



## **RAINY MOUNTAIN ROYALTY CORP.**

### **Condensed interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

#### **Contact Information:**

**Rainy Mountain Royalty Corp.  
2489 Bellevue Avenue  
West Vancouver, BC  
V7V 1E1**

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**Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three and six months ended October 31, 2022.**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Rainy Mountain Royalty Corp. ("the Company") for the interim period ended October 31, 2022 and 2021, have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, Davidson & Company LLP, have not performed a review of these interim financial statements.

December 19, 2022

**RAINY MOUNTAIN ROYALTY CORP.**

Condensed Interim Statements of Financial Position  
As at October 31, 2022 and April 30, 2022  
(Unaudited - Expressed in Canadian dollars)

	Note	October 31, 2022	April 30, 2022
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		312,609	362,153
Receivables		8,597	4,817
Prepaid expenses		11,622	3,694
		<b>322,828</b>	370,664
Equipment	5	271	319
Exploration and evaluation assets	6	2,188,785	2,188,785
<b>Total assets</b>		<b>2,521,884</b>	2,559,768
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	8	332,856	307,502
Loans payable	7	522,816	413,018
<b>Total liabilities</b>		<b>855,672</b>	720,520
<b>Shareholders' equity</b>			
Capital stock	9	24,008,035	24,008,035
Share-based payment reserve	10	3,196,859	3,196,859
Deficit		(25,538,682)	(25,365,646)
<b>Total Shareholder's equity</b>		<b>1,666,212</b>	1,839,248
<b>Total liabilities and shareholder's equity</b>		<b>2,521,884</b>	2,559,768

Nature of operations and going concern (Note 1)  
Subsequent events (Note 13)

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on December 19, 2022. They are signed on the Company's behalf by:

"Sean Charland"

Director

"Shawn Smith"

Director

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

**RAINY MOUNTAIN ROYALTY CORP.****Condensed Interim Statements of Loss and Comprehensive Loss**

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars, except number of shares outstanding)

		Three months ended		Six months ended	
	Note	October 31,		October 31,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Operating expenses</b>					
Consulting and director fees	8	16,500	23,500	33,000	50,500
Depreciation		24	(46)	48	68
Exploration expenses (net of recoveries)		-	-	-	-
Interest and financing fees	7	97,103	2,681	109,798	5,468
IR and marketing		2,448	1,161	2,448	1,161
Office and miscellaneous	8	2,840	1,930	5,568	3,860
Professional fees	8	8,067	5,152	8,067	9,264
Transfer agent and regulatory fees		11,454	11,991	14,107	14,168
<b>Net loss from operations</b>		<b>138,436</b>	<b>46,369</b>	<b>173,036</b>	<b>84,489</b>
<b>Net loss and comprehensive loss for the period</b>		<b>(138,436)</b>	<b>(46,369)</b>	<b>(173,036)</b>	<b>(84,489)</b>
<b>Loss per share</b>					
Basic and diluted		0.01	0.00	(0.01)	(0.01)
<b>Weighted average number of shares outstanding</b>					
Basic and diluted		12,000,178	12,000,178	12,000,178	12,000,178

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

**RAINY MOUNTAIN ROYALTY CORP.**  
**Condensed Interim Statements of Cash Flows**  
For the six months ended October 31, 2022 and 2021  
(Unaudited - Expressed in Canadian dollars)

	<b>Six-months ended October 31, 2022</b>	Six-months ended October 31, 2021
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(173,036)	(84,489)
Items not affecting cash:		
Depreciation	48	68
Interest accretion	-	5,468
Change in non-cash working capital:		
Receivables	(3,780)	(637)
Prepaid expenses	(7,928)	6,424
Accounts payable and accrued liabilities	25,353	31,172
<b>Net cash used in operating activities</b>	<b>(159,342)</b>	<b>(41,994)</b>
<b>INVESTING ACTIVITIES</b>		
Investment in exploration and evaluation assets	-	-
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares		-
Loans payable	109,798	25,000
Loan proceeds	-	-
<b>Net cash provided by financing activities</b>	<b>109,798</b>	<b>25,000</b>
Net change in cash	(49,544)	(16,994)
Cash, beginning of period	362,153	42,237
<b>Cash, end of period</b>	<b>312,609</b>	<b>25,243</b>

During the six months ended October 31, 2022 and 2021, no cash payments were made for income tax or interest.

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

For the six months ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars, except number of shares outstanding)

	Number of common shares	Capital Stock	Share based payment Reserves	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$
<b>Balance, April 30, 2021</b>	12,000,178	24,008,035	3,028,043	(25,132,359)	1,903,719
Net loss and comprehensive loss	-	-	-	(84,489)	(84,489)
<b>Balance, October 31, 2021</b>	12,000,178	24,008,035	3,028,043	(25,216,848)	1,819,230
Bonus warrants issued	-	-	168,816	-	168,816
Net loss and comprehensive loss	-	-	-	(148,798)	(148,798)
<b>Balance, April 30, 2022</b>	12,000,178	24,000,035	3,196,859	(25,365,646)	1,839,248
Net loss and comprehensive loss	-	-	-	(173,036)	(173,036)
<b>Balance, October 31, 2022</b>	<b>12,000,178</b>	<b>24,008,035</b>	<b>3,196,859</b>	<b>(25,538,682)</b>	<b>1,666,212</b>

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

# **RAINY MOUNTAIN ROYALTY CORP.**

## **Notes to the Condensed Interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021  
(Unaudited - Canadian dollars, except where noted)

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

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.

On September 30, 2019, the Company’s common shares were consolidated on a basis of one post-consolidated common shares for every ten pre-consolidated common shares. The number of the shares, options and warrants presented have been adjusted to reflect the impact of these share consolidation.

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 recoverability of exploration and evaluation expenditures 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 mineral properties.

The condensed interim consolidated financial statements for the three and six months ended October 31, 2022 and 2021 (the “financial statements”) have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at October 31, 2022, the Company has not generated any revenues from operations and has an accumulated deficit of \$25,538,682 (April 30, 2022 - \$25,365,646). The Company’s ability to continue as a going concern is dependent on the Company’s ability to obtain additional debt or equity financing to successfully advance the exploration and development of mineral property interests in its exploration portfolio, and to be able to derive material proceeds from the sale or divestiture of those properties and/or other assets. The financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As of the date of these financial statements, COVID-19 has had no impact on the Company’s ability to access and explore its current property but may impact the Company’s ability to raise funding or explore its property should restrictions related to COVID-19 be extended or expanded in scope.

### **2. BASIS OF PRESENTATION**

#### **Statement of compliance**

These interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements including International Accounting Standard 34, Interim Financial Reporting. These interim financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the years ended April 30, 2022 and 2021 (the “annual financial statements”), which include the information necessary or useful to understanding the Company’s business and financial statement presentation.

These interim financial statements were prepared using accounting policies consistent with those in the annual financial statements. For a complete summary of significant accounting policies, please refer to the Company’s annual financial statements.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Condensed Interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Canadian dollars, except where noted)

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#### **Basis of measurement**

These financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### **Functional and presentation currency**

The functional currency is the currency of the primary economic environment in which an entity operates. These financial statements have been prepared in Canadian dollars, which is the Company's and its subsidiaries functional and presentation currency, except as otherwise noted.

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

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in Note 3 to the annual financial statements, except as follows:

#### **Share-based compensation**

The Company grants share-based compensation to directors, officers, employees, and service providers. Each tranche in an award is considered a separate award with its own vesting period. The Company applies the fair value method of accounting for share-based compensation and the fair value is calculated using the Black-Scholes option pricing model.

Share-based compensation for employees and others providing similar services are determined based on the grant date fair value. Share-based compensation for non-employees is determined based on the fair value of the goods and services received or if the fair value of the goods and services received cannot be reliably estimated, the share-based compensation is measured at the date on which the Company obtains such goods and services. Share-based compensation is recognized over each tranche's vesting period in earnings or capitalized as appropriate, based on the number of awards expected to vest.

### **4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making

judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Condensed Interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Canadian dollars, except where noted)

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#### **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

Significant assumptions about the future and other sources of estimation uncertainty that management has made 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, the following:

##### **Fair value of shares issued for mineral property and services**

If shares are issued for proceeds other than cash, the shares are valued at the fair market value of goods/services received. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the share consideration.

##### **Going concern**

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating and mineral property expenditures and meet its liabilities for the ensuing year as they fall due involves judgment based on historical experience and other factors including the expectation of future events that are believed to be reasonable under the circumstances. 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. The Company is aware that material uncertainties related to events or conditions exist that may cast significant doubt upon the Company's ability to continue as a going concern.

##### **Fair value calculation of share-based compensation**

The fair value of share-based compensation in relation to the options granted is calculated using a Black-Scholes option pricing model. There are a number of estimates used in the calculation such as the expected option life, rate of forfeiture of options granted, risk-free interest rate used and the future price volatility of the underlying security, which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry averages and future forecasts.

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Condensed Interim Financial Statements

For the three and six months ended October 31, 2022 and 2021  
(Unaudited - Canadian dollars, except where noted)

#### 5. EQUIPMENT

	Vehicles	Total
<b>Cost</b>		
<b>Balance, October 31, 2022</b>	<b>\$ 9,074</b>	<b>\$ 9,074</b>
<b>Accumulated depreciation</b>		
<b>Balance, April 30, 2021</b>	<b>\$ 8,619</b>	<b>\$ 8,619</b>
Depreciation for the year	136	136
<b>Balance, April 30, 2022</b>	<b>8,755</b>	<b>8,755</b>
Depreciation for the period	48	48
<b>Balance, October 31, 2022</b>	<b>\$ 8,803</b>	<b>\$ 8,803</b>
<b>Carrying amounts</b>		
As at April 30, 2022	\$ 319	\$ 319
As at October 31, 2022	\$ 271	\$ 271

#### 6. 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 or ore.

##### Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming

increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions

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

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Canadian dollars, except where noted)

**6. 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 period:				
Reporting	1,033	-	-	1,033
Net change for the year	1,033	-	-	1,033
<b>Balance, October 31, 2022 and 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 period:				
Acquisitions and staking	12,500	-	-	12,500
Storage	1,310	-	-	1,310
Net change for the year	13,810	-	-	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.

**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 comprising 421 claim units. The Vendor retains a 2% NSR of which the Company can

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Condensed Interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Canadian dollars, except where noted)

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

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 this 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.

On June 25, 2022 the Company decided to dilute the interest to 20.45% by not participating in it's share of expenditures.

#### ***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:

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Condensed Interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021  
(Unaudited - Canadian dollars, except where noted)

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

##### Cash Payments:

- (i) \$10,000 within 10 days following 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 (Paid subsequently)

##### 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.

In January 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. (Did not receive)
- 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.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Condensed Interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Canadian dollars, except where noted)

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

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

During 2003, the Company and Mega Uranium Ltd. ("Mega") acquired a 100% interest (50% each) in 11 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.

#### **7. 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.

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.

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

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Canadian dollars, except where noted)

**7. LOANS PAYABLE (continued)**

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

	<b>October 31, 2022</b>	April 30, 2022
Loan balance:		
Balance at beginning of year	\$ 525,562	\$ 103,679
Additional advances	-	400,000
Interest	25,390	21,883
Repayments	-	-
	<b>\$ 550,952</b>	<b>\$ 525,562</b>
Interest accretion:		
Balance at beginning of year	\$ (112,544)	\$ -
Fair value of bonus warrants issued	-	(168,816)
Interest accretion on loan	84,408	52,212
	<b>\$ (28,136)</b>	<b>\$ (112,544)</b>
<b>Carrying value</b>	<b>\$ 522,816</b>	<b>\$ 413,018</b>

**8. 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 October 31, 2022, accounts payable and accrued liabilities include \$19,000 (April 30, 2022 - \$16,246) owing to companies with certain directors and former directors in common.
- (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 periods three and six months ended October 31, 2022, and 2021:

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

	Three months ended		Six months ended	
	October 31,		October 31,	
	<b>2022</b>	2021	<b>2022</b>	2021
	\$	\$	\$	\$
Management and consulting fees	<b>1,500</b>	8,500	<b>3,000</b>	20,500

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Condensed Interim Financial Statements

For the three and six months ended October 31, 2022 and 2021  
(Unaudited - Canadian dollars, except where noted)

#### 9. CAPITAL STOCK

##### Authorized share capital:

unlimited number of common shares without par value.

##### Issued and outstanding

During the six months ended October 31, 2022, there were no share transactions completed by the Company.

During the year ended April 30, 2022, 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.

##### Escrowed Securities

There are no escrowed securities as of October 31, 2022

#### 10. 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 granted.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding and exercisable at April 30, 2022</b>	<b>23,400</b>	<b>\$ -</b>
Expired	(23,400)	-
<b>Outstanding and exercisable at October 31, 2022</b>	<b>-</b>	<b>\$ -</b>

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

For the three and six months ended October 31, 2022 and 2021  
(Unaudited - Canadian dollars, except where noted)

**10. STOCK OPTIONS AND WARRANTS (continued)****Stock options (Continued)**

Outstanding stock options:

Expiry Date	Exercise Price	October 31, 2022	April 30, 2022
June 14, 2022	\$ 1.10	-	5,000
August 9, 2022	\$ 1.00	-	18,400
<b>Outstanding and exercisable</b>		<b>-</b>	<b>23,400</b>

**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 and October 31, 2022</b>	<b>8,572,727</b>	<b>\$ 0.13</b>

Outstanding share purchase warrants:

Expiry Date	Exercise Price	Number of Warrants	
		October 31, 2022	April 30, 2022
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	2,272,727
<b>Outstanding</b>		<b>8,572,727</b>	<b>8,572,727</b>

**11. 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.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Condensed Interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021

(Unaudited - Canadian dollars, except where noted)

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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.

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 period ended October 31, 2022. The Company is not subject to externally imposed capital requirements.

## **12. FINANCIAL INSTRUMENTS**

### **Fair value of financial instruments**

The fair values of the Company's financial assets and liabilities approximates their carrying amounts unless otherwise noted. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
- Level 3 - Inputs that are not based on observable market data.

As at October 31, 2022, the Company has the cash balance of \$312,609 (April 30, 2022 - \$362,153).

The carrying value of trade and other payables approximates its fair value due to its short-term to maturity. Assets and liabilities are classified on the lowest level of input that is significant to the fair value measurement. As at October 31, 2022, and April 30, 2022, there were no financial instruments measured at fair value and classified as level 2 or level 3 in the fair value hierarchy.

During the six months ended October 31, 2022, and 2021, there were no transfers between level 1, level 2, and level 3 classified assets and liabilities.

## **RAINY MOUNTAIN ROYALTY CORP.**

### **Notes to the Condensed Interim Financial Statements**

For the three and six months ended October 31, 2022 and 2021  
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#### **12. FINANCIAL INSTRUMENTS (Continued)**

The Company's financial instruments are exposed to the following risks:

##### **a) Credit risk**

As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible. The Company's primary exposure to credit risk is potential liquidity constraints on cash amounting to \$312,609 at October 31, 2022 (April 30, 2022 - \$362,153).

##### **b) Interest rate risk**

The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its financial institution. The Company is not currently exposed to any material interest rate risk.

##### **c) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources. As at October 31, 2022, the Company had accounts payable, accrued liabilities and loans payable of \$855,672 (April 30, 2022 - \$720,520).

Based on the current funds held, the Company 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.

##### **d) Market and currency risk**

The Company's financial instruments consist of cash, and trade and other payables. It is not exposed to a material degree of currency risk because it has few transactions in foreign currencies and does not have foreign mineral properties. The Company is not exposed to market risk because it does not own publicly traded marketable securities and does not have investments in other companies.

#### **13. SUBSEQUENT EVENTS**

Brunswick property option payment of \$25,000 was paid on November 23,2022.