
Non-current		
Performance bond (Note 4)	150,649	146,926
Exploration and evaluation assets (Note 4)	496,128	891,192
TOTAL ASSETS	1,011,384	1,226,727
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,423,602	968,629
Due to related parties (Note 15)	-	21,385
Loans from related parties (Note 5)	1,619,969	1,483,473
	3,043,571	2,473,487
Non-current		
Rental fees payable (Note 4)	236,051	-
TOTAL LIABILITIES	3,279,622	2,473,487
EQUITY (DEFICIT)		
Share capital (Note 7)	101,477,165	101,477,165
Equity component of convertible loans (Note 5)	17,935	17,935
Contributed surplus	14,411,085	14,411,085
Deficit	(118,234,484)	(117,218,216)
Cumulative translation adjustment	60,061	65,271
TOTAL EQUITY (DEFICIT)	(2,268,238)	(1,246,760)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	1,011,384	1,226,727

Going concern (Note 2); Commitments and contingency (Notes 4 and 10); and Events after the reporting date (Note 16)

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

On behalf of the Board,

/s/ David Fennell
David Fennell, Director

/s/ Loraine Oxley
Loraine Oxley, Director

Reunion Gold Corporation

Consolidated Statements of Comprehensive Loss

<i>(audited, in Canadian dollars)</i>	Year ended March 31,	
	2016	2015
	\$	\$
Expenses and other items		
Salaries and benefits (Note 15)	532,234	1,372,498
Contractors and consultants	81,932	147,836
Professional fees	44,036	93,236
Reporting issuer costs	19,601	21,858
Investor relations	8,473	42,398
Studies	-	38,524
Camp costs	52,844	88,758
Office and other expenses (Note 15)	135,164	388,455
Income from the rental of equipment	-	(204,403)
Share-based remuneration	-	6,329
Depreciation and amortization (Note 4)	476,993	1,439,316
Write-down of exploration and evaluation assets	-	193,647
Gain on sale of exploration and evaluation assets	(470,620)	(191,541)
Finance expense on loans from related parties	128,216	155,687
Finance income	(45)	(750)
Loss on foreign exchange	7,440	14,219
Loss before income taxes	(1,016,268)	(3,606,067)
Income tax recovery (Note 6)	-	52,399
Net loss for the year	(1,016,268)	(3,553,668)
Other comprehensive income (loss)		
Item that will be subsequently reclassified to income		
Foreign currency translation adjustment	(5,210)	79,854
Comprehensive loss for the year	(1,021,478)	(3,473,814)
Basic and diluted loss per common share (Note 9)	(0.01)	(0.02)
Weighted average number of common shares - basic and diluted	180,317,936	180,317,936

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

Reunion Gold Corporation

Consolidated Statements of Changes in Deficit

<i>(audited, in Canadian dollars)</i>	Number of issued and outstanding common shares	Share capital	Equity component of convertible loans	Contributed surplus	Deficit	Cumulative translation adjustment	Total equity deficit
		\$	\$	\$	\$	\$	\$
Balance at March 31, 2015	180,317,936	101,477,165	17,935	14,411,085	(117,218,216)	65,271	(1,246,760)
Net loss for the year	-	-	-	-	(1,016,268)	-	(1,016,268)
Other comprehensive loss							
Foreign currency translation adjustment	-	-	-	-	-	(5,210)	(5,210)
Balance at March 31, 2016	180,317,936	101,477,165	17,935	14,411,085	(118,234,484)	60,061	(2,268,238)
Balance at March 31, 2014	180,317,936	101,477,165	17,935	14,404,756	(113,664,548)	(14,583)	2,220,725
Share-based remuneration	-	-	-	6,329	-	-	6,329
Net loss for the year	-	-	-	-	(3,553,668)	-	(3,553,668)
Other comprehensive income							
Foreign currency translation adjustment	-	-	-	-	-	79,854	79,854
Balance at March 31, 2015	180,317,936	101,477,165	17,935	14,411,085	(117,218,216)	65,271	(1,246,760)

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

Reunion Gold Corporation

Consolidated Statements of Cash Flows

<i>(audited, in Canadian dollars)</i>	Year ended March 31,	
	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(1,016,268)	(3,553,668)
Adjustments		
Share-based remuneration	-	6,329
Depreciation and amortization	476,993	1,439,316
Finance expense on loans from related parties	128,216	155,687
Gain on sale of exploration and evaluation assets	(470,620)	(191,541)
Write-down of exploration and evaluation assets	-	193,647
Changes in working capital items		
Receivable from related parties	(861)	-
Sales taxes receivable	41,743	28,751
Other receivables	18,757	14,503
Prepaid expenses and others	48,218	84,287
Accounts payable and accrued liabilities	562,255	173,201
Income taxes payable	-	(58,348)
Due to related parties	(21,385)	21,385
	(232,952)	(1,686,451)
INVESTING ACTIVITIES		
Additions to exploration and evaluation assets	-	(74,106)
Proceeds on sale of exploration and evaluation assets (Note 4)	251,659	331,003
	251,659	256,897
Effect of exchange rate changes on cash held in foreign currency	(17,032)	34,763
Net change in cash	1,675	(1,394,791)
Cash, beginning of year	73,713	1,468,504
Cash, end of year	75,388	73,713
Supplemental cash flow information		
Finance income received, included in operating activities	45	750
<i>Non-cash items</i>		
Other receivables related to sale of exploration and evaluation assets	282,776	-
Liabilities related to exploration and evaluation assets	236,051	113,994

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

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

1. GENERAL INFORMATION

Reunion Gold Corporation ("Reunion Gold") is a Canadian-based company. Reunion Gold and its subsidiaries (together the "Company") are primarily engaged in the acquisition, exploration and development of mineral properties. To date, the Company has not earned significant revenue. The Company, through Reunion Manganese Inc. ("RMI"), its wholly-owned indirect subsidiary, holds four Prospecting Licences ("PLs") for manganese, which includes the Matthews Ridge project, located in the North West District of Guyana, South America. All financial results in these consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. The address of the Company's registered office is 181 Bay Street, Toronto, Ontario, Canada, M5J 2T3. Reunion Gold's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol RGD. The Board of Directors approved these consolidated financial statements on July 28, 2016.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classification that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the year ended March 31, 2016, the Company reported a loss of \$1,016,268 (\$3,553,668 in 2015) and had an accumulated deficit of \$118,234,484 at March 31, 2016 (\$117,218,216 at March 31, 2015). At March 31, 2016, the Company had a working capital deficit of \$2,678,964 (a working capital deficit of \$2,284,878 at March 31, 2015), including loans from related parties of \$1,619,969 (\$1,483,473 at March 31, 2015). In addition to settling its current working capital deficit and ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments, including future payments to maintain the Matthews Ridge PLs in good standing, conduct minimum exploration and evaluation programs and pay for general and administration expenses. Funding requirements may be met in a number of ways including but not limited to, the issuance of equity, debt financing, joint venture arrangements or other means. To this effect, the Company is currently evaluating different financing options. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES

a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis. The Company has elected to present the statement of income and comprehensive income in a single statement.

c) *Basis of consolidation*

These consolidated financial statements include the accounts of Reunion Gold and its wholly-owned subsidiaries, namely Reunion Manganese Inc. (Guyana), Northwest Utilities Inc. (Guyana) and New Sleeper Gold (USA) Ltd. (USA). On March 31, 2016, RMI Manganese Ltd. (Barbados), wholly-owned by the Company until that date, ceased its operations and is in the process of being liquidated. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Reunion Gold and its subsidiaries have an annual reporting date of March 31.

d) *Foreign currency translation*

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of Reunion Gold. The functional currency of Reunion Gold's wholly-owned subsidiaries is the US dollar. The functional currencies of Reunion Gold and its subsidiaries have remained unchanged during the reporting years. Monetary assets and liabilities denominated in a foreign currency other than the functional currency of each entity are translated at the exchange rate in effect at the reporting date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Revenues and expenses denominated in a foreign currency are translated at the average rate in effect during the year with the exception of depreciation that is translated at the historical rate. Gains and losses on exchange arising from the translation of foreign operations are recorded in profit or loss.

On consolidation, assets and liabilities of Reunion Gold's subsidiaries are translated into Canadian dollars at the closing rate in effect at the reporting date. Income and expenses are translated into Canadian dollars at the average rate over the reporting years. Exchange differences are presented as other comprehensive income and recognized in the currency translation adjustment reserve in equity.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

e) *Financial assets and liabilities*

Financial assets are recognized when the Company becomes a party to the contractual provision of a financial instrument. Financial assets held by the Company consist of cash, receivable from related parties, other receivables and performance bond which are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Income relating to financial assets that are recognized in profit or loss are presented as finance income.

The Company's financial liabilities consist of accounts payable and accrued liabilities, due to related parties, loans from related parties and rental fees payable. They are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are de-recognized when the obligations are extinguished, discharged, cancelled or expired. Interest-related charges are reported in comprehensive income within finance expense on loans and advances from related parties.

All financial assets are assessed for indicators of impairment at the end of each reporting year. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. The carrying amount of financial assets is reduced by any impairment loss. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is reversed through profit or loss.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

f) *Exploration and evaluation assets*

Mineral properties and exploration and evaluation expenditures

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities has been obtained are recognized in profit or loss as incurred. The cost of acquiring licenses and other expenditures associated with the acquisition of exploration and evaluation assets are capitalized as intangible assets under mineral properties on a property-by-property basis and are carried at cost less accumulated impairment losses, if any. No amortization expense is recognized on these assets during the exploration and evaluation period. Other exploration and evaluation expenditures are expensed as incurred. Once a project has been established as commercially viable and technically feasible, mineral properties are reclassified as tangible assets and related development expenditures are capitalized. An impairment test is performed before reclassification and any impairment loss is then recognized in profit or loss. Whenever a mining property is no longer viable or is abandoned, the capitalized amounts are written-down to their net recoverable amounts with the related charge recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, the finance expense attributable to the acquisition of the asset, and all other costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Where parts of an item of property, plant and equipment have a different useful life, they are accounted for as separate items of property, plant and equipment. Depreciation is recognized on a straight-line basis using the cost of an item of property, plant and equipment, less its estimated residual value, over its estimated useful life. Each asset's residual value, useful life and depreciation method are reassessed, and adjusted if appropriate, at the reporting date. Mobile equipment is depreciated over 5 years, service vehicles and other mining equipment are depreciated over 3 years, furniture is depreciated over 3 years, computer equipment is depreciated over 2 years and leasehold improvements are depreciated over the lease period. The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is included in profit or loss when the item is derecognized.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

g) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Long lived assets that are not amortized are subject to an annual impairment assessment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Value in use takes into account estimated future cash flows associated with the asset, such value being discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis, with each property representing a potential cash-generating unit. A previous impairment is reversed if the asset's recoverable amount exceeds its carrying amount.

h) Provisions and contingent liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. If the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the related asset, as soon as the obligation to incur such costs arises and to the extent that such cost can be reasonably estimated. The Company had no material provisions at March 31, 2016 and March 31, 2015.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

i) Income taxes

When applicable, income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination which affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the underlying tax losses on deductible temporary differences can be utilized. Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right and intention to set-off current tax assets and liabilities from the same taxation authority.

j) Equity

Share capital represents the amount received on the issue of shares. Contributed surplus includes charges related to stock options and warrants until such equity instruments are exercised. Deficit includes all current and prior year losses and share issuance costs. Cumulative translation adjustment includes the impact of converting the accounts of the Company's foreign operations into Canadian dollars. All transactions with owners of the parent company are recorded separately within equity.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

k) Allocation of proceeds on equity financing

The Company allocates the proceeds from an equity financing between common shares and share purchase warrants based on the relative fair values of each instrument. The fair value of the common shares is calculated by using the TSXV share price on the date of the issuance and is accounted for in share capital and the fair value of the share purchase warrants is determined using the Black-Scholes valuation model and is accounted for in contributed surplus.

l) Share-based payment transactions

Equity-settled share-based payments are made in exchange for services received and are measured at their fair value. The fair value of the services rendered is determined indirectly by reference to the fair value of the equity instruments granted when the fair value of services received cannot be reliably estimated. The fair value of share-based payments to directors, officers, employees and consultants is recognized as an expense over the vesting period with a corresponding increase to contributed surplus. Financing warrants and warrants to brokers, in respect of an equity financing, are recognized as a share issue expense with a corresponding increase to contributed surplus. The fair value of stock options granted is measured at the grant date and recognized over the period during which the options vest using the Black-Scholes option pricing model and taking into account an estimated forfeiture rate and the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. Upon the exercise of share-based payments, the proceeds received, net of any direct expenses, as well as the related compensation expense previously recorded as contributed surplus are credited to share capital.

m) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Dilutive potential common shares are deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares. For the purpose of calculating diluted loss per share, the Company assumes the exercise of its dilutive options, convertible notes and warrants. The assumed proceeds from these instruments are regarded as having been received from the issue of common shares at the average market price of its shares during the period.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

n) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting periods. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain and may require accounting adjustments based on future occurrences. Revisions to accounting estimates, judgments and assumptions are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates, judgments and assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to: i) the estimated residual values and useful lives of property, plant and equipment; ii) management's assessment that no material restoration, rehabilitation and environmental costs should be accrued, based on facts and circumstances that existed during the period; and iii) the assessment of the Company's ability to execute its strategy by funding future working capital requirements.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

o) Accounting standards issued but not yet applied

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of these consolidated financial statements that are expected to be relevant to the Company are listed below. Certain other standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9, Financial Instruments

The International Accounting Standards Board ("IASB") released *IFRS 9, Financial Instruments (2014)* ("*IFRS 9*"), representing the completion of its project to replace *IAS 39, Financial Instruments: Recognition and Measurement* ("*IAS 39*"). The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company's management has yet to assess the impact of IFRS 9 on its consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 16, Leases

In January 2016, the IASB published *IFRS 16, Leases* ("*IFRS 16*") which will replace *IAS 17, Leases* ("*IAS 17*"). IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting; and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Assets subject to depreciation and amortization are as follows:

	Intangible assets	Mobile equipment and service vehicles	Other mining equipment	Computer equipment, leasehold improvements and furniture	Total
	\$	\$	\$	\$	\$
Cost					
Balance at March 31, 2014	185,471	3,702,904	2,778,109	783,555	7,450,039
Additions	-	-	-	1,141	1,141
Write-down	-	(702,490)	(62,798)	(66,045)	(831,333)
Net exchange differences	25,911	456,842	394,600	85,936	963,289
Balance at March 31, 2015	211,382	3,457,256	3,109,911	804,587	7,583,136
Disposals	(7,662)	(1,947,560)	(129,757)	(143,959)	(2,228,938)
Write-down	(221,010)	(502,170)	(110,992)	(48,886)	(883,058)
Net exchange differences	17,290	218,285	90,154	18,800	344,529
Balance at March 31, 2016	-	1,225,811	2,959,316	630,542	4,815,669
Accumulated depreciation and amortization					
Balance at March 31, 2014	137,864	2,430,287	2,150,659	687,541	5,406,351
Depreciation and amortization	48,742	684,806	627,048	78,720	1,439,316
Disposals	-	(583,091)	(53,204)	(55,576)	(691,871)
Net exchange differences	24,776	362,048	385,408	85,833	858,065
Balance at March 31, 2015	211,382	2,894,050	3,109,911	796,518	7,011,861
Depreciation and amortization	-	471,738	-	5,255	476,993
Disposals	(7,662)	(1,886,724)	(129,757)	(141,146)	(2,165,289)
Write-down	(221,010)	(502,170)	(110,992)	(48,886)	(883,058)
Net exchange differences	17,290	199,653	90,154	18,801	325,898
Balance at March 31, 2016	-	1,176,547	2,959,316	630,542	4,766,405
Carrying amounts					
At March 31, 2015	-	563,206	-	8,069	571,275
At March 31, 2016	-	49,264	-	-	49,264

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Mineral properties not subject to depreciation and amortization are as follows:

	Matthews Ridge, Guyana
	\$
Cost	
Balance at March 31, 2014	346,831
Additions	118,258
Write-down	(193,647)
Net exchange differences	48,475
Balance at March 31, 2015	319,917
Additions	120,975
Net exchange differences	5,972
Balance at March 31, 2016	446,864

Total exploration and evaluation assets are as follows:

	Year ended March 31, 2016	Year ended March 31, 2015
	\$	\$
Cost, beginning of year	7,903,053	7,796,870
Additions	120,975	119,399
Disposals	(2,228,938)	(831,333)
Write-down	(883,058)	(193,647)
Net exchange differences	350,501	1,011,764
Cost, end of year	5,262,533	7,903,053
Accumulated depreciation and amortization, beginning of year	7,011,861	5,406,351
Depreciation and amortization	476,993	1,439,316
Disposals	(2,165,289)	(691,871)
Write-down	(883,058)	-
Net exchange differences	325,898	858,065
Accumulated depreciation and amortization, end of year	4,766,405	7,011,861
Carrying amount, beginning of year	891,192	2,390,519
Carrying amount, end of year	496,128	891,192

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Matthews Ridge, Guyana

The Company is required to make annual rental payments to the Guyana Geology & Mines Commission ("GGMC") related to the four (4) PLs awarded to the Company on September 6, 2010. The PLs were granted for an initial period of three years and were renewable for two additional periods of one year each which expired in September 2015. Given that the Company has not yet completed a feasibility study which is a requirement to obtain a mining license, it has applied for a further extension of the PLs. In April 2016, the GGMC has confirmed that the Matthews Ridge PLs held by RMI continue to be in good standing. As a result of the significant decline in the manganese price which has adversely affected the development of the Matthews Ridge project, the GGMC has agreed to a standby arrangement of up to two years for the PLs, which includes the deferral of certain obligations under the PLs, including unpaid statutory rental payments until April 30, 2018. The GGMC is entitled to review all circumstances after one year to ensure that the standby arrangement remains relevant.

The Company has paid the annual rental fees through September 2014, has accrued an amount of \$116,883 (US\$90,000) for the 5th year ending September 5, 2015 and has accrued an amount of \$179,221 (US\$138,000) for the 6th year ending September 5, 2016. Given that amounts due are deferred until April 2018, the Company has presented at March 31, 2016, the fair value of the unpaid rental fees estimated at \$236,051 using a discount rate of 12%, as a long-term liability on the consolidated statements of financial position.

A performance bond in the amount of \$150,649 (US \$116,000) was posted with the Government of Guyana on September 6, 2010.

In August 2014, the Company had applied for additional PLs in accordance with the terms of the two Permissions for Geological and Geophysical Survey ("PGGS") which had been awarded to the Company in July 2011. Given that the Company did not have the financial capacity to carry out minimum exploration work on the PLs at that time, the Company charged to income as write-down of exploration and evaluation assets during the year ended March 31, 2015 an amount of \$193,647 representing the deferred permission fees that had been presented as mineral properties. There is no assurance that the Company will be able to obtain these additional PLs in the near future.

Sale of exploration and evaluation assets

During the year ended March 31, 2016, the Company sold some mobile equipment, service vehicles and other equipment located at the Matthews Ridge project for gross proceeds of \$500,935. At March 31, 2016, other receivables include an amount of \$282,776 to be received from the sale of these assets, over the next 12 months. During the year ended March 31, 2016, the Company also sold office furniture and computer equipment for an amount of \$33,500 to Highland Copper Company Inc. ("Highland"), a related party by virtue of common management (Note 15).

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

5. LOANS FROM RELATED PARTIES

Loans from related parties are composed of the following:

	March 31, 2016	March 31, 2015
	\$	\$
Convertible Notes (Loans 1)	1,007,000	1,007,000
Accrued interest on Convertible Notes	286,996	166,156
Deferred bonus payments (Loans 2)	259,740	253,320
Accrued interest on deferred bonus payments	66,233	56,997
	1,619,969	1,483,473

In May 2013, two of the Company's executive officers advanced to the Company a total amount of \$950,000 for working capital purposes ("Loans 1"). Also, these executive officers agreed to defer the receipt of bonus payments in the amount of \$259,740 (US\$200,000) ("Loans 2") which had become payable in February 2013. On December 9, 2013, the Company replaced the Loans 1 and accrued interest with convertible notes having an aggregate principal amount of \$1,007,000 (the "Convertible Notes").

The Convertible Notes bear interest at the rate of 1% per month until maturity. The outstanding principal and accrued interest are repayable by the Company on the earlier of the completion of a financing for a minimum amount of \$5 million or upon demand at any time after June 30, 2018 (following amendments to the repayment schedule in June 2014, June 2015 and June 2016) (Note 16), either in cash or in common shares of the Company, at the option of the holder. The conversion price for the outstanding principal of the Convertible Notes is \$0.14 per share, and the conversion price of the accrued interest on the Convertible Notes will be equal to the market price of the Company's shares at the time of conversion, if such election is made. The Company has the right to redeem the Convertible Notes at any time.

The Convertible Notes were determined to be compound instruments. As the Convertible Notes are convertible into common shares, the liability and equity components are presented separately. Using the residual method, the carrying amount of the conversion feature at inception is the difference between the principal amount and the carrying value of the financial liability.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

5. LOANS FROM RELATED PARTIES (continued)

The principal amount of Loans 2 as well as accrued interest (up to June 30, 2015 as interest on Loans 2 ceased to accrue after June 30, 2015) can be repaid by the Company at any time without penalty but no later than three business days after the completion of a financing for a minimum amount of \$5 million. The payment of Loans 2 as well as accrued interest may be demanded in full by the lenders at any time after June 30, 2018 (following amendments to the repayment schedule in June 2014, June 2015 and June 2016) (Note 16).

The Convertible Notes are detailed as follows:

	March 31, 2016	March 31, 2015
	\$	\$
Amount of Loans 1, including accrued interest	1,007,000	999,602
Accretion	-	7,398
Liability portion of the Convertible Notes	1,007,000	1,007,000

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

6. INCOME TAXES

The income tax provision differs from the amount resulting from the application of the combined Canadian statutory income tax rate as follows:

	Year ended March 31, 2016		Year ended March 31, 2015	
	\$		\$	
Loss before income tax		(1,016,268)		(3,606,067)
Tax using the Company's domestic tax rate	26.90%	(273,376)	26.90%	(970,032)
Share-based remuneration	-	-	(0.05%)	1,703
Effect of tax rate in foreign jurisdictions	18.75%	(190,501)	(2.56%)	92,384
Effect of foreign exchange due to consolidation	(27.17%)	276,151	(10.84%)	390,926
Non-deductible expenses	4.79%	(48,650)	1.20%	(43,129)
Unrecognized tax assets	(24.26%)	246,525	(2.49%)	89,938
Expired non-capital loss carry-forwards	-	-	(12.94%)	466,550
Others	0.99%	(10,149)	2.23%	(80,739)
Income tax expense (recovery)	-	-	1.45%	(52,399)

Unrecognized deductible temporary differences for which no deferred tax assets have been recognized are presented in the following tables. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilize the benefits therefrom.

	March 31, 2016			
	Guyana	United States	Canada	Total
	\$	\$	\$	\$
Non-capital loss carry-forwards	66,235,544	16,778,457	14,652,592	97,666,593
Capital loss carry-forwards	320,159	14,914,765	8,151,456	23,386,380
Property and equipment	1,349,390	-	392,358	1,741,748
Exploration and evaluation assets	-	-	16,701,207	16,701,207
Other	-	-	139,682	139,682
	67,905,093	31,693,222	40,037,295	139,635,610

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

6. INCOME TAXES (continued)

	March 31, 2015			
	Guyana	United States	Canada	Total
	\$	\$	\$	\$
Non-capital loss carry-forwards	62,547,223	16,363,744	13,975,429	92,886,396
Capital loss carry-forwards	311,478	14,546,116	8,436,931	23,294,525
Unrealized capital losses	-	-	26,363	26,363
Property and equipment	3,798,990	-	457,790	4,256,780
Exploration and evaluation assets	-	-	16,701,207	16,701,207
Share issue expenses	-	-	497,784	497,784
Other	-	-	139,682	139,682
	66,657,691	30,909,860	40,235,186	137,802,737

Losses carried forward as at March 31, 2016 will expire as follows:

	United States	Canada
	\$	\$
2024	60,879	-
2025	423,659	-
2026	1,138,148	1,460,212
2027	15,155,771	1,458,642
2028	-	1,088,068
2029	-	1,262,881
2030	-	338,915
2031	-	833,035
2032	-	1,930,034
2033	-	1,746,086
2034	-	2,167,680
2035	-	1,718,455
2036	-	648,584
	16,778,457	14,652,592

The Company's wholly-owned subsidiary in Guyana also has a loss carry-forward of \$66,235,544 at March 31, 2016, available indefinitely to reduce taxable income in future years.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

7. SHARE CAPITAL

Authorized and issued

Unlimited number of common shares and unlimited number of preferred shares, issuable in series.

At March 31, 2016 and 2015, the Company had 180,317,936 issued and outstanding common shares.

Issuance of securities

No securities were issued during the years ended March 31, 2016 and 2015.

8. STOCK OPTIONS

Stock option plan

The shareholders of the Company have adopted and approved a stock option plan (the "2004 Stock Option Plan") for employees, officers, directors and consultants to the Company and its affiliates. The Board of Directors has delegated the authority to oversee the 2004 Stock Option Plan to the Compensation and Corporate Governance Committee of the Company (the "Compensation Committee"). The Compensation Committee may determine the time during which any options may vest. The exercise price of an option shall not be lower than the closing price of the common shares on the TSXV on the last trading day prior to the date of the grant. The options shall be for such periods as the Compensation Committee determines up to a maximum of five years. The maximum number of common shares issuable pursuant to the 2004 Stock Option Plan shall not exceed 10% of the total number of common shares outstanding from time to time.

The following table sets out the activity in stock options:

	Year ended March 31, 2016		Year ended March 31, 2015	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Options, beginning of year	12,015,000	0.95	12,015,000	0.95
Expired	(4,750,000)	(0.46)	-	-
Options, end of year	7,265,000	1.27	12,015,000	0.95

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

8. STOCK OPTIONS (continued)

The following table reflects the stock options issued and outstanding at March 31, 2016:

Issue date	Number of stock options	Exercise price \$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options \$
April 27, 2011	3,000,000	2.00	0.1	3,000,000	2.00
June 22, 2011	715,000	1.67	0.2	715,000	1.67
July 4, 2011	75,000	1.59	0.3	75,000	1.59
August 22, 2011	100,000	1.28	0.4	100,000	1.28
November 2, 2011	250,000	1.00	0.6	250,000	1.00
April 12, 2012	1,875,000	0.73	1.0	1,875,000	0.73
September 18, 2013	1,250,000	0.13	2.5	1,250,000	0.13
	7,265,000	1.27	0.8	7,265,000	1.27

9. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended March 31, 2016 was based on the loss attributable to common shareholders of \$1,016,268 (a loss of \$3,553,668 in 2015) and the weighted average number of common shares outstanding of 180,317,936 (180,317,936 in 2015).

Excluded from the calculation of the diluted loss per share for the year ended March 31, 2016 are 7,265,000 stock options (12,015,000 stock options in 2015) and the convertible notes because to include them would be anti-dilutive as they would have the effect of decreasing the loss per share.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

10. OTHER COMMITMENTS AND CONTINGENCY

In addition to the commitments related to the Matthews Ridge (described in Note 4), the Company has entered into a long-term lease agreement expiring in July 2017 which calls for minimum lease payments of \$124,100 for the rental of office space. Minimum lease payments are \$99,280 in 2017 and \$24,820 in 2018.

On February 9, 2016, the Company's president and CEO tendered his resignation. As full and final settlement of all unpaid amounts related to his employment with the Company due at that date, the Company has agreed to pay to its former president and CEO a lump sum amount of US\$100,000 in cash on the earliest of (a) five business days following the completion by the Company of an equity or debt financing or an asset sale of at least \$5 million, and (b) five business days following the completion of a corporate transaction such as a business combination.

11. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. Long term assets are located as follows:

	March 31, 2016		
	Guyana	Canada	Total
	\$	\$	\$
Performance bond	150,649	-	150,649
Exploration and evaluation assets	496,128	-	496,128
	646,777	-	646,777

	March 31, 2015		
	Guyana	Canada (1)	Total
	\$	\$	\$
Performance bond	146,926	-	146,926
Exploration and evaluation assets	883,123	8,069	891,192
	1,030,049	8,069	1,038,118

(1) These assets consist of computer equipment, leasehold improvements and furniture.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

12. CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. At March 31, 2016, the Company's capital consisted of a deficit of \$2,268,238 (a deficit of \$1,246,760 at March 31, 2015).

The Company's properties are currently in the exploration stage. As such, the Company is dependent on external financing to fund its activities. The amount and timing of additional funding will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There were no changes in the Company's approach to capital management during the year ended March 31, 2016. The Company is not subject to any externally imposed capital requirements at March 31, 2016. As further described in *Note 2 – Going concern*, the Company requires further financing to settle its accounts payable and accrued liabilities, loans from related parties and rental fees payable at March 31, 2016 and to ensure the continued activities of the Company.

13. FINANCIAL RISK MANAGEMENT

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. There were no changes to the Company's financial objectives, policies and processes during the year ended March 31, 2016.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for its continued operations as the Company generates cash flow from its financing activities (Note 2).

The following table summarizes the contractual maturities of the Company's financial liabilities at March 31, 2016:

	Carrying amount	Settlement amount	Within 1 year	2-3 years	Over 3 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,423,602	1,423,602	1,423,602	-	-
Loans from related parties	1,619,969	1,619,969	1,619,969	-	-
Rental fees payable	236,051	296,104	-	296,104	-
	3,279,622	3,339,675	3,043,571	296,104	-

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

13. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Company's interest rate risk relates to cash. The Company's policy as it relates to its cash balances is to invest excess cash in guaranteed investment certificates or interest-bearing accounts with a major Canadian-based chartered bank. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Based on cash on hand at March 31, 2016, sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately \$1,000 (approximately \$1,000 at March 31, 2015). The Convertible Notes issued to related parties bear interest at a fixed rate of 1% per month and Loans 2 from related parties are non-interest bearing since June 30, 2015. Interest rate movements may affect the fair value of Loans 1 from related parties.

Currency risk

In the normal course of operations, the Company is exposed to currency risk due to business transactions conducted in a currency other than the respective functional currencies of each of the entities within the consolidated group. The Company has not entered into any derivative contracts to manage this risk. Transactions related to the Company's activities in Guyana are mainly denominated in Guyanese dollars and United States dollars. The consolidated entity seeks to minimise its exposure to currency risk by monitoring exchange rates and entering into foreign currency transactions that maximize the consolidated entity's position. The board considers this policy appropriate, taking into account the consolidated entity's size, current stage of operations, financial position and the board's approach to risk management. At March 31, 2016, assets and liabilities denominated in a foreign currency consisted of cash of \$57,014 (\$850 at March 31, 2015), other receivables of \$282,776 (nil at March 31, 2015), accounts payable and accrued liabilities of \$548,056 (\$445,781 at March 31, 2015), loans from related parties (Loans 2) of \$325,973 (\$310,317 at March 31, 2015) and rental fees payable of \$296,104 (nil at March 31, 2015). The impact on comprehensive income and equity of a 10% increase or decrease in foreign currencies to the Canadian dollar exchange rate on the Company's financial instruments balances at March 31, 2015 would be approximately \$83,000 (\$76,000 at March 31, 2015).

Credit risk

At March 31, 2016, the Company's financial assets exposed to credit risk are primarily composed of cash, other receivables, and performance bond. To mitigate exposure to credit risk, the Company has established a policy to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company's management considers that all financial assets held are of good credit quality. The Company's cash is held with large Canadian-based financial institutions.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

13. FINANCIAL RISK MANAGEMENT (continued)

Political risk

The Company carries on its exploration activities in Guyana, South America. These activities may be subject to political, economical or other risks that could influence the Company's exploration and development activities and future financial situation.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, receivables from related parties, other receivables, deposits, accounts payable and accrued liabilities and due to related parties are considered to be a reasonable approximation of their fair value given the short-term maturity of these instruments.

The following table presents the Company's financial liabilities measured at amortized cost, for which the fair value is presented on the consolidated statements of financial position, and categorized by level according to the significance of the inputs used in making the measurements:

	March 31, 2016			March 31, 2015	
	Level 1	Level 2	Level 3	Total	Total
	\$	\$	\$	\$	\$
Loans from related parties	-	1,619,969	-	1,619,969	1,483,473
Rental fees payable	-	236,051	-	236,051	-
	-	1,856,020	-	1,856,020	1,483,473

Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (being the fair value hierarchy):

Level 1: Quoted prices in active markets for identical items (unadjusted).

Level 2: Observable direct or indirect inputs other than Level 1 inputs.

Level 3: Unobservable inputs (not derived from market data).

Loans from related parties are measured at amortized cost using the effective interest method and Loans 2 (part of loans from related parties) denominated in US\$ are adjusted for changes in foreign exchange rates. Rental fees payable, which are non-interest bearing, are established using a discount rate of 12%, a rate similar to other debt instruments at the date of the consolidated statements of financial position and are adjusted for changes in foreign exchange rates.

There were no transfers between Levels 1, 2 and 3 during the years ended March 31, 2016 and 2015.

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (audited, in Canadian dollars)

15. RELATED PARTY TRANSACTIONS

The detail of transactions between the Company and its related parties (in addition to those transactions described in Note 5), other than subsidiaries which are fully consolidated, are described below. Related party transactions are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Unless otherwise stated, none of these transactions included special terms or conditions. No guarantees were given.

Companies under common management

During the year ended March 31, 2016 and 2015, the Company was a party to separate agreements to provide management and administration services to other TSXV-listed companies, related by virtue of common management, including Avala Resources Ltd., Odyssey Resources Limited and Highland. The services are provided at cost for all direct expenses plus a fixed monthly charge to cover overhead expenses. Such amounts recovered for management and administration services during the year ended March 31, 2016 totaled \$579,117 (\$763,312 in 2015) and were presented against salaries and benefits and office and other expenses on the consolidated statements of comprehensive loss. During the year ended March 31, 2016, the Company sold to Highland office furniture and computer equipment for an amount of \$33,500 (the Company sold to Highland intangible assets for an amount of \$40,000 in 2015). At March 31, 2016, the Company had an amount receivable from companies under common management of \$861 (an amount due to companies under common management of \$21,385 at March 31, 2015). Amounts due are non-interest bearing and are due within 30 days of invoice date.

Remuneration of directors and key management of the Company

The remuneration awarded to directors and to senior key management, including the Executive Chairman, the Chief Operating Officer and the Chief Financial Officer, is as follows:

	Year ended March 31, 2016	Year ended March 31, 2015
	\$	\$
Salaries, bonuses and benefits	188,578	863,489
Consulting fees	26,625	42,500
Share-based remuneration	-	6,329
	215,203	912,318

Reunion Gold Corporation

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 *(audited, in Canadian dollars)*

16. EVENTS AFTER THE REPORTING DATE

Loans from related parties

On June 30, 2016, the Company, its executive chairman and its former CEO agreed to further postpone the date on which the Company's executive chairman and its former CEO are entitled to demand repayment of the loans of \$1,619,969 at March 31, 2016 from June 30, 2016 to June 30, 2018. All other terms and conditions under the loan agreements remain unchanged.

Expiry of stock options

From April 1, 2016 to July 28, 2016, a total of 5,352,500 stock options expired unexercised.



REUNION

GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended March 31, 2016

REUNION GOLD CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Reunion Gold Corporation ("Reunion Gold") and its subsidiaries (together the "Company"), dated July 28, 2016, covers the years ended March 31, 2016 and 2015 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended March 31, 2016 and 2015 (the "March 31, 2016 and 2015 consolidated financial statements"). The March 31, 2016 and 2015 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS

Reunion Gold is a Canadian-based company focused on the exploration and development of mineral projects. The Company through Reunion Manganese Inc. ("RMI"), its wholly-owned subsidiary, holds four prospecting licenses ("PLs"), which includes the Matthews Ridge manganese project located in the North West District of Guyana, South America (the "Matthews Ridge Project"). Reunion Gold's financial year-end is March 31 and its common shares trade on the TSX Venture Exchange ("TSXV") under the symbol RGD.

FINANCIAL CONDITION

The Company is in the exploration and development stage and has no source of revenue. At March 31, 2016, the Company has a working capital deficit of \$2,678,964 (including loans from related parties of \$1,619,969 - see *Liquidity and Capital Resources* section). The Company's working capital deficit creates uncertainty regarding its ability to continue operations as a going concern. The Company's ability to continue operations is dependent on securing financing necessary to settle its current working capital deficit, to fund its existing commitments, including payments to maintain the Matthews Ridge PLs in good standing, to conduct minimum exploration and evaluation programs, and to pay for general and administration expenses for at least the next 12 months.

The Matthews Ridge Project is currently on care and maintenance while the Company is evaluating different financing options, including the sale of assets, the issuance of securities, partnership, joint venture or other arrangements. A sharp decline in the manganese price makes it difficult to finance the development of manganese projects such as Matthews Ridge. While management has been successful in securing financing

in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company.

If management is unable to obtain new funding, the Company will be required to further delay the development of the Matthews Ridge Project and may be unable to continue its operations.

MATTHEWS RIDGE PROJECT

The Matthews Ridge Project consists of four PLs initially granted to RMI by the Guyana Geology & Mines Commission ("GGMC") in September 2010 for an initial period of three years. RMI subsequently applied for two one-year extensions to September 2015 in accordance with the Guyana Mining Act (the "Act"). Given that the Company has not yet completed a feasibility study which is a requirement to obtain a mining license, RMI has applied for a further extension of the PLs. In April 2016, the GGMC has confirmed that the Matthews Ridge PLs held by RMI continue to be in good standing. As a result of the significant decline in the manganese price which has adversely affected the development of the Matthews Ridge Project, the GGMC has agreed to a standby arrangement of up to two years for the PLs, which includes the deferral of certain obligations under the PLs, including unpaid statutory rental payments until April 30, 2018. The GGMC is entitled to review all circumstances after one year to ensure that the standby arrangement remains relevant.

The Matthews Ridge Project is located in and around the site of the abandoned Matthews Ridge mine which was operated by a subsidiary of Union Carbide Corporation from 1962 to 1968. The main project footprint consists of a 15 km-long series of nine hills contained within the Matthews Ridge formation, which hosts the manganese mineralization and is known to extend for more than 40 kilometers of strike. The Company began exploration work at Matthews Ridge in October 2010. By the end of 2012, Reunion had completed a total of 47,570 meters of diamond drilling and 17,361 meters of reverse circulation drilling. In February 2013, the Company announced an initial resource estimate for its Matthews Ridge Project and in July 2013, the Company released an initial mineral reserve estimate and results of a pre-feasibility study ("PFS") for its Matthews Ridge Project. The significant reduction in manganese ore prices since the completion of the PFS may have had a negative impact on the reported resource and reserve estimates and PFS results.

OVERVIEW OF ACTIVITIES

The Matthews Ridge Project is currently on care and maintenance. The Company has not carried out any field activities during the year ended March 31, 2016 and all exploration and development activities have been suspended until such time as the Company has secured its funding requirements.

During the year ended March 31, 2016, the focus of the Company has been to obtain an extension of the PLs which make up the Matthews Ridge Project. This extension was confirmed in April 2016. Given the current state of the manganese market and the Company's working capital deficit, the Company has proceeded with the sale of some of its equipment located at Matthews Ridge, which generated proceeds of approximately \$250,000 during the year.

The Company's priorities for the current financial year is to complete a financing to settle its current liabilities and fund ongoing obligations, including the payment of general and administration expenses for at least the next 12 months, and to evaluate available options to develop its manganese resource as well as other mineral projects.

MANAGEMENT CHANGE

On February 9, 2016, the Company's president and CEO tendered his resignation, including that of director of the Company. As full and final settlement of all unpaid amounts related to his employment with the Company due at that date, the Company has agreed to pay to its former president and CEO a lump sum amount of US\$100,000 in cash on the earliest of (a) five business days following the completion by the Company of an equity or debt financing or an asset sale of at least \$5 million, and (b) five business days following the completion of a corporate transaction such as a business combination. David Fennell, the Company's Executive Chairman, has agreed to serve as Interim President and CEO of the Company.

CONSOLIDATED FINANCIAL INFORMATION (1) (2)

Financial Position	March 31, 2016	March 31, 2015
	\$	\$
Cash	75,388	73,713
Exploration and evaluation assets	496,128	891,192
Total assets	1,011,384	1,226,727
Non-current liabilities	236,051	-
Shareholders' equity (deficit)	(2,268,238)	(1,246,760)

Comprehensive Loss	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2014
	\$	\$	\$
Net loss for the year	(1,016,268)	(3,553,668)	(5,157,875)
Basic and diluted loss per share	(0.01)	(0.02)	(0.03)

Cash flows			
Operating activities	(232,952)	(1,686,451)	(6,147,555)
Investing activities	251,659	256,897	5,121,222
Financing activities	-	-	950,000

(1) The Selected Consolidated Financial Information was derived from the Company's March 31, 2016 and 2015 consolidated financial statements, prepared in accordance with IFRS.

(2) The Company's consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern. If the Company is not successful in raising additional funds, the Company will be required to further delay the development of the Matthews Ridge Project and may be unable to continue its operations. The Company's consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

Since its incorporation, the Company has not paid any cash dividend on its outstanding common shares and it is highly unlikely that any dividend will be paid in the foreseeable future.

Financial Review

Below is a discussion of the major items impacting net loss for the years ended March 31, 2016, 2015 and 2014.

Year 2016 compared to 2015

During the year ended March 31, 2016, the Company incurred a net loss of \$1,016,268 (\$0.01 per share) compared to \$3,553,668 (\$0.02 per share) in 2015. The reduced net loss for the year ended March 31, 2016 compared to 2015 resulted from lower expenses in order to conserve cash, with minimal expenses incurred in Guyana. Expenses in Guyana in 2016 related mostly to securing the Company's assets.

The net loss incurred during the year ended March 31, 2016 includes wages and fees of \$614,166 (\$1,520,334 in 2015), depreciation and amortization of the Company's property, plant and equipment of \$476,993 (\$1,439,316 in 2015), audit, tax and legal fees of \$44,036 (\$93,236 in 2015), filing fees of \$19,601 (\$21,858 in 2015), camp costs of \$52,844 (\$88,758 in 2015), finance-related expenses on loans from related parties of \$128,216 (\$155,687 in 2015) and other net expenses of \$151,032 (\$232,373 in 2015), offset by a gain on the sale of mobile and other equipment held at Matthews Ridge of \$470,620 (\$191,541 in 2015). The net loss in 2015 also included a write-down of \$193,647 (nil in 2016) of the deferred fees on Permissions for Geological and Geophysical Survey ("PGGS") which had been awarded to RMI in 2011. Given the Company's financial condition, the Company was unable to demonstrate its financial capacity in support of converting these PGGS into PLs.

The reduced salaries and benefits in 2016 compared to 2015 reflect the reduced compensation of the Company's officers, effective October 1, 2014, as well as the adjustment for the unpaid salaries and benefits to the Company's president and CEO following his resignation effective February 9, 2016 and renunciation to any amounts due as at that date. The payment of the compensation to the Company's directors and officers continue to be deferred until the Company has raised sufficient funds to recommence its activities.

Year 2015 compared to 2014

During the year ended March 31, 2015, the Company incurred a net loss of \$3,553,668 (\$0.02 per share) compared to a net loss of \$5,157,875 (\$0.03 per share) in 2014. The decreased loss for the year ended March 31, 2015 compared to 2014 is mainly due to a) the suspension in March 2014 of all field activities and studies related to the Matthews Ridge Project in light of the Company's financial situation; b) salary adjustments of the Company's management, including the reduction of the annual base compensation of the Company's executive chairman from US\$300,000 to US\$50,000 effective October 1, 2014; c) lower investor

relations expenses due to the non-renewal of an investor relations program; and d) a decrease of \$525,035 in share-based remuneration expense as no stock options were granted during the 2015 financial year compared to the grant of 1,250,000 stock options in the 2014 financial year.

The net loss incurred during the year ended March 31, 2015 included wages and fees of \$1,520,334 (\$2,863,720 in 2014), depreciation and amortization of the Company's property, plant and equipment of \$1,439,316 (\$2,019,814 in 2014), a write-down of \$193,647 of the permission fees paid related to the grant in 2011 to RMI of the PGGS (a write-down of \$33,710 in 2014), share-based remuneration of \$6,329 (\$531,364 in 2014), audit, tax and legal fees of \$93,236 (\$104,255 in 2014), investor relations and travel of \$96,178 (\$431,560 in 2014), filing fees of \$21,858 (\$82,235 in 2016), studies of \$38,524 (\$1,703,143 in 2014 mostly related to the preparation of a pre-feasibility study of the Matthews Ridge Project), camp costs of \$88,758 (\$383,816 in 2014), finance-related expenses of \$155,687 on loans from related parties (\$142,446 in 2014) and other net expenses of \$91,342 (\$531,996 in 2014), offset by a gain on the sale of mobile and other equipment held at Matthews Ridge of \$191,541 (nil in 2014). In 2014, the reported loss also took into account a realized gain of \$3,130,534 following the termination of the Lely Option Agreement in Suriname and an amount of \$539,650 received during the year for value-added tax claimed in Guyana for the period from August 1, 2011 to December 31, 2012.

4th quarter ended March 31, 2016 compared to 4th quarter ended March 31, 2015

During the 4th quarter period ended March 31, 2016, the Company incurred a loss of \$54,333 (nil per share), compared to a loss of \$663,597 (nil per share) during the 4th quarter period ended March 31, 2015. During the current period, expenses incurred of \$452,644 were offset by a gain on the sale of mobile and other equipment in the amount of \$398,311. Activities during the current period were focused on securing the Company's rights on the Matthews Ridge property and the evaluation of various financing options, including the sale of some equipment at the Matthews Ridge Project.

Expenses of \$452,644 during the 4th quarter ended March 31, 2016 (\$682,137 during the 4th quarter ended March 31, 2015) included wages and fees of \$211,540 (\$267,204 in 2015), depreciation and amortization of the Company's property, plant and equipment of \$96,541 (\$282,851 in 2015), camp costs of \$22,090 (\$17,493 in 2015) and other items of \$122,473 (\$114,589 in 2015), offset by a gain on the sale of mobile and other equipment held at Matthews Ridge of \$398,311 (\$18,540 in 2015).

Selected Quarterly Financial Information

The table below presents revenues, net loss and net loss per share for the last eight quarters:

Period ended	Revenues	Net income (loss)	Income (loss) per share
	\$ 000	\$ 000	\$
March 31, 2016	0.0	(54.3)	(0.00)
December 31, 2015	0.0	(240.7)	(0.00)
September 30, 2015	0.0	(437.1)	(0.00)
June 30, 2015	0.0	(284.2)	(0.00)
March 31, 2015	0.0	(663.6)	(0.00)
December 31, 2014	0.0	(917.0)	(0.01)
September 30, 2014	0.0	(824.6)	(0.00)
June 30, 2014	0.0	(1,148.4)	(0.01)

Liquidities and Capital Resources

The Company has a working capital deficit of \$2,678,964 at March 31, 2016, including loans from related parties of \$1,619,969 (a working capital deficit of \$2,284,878 at March 31, 2015, including loans from related parties of \$1,483,473). The increase in the working capital deficit during the year ended March 31, 2016 is mainly attributable to administrative and regulatory expenses incurred to maintain the Company in good standing. During the year ended March 31, 2016, the Company received proceeds on the sale of certain mobile and other equipment in an amount of \$251,659.

In 2013, executive officers of the Company at that time advanced a total amount of \$950,000 for working capital purposes ("Convertible Notes") and agreed to defer the receipt of bonus payments totaling \$259,740 (US\$200,000) ("Loans 2") which had become payable in February 2013. The Convertible Notes bear interest at the rate of 1% rate per month and Loans 2 are non-interest bearing since June 30, 2015. The Convertible Notes, Loans 2 and accrued interest are repayable by the Company on the earlier of the completion of a financing for a minimum amount of \$5 million or upon demand at any time after June 30, 2018 (following amendments to the repayment schedules in June 2014, June 2015 and June 2016). Should the holder of the Convertible Notes elect to receive payment in shares, the conversion price for the outstanding principal of the Convertible Notes is \$0.14 per share, and the conversion price of the accrued interest on the Convertible Notes will be equal to the market price of the Company's shares at the time of conversion, if such election is made. The Company has the right to redeem the Convertible Notes at any time.

The Company will need to raise additional funds to settle its working capital deficit, to pursue exploration and development work on its mineral projects and to provide for management and administration expenditures through March 31, 2017. Such additional funds may be met in the future in a number of ways including but not limited to the issuance of new equity, joint venture arrangement or other means. The amount and timing of additional funding will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If adequate financing is not available, the Company may be required to further delay the exploration and development of the Matthews Ridge Project or may have to sell or relinquish its rights to certain of its interests.

Capital Management

The Company defines capital that it manages as shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. At March 31, 2016, managed capital consisted of a deficit of \$2,268,238 (deficit of \$1,246,760 at March 31, 2015).

The Company's property is currently in the exploration stage. As such, the Company is dependent on external financing to fund its activities. The amount and timing of additional funding will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There were no changes in the Company's approach to capital management during the year ended March 31, 2016. The Company is not subject to any externally imposed capital requirements at March 31, 2016. The Company requires further financing to settle its accounts payable and accrued liabilities at March 31, 2016 and to ensure the continued activities of the Company (see *Financial Condition* and *Liquidities and Capital resources* sections).

Commitments

Matthews Ridge, Guyana

The Company is required to make annual rental payments to the Government of Guyana based on the anniversary of the grant of the PLs. The Company has paid the annual rental fees through September 2014, has accrued an amount of \$116,883 (US\$90,000) for the 5th year ending September 5, 2015 and has

accrued an amount of \$179,221 (US\$138,000) for the 6th year ending September 5, 2016. Amounts due for annual rental fees have been deferred until April 2018 (see *Matthews Ridge Project* section).

Others

The Company has entered into a long-term lease agreement expiring in July 2017 which calls for minimum lease payments of \$124,100 for the rental of office space. Minimum lease payments are \$99,280 for the year ending March 31, 2017 and \$24,820 for the year ending March 31, 2018.

Off-Balance Sheet Arrangements

As of March 31, 2016, the Company has no off-balance sheet arrangements.

Basis of Presentation of Financial Statements

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in the Company's consolidated financial statements are consistent with those of the previous year. The significant accounting policies of Reunion Gold are detailed in the notes to the March 31, 2016 and 2015 consolidated financial statements filed on SEDAR.

Significant accounting judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting periods. Actual outcomes could differ from these estimates. The Company's consolidated financial statements include estimates which, by their nature, are uncertain and may require accounting adjustments based on future occurrences. Revisions to accounting estimates, judgments and assumptions are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates, judgments and assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but

are not limited to: i) the estimated residual values and useful lives of property, plant and equipment; ii) management's assessment that no material restoration, rehabilitation and environmental costs should be accrued, based on facts and circumstances that existed during the period; and iii) the assessment of the Company's ability to execute its strategy by funding future working capital requirements.

Accounting standards issued but not yet applied

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of the Company's consolidated financial statements that are expected to be relevant to the Company are listed below. Certain other standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9, Financial Instruments

The International Accounting Standards Board ("IASB") released *IFRS 9, Financial Instruments (2014)* ("*IFRS 9*"), representing the completion of its project to replace *IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company's management has yet to assess the impact of IFRS 9 on its consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 16, Leases

In January 2016, the IASB published *IFRS 16, Leases ("IFRS 16")* which will replace *IAS 17, Leases ("IAS 17")*. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting; and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

Other Related Party Transactions

During the year ended March 31, 2016 and 2015, the Company was a party to separate agreements to provide management and administration services to other TSXV-listed companies, related by virtue of common management, including Avala Resources Ltd., Odyssey Resources Limited and Highland Copper Company Inc. ("Highland"). The services are provided at cost for all direct expenses plus a fixed monthly charge to cover overhead expenses. Such amounts recovered for management and administration services during the year ended March 31, 2016 totaled \$579,117 (\$763,312 in 2015). During the year ended March 31, 2016, the Company sold to Highland office furniture and computer equipment for an amount of \$33,500 (the Company sold to Highland intangible assets for an amount of \$40,000 in 2015). At March 31, 2016, the Company had an amount receivable from companies under common management of \$861 (an amount due to companies under common management of \$21,385 at March 31, 2015). Amounts due are non-interest bearing and are due within 30 days of invoice date.

The remuneration awarded to directors and to senior key management, including the Executive Chairman, the COO and the CFO totalled \$215,203 during the year ended March 31, 2016 (\$912,318 in 2015).

Book value of Mineral Properties

At the end of each period, management reviews impairment indicators related to its mineral properties and other exploration and evaluation assets subject to amortization to determine whether any write-down is necessary. Following this analysis, no write-down was deemed necessary at March 31, 2016.

Outstanding Share Data

The Company can issue an unlimited number of common shares, without par value. As at July 28, 2016, a total of 180,317,936 common shares are issued and outstanding and 1,912,500 stock options are outstanding with exercise prices ranging between \$0.13 and \$1.28 and expiring between August 2016 and September 2018.

FINANCIAL RISK FACTORS

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. There were no changes to the Company's financial objectives, policies and processes during the year ended March 31, 2016.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for its continued operations as the Company generates cash flow from its financing activities. The following table summarizes the contractual maturities of the Company's financial liabilities at March 31, 2016:

	Carrying amount	Settlement amount	Within 1 year	2-3 years	Over 3 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,423,602	1,423,602	1,423,602	-	-
Loans from related parties	1,619,969	1,619,969	1,619,969	-	-
Rental fees payable	236,051	296,104	-	296,104	-
	3,279,622	3,339,675	3,043,571	296,104	-

Interest rate risk

The Company's interest rate risk relates to cash. Based on cash on hand at March 31, 2016, sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately \$1,000 (approximately \$1,000 at March 31, 2015). The Convertible Notes issued to related parties bear interest at a fixed rate of 1% per month and Loans 2 from related parties are non-interest bearing since June 30, 2015. Interest rate movements may affect the fair value of Loans 1 from related parties.

Currency risk

In the normal course of operations, the Company is exposed to currency risk due to business transactions conducted in a currency other than the respective functional currencies of each of the entities within the consolidated group. The Company has not entered into any derivative contracts to manage this risk. Transactions related to the Company's activities in Guyana are mainly denominated in Guyanese dollars and United States dollars. The consolidated entity seeks to minimise its exposure to currency risk by monitoring exchange rates and entering into foreign currency transactions that maximize the consolidated entity's position. The board considers this policy appropriate, taking into account the consolidated entity's size, current stage of operations, financial position and the board's approach to risk management.

At March 31, 2016, assets and liabilities denominated in a foreign currency consisted of cash of \$57,014 (\$850 at March 31, 2015), other receivables of \$282,776 (nil at March 31, 2015), accounts payable and

accrued liabilities of \$548,056 (\$445,781 at March 31, 2015), loans from related parties (Loans 2) of \$325,973 (\$310,317 at March 31, 2015) and rental fees payable of \$296,104 (nil at March 31, 2015). The impact on comprehensive income and equity of a 10% increase or decrease in foreign currencies to the Canadian dollar exchange rate on the Company's financial instruments balances at March 31, 2016 would be approximately \$83,000 (\$76,000 at March 31, 2015).

Credit risk

At March 31, 2016, the Company's financial assets exposed to credit risk are primarily composed of cash, other receivables, and performance bond. To mitigate exposure to credit risk, the Company has established a policy to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company's management considers that all financial assets held are of good credit quality. The Company's cash is held with large Canadian-based financial institutions.

OTHER RISKS AND UNCERTAINTIES

The operations of the Company are highly speculative due to the high-risk nature and current stage of its business, which is the exploration and development of mineral properties. The risks and uncertainties described below are not necessarily the only ones that the Company could be facing. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified, actually occur, the Company's business, financial condition, results of operations and cash flows could be materially and adversely affected.

Dependence on one mineral project

The Company's only mineral project is the Matthews Ridge manganese project which consists of four prospecting licences expiring in April 2018. The non renewal of the PLs would have a material adverse effect on the Company's share price, financial position, and future prospects.

Financial risk and requirement for additional financing

The Company has no history of earnings and has limited financial resources. At March 31, 2016, the Company had a negative working capital and there is a risk that the Company will not be able to meet its financial obligations as they fall due. The Company does not expect to receive revenues from its core business in the foreseeable future, if at all.

Historically, the Company has been dependent on the equity markets as its source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets, and its ability to compete for investor support. The further development of the Company's project depends upon the Company's ability to obtain financing through equity financing, debt financing, strategic partnership or other means. The junior exploration market is volatile and is sensitive to economic and political events as well as underlying commodity prices. Given the recent decline in the price of manganese and the state of capital market for speculative investment opportunities such as mineral projects, there is no assurance that the Company will be able to obtain additional financing in the appropriate amount, and, if obtained, on terms favorable to the Company, to continue the development and exploration of its project.

Manganese and other metal price volatility

Metal prices fluctuate widely and are affected by numerous factors beyond the Company's control such as worldwide economic and political events and global and regional supply and demand. The development of the Matthews Ridge Project and future financial results of the Company is dependent to a large extent on the market price of manganese.

The price of manganese has declined significantly in recent years and may continue to decline. This could result in a reduction in the Company's ore reserves and resources and a re-evaluation of the economics of the Matthews Ridge Project and could result in further delay or deferral of the development of the Matthews Ridge Project. It could also result in difficulty in the Company raising new funding, the possible impairment to the carrying value of the exploration and evaluation assets and a decrease in the Company's share price.

Mineral reserve and resource estimates

The Company's reserves and resources reported by the Company are estimates only and no assurance can be given that any particular level of recovery of manganese will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be economically exploited. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Any material change in the quantity of mineralization, grade, mineral prices, metal recoveries, costs or other assumptions used to calculate mineral reserves and resources may affect the economic viability of the Matthews Ridge Project.

Exploration and mining risks

The Company's Matthews Ridge project is in the exploration and development stages. Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to increase the mineral resources and mineral reserves, to develop metallurgical processes to extract the metal from mineral resources, and to develop the mining and processing facilities and infrastructure at any site chosen for mining.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; the proximity and capacity of milling facilities; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot accurately be predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Regulatory Requirements

Exploration, development and mining operations are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of the Company and could adversely affect its operations, business and results of operations. Failure to comply with the conditions set out in any permit or failure to comply with the applicable statutes and regulations may result in orders to cease or curtail operations or to install additional equipment.

Environmental risk

The Company may be subject to potential risks and liabilities associated with various environmental incidents including pollution of the environment and the disposal of waste products that could occur as a result of its mineral exploration, development and production. In addition, environmental hazards may exist at Matthews Ridge which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property. To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company.

Foreign Operations and Political Risk

The Company's mineral assets and operations are currently conducted in Guyana and, as such, are exposed to various levels of political, economic, and other risks and uncertainties. These risks and uncertainties may include, but are not limited to: extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; corruption; unstable legal system; changes in taxation policies; restrictions on foreign exchange and repatriation; difficulty to find qualified personnel and social unrest. Changes, if any, in mining or investment policies or shifts in political attitude in Guyana may adversely affect the operations or future profitability of the Company.

Dilution

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or securities convertible into common shares and this would result in dilution, possibly substantial, to present and prospective shareholders of the Company.

Competition

The Company's business is intensely competitive and the Company will compete with other mining companies, many of which have greater resources and experience. Competition in the mining industry is primarily for mineral rich properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Conflicts of Interest

A majority of the Company's directors and officers serve as directors or officers of other natural resource companies. Situations may arise where the directors and/or officers of the Company may be in competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program or transaction and the interest therein to

be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A may contain “forward-looking information”, within the meaning of Canadian securities laws. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by the forward-looking information.

Specifically, this MD&A includes, but is not limited to, forward-looking information regarding: the Company's plans to complete a financing or other arrangement to fund the Company; plans to evaluate and find the best option to develop Matthews Ridge; the Matthews Ridge resource and reserves estimates and result of the pre-feasibility study based on assumptions that may no longer be current; statements relating to the financial prospects of the Company; and plan and timing of future exploration and development.

There can be no assurance that such forward looking information will prove to be accurate and actual results could differ materially from those suggested by these forward-looking information for various reasons. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law.

Additional Information and Continuous Disclosure

This MD&A has been prepared as at July 28, 2016. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's website (www.reuniongold.com).