

**RAIN CITY RESOURCES INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Rain City Resources Inc.

**Opinion on the Financial Statements**

We have audited the accompanying financial statements of Rain City Resources Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2020 and 2019, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting 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 *Auditors' 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 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 accompanying financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information, which comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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 identified above 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.

If, based on the work we have performed on this other information, 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 these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

## **Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

/S/MANNING ELLIOTT LLP

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
January 28, 2021

**RAIN CITY RESOURCES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30**  
(Expressed in Canadian dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
CURRENT		
Cash	107,727	4,875
Amounts receivable	5,286	14,206
Loan receivable (Note 13)	35,000	-
	148,013	19,081
EXPLORATION AND EVALUATION ASSET (Note 6)	176,680	176,680
	324,693	195,761
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	15,396	37,117
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 7)	761,568	422,504
CONTRIBUTED SURPLUS (Note 7)	58,165	56,389
DEFICIT	(510,436)	(320,249)
	309,297	158,644
	324,693	195,761

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)  
COMMITMENT (Note 12)

Approved and authorized for issue on behalf of the Board on January 28, 2021

"Christopher Reynolds" Director      "Nicholas Rodway" Director

The accompanying notes are an integral part of these financial statements

**RAIN CITY RESOURCES INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED SEPTEMBER 30**  
(Expressed in Canadian dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Management fees (Note 8)	20,500	54,000
Office and miscellaneous	3,725	3,022
Professional fees	79,982	97,864
Rent	20,553	27,174
Transfer agent and filing fees	18,476	22,545
Travel and promotion	13,361	6,202
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(156,597)</b>	<b>(210,807)</b>
<b>OTHER ITEMS</b>		
Write off of mineral property (Note 6)	(21,500)	-
Loss on settlement of debt (Note 8)	(12,090)	-
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(190,187)</b>	<b>(210,807)</b>
<b>LOSS PER SHARE – BASIC AND DILUTED</b>	<b>(0.01)</b>	<b>(0.02)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED</b>	<b>13,966,518</b>	<b>9,624,796</b>

The accompanying notes are an integral part of these financial statements

**RAIN CITY RESOURCES INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30**  
(Expressed in Canadian dollars)

	Common Shares		Contributed Surplus	Deficit	Total
	Number of Shares	Amount \$			
Balance, September 30, 2018	7,850,001	119,501	37,500	(109,442)	47,559
Shares issued for cash	4,000,000	400,000	-	-	400,000
Shares issuance costs	-	(88,108)	-	-	(88,108)
Fair value of broker warrants issued	-	(18,889)	18,889	-	-
Shares issued for mineral property	100,000	10,000	-	-	10,000
Net loss for the year	-	-	-	(210,807)	(210,807)
<b>Balance, September 30, 2019</b>	<b>11,950,001</b>	<b>422,504</b>	<b>56,389</b>	<b>(320,249)</b>	<b>158,644</b>
Balance, September 30, 2019	11,950,001	422,504	56,389	(320,249)	158,644
Shares issued for cash	5,250,000	262,500	-	-	262,500
Share issuance costs	-	(5,000)	-	-	(5,000)
Fair value of broker warrants issued	-	(1,776)	1,776	-	-
Shares issued for debt	1,209,000	72,540	-	-	72,540
Warrants exercised	180,000	10,800	-	-	10,800
Net loss of the year	-	-	-	(190,187)	(190,187)
<b>Balance, September 30, 2020</b>	<b>18,589,001</b>	<b>761,568</b>	<b>58,165</b>	<b>(510,436)</b>	<b>309,297</b>

The accompanying notes are an integral part of these financial statements

**RAIN CITY RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30**  
(Expressed in Canadian dollars)

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(190,187)	(210,807)
Non-cash items:		
Write off of mineral property	21,500	-
Loss on settlement of debt	12,090	-
Changes in non-cash working capital balances:		
Amounts receivable	8,920	(8,380)
Accounts payable and accrued liabilities	38,729	(29,706)
Cash used in operating activities	(108,948)	(248,893)
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation asset expenditures	(21,500)	(83,267)
<b>FINANCING ACTIVITIES</b>		
Loan receivable	(35,000)	-
Issuance of common shares	273,300	400,000
Share issuance costs	(5,000)	(68,108)
Cash provided by financing activities	233,300	331,892
CHANGE IN CASH	102,852	(268)
CASH, BEGINNING OF YEAR	4,875	5,143
CASH, END OF YEAR	107,727	4,875
<b>SUPPLEMENTAL CASH DISCLOSURES</b>		
Interest and income taxes paid	-	-
Shares issued for mineral property	-	10,000
Shares issued for settlement of debt	72,540	-

The accompanying notes are an integral part of these financial statements

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**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

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1. NATURE OF OPERATIONS

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 September 30, 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.

As at September 30, 2020, the Company had a deficit of \$510,436 (2019 - \$320,249), which has been funded by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on January 28, 2021.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.



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**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Cash equivalents

Cash equivalents in the statements of financial position is comprised of short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based payments

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 payments 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.

The fair value of warrants issued to agents in connection with private placements ("Agent Warrants") is recognized on the date of issue as a share issue cost. The Company uses the Black Scholes option pricing model to estimate the fair value of Agent Warrants issued.

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**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development 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, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

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 units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

j) Share capital

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

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value is transferred from warrant reserve to capital stock.

k) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

Financial Assets

On initial recognition financial assets are classified as measured at:

- i. Amortized cost;
- ii. Fair value through profit and loss ("FVTPL"); and
- iii. Fair value through other comprehensive income ("FVOCI").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification:

i. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company's loan receivable is classified at amortized cost.

ii. FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at FVOCI.

iii. FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises.

The Company's cash is classified at FVTPL.

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**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as measured at (i) FVTPL; or (ii) amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not classify any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company classifies its accounts payable at amortized cost.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Significant accounting estimates*

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable; and
- ii. the inputs used in accounting for share-based payments.

*Significant accounting judgments*

- i. the determination of categories of financial assets and financial liabilities;
- ii. the evaluation of the Company's ability to continue as a going concern; and
- iii. the measurement of deferred income tax assets and liabilities

4. ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Company adopted the following new standards effective October 1, 2019:

Leases – On October 1, 2019, the Company adopted IFRS 16 –Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The adoption of IFRS 16 on October 1, 2019 did not have an impact on the Company's financial statements.

**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

5. ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any new standards that have been issued would have no or very minimal impact on the Company's financial statements.

6. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Balance, September 30, 2018	5,000	78,413	83,413
Acquisition and exploration costs	15,000	78,267	93,267
Balance, September 30, 2019	20,000	156,680	176,680
Acquisition and exploration costs	20,000	1,500	21,500
Write off of mineral property	(20,000)	(1,500)	(21,500)
Balance, September 30, 2020	20,000	156,680	176,680

**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 on April 25, 2019 (issued and paid)	100,000	5,000	-
On or before the first anniversary of the listing on April 25, 2019	100,000	10,000	75,000
On or before the second anniversary of the listing on April 25, 2019	100,000	20,000	100,000
On or before the third anniversary of the listing on April 25, 2019	200,000	40,000	200,000
On or before the fourth anniversary of the listing on April 25, 2019	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.

**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSET (continued)

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. As at September 30, 2020, the Company had not paid \$10,000 in cash nor have they issued 100,000 common shares that were due on or before first anniversary of the listing on April 25, 2019.

**Cerro Oro Gold Property**

Pursuant to an option agreement (the "Agreement") dated January 30, 2020 and subsequently amended on March 6, 2020 and May 7, 2020, the Company was granted an option to acquire a 100% undivided interest in the Cerro Oro Gold Property located in the Municipality of Riosucio-Caldas, Colombia.

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 Shares	Cash \$
Upon execution of the second amended agreement (paid)	-	15,000
Within ten days of the closing date which is on or before July 31, 2020	1,500,000	25,000
Within ten days after securing an acceptable community agreement and the registration of the agreement with the government of Columbia	1,500,000	35,000
Within ten days after receipt of a drilling permit	2,000,000	45,000
On or before eighteen months from the receipt of a drilling permit	3,000,000	65,000
<b>Total</b>	<b>8,000,000</b>	<b>185,000</b>

In addition to the payment terms above, the Company must complete a private placement financing raising a minimum of \$300,000 on or before July 31, 2020. During the year ended September 30, 2020, the Company decided not to pursue the Agreement and wrote-off a total of \$21,500 paid in acquisition and exploration costs.



**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

7. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

The Company entered into an escrow agreement, whereby 3,000,003 common shares will be held in escrow and are scheduled for release in accordance with the terms of the escrow agreement.

c) Issued and Outstanding as at September 30, 2020 – 18,589,001 (2019 - 11,950,001) common shares.

For the year ended September 30, 2020, the Company had the following share capital transactions:

- (i) The Company issued 5,250,000 units at a price of \$0.05 per unit. Each unit consists of one common share of the Company and one share purchase warrant with each warrant exercisable at a price of \$0.06 per share for a period of one year from the date of issuance. Pursuant to the private placement, the Company paid share issuance cost of \$5,000 and issued 100,000 broker warrants.

The fair value of the broker warrants was \$1,776 and was estimated using the Black-Scholes pricing model with the following assumptions:

	<b>2020</b>
Risk free interest rate	0.27%
Expected life	1 year
Expected volatility	115%
Expected dividends	0%

- (ii) The Company issued 180,000 common shares upon the exercise of warrants at a price of \$0.06 per common share for gross proceeds of \$10,800.

- (iii) The Company issued 1,209,000 common shares as settlement of debt in the amount of \$60,450 resulting in an unrealized loss of \$12,090.

For the year ended September 30, 2019, the Company had the following share capital transactions:

- (i) The Company issued 4,000,000 common shares at a price of \$0.10 per unit for a total gross proceeds of \$400,000 through its initial public offering (the "IPO"). In connection with the IPO, the Company paid a certain arm's length finder (the "Finder") a finder's fee of \$32,000. Additionally, the Company issued 320,000 non-transferable Common Share purchase warrants ("Finders Warrants") exercisable to acquire 320,000 common shares, equal to 8% of the number of units issued in the IPO to arms' length purchases that were introduced to the Company by the Finder. Each Finder's Warrant has an exercise price of \$0.10 per common share and expires 2 years from the date of issuance.

The fair value of the Finders Warrants was \$18,889 and was estimated using the Black-Scholes pricing model with the following assumptions:

	<b>2019</b>
Risk free interest rate	1.56%
Expected life	2 years
Expected volatility	115%
Expected dividends	0%

**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

d) Warrants:

During the year ended September 30, 2020, the Company issued 5,250,000 warrants and 100,000 broker warrants in relation to the private placement noted in Note 7 (c), of which 180,000 warrants were exercised at a price of \$0.06.

	Number of warrants	Exercise price	Expiry date
Balance, September 30, 2018	-	-	-
Issuance	320,000	0.10	April 25, 2021
Balance, September 30, 2019	320,000	0.10	
Issuance	5,350,000	0.06	June 11, 2021
Exercised	(180,000)	0.06	-
Expired	-	-	-
Balance, September 30, 2020	5,490,000	0.06	

8. RELATED PARTY BALANCES AND TRANSACTIONS

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.

Management fees and share-based payments were incurred from a director and a company owned by a director of the Company. Key management includes directors and key officers of the Company, including the President, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

During the year ended September 30, 2020, the Company issued 315,000 common shares with a fair value of \$18,900 in order to settle debts of \$15,750. The settlement of debt was with companies controlled by the former officers of the Company.

As at September 30, 2020, an amount of \$Nil (2019 - \$6,300) included in accounts payable was due to companies controlled by the former CEO and CFO of the Company.

The Company had incurred the following key management personnel cost from related parties:

	2020	2019
	\$	\$
Management fees	9,000	36,000

**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

9. INCOME TAXES

The Company has losses carried forward of approximately \$476,000 available to reduce income taxes in future years which expire between 2037 and 2040.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	<b>2020</b>	<b>2019</b>
Canadian statutory income tax rate	27%	27%
	\$	\$
Income tax recovery at statutory rate	(51,350)	(57,013)
Effect of income taxes of:		
Change in rate and others	1,434	135
Change in deferred tax assets not recognized	49,916	56,878
<b>Deferred income tax recovery</b>	<b>-</b>	<b>-</b>

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	<b>2020</b>	<b>2019</b>
	\$	\$
Non-capital loss carry forwards	128,601	81,148
Mineral properties	5,805	-
Shares issuance cost	15,882	19,224
<b>Deferred tax assets not recognized</b>	<b>(150,288)</b>	<b>(100,372)</b>
	<b>-</b>	<b>-</b>

**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2020 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash	107,727	-	-	107,727

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

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**RAIN CITY RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in Canadian dollars)

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

11. MANAGEMENT OF CAPITAL

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 sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. 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 or dispose of assets or adjust the amount of cash.

12. COMMITMENT

The Company is committed to certain cash payments, common share issuances and exploration expenditures as described in Note 6.

13. LOAN RECEIVABLE

Pursuant to a loan agreement dated September 9, 2020, the Company has advanced \$35,000 to an unrelated company. The amount is unsecured and bears an interest of 10% per annum. The loan is repayable on demand after September 9, 2021 or earlier if the borrower is in default under the terms of the loan.