

**RAINY MOUNTAIN ROYALTY CORP.**  
**(An Exploration Stage Company)**

**Financial Statements**

**For the years ended April 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

**Contact Information:**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Rainy Mountain Royalty Corp.

### *Opinion*

We have audited the accompanying financial statements of Rainy Mountain Royalty Corp. (the "Company"), which comprise the statements of financial position as at April 30, 2022 and 2021, and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of \$233,287 during the year ended April 30, 2022 and, as of that date, the Company has a working capital deficit of \$349,856 and an accumulated deficit of \$25,365,646. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

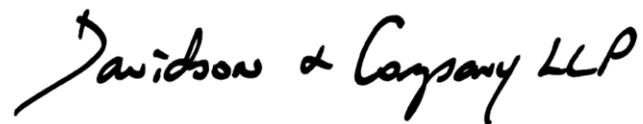
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

August 29, 2022

**RAINY MOUNTAIN ROYALTY CORP.****Statements of Financial Position**

As at April 30, 2022 and 2021

(Expressed in Canadian dollars)

	April 30, 2022	April 30, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 362,153	\$ 42,237
Receivables	4,817	5,559
Prepaid expenses	3,694	8,157
	<u>370,664</u>	<u>55,953</u>
<b>Equipment</b> (Note 4)	319	455
<b>Exploration and evaluation assets</b> (Note 5)	<u>2,188,785</u>	<u>2,187,752</u>
	<u>\$ 2,559,768</u>	<u>\$ 2,244,160</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 307,502	\$ 236,762
Loans payable (Note 6)	413,018	103,679
	<u>720,520</u>	<u>340,441</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	24,008,035	24,008,035
Share-based payment reserve (Note 9)	3,196,859	3,028,043
Deficit	<u>(25,365,646)</u>	<u>(25,132,359)</u>
	<u>1,839,248</u>	<u>1,903,719</u>
	<u>\$ 2,559,768</u>	<u>\$ 2,244,160</u>

Nature of operations and going concern (Note 1)

On behalf of the Board:

“Sean Charland”

Director

“Shawn Smith”

Director

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

**RAINY MOUNTAIN ROYALTY CORP.**  
**Statements of Loss and Comprehensive Loss**  
For the years ended April 30, 2022 and 2021  
(Expressed in Canadian dollars)

	<b>2022</b>	<b>2021</b>
<b>EXPENSES</b>		
Consulting and director fees (Note 7)	\$ 83,500	108,000
Depreciation	136	195
Exploration expenses (net of recoveries)	7,714	1,479
Interest and financing fees (Note 6)	78,155	60,559
Investor relations	1,117	-
Office and miscellaneous	9,653	8,424
Professional fees	31,659	39,739
Transfer agent and regulatory fees	21,353	13,843
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (233,287)</b>	<b>\$ (232,239)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>12,000,178</b>	<b>8,258,760</b>

*The accompanying notes are an integral part of these financial statements*

**RAINY MOUNTAIN ROYALTY CORP.****Statements of Cash Flows**

For the years ended April 30, 2022 and 2021

(Expressed in Canadian dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (233,287)	\$ (232,239)
Items not affecting cash		
Depreciation	136	195
Interest accretion	56,272	29,630
Accrued interest	21,883	-
Change in non-cash working capital items		
Receivables	742	644
Prepaid expenses	4,463	(499)
Accounts payable and accrued liabilities	70,740	51,352
Net cash used in operating activities	(79,051)	(150,917)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in exploration and evaluation assets	(1,033)	(13,810)
Net cash used in investing activities	(1,033)	(13,810)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	-	434,000
Loan repayments	-	(425,726)
Loan proceeds	400,000	198,019
Net cash provided by financing activities	400,000	206,293
<b>Change in cash and cash equivalents during the year</b>	<b>319,916</b>	<b>41,566</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>42,237</b>	<b>671</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 362,153</b>	<b>\$ 42,237</b>

Supplemental disclosure with respect to cash flows (Note 10)

*The accompanying notes are an integral part of these financial statements*

**RAINY MOUNTAIN ROYALTY CORP.**  
**Statements of Changes in Shareholders' Equity**

For the years ended April 30, 2022 and 2021

(Expressed in Canadian dollars, except number of common shares)

	Number of common shares	Capital stock	Share-based payment reserve	Deficit	Total
<b>Balance as at April 30, 2020</b>	<b>5,800,178</b>	<b>\$ 23,574,035</b>	<b>\$ 3,028,043</b>	<b>\$ (24,900,120)</b>	<b>\$ 1,701,958</b>
Shares issued for cash	6,200,000	434,000	-	-	434,000
Net loss for the year	-	-	-	(232,239)	(232,239)
<b>Balance as at April 30, 2021</b>	<b>12,000,178</b>	<b>24,008,035</b>	<b>3,028,043</b>	<b>(25,132,359)</b>	<b>1,903,719</b>
Bonus warrants issued	-	-	168,816	-	168,816
Net loss for the year	-	-	-	(233,287)	(233,287)
<b>Balance as at April 30, 2022</b>	<b>12,000,178</b>	<b>\$ 24,008,035</b>	<b>\$ 3,196,859</b>	<b>\$ (25,365,646)</b>	<b>\$ 1,839,248</b>

*The accompanying notes are an integral part of these financial statements*

# **RAINY MOUNTAIN ROYALTY CORP.**

## **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

#### **Nature of operations**

Rainy Mountain Royalty Corp. (the “Company”) was incorporated under the laws of British Columbia and was continued under the laws of Ontario on December 11, 2005. On February 5, 2010, the Company continued into British Columbia from Ontario and concurrently changed its name from “East West Resource Corporation” to “Rainy Mountain Royalty Corp.”. The Company is engaged in the acquisition and exploration of mineral resource properties.

#### **Going concern**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management will attempt to secure additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months although there can be no assurance that it will be successful. There are several material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern. The Company has incurred significant operating losses over the past several fiscal years and for the year ended April 30, 2022, the Company has a net loss of \$233,287 (2021 - \$232,239), has a working capital deficit of \$349,856 and an accumulated deficit of \$25,365,646. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for exploration and evaluation assets is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production or proceeds from disposition of exploration and evaluation assets.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

#### **Covid-19**

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these financial statements are based on IFRS issued and effective as of April 30, 2021. The Board of Directors approved the financial statements for issue on August 29, 2022.

### **Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value or amortized cost, as explained in the accounting policies set out in Note 3.

### **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information is expressed in Canadian dollars unless otherwise stated.

### **Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these judgments and estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those judgments and estimates.

The most significant accounts that require judgments and estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, determination of site reclamation obligations, the assumptions used in share-based payments, and recognition of deferred income tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation costs  
Management has determined that exploration, evaluation and related costs incurred, which were capitalized, have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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#### **2. BASIS OF PREPARATION (Continued)**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

##### Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

##### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

##### Site restoration obligations

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Restoration liabilities include an estimate of the future cost associated with the reclamation of property and equipment, discounted to its present value, and capitalized as part of the cost of that asset. The estimated costs are based on the present value of the expenditure expected to be incurred. Changes in the discount rate, estimated timing of reclamation costs, or cost estimates are dealt with prospectively by recording a change in estimate, and a corresponding adjustment to equipment. The accretion on the reclamation provision is included in the statement of loss and comprehensive loss. Actual expenditures incurred are charged against the reclamation liability.

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

The following is a list of significant accounting policies used by the Company.

##### **(a) Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the years presented, the Company only held cash.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(b) Financial instruments**

The following is the Company's accounting policy for financial instruments under IFRS 9:

##### ***Classification***

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

##### ***Measurement***

##### ***Financial assets and liabilities at amortized cost***

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### ***Financial assets and liabilities at FVTPL***

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

##### ***Impairment of financial assets at amortized cost***

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### ***Derecognition***

##### ***Financial assets***

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(b) Financial instruments (Continued)**

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### **(c) Equipment**

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated at the following annual rates using the declining balance method: Vehicles  
30%

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statements of loss and comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

#### **(d) Exploration and evaluation assets**

##### *Exploration and evaluation*

Once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all proceeds received, during the exploration and evaluation stage, against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling.

The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of an impairment. All capitalized exploration and evaluation expenditures are reviewed annually for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, it is charged to profit or loss. An impairment charge relating to exploration and evaluation assets is subsequently reversed when new exploration results or actual or potential proceeds on sales or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Exploration and evaluation assets (Continued)**

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, capitalized costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

#### **(e) Impairment of non-current assets**

At each financial position reporting date, the Company's non-current assets are reviewed to determine whether there is any indication that the carrying value of those assets are impaired and may not be recoverable. If any such indication exists, the recoverable amount of the asset is evaluated at the level of a cash-generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(f) Capital stock**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

#### Equity units

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants where the fair value of the common shares is based on the market value on the date of issue, of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against common share component.

#### Flow-through units

The Company will from time to time issue flow-through shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share into i) capital stock, and ii) a flow-through share premium, equal to the estimated premium if any, which is recognized as a liability. Upon exploration expenditures being incurred, the Company derecognizes the liability and recognizes the flow-through premium in income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

#### **(g) Share-based payment transactions**

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the year during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account 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 share options that are expected to vest. The fair value of the options is accrued and charged either to operations or exploration and evaluation assets, with the offset credit to share-based payment reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payment reserve are transferred to capital stock.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(h) Loss per share**

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company calculates diluted earnings per share, whereby the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

##### **(i) Income taxes**

Income tax on the profit or loss for the year presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the deferred tax asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### **(j) Provision for site reclamation**

An obligation to incur restoration, rehabilitation and environmental costs arises 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 asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profits as extraction progresses. As at April 30, 2022 and April 30, 2021, the Company has no provisions for site reclamation.

**RAINY MOUNTAIN ROYALTY CORP.****Notes to the Financial Statements**

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(In Canadian dollars, except where noted)

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(k) Provisions**

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

**(l) New accounting standards**

There were no new accounting standards or amendments to standards that were applicable to the Company for the year ended April 30, 2022 nor does the Company expect any that have not yet become effective to have a significant impact on its financial statements.

**4. EQUIPMENT**

	Vehicles	Total
<b>Cost</b>		
Balance, April 30, 2020, 2021 and 2022	\$ 9,074	\$ 9,074
<b>Accumulated depreciation</b>		
Balance, April 30, 2020	\$ 8,424	\$ 8,424
Depreciation for the year	195	195
Balance, April 30, 2021	8,619	8,619
Depreciation for the year	136	136
Balance, April 30, 2022	\$ 8,755	\$ 8,755
<b>Carrying amounts</b>		
As at April 30, 2021	\$ 455	\$ 455
As at April 30, 2022	\$ 319	\$ 319

**5. EXPLORATION AND EVALUATION ASSETS**

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

**RAINY MOUNTAIN ROYALTY CORP.****Notes to the Financial Statements**

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**5. EXPLORATION AND EVALUATION ASSETS (Continued)**

The Company's expenditures on exploration and evaluation assets are as follows:

	Marshall Lake	Brunswick	Other Properties *	Total
<b>Balance, April 30, 2021</b>	\$ 2,187,747	\$ 1	\$ 4	\$ 2,187,752
Deferred costs:				
Additions during the year:				
Reporting	1,033	-	-	1,033
Net change for the year	1,033	-	-	1,033
<b>Balance, April 30, 2022</b>	<b>\$ 2,188,780</b>	<b>\$ 1</b>	<b>\$ 4</b>	<b>\$ 2,188,785</b>

\* Other Properties currently consist of the Clay/Powell and Norton Lake Properties.

	Marshall Lake	Brunswick	Other Properties *	Total
<b>Balance, April 30, 2020</b>	\$ 2,173,937	\$ 1	\$ 4	\$ 2,173,942
Deferred costs:				
Additions during the year:				
Acquisitions and staking	12,500	-	-	12,500
Storage	1,310	-	-	1,310
Net change for the year	13,810	1	4	13,810
<b>Balance, April 30, 2021</b>	<b>\$ 2,187,747</b>	<b>\$ 1</b>	<b>\$ 4</b>	<b>\$ 2,187,752</b>

\* Other Properties currently consist of the Clay/Powell and Norton Lake Properties.

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Financial Statements

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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#### 5. EXPLORATION AND EVALUATION ASSETS (Continued)

##### *Marshall Lake Property*

The Marshall Lake property is located in the Thunder Bay Mining Division, Ontario, and the Company has a joint venture interest in certain claim units as follows:

- (i) The Company acquired a 100% interest in certain mineral leases from Teck Cominco Ltd. ("Teck") and the underlying titleholder. Teck retains a 2% net smelter return royalty ("NSR").
- (ii) The Company acquired from Carey Lance (the "Vendor") of Ontario 100% interest in certain surface and mineral rights. The Vendor retains a 2% NSR of which the Company can purchase one-half thereof (1% NSR) at any time for \$1,000,000 and the Company has a right of first refusal on the remaining 1% NSR.
- (iii) The Company acquired a 100% interest in certain leases and claim units from NWT Copper Mines ("NWT"). NWT retains a 3% NSR on precious metals and a 2% NSR on base metals, with 1% of either royalty purchasable by the Company for \$2 million and the Company having a right of first refusal on the remaining portions of these royalties. In connection with the NSRs, the Company is required to pay an annual advance royalty of \$25,000, which payments are credited against royalties otherwise payable to NWT. All annual advance royalty payments have been paid to date and such payments are shared on a 50/50 basis with Copper Lake Resources Ltd. ("Copper Lake") pursuant to an option agreement dated July 6, 2010, as amended, as referred to herein.

By agreement dated July 6, 2010, and as amended, the Company and Marshall Lake Mining Limited ("MLMP"), a privately held company based in the United Kingdom (each holding a 50% interest in the Marshall Lake property), granted an option to Copper Lake, whereby Copper Lake has the right to acquire up to a 50% joint venture interest in the Marshall Lake property and project. Additionally, once Copper Lake had completed its share issuance and spending requirements, it has the additional option to increase its joint venture interest to 75% by incurring such additional property expenditures as are necessary to take the Marshall Lake project to bankable feasibility stage.

On September 29, 2016, Copper Lake announced that it received shareholder and TSX-V approvals, to an agreement with MLMP to acquire its 31.25% interest in the Marshall Lake property. The acquisition gave Copper Lake a 68.75% interest in the Marshall Lake property with the remaining 31.25% held by the Company.

On June 14, 2018, the Company approved the expenditures and the earn in of Copper Lake's 75% interest. Copper Lake had earned its 75% interest and had the option to increase its joint venture interest to 87.5%.

In January 2020, the Company amended the underlying joint venture with Copper Lake to remove Copper Lake's right to participate in future mineral properties acquired by the Company. The Company paid Copper Lake \$25,000 as compensation for the amendment.

On June 6, 2021, Copper Lake exercised its option to acquire a 75% in the joint venture. The Company retains the remaining 25% interest and each party is responsible for funding its proportionate share of expenditures. Should the Company choose not to contribute its pro rata share will be diluted. Once the Company's interest is reduced to 10%, it is automatically converted into a 1% NSR. Copper Lake will have the right to acquire the NSR at any time for \$1 million.

Subsequent to April 30, 2022, the Company's interest was diluted to 20.45%.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

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#### **5. EXPLORATION AND EVALUATION ASSETS (Continued)**

##### ***Brunswick Property***

On September 1, 2016, the Company entered into an option agreement to acquire an undivided 100% interest in a 13-claim unit property located in Brunswick Twp., Ontario (the “Brunswick Property”). The Brunswick Property is currently owned by Michael Tremblay of Wawa, Ontario (as to 50% interest) and Fiorella Santamaria of Sault St. Marie, Ontario (as to 50% interest) (the “Optionors”). Under the option agreement (as Amended on September 20, 2019), the Company can earn a 100% interest in the Brunswick Property by making a series of cash payments and share payments as follows:

##### Cash Payments:

- (i) \$10,000 within 10 days following approval of the option agreement by the TSX Venture Exchange (the “Effective Date”) (paid);
- (ii) \$20,000 on or before March 31, 2017 (paid);
- (iii) \$20,000 on or before September 30, 2017 (paid in shares);
- (iv) \$25,000 on or before September 30, 2018 (paid in shares);
- (v) \$10,000 on or before September 30, 2019 (paid);
- (vi) \$25,000 on or before September 30, 2020 (paid);
- (vii) \$25,000 on or before September 30, 2021 (paid);
- (viii) \$25,000 on or before September 30, 2022

##### Share Payments:

- (i) 100,000 shares on the Effective Date (issued);
- (ii) 100,000 12 months following the Effective Date (issued);
- (iii) 100,000 shares 24 months following the Effective Date (issued);

A 2% NSR has been retained by the Optionors and the Company has the right to purchase one half thereof (1% NSR) at any time for \$1.0 million, and as well, the Company has a right of first refusal to purchase the remaining 1% NSR.

On May 8, 2017, the Company concluded a Memorandum of Understanding with the Mattagami First Nation (“Mattagami”) in connection with the Company's optioned gold exploration property project (the “Brunswick Property”) located in the Timmins area of Ontario. The agreement calls for the Company to (i) issue 50,000 common shares (issued); (ii) issue 50,000 stock options (issued); and (iii) pay an amount equal to 2% of the first \$5,000,000 of aggregate exploration expenditures and 1% thereafter to Mattagami.

During the year ended April 30, 2019, the Company wrote down the Brunswick property to \$1 due to inactivity, any subsequent expenditures are expensed as incurred.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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#### **5. EXPLORATION AND EVALUATION ASSETS (Continued)**

In January 2021 and subsequently amended in October 2021, the Company entered into an Option agreement with Pursuit Gold Corp. (“Pursuit”), whereby Pursuit has the right to earn up to a 90% interest in the Brunswick property by completing the following steps and obligations. As per above, the property is subject to a 2% NSR held by the underlying Optionors and the following terms:

- 1) Payment to the Company of \$30,000, (completed).
- 2) Payment to the Company of \$25,000 by September 15, 2021 (completed).
- 3) Payment to the Company of \$25,000 by September 15, 2022.
- 4) A firm expenditure commitment of \$100,000, as part of completing expenditures of \$200,000 by September 30, 2022.
- 5) An expenditure commitment of \$350,000 for a cumulative total of \$550,000 by September 30, 2023, which will earn Pursuit a 51% interest in the Property.
- 6) In order to earn an additional 29%, for a total of 80% interest in the Property, Pursuit must pay \$50,000 by September 30, 2023 and a further \$50,000 by September 30, 2024 and make exploration expenditures of \$400,000 by September 30, 2023 and a further \$500,000 by September 30, 2024 for a cumulative total of \$1,450,000. Upon Pursuit earning an 80% interest in the property, the Company will be granted a 1.5% NSR which shall be under the same terms as the NSR to the Optionors, and Pursuit shall have the right to reduce said NSR to 0.5% by the payment of \$1,000,000.
- 7) An additional 10%, for a total of 90% interest in the property, may be earned by Pursuit by completing a bankable feasibility study.

#### ***Clay and Powell Properties***

During 2003, the Company and Mega Uranium Ltd. (“Mega”) acquired a 100% interest (50% each) in claims located in the Thunder Bay Mining Division, Ontario. In August 2016, the Company entered into an agreement with Mega to acquire its 50% interest in the Powell Property and as a result, the Company now owns 100% of the Powell Property.

During the year ended April 30, 2017, the Company recorded an impairment charge of \$34,508 related to the Clay and Powell properties since the Company has no currently planned exploration activities for the properties.

#### ***Norton Lake Property***

The Company continues to hold a 30.21% interest and Copper Lake holds a 69.79% interest in certain claim units in the Norton Lake area. Some of the claim units are subject to a 2% NSR (the Company may purchase 1% of the NSR for \$1,000,000 and has a right of first refusal on the remaining 1% NSR).

During the year ended April 30, 2016, the Company recorded an impairment charge of \$730,161 related to the Norton Lake Property due to inactivity.

#### **6. LOANS PAYABLE**

In August 2019, the Company entered into certain loan agreements. The loans were provided by certain shareholders of the Company and each loan advance was for a term of one year from the date of the last advance with interest at a rate of 1% per month (12% per annum). As consideration for providing the loans, the Company issued 355,556 bonus shares with a fair value of \$71,111 which was applied against the loans and accreted using the effective interest method.

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Financial Statements

April 30, 2022 and 2021

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#### 6. LOANS PAYABLE (Continued)

On January 6, 2022, the Company entered into an arms-length loan agreement for an aggregate unsecured loan of \$500,000, of which \$100,000 was outstanding as at April 30, 2021. The loan is for a term of one year with interest at a rate of 10% per annum. As consideration for providing the loan the lender received an aggregate of 2,272,727 common share purchase warrants with an exercise price of \$0.22 and a one-year term.

The fair value of the warrants on the date of grant was \$168,816 and was measured using the Black-Scholes option pricing model using the following puts: expected term 1 year; risk-free interest rate 1.01%; expected volatility 123.67% and expected dividend yield 0.0%. The value of the warrants will be accreted over the term of the loan.

The initial advances, subsequent advances, capitalized interest and balances are noted as follows:

	2022	2021
Loan balance:		
Balance at beginning of year	\$ 103,679	\$ 283,727
Additional advances	400,000	198,019
Interest	21,883	27,836
Repayments <sup>(1)</sup>	-	(405,903)
	\$ 525,562	\$ 103,679
Interest accretion:		
Balance at beginning of year	\$ -	\$ (26,629)
Fair value of bonus warrants issued	(168,816)	-
Interest accretion on loan	52,212	26,629
	\$ (112,544)	\$ -
<b>Carrying value</b>	<b>\$ 413,018</b>	<b>\$ 103,679</b>

(1) A total of \$425,726 was repaid during the year ended April 30, 2021, which included accrued interest \$19,823.

#### 7. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing, and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers its directors, Chief Executive Officer and Chief Financial Officer of the Company to be key management personnel.

The following is a list of related party transactions, which have not yet been otherwise disclosed:

- (a) As at April 30, 2022, accounts payable and accrued liabilities include \$16,246 (2021 - \$16,830) owing to companies with certain directors and former directors in common.

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Financial Statements

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

#### 7. RELATED PARTY TRANSACTIONS (Continued)

- (b) The Company paid or accrued the following amounts to companies controlled by directors and former directors or companies having certain directors and former directors in common during the years ended April 30, 2022 and 2021:

Key management compensation to the CEO, CFO and Directors includes the following:

	2022	2021
Consulting and director fees	\$ 23,500	\$ 48,000
Geological and consulting	-	1,760

#### 8. CAPITAL STOCK

Authorized share capital:

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

During the year ended April 30, 2022, there were no share transactions completed by the Company.

During the year ended April 30, 2021, the following share transactions were completed by the Company.

- On January 7, 2021, the Company closed its non-brokered private placement (the "Private Placement") and raised \$434,000 by the issuance of 6,200,000 units (the "Units") at a price of \$0.07 per Unit. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of five years at an exercise price of \$0.09 per share. No finder's fees were paid in connection to the closing of the private placement.

#### 9. STOCK OPTIONS AND WARRANTS

##### Stock options

The Company has a rolling stock option plan, whereby it is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of five years and vesting of stock options is at the discretion of the Board of Directors at the time options are

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding and exercisable at April 30, 2020 and 2021</b>	<b>131,600</b>	<b>\$ 0.95</b>
Expired	(108,200)	0.93
<b>Outstanding and exercisable at April 30, 2022</b>	<b>23,400</b>	<b>\$ 1.02</b>

**RAINY MOUNTAIN ROYALTY CORP.****Notes to the Financial Statements**

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**9. STOCK OPTIONS AND WARRANTS (Continued)**

Outstanding stock options:

Expiry Date	Exercise Price	Number of Options	
		April 30, 2022	April 30, 2021
September 20, 2021	\$ 0.60		28,200
March 17, 2022	\$ 1.05		80,000
June 14, 2022 <sup>(1)</sup>	\$ 1.10	5,000	5,000
August 9, 2022 <sup>(1)</sup>	\$ 1.00	18,400	18,400
<b>Outstanding and exercisable</b>		<b>23,400</b>	<b>131,600</b>

<sup>(1)</sup> Expired subsequent to year end.**Warrants**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Outstanding at April 30, 2020</b>	<b>865,192</b>	<b>\$ 0.97</b>
Issued	6,200,000	0.09
Expired	(765,192)	1.00
<b>Outstanding at April 30, 2021</b>	<b>6,300,000</b>	<b>0.09</b>
Issued	2,272,727	0.22
<b>Outstanding at April 30, 2022</b>	<b>8,572,727</b>	<b>\$ 0.13</b>

Outstanding share purchase warrants:

Expiry Date	Exercise Price	Number of Warrants	
		April 30, 2022	April 30, 2021
January 17, 2023	\$ 0.70	100,000	100,000
January 6, 2026	\$ 0.09	6,200,000	6,200,000
March 24, 2023	\$ 0.22	2,272,727	
<b>Outstanding</b>		<b>8,572,727</b>	<b>6,300,000</b>

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	April 30, 2022	April 30, 2021
Cash paid for interest	\$ -	\$ 47,659
Cash paid for income tax	\$ -	\$ -

Significant non-cash financing or investing transactions during the year ended April 30, 2022:

- Fair value of bonus warrants of \$168,816 issued in connection with the loan payable (Note 6).

There were no significant non-cash financing or investing transactions during the year ended April 30, 2021.

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Financial Statements

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#### 11. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes as at April 30, 2022 is as follows:

	2022	2021
Net loss for the year	\$ (233,287)	\$ (232,239)
Expected income tax (recovery)	(63,000)	(63,000)
Change in statutory, foreign tax, foreign exchange rates and other	2,000	1,000
Adjustment to prior years provision versus statutory tax returns	1,000	(1,000)
Change in unrecognized deductible temporary differences	60,000	63,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position at April 30, 2021 are as follows:

	2022	Expiry	2021	Expiry
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 4,649,000	No expiry date	\$ 4,644,000	No expiry date
Investment tax credit	23,000	2032	25,000	2032
Property and equipment	161,000	No expiry date	161,000	No expiry date
Share issue costs	-	2042 to 2045	3,000	2042 to 2045
Marketable securities	-	No expiry date	3,000	No expiry date
Allowable capital losses	134,000	No expiry date	134,000	No expiry date
Non-capital losses available for future periods	6,983,000	2026 to 2042	6,755,000	2026 to 2041
Canada	6,983,000	2026 to 2042	6,755,000	2026 to 2041

Tax attributes are subject to review, and potential adjustment, by tax authorities.

#### 12. CAPITAL MANAGEMENT

The Company's capital comprises its shareholders' equity under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Financial Statements

April 30, 2022 and 2021

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#### 12. CAPITAL MANAGEMENT (Continued)

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

To fund future operations and exploration activities, the Company may need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the year ended April 30, 2022. The Company is not subject to externally imposed capital requirements.

#### 13. FINANCIAL INSTRUMENTS

##### Fair value

The Company classified its cash at fair value through profit and loss; receivables at amortized cost; and accounts payable and accrued liabilities and loans payable at amortized cost.

The carrying values of receivables, accounts payable and accrued liabilities and loans payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company's measurement of fair value of financial instruments in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
<b>April 30, 2022</b>				
Cash	\$ 362,153	\$362,153	\$ -	\$ -
<b>April 30, 2021</b>				
Cash	\$ 42,237	\$ 42,237	\$ -	\$ -

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

##### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and receivables.

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote, as it maintains accounts with highly-rated financial institutions. Receivables are due primarily from GST input tax credits.

##### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At April 30, 2022, the Company had accounts payable and accrued liabilities and loans payable of \$720,520 (2021 - \$340,441).

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Financial Statements**

April 30, 2022 and 2021

(In Canadian dollars, except where noted)

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#### **13. FINANCIAL INSTRUMENTS (Continued)**

Based on the current funds held, the Company will may need to rely upon financing from shareholders and/or debt holders to obtain sufficient long term working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

##### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is not exposed to other price risk.

#### **14. SEGMENTED INFORMATION**

The Company currently operates in one business segment, being the acquisition and exploration of mineral properties with all its assets located in Canada.