

RAIN CITY RESOURCES INC.

Management Discussion and Analysis

For the three month period ended March 31, 2020

The Management Discussion and Analysis (“MD&A”), prepared May 15, 2020 should be read in conjunction with the audited financial statements and notes thereto for the year ended March 31, 2020 and the notes thereto of Rain City Resources Inc. (“Rain”) which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

Rain City Resources Inc. (“the Company”) was incorporated on June 23, 2015 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at March 31, 2020, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

In March 2020, The World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The pandemic could continue to have negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. The impact on the Company is not currently determinable but management continues to monitor the situation.

EXPLORATION PROJECT

Northern Champion Project

Pursuant to an option agreement (the “Agreement”) dated October 25, 2016, the Company was granted an option to acquire a 100% undivided interest in the Northern Champion Project (the “Property”) located near Champion Creek, south-west of Tulameen, Princeton area British Columbia.

In accordance with the Agreement, the Company has the option to acquire a 100% undivided interest in the Property by issuing a total of 700,000 common shares of the Company to the Optionors, making cash payments totaling \$130,000, and incurring a total of \$650,000 in exploration expenditures as follows:

	Number of Common Shares	Cash \$	Exploration Expenditures \$
Upon execution of the Agreement (paid and incurred)	-	5,000	75,000**
Upon listing of the Company’s common shares on a Canadian Stock Exchange (issued and paid)	100,000	5,000	-
On or before the first anniversary of the Listing	100,000	10,000	75,000
On or before the second anniversary of the Listing	100,000	20,000	100,000
On or before the third anniversary of the Listing	200,000	40,000	200,000
On or before the fourth anniversary of the Listing	200,000	50,000	200,000
Total	700,000	130,000	650,000

** the \$75,000 is for the first year from the execution date.

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The Company has the right to purchase the first 1% of the royalty for \$750,000 and the remaining 2% for \$1,000,000 at any time prior to the commencement of commercial production.

Cerro Oro Gold Property (See Subsequent Events)

Pursuant to an option agreement (the “Agreement”) dated January 30, 2020 and amended March 6, 2020, the Company was granted an option to acquire a 100% undivided interest in the Cerro Oro Gold Property located in Columbia.

In accordance with the agreement, the Company had the option to acquire a 100% undivided interest in the property by issuing a total of 8,000,000 common shares of the Company to the optionors and making cash payments totaling \$185,000 as follows:

	Number of common share	Cash \$
Upon execution of the agreement	–	15,000
On closing of an initial financing	1,500,000	2,500
Ten days after receipt of an acceptable community agreement	1,500,000	35,000
Ten days after receipt of a drilling permit	2,000,000	45,000
Eighteen months from the receipt of a drilling permit	3,000,000	65,000
Total	8,000,000	185,000

SELECTED ANNUAL INFORMATION
(\$000's except loss per share)

	September 30, <u>2019</u>	September 30, <u>2018</u>	September 30, <u>2017</u>
Revenue	\$ 0	\$ 0	\$ 0
Net Income (Loss)	\$ (211)	\$ (57)	\$ (15)
Basic and Diluted Income (Loss) Per Share	\$ (0.02)	\$ 0.01	\$ (0.00)
Total Assets	\$ 196	\$ 114	\$ 116
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

OPERATIONS

The three month period ended March 31, 2020

For the three month period ended March 31, 2020 the Company reported a net loss of \$60,853 (2019 - \$38,087). Included in the determination of operating loss was \$10,451 (2019 - \$7,769) on rent, \$32,540 (2019 - \$13,709) on professional fees, \$13,500 (2019 - \$13,500) on management, \$4,953 (2019 - \$384) on transfer agent and filing fees, \$4,763 (2019 - \$2,283) on travel and promotion, \$4,500 (2019 - \$Nil) on consulting, \$3,500 (2019 - \$Nil) on investor communications, and \$146 (2019 - \$442) on office and miscellaneous.

The Six month period ended March 31, 2020

For the three month period ended March 31, 2020 the Company reported a net loss of \$10,693 (2019 - \$77,142). Included in the determination of operating loss was \$16,052 (2019 - \$13,598) on rent, \$47,524 (2019 - \$24,909) on professional fees, \$13,500 (2019 - \$27,000) on management, \$7,101 (2019 - \$8,454) on transfer agent and filing fees, \$13,361 (2019 - \$2,283) on travel and promotion, \$4,500 (2019 - \$Nil) on consulting, \$3,500 (2019 - \$Nil) on investor communications, and \$1,405 (2019 - \$898) on office and miscellaneous.

SUMMARY OF QUARTERLY RESULTS
(\$000's except earnings per share)

	March 31, <u>2020</u>	December 31, <u>2019</u>	September 30, <u>2019</u>	June 30, <u>2019</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net income (loss)	\$ (61)	\$ (46)	\$ (17)	\$ (117)
Basic and diluted				
Income (Loss) per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)

	March 31, <u>2019</u>	December 31, <u>2018</u>	September 30, <u>2018</u>	June 30, <u>2018</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (38)	\$ (39)	\$ (42)	\$ (6)
Basic and diluted				
Loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.00)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at March 31, 2020 were \$11,120 compared to \$4,875 at September 30, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	March 31, 2020	March 31, 2019
	\$	\$
Accounts payable and accrued liabilities	15,750	39,000

The amounts are due to a company controlled by the Chief Executive Officer ("CEO") of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions for the three month period ended:

	March 31, 2019	March 31, 2019
	\$	\$
Management fees	9,000	18,000

Key management includes directors and key officers of the Company, including the President, CEO and Chief Financial Officer. Management fees were provided by a company owned or controlled by the CEO.

COMMITMENTS

The Company is committed to certain cash payments, share issuance and exploration expenditures in connection with the acquisition of its mineral property claims.

SUBSEQUENT EVENTS

Subsequent to March 31, 2020 the Company amended the Cerro Oro Gold property agreement giving the optionors up to an additional \$15,000, in monthly installments of \$5,000 per month, to allow the Company to raise the capital required.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company has adopted the new and revised standard and interpretation issued by the IASB effective November 1, 2017. The adoption of the standards did not have any material impact on the financial statements of the Company.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The IASB issued a number of new and revised IASs, International Financial Reporting Standards (“IFRS”), amendments and related IFRICs which are effective for the Company’s financial year beginning on October 1, 2018. The Company has adopted all the following new standards relevant to the Company for the year ended September 30, 2019.

- IFRS 9 ‘*Financial Instruments: Classification and Measurement*’ is a new financial instruments standard that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. Transitional provisions have been applied including assessing the reclassification of the financial assets and applying that classification retrospectively. The adoption of

IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities.

The IASB and IFRIC have issued the following new and revised standards and amendments, which are not yet effective for the period ended September 30, 2019.

- IFRS 16 ‘Leases’ establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard is effective for annual periods beginning on or after January 1, 2019.

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ is interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 ‘Income Taxes’ when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after January 1, 2019.

The Company has not early adopted these standards and amendments and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

CRITICAL ACCOUNTING POLICIES

Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company’s cash and investment are classified as FVTPL assets.

Held-to-maturity (“HTM”)

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Available-for-sale financial assets (“AFS”)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company does not have any assets classified as loans and receivables.

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset’s cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

SHARE CAPITAL

Issued

The company has 13,450,001 shares issued and outstanding as at March 31, 2020 and April 28, 2020.

Share Purchase Options

The Company has no stock options outstanding at March 31, 2020 and April 28, 2020.

Warrants

The Company has 320,000 share purchase warrants outstanding at March 31, 2020 and April 28, 2020.

Escrow Shares

The Company has 3,750,001 shares held in escrow as at March 31, 2020 and 3,000,001 as at April 28, 2020.