



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

**Financial Statements**

**For the years ended April 30, 2024 and 2023**

(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, 2024 and 2023, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *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 for the year ended April 30, 2024, the Company incurred a net loss of \$254,372, has a working capital deficit of \$867,870 and an accumulated deficit of \$25,969,374. 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.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year ended. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### *Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 5 to the financial statements, the carrying amount of the Company's E&E Assets was \$2,588,785 as of April 30, 2024. As more fully described in Note 3 to the financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Assessing compliance with agreements including reviewing option agreements and vouching cash payments.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors to ensure good standing of agreements.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

### ***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 Accounting Standards, 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:

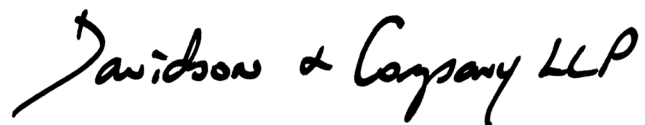
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 28, 2024

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

As at April 30, 2024 and 2023

(Expressed in Canadian dollars)

|                                                   | Note | April 30,<br>2024 | April 30,<br>2023 |
|---------------------------------------------------|------|-------------------|-------------------|
|                                                   |      | \$                | \$                |
| <b>ASSETS</b>                                     |      |                   |                   |
| <b>Current</b>                                    |      |                   |                   |
| Cash                                              |      | 148,868           | 449,424           |
| Receivables                                       |      | 15,302            | 11,303            |
| Prepaid expenses                                  |      | 4,945             | 4,945             |
|                                                   |      | 169,115           | 465,672           |
| <b>Non-Current</b>                                |      |                   |                   |
| Equipment                                         | 4    | 156               | 223               |
| Exploration and evaluation assets                 | 5    | 2,588,785         | 2,438,785         |
| <b>Total assets</b>                               |      | <b>2,758,056</b>  | <b>2,904,680</b>  |
| <b>LIABILITIES</b>                                |      |                   |                   |
| <b>Current</b>                                    |      |                   |                   |
| Accounts payable and accrued liabilities          | 7    | 415,423           | 353,308           |
| Loans payable                                     | 6    | 621,562           | 575,929           |
| <b>Total liabilities</b>                          |      | <b>1,036,985</b>  | <b>929,237</b>    |
| <b>SHAREHOLDER'S EQUITY</b>                       |      |                   |                   |
| Capital stock                                     | 8    | 24,493,586        | 24,493,586        |
| Reserves                                          | 9    | 3,196,859         | 3,196,859         |
| Deficit                                           |      | (25,969,374)      | (25,715,002)      |
| <b>Total shareholder's equity</b>                 |      | <b>1,721,071</b>  | <b>1,975,443</b>  |
| <b>Total liabilities and shareholder's equity</b> |      | <b>2,758,056</b>  | <b>2,904,680</b>  |

Nature of operations and going concern (Note 1)

Approved and authorized for issue on behalf of the Board of Directors:

\_\_\_\_\_/s/ "Sean Charland"\_\_\_\_\_  
Director                      \_\_\_\_\_/s/ "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, 2024 and 2023  
(Expressed in Canadian dollars)

|                                                                                 | Note | 2024              | 2023              |
|---------------------------------------------------------------------------------|------|-------------------|-------------------|
|                                                                                 |      | \$                | \$                |
| <b>Operating expenses</b>                                                       |      |                   |                   |
| Consulting and director fees                                                    | 7    | 66,000            | 66,000            |
| Depreciation                                                                    | 4    | 67                | 96                |
| Exploration expenses (net of recoveries)                                        |      | 40,479            | 25,000            |
| Interest and financing fees                                                     | 6    | 50,261            | 162,911           |
| Investor relations and marketing                                                |      | 2,279             | 2,524             |
| Office and miscellaneous                                                        |      | 40,031            | 11,860            |
| Professional fees                                                               |      | 35,494            | 54,633            |
| Transfer agent and regulatory fees                                              |      | 19,761            | 26,332            |
| <b>Net loss and comprehensive loss for the year</b>                             |      | <b>(254,372)</b>  | <b>(349,356)</b>  |
| <b>Net loss per share:</b>                                                      |      |                   |                   |
| Basic and diluted                                                               |      | (0.01)            | (0.02)            |
| <b>Weighted average number of common shares outstanding - basic and diluted</b> |      | <b>26,000,178</b> | <b>16,986,479</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, 2024 and 2023

(Expressed in Canadian dollars)

|                                                            | 2024             | 2023             |
|------------------------------------------------------------|------------------|------------------|
|                                                            | \$               | \$               |
| <b>CASHFLOWS FROM OPERATING ACTIVITIES</b>                 |                  |                  |
| Net loss for the year                                      | (254,372)        | (349,356)        |
| Items not affecting cash:                                  |                  |                  |
| Depreciation                                               | 67               | 96               |
| Interest accretion                                         | -                | 112,544          |
| Accrued interest                                           | 50,261           | 50,367           |
| Change in non-cash working capital:                        |                  |                  |
| Receivables                                                | (3,999)          | (6,486)          |
| Prepaid expenses                                           | -                | (1,251)          |
| Accounts payable and accrued liabilities                   | 62,115           | 45,806           |
| <b>Net cash used in operating activities</b>               | <b>(145,928)</b> | <b>(148,280)</b> |
| <b>CASHFLOWS FROM INVESTING ACTIVITIES</b>                 |                  |                  |
| Investment in exploration and evaluation assets            | (150,000)        | (250,000)        |
| <b>Net cash used in investing activities</b>               | <b>(150,000)</b> | <b>(250,000)</b> |
| <b>CASHFLOWS FROM FINANCING ACTIVITIES</b>                 |                  |                  |
| Net proceeds from issuance of common shares                | -                | 485,551          |
| Repayment of loans payable                                 | (4,628)          | -                |
| <b>Net cash provided by (used in) financing activities</b> | <b>(4,628)</b>   | <b>485,551</b>   |
| Net change in cash                                         | (300,556)        | 87,271           |
| Cash, beginning of the year                                | 449,424          | 362,153          |
| <b>Cash, end of the year</b>                               | <b>148,868</b>   | <b>449,424</b>   |

The Company paid \$nil for taxes during the years ended April 30, 2024 and 2023.

There were no non-cash financing or investing activities during the years presented.

*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, 2024 and 2023

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

|                                             | Number of<br>Common<br>shares | Capital<br>Stock  | Reserves         | Deficit             | Total            |
|---------------------------------------------|-------------------------------|-------------------|------------------|---------------------|------------------|
|                                             | #                             | \$                | \$               | \$                  | \$               |
| <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> |
| Shares issued in non-flow-through financing | 2,600,000                     | 91,000            | -                | -                   | 91,000           |
| Shares issued in flow-through financing     | 11,400,000                    | 399,000           | -                | -                   | 399,000          |
| Share issuance costs                        | -                             | (4,449)           | -                | -                   | (4,449)          |
| Net loss and comprehensive loss             | -                             | -                 | -                | (349,356)           | (349,356)        |
| <b>Balance as at April 30, 2023</b>         | <b>26,000,178</b>             | <b>24,493,586</b> | <b>3,196,859</b> | <b>(25,715,002)</b> | <b>1,975,443</b> |
| Net loss and comprehensive loss             | -                             | -                 | -                | (254,372)           | (254,372)        |
| <b>Balance as at April 30, 2024</b>         | <b>26,000,178</b>             | <b>24,493,586</b> | <b>3,196,859</b> | <b>(25,969,374)</b> | <b>1,721,071</b> |

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



# **RAINY MOUNTAIN ROYALTY CORP.**

## **Notes to the Financial Statements**

April 30, 2024 and 2023

(In 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. The Company is engaged in the acquisition and exploration of mineral resource properties and trade in TSX Venture Exchange ("TSX-V") under the symbol RMO.

#### **a) 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. 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. The Company has incurred significant operating losses over the past several fiscal years and for the year ended April 30, 2024, the Company incurred a net loss of \$254,372 (2023 - \$349,356), has a working capital deficit of \$867,870 (2023 - \$463,565) and an accumulated deficit of \$25,969,374 (2023 - \$25,715,002). 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. 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. 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.

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 statements of financial position classifications used. Such adjustments could be material.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

# **RAINY MOUNTAIN ROYALTY CORP.**

## **Notes to the Financial Statements**

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

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## **2. BASIS OF PRESENTATION**

### **a) Statement of compliance**

These financial statements have been prepared in accordance with the IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The material accounting policy information applied in these financial statements are based on IFRS Accounting Standards issued and effective as of April 30, 2024. The Board of Directors approved the financial statements for issue on August 28, 2024.

### **b) Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value or amortized cost, as explained in the material accounting policy information set out in Note 3. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **c) Functional and presentation currency**

The functional currency is the currency of the primary economic environment in which an entity operates. These financial statements are presented in Canadian dollars, which is the Company's functional and presentational currency. All financial information is expressed in Canadian dollars unless otherwise stated.

### **d) 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 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.

The most significant accounts that require judgments and estimates as the basis for determining the stated amounts include the following:

*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, 2024 and 2023

(In Canadian dollars, except where noted)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION

#### a) Financial instruments

##### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (FVTOCI), or at amortized cost.

The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) 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 assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in profit and loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment. The Company has classified its cash and receivables at amortized cost.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

##### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Financial liabilities at FVTPL: This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Financial liabilities at amortized cost: This category includes accounts payable and loans payable which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at FVTPL are recognized in the statement of loss and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

# **RAINY MOUNTAIN ROYALTY CORP.**

## **Notes to the Financial Statements**

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

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### **3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **b) Exploration and evaluation assets**

##### **Exploration and evaluation**

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of exploration and evaluation assets interests are capitalized. Exploration expenses incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. The Company will perform an impairment test on transition from the exploration stage to the development stage.

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.

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.

#### **c) 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 profit or loss.

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

# RAINY MOUNTAIN ROYALTY CORP.

## Notes to the Financial Statements

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

#### d) 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 the 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.

#### e) 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.

#### f) 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.

# **RAINY MOUNTAIN ROYALTY CORP.**

## **Notes to the Financial Statements**

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

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### **MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

#### **g) 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.

#### **h) 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, 2024 and 2023, the Company has no provisions for site reclamation.

#### **i) 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.

# RAINY MOUNTAIN ROYALTY CORP.

## Notes to the Financial Statements

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(In Canadian dollars, except where noted)

### MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### j) New accounting standards adopted

During the year ended April 30, 2024, the Company adopted the following amendments:

##### *IAS 1 Presentation of Financial Statements:*

As at May 1, 2023, the Company adopted amendments made to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements in which guidance and examples are provided to help entities apply materiality judgements to accounting policy disclosures. The adoption of this amendment did not have a material impact on the Company's financial statements.

##### *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:*

As at May 1, 2023, the Company adopted amendments made to IAS 8 which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. The adoption of this amendment did not have a material impact on the Company's financial statements.

#### k) New accounting standards, interpretations and amendments not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company has not yet determined the impact of these amendments on its financial statements.

### 4. EQUIPMENT

|                                     | Vehicles        |
|-------------------------------------|-----------------|
| <b>Cost</b>                         |                 |
| Balance, April 30, 2022, 2023, 2024 | <u>\$ 9,074</u> |
| <b>Accumulated depreciation</b>     |                 |
| Balance, April 30, 2022             | \$ 8,755        |
| Depreciation for the year           | 96              |
| Balance, April 30, 2023             | <u>8,851</u>    |
| Depreciation for the year           | 67              |
| Balance, April 30, 2024             | <u>\$ 8,918</u> |
| <b>Carrying amounts</b>             |                 |
| As at April 30, 2023                | \$ 223          |
| As at April 30, 2024                | <u>\$ 156</u>   |

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Financial Statements

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

#### 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.

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

|                                | Marshall<br>Lake   | Brunswick   | Other<br>Properties* | Total               |
|--------------------------------|--------------------|-------------|----------------------|---------------------|
| <b>Balance, April 30, 2023</b> | <b>\$2,438,780</b> | <b>\$ 1</b> | <b>\$ 4</b>          | <b>\$ 2,438,785</b> |
| Deferred costs:                |                    |             |                      |                     |
| Additions during the year:     |                    |             |                      |                     |
| Cash contributions             | 150,000            | -           | -                    | 150,000             |
| Net change for the year        | 150,000            | -           | -                    | 150,000             |
| <b>Balance, April 30, 2024</b> | <b>\$2,588,780</b> | <b>\$ 1</b> | <b>\$ 4</b>          | <b>\$ 2,588,785</b> |

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

|                                | Marshall<br>Lake   | Brunswick   | Other<br>Properties* | Total               |
|--------------------------------|--------------------|-------------|----------------------|---------------------|
| <b>Balance, April 30, 2022</b> | <b>\$2,188,780</b> | <b>\$ 1</b> | <b>\$ 4</b>          | <b>\$ 2,188,785</b> |
| Deferred costs:                |                    |             |                      |                     |
| Additions during the year:     |                    |             |                      |                     |
| Cash contributions             | 250,000            | -           | -                    | 250,000             |
| Net change for the year        | 250,000            | -           | -                    | 250,000             |
| <b>Balance, April 30, 2023</b> | <b>\$2,438,780</b> | <b>\$ 1</b> | <b>\$ 4</b>          | <b>\$ 2,438,785</b> |

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



## **RAINY MOUNTAIN ROYALTY CORP.**

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

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(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 Resources Limited. ("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 \$2,000,000 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 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 \$1,000,000.

On June 25, 2022, the Company decided to dilute its interest to 20.45% by not participating in its share of expenditures. In January 2023, the Company made a contribution of \$250,000 to maintain its interest in the Marshall Lake Property.

On July 31, 2023, the Company made another contribution of \$150,000 towards its interest in the Marshall lake property.

As at April 30, 2024, the Company's interest in the Marshall Lake Property is 18.52%.

## **RAINY MOUNTAIN ROYALTY CORP.**

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

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

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

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

The Company acquired a 100% interest in the Brunswick Property by making total cash payments of \$160,000 and issuing 300,000 common shares under an option agreement entered into in September 2016.

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 \$1,000,000, 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 Brunswick Property. 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. (not paid)

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, 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:

- 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. (not completed)
- 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 Brunswick Property.
- 6) In order to earn an additional 29%, for a total of 80% interest in the Brunswick 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, 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 may be earned by Pursuit by completing a bankable feasibility study.

On February 10, 2023, Pursuit terminated the option agreement.

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

The Company owns a 100% interest in claims located in the Thunder Bay Mining Division, Ontario.

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 holds 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).

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Financial Statements

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(In Canadian dollars, except where noted)

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

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.

During the year ended April 30, 2024, the Company incurred \$35,591 to Copper Lake for the Company's share on the new National Instrument 43-101 resource report. The amount has been recorded as exploration expenses on the statement of loss and comprehensive loss.

#### 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.

On January 6, 2022, the Company entered into an arms-length loan agreement for an aggregate unsecured loan of \$500,000, of which \$500,000 was outstanding as at April 30, 2022. The loan had an initial term of one year with interest at a rate of 10% per annum which was extended for another two years. 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 was \$168,616 and was accreted over the term of the loan. The warrants expired unexercised during the year ended April 30, 2023.

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

|                              | April 30,<br>2024 | April 30,<br>2023 |
|------------------------------|-------------------|-------------------|
| Loan balance:                |                   |                   |
| Balance at beginning of year | \$ 575,929        | \$ 525,562        |
| Interest                     | 50,261            | 50,367            |
| Repayments                   | (4,628)           |                   |
|                              | \$ 621,562        | \$ 575,929        |
| Interest accretion:          |                   |                   |
| Balance at beginning of year | \$ -              | \$ (112,544)      |
| Interest accretion on loan   | -                 | 112,544           |
|                              | -                 | -                 |
| <b>Carrying value</b>        | <b>\$ 621,562</b> | <b>\$ 575,929</b> |

#### 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.

# RAINY MOUNTAIN ROYALTY CORP.

## Notes to the Financial Statements

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(In Canadian dollars, except where noted)

### 7. RELATED PARTY TRANSACTIONS

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

- (a) As at April 30, 2024, accounts payable and accrued liabilities include \$28,000 (2023 - \$22,000) 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 years ended April 30, 2024 and 2023:

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

|                              | April 30,<br>2024 | April 30,<br>2023 |
|------------------------------|-------------------|-------------------|
|                              | \$                | \$                |
| Consulting and director fees | 6,000             | 6,000             |

### 8. CAPITAL STOCK

#### Authorized share capital:

Unlimited number of common shares without par value.

#### Issued and outstanding

During the year ended April 30, 2024, there were no share transactions completed by the Company.

During the year ended April 30, 2023 the following share transactions were completed by the Company:

- On December 21, 2022, the Company closed its non-brokered private placement (the "Private Placement") and raised \$490,000 by the issuance of 14,000,000 units at a price of \$0.035 per unit or flow-through unit. Of the 14,000,000 units sold, 11,400,00 units were issued as flow-through units and 2,600,000 units were issued as non-flow through units. Each unit consists of one common share or flow-through 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 \$0.05 per share until December 21, 2027. Finders' fees of \$4,449 were paid in connection to the closing of the private placement.

The Company issued flow-through shares and non flow-through shares at the same price, hence no flow-through premium liability was recorded. The tax deductions generated by the eligible expenditures are passed through to the shareholders of the flow-through shares once the eligible expenditures are incurred and renounced. The Company is required to expense funds raised through flow through shares on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation on or before December 31, 2023.

## RAINY MOUNTAIN ROYALTY CORP.

### Notes to the Financial Statements

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(In Canadian dollars, except where noted)

## 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 granted.

As of April 30, 2024 there are no stock options outstanding and exercisable. During the year ended April 30, 2023, 23,400 stock options expired unexercised.

### Warrants

A summary of the Company's warrant activity is as follows:

|                                  | Number<br>of Warrants | Weighted<br>Average<br>Exercise Price |
|----------------------------------|-----------------------|---------------------------------------|
| <b>Balance at April 30, 2022</b> | <b>8,572,727</b>      | <b>\$ 0.13</b>                        |
| Issued                           | 14,000,000            | 0.05                                  |
| Expired                          | (2,372,727)           | 0.24                                  |
| <b>Balance at April 30, 2023</b> | <b>20,200,000</b>     | <b>0.06</b>                           |
| <b>Balance at April 30, 2024</b> | <b>20,200,000</b>     | <b>\$0.06</b>                         |

Outstanding share purchase warrants:

| Expiry Date        | Exercise<br>Price | Number of Warrants        |                   |
|--------------------|-------------------|---------------------------|-------------------|
|                    |                   | <b>April 30,<br/>2024</b> | April 30,<br>2023 |
| January 6, 2026    | \$ 0.09           | <b>6,200,000</b>          | 6,200,000         |
| December 21, 2027  | \$ 0.05           | <b>14,000,000</b>         | 14,000,000        |
| <b>Outstanding</b> |                   | <b>20,200,000</b>         | <b>20,200,000</b> |

# RAINY MOUNTAIN ROYALTY CORP.

## Notes to the Financial Statements

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

### 10. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes as at April 30, 2024 is as follows:

|                                                                    | 2024         | 2023         |
|--------------------------------------------------------------------|--------------|--------------|
| Net loss for the year                                              | \$ (254,372) | \$ (349,356) |
| Expected income tax (recovery)                                     | (69,000)     | (94,000)     |
| Change in statutory, foreign tax, foreign exchange rates and other | -            | (3,000)      |
| Change in unrecognized deductible temporary differences            | 69,000       | 97,000       |
| 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 statement of financial position at April 30, 2024 are as follows:

|                                                 | 2024         | Expiry         | 2023         | Expiry         |
|-------------------------------------------------|--------------|----------------|--------------|----------------|
| <b>Temporary Differences</b>                    |              |                |              |                |
| Exploration and evaluation assets               | \$ 4,715,000 | No expiry date | \$ 4,674,000 | No expiry date |
| Investment tax credit                           | 23,000       | 2032           | 23,000       | 2032           |
| Property and equipment                          | 161,000      | No expiry date | 161,000      | No expiry date |
| Share issue costs                               | 3,000        | 2043 to 2046   | 4,000        | 2043 to 2046   |
| Allowable capital losses                        | 134,000      | No expiry date | 134,000      | No expiry date |
| Debt with accretion                             | 169,000      | No expiry date | 169,000      | No expiry date |
| Non-capital losses available for future periods | 7,354,000    | 2026 to 2044   | 7,140,000    | 2026 to 2043   |

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

# **RAINY MOUNTAIN ROYALTY CORP.**

## **Notes to the Financial Statements**

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

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### **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.

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.

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.

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, 2024. The Company is not subject to externally imposed capital requirements.

### **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

#### **Fair value**

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; and
- Level 3 - Inputs that are not based on observable market data.

The fair value of the Company's cash, receivables, accounts payable and loans payable approximates their carrying value because of the short-term nature of these financial instruments.

#### **Risk Management**

The Company is exposed to a variety of risks related to financial instruments. The Board approves and monitors the risk management processes. The principal types of risk exposure and the way in which they are managed are as follows:

# **RAINY MOUNTAIN ROYALTY CORP.**

## **Notes to the Financial Statements**

April 30, 2024 and 2023

(In Canadian dollars, except where noted)

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### **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

#### **Credit risk**

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

The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash 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, 2024, the Company had accounts payable and accrued liabilities and loans payable of \$1,036,985 (April 30, 2023 - \$929,237).

Based on the current funds held, the Company has a liquidity risk. Company will 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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company currently has no debt subject to variable interest rates. Accordingly, the Company has limited exposure to interest rate movements.

(ii) Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk as all its exploration and evaluation assets are all located in Canada.

(iii) Other price risk

The Company is exposed to other price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

### **13. 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.