

RAIN CITY RESOURCES INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022



Independent Auditor's Report

To the Shareholders of Rain City Resources Inc.

Opinion

We have audited the financial statements of Rain City Resources Inc. (the "Company"), which comprise the statement of financial position as at September 30, 2023, and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 is sufficient and appropriate to provide a basis for our opinion.

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 for the year ended September 30, 2023. 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.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Comparative Information

The financial statements of the Company for the year ended September 30, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 30, 2023.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had an accumulated deficit of \$ 2,969,684 and a working capital deficit of \$ 165,491 as at September 30, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 in this auditor's report. 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 International Financial Reporting 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.



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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 period 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 Trevor Nakanishi.

Vancouver, B.C.
December 22, 2023

"D&H Group LLP"

Chartered Professional Accountants

RAIN CITY RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 1,805	\$ 290
Amounts receivable	29,121	25,284
Marketable securities (Note 6)	76,525	205,750
	\$ 107,451	\$ 231,324

LIABILITIES

CURRENT		
Accounts payable (Note 10)	\$ 243,062	\$ 190,448
Accrued liabilities (Note 10)	6,000	-
Loans payable (Note 8)	8,000	-
Due to related party (Note 10)	15,880	-
	272,942	190,448

SHAREHOLDERS' EQUITY

Share capital (Note 9)	2,746,028	2,746,028
Contribution surplus	58,165	58,165
Deficit	(2,969,684)	(2,763,317)
Total equity	(165,491)	40,876
	\$ 107,451	\$ 231,324

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

EXPLORATION AND EVALUATION ASSETS (Note 7 and Note 10)

SUBSEQUENT EVENTS (Note 15)

Approved and authorized for issue on behalf of the Board on December 22, 2023.

"Christopher Reynolds" Director "Nick 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, 2023 AND 2022
(Expressed in Canadian dollars)

	2023	2022
EXPENSES		
Accounting fees (Note 10)	\$ 70,183	\$ 59,652
Advertising	-	450
Bank charges	4,036	4,493
Legal fees	-	3,345
Management fees (Note 10)	-	15,000
Office	-	-
Professional fees (Note 10)	-	54,596
Transfer agent and filing fees	4,933	19,128
Travel	-	-
	<u>79,152</u>	<u>156,664</u>
LOSS BEFORE OTHER ITEMS	<u>(79,152)</u>	<u>(156,664)</u>
OTHER ITEMS		
Interest income	-	-
Impairment of exploration and evaluation assets (Note 7)	(10,000)	(1,209,370)
Loss on foreign exchange	-	(261)
Unrealized gain (loss) on marketable securities	63,200	(415,729)
Realized loss on sale of marketable securities	(180,415)	(33,998)
	<u>(107,215)</u>	<u>(1,659,358)</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>\$ (206,367)</u>	<u>\$ (1,816,022)</u>
LOSS PER COMMON SHARE (basic and diluted)	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>26,031,863</u>	<u>19,501,452</u>

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, 2023 AND 2022
(Expressed in Canadian dollars)

	Common Shares		Contributed Surplus	Deficit	Total
	Number of Shares	Amount			
		\$	\$	\$	\$
Balance, September 30, 2021	15,931,863	2,241,028	58,165	(947,295)	1,351,898
Shares issued for mineral property (Note 7)	10,100,000	505,000	-	-	505,000
Net loss for the year	-	-	-	(1,816,022)	(1,816,022)
Balance, September 30, 2022	26,031,863	2,746,028	58,165	(2,763,317)	40,876
Balance, September 30, 2022	26,031,863	2,746,863	58,165	(2,763,317)	40,876
Net loss for the year	-	-	-	(206,367)	(206,367)
Balance, September 30, 2023	26,031,863	2,746,028	58,165	(2,969,684)	(165,491)

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, 2023 AND 2022
(Expressed in Canadian dollars)

	2023	2022
OPERATING ACTIVITIES		
Net loss for the year	\$ (206,367)	\$ (1,816,022)
Items not involving cash:		
Impairment of exploration and evaluation assets	-	1,209,370
Loss on foreign exchange	-	261
Unrealized gain (loss) on marketable securities	180,415	415,729
Realized loss on sale of marketable securities	(63,200)	33,998
Changes in non-cash working capital balances:		
Increase in amounts receivable	(3,837)	(5,839)
Decrease (increase) in due from a director	-	7,500
Decrease (increase) in accounts payable	58,614	108,357
Cash used in operating activities	(34,375)	(46,646)
INVESTING ACTIVITIES		
Purchase of marketable securities	(14,170)	(280,779)
Proceeds on the sale of marketable securities	26,180	263,383
Cash used in investing activities	12,010	(17,396)
FINANCING ACTIVITIES		
Loans receivable	8,000	-
Due to related party	15,880	-
Cash provided by financing activities	23,880	-
DECREASE IN CASH	1,515	(64,042)
CASH, BEGINNING OF YEAR	290	64,332
CASH, END OF YEAR	\$ 1,805	\$ 290

SUPPLEMENT CASH FLOW INFORMATION (Note 14)

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

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 Suite 704 – 595 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, 2023, the Company’s mineral property assets were considered impaired, and all acquisition and exploration costs have been written off. Management is currently in the process of evaluating other resource properties and will be looking to acquire properties in the short term.

As at September 30, 2023, the Company had a working capital deficit of \$165,491 and a deficit of \$2,969,684 (2022 – \$2,763,317), 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 factors indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

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.

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 December 22, 2023.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are 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 year 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.

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 the environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of the 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 degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company is 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 year. 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.

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 the 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.

l) Financial instruments

Financial Assets

On initial recognition financial assets are classified as measured at:

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

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 year following the change in the business model.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

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 payments 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 method.

The Company does not have any assets 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 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 year in which it arises.

The Company's cash and marketable securities are classified at FVTPL.

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) amortized cost; or (ii) FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

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, accrued liabilities, loans payable and due to related parties 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.

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 year. Actual outcomes could differ from these estimates. These financial statements include estimates that, 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 year in which the estimate is revised and in future years if the revision affects both current and future years. 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.

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting standards and amendments issued but not yet adopted

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2022, or later periods. The Company has not early adopted these new standards in preparing these consolidated financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. DUE FROM A DIRECTOR

The amount was due from a director, was non-interest bearing, had no set repayment terms and was unsecured. This amount was settled during the year.

6. MARKETABLE SECURITIES

The Company holds common shares and warrants in various public companies. The common shares are classified as FVTPL and are recorded at fair value using the quoted market price as at September 30, 2023 and are therefore classified as Level 1 within the fair value hierarchy.

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

6. MARKETABLE SECURITIES (continued)

Continuity for the years ended September 30, 2023 and 2022 is as follows:

	Balance September 30, 2021	Additions	Proceeds of Disposition	Realized gain (loss) on disposals	Balance September 30, 2022	Unrealized gain (loss) on changes in fair value	FMV Balance September 30, 2022
Common shares	\$	\$	\$	\$	\$	\$	\$
Crest Resources Inc Generation Gold Corp. (formerly Jessy Ventures Inc)	545,646	95,910	(51,169)	(25,963)	564,424	(446,174)	118,250
Opawica Explorations Inc	35,380	20,195	(43,178)	(12,397)	-	-	-
Volatus Capital Corp	-	55,555	(52,640)	(2,915)	-	-	-
Nevgold Corp	-	103,050	(111,345)	8,295	-	-	-
Ready Set Gold Corp	-	5,069	(4,111)	(958)	-	-	-
Penbar Capital Ltd	-	1,000	(940)	(60)	-	-	-
Total	633,526	280,779	(263,383)	(33,998)	616,924	(411,174)	205,750

	Balance September 30, 2022	Additions	Proceeds of Disposition	Realized gain (loss) on disposals	Balance September 30, 2023	Unrealized gain (loss) on changes in fair value	FMV Balance September 30, 2023
Common shares	\$	\$	\$	\$	\$	\$	\$
Crest Resources Inc Generation Gold Corp. (formerly Jessy Ventures Inc)	118,250	-	(26,180)	(180,415)	(88,345)	113,370	25,025
Origen Resources Inc.	87,500	-	-	-	87,500	(38,500)	49,000
	-	14,170	-	-	14,170	(11,670)	2,500
Total	205,750	14,170	(26,180)	(180,415)	13,325	63,200	76,525

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Northern Champion Project	Bro Property	Total
	\$	\$	\$
Acquisition costs			
Balance, September 30, 2020	20,000	-	20,000
Acquisition	47,000	500,000	547,000
Balance, September 30, 2021	67,000	500,000	567,000
Acquisition	5,000	500,000	505,000
Impairment	(72,000)	(1,000,000)	(1,072,000)
Balance, September 30, 2022	-	-	-
Acquisition	10,000	-	10,000
Impairment	(10,000)	-	(10,000)
Balance, September 30, 2023	-	-	-
Exploration			
Balance, September 30, 2020	156,680	-	156,680
BC Mining Credit	-	(19,310)	(19,310)
Balance, September 30, 2021	156,680	(19,310)	137,370
Impairment	(156,680)	19,310	(137,370)
Balance, September 30, 2022 and 2023	-	-	-

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 of 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:

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	Number of Common Shares	Cash	Exploration Expenditure
		\$	\$
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 (issued paid, and incurred)	100,000	10,000	75,000
On or before the second anniversary of the Listing (issued and paid)	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.

*100,000 shares issued on May 24, 2022; 100,000 shares remain outstanding.

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, 2021, the Company had incurred some exploration expenditures that were due on or before the second anniversary of the listing on April 25, 2019, but not the entire \$100,000.

On January 26, 2021, the Company paid the \$10,000 in cash and issued 100,000 common shares that were due on or before the first anniversary of the listing on April 25, 2019.

On May 21, 2021, the Company issued 100,000 common shares that were due on or before the second anniversary of the listing on April 25, 2019.

On May 26, 2021, the Company paid the \$20,000 in cash that was due on or before the second anniversary of the listing on April 25, 2019.

On September 21, 2021, the Company received a letter indicating the work commitments were extended until January 25, 2022.

On May 18, 2022, the Company received a further extension to the Agreement until September 30, 2022.

On May 24, 2022, the Company issued 100,000 of the 200,000 common shares that were due on or before the third anniversary of the listing on April 25, 2019. As at September 30, 2022, in accordance with the option agreement, the Company has an outstanding amount of 100,000 common shares due and payable to the optionors.

On September 30, 2022, the Northern Champion Project property was considered impaired and \$228,680 in acquisition and explorations costs were written off. The Company is no longer pursuing the exploration and development of the impaired Northern Champion Project property.

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSET (continued)

Bro Property

Pursuant to an agreement dated April 21, 2021 and the amendments dated May 31, 2022 and September 13, 2022, the Company acquired an option to purchase a 100% interest in four mineral claims located in Yukon, collectively known as the Bro Property for an aggregate consideration of \$3,000,000 payable over 3 years. The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The NSR royalty is payable to 1300214 BC Ltd. as to 100% and the royalty can be bought out at a rate of \$2,000,000 per 1% at any time. 1300214 B.C. Ltd., is controlled by an individual that exerts significant influence through share ownership.

Payments in shares to comprise a total of \$2,500,000 as to the following:

- \$500,000 payable in shares on the first anniversary (paid)
- \$1,000,000 payable on the second anniversary of the purchase agreement
- \$1,000,000 payable on the third anniversary of the purchase agreement

Payments in cash to comprise a total of \$500,000 as to the following:

- \$500,000 payable within 30 days of signing (paid).

During the year ended September 30, 2021, the Company received \$19,310 in respect of the BC Mining tax credit (2020: \$Nil).

On April 26, 2021, the Company paid the \$500,000 in cash that was due within 30 days of the signing of the agreement.

On May 24, 2022, the Company issued 10,000,000 common shares that were due on or before the first anniversary of the property purchase and sale agreement on April 21, 2021.

On September 30, 2022, the Bro Property was considered impaired and \$980,690 in acquisition and exploration costs were written off.

The Company remains committed to the exploration and development of the impaired Bro Property.

8. LOAN PAYABLE

On January 25, 2023, the Company entered into a loan agreement to borrow \$8,000 from Crest Resources Inc. The principal amount of the loan is unsecured, bears no interest, and has no set terms for repayment.

9. SHARE CAPITAL

a) Authorized:

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

b) Escrow Shares:

The Company has no shares held in escrow as at September 30, 2023.

c) Issued and Outstanding as at September 30, 2023 – 26,031,863 (2022 – 26,031,863) common shares.

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

For the year ended September 30, 2023, the Company had no share capital transactions.

For the year ended September 30, 2022, the Company had the following share capital transactions:

- (i) On May 24, 2022, the Company issued 100,000 common shares that were due on or before the third anniversary of the listing on April 25, 2019.
 - (ii) On May 24, 2022, the Company issued 10,000,000 common shares that were due on or before the first anniversary of the property purchase and sale agreement on April 21, 2021.
 - (iii) On May 6, 2022, the Company consolidated all its issued and outstanding common shares on a three (3) for one (1) basis pursuant to the policies of the Canadian Securities Exchange. The consolidation resulted in the number of issued and outstanding shares as of September 30, 2021 being reduced from 47,795,601 shares to 15,931,863 shares.
- d) Warrants:
- (i) On May 6, 2022, the Company consolidated all its issued and outstanding warrants on a three (3) for one (1) basis pursuant to the policies of the Canadian Securities Exchange. The consolidation resulted in the number of warrants to purchase 15,050,000 shares reserved for issuance, equal to 5,016,667 shares on a post Consolidation basis.

	Number of warrants	Exercise price	Expiry date
Balance, September 30, 2020	1,830,000	\$ 0.18	
Issuance	5,016,666	0.23	May 6, 2027
Exercised	(1,316,666)	0.18	
Exercised	(2,200)	0.30	
Balance, September 30, 2021	5,527,800	0.18	
Expired	(511,133)	0.18	
Balance, September 30, 2022 and 2023	5,016,667	\$ 0.18	

There were no warrants issued in 2022 and 2023.

10. 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.

On November 28, 2022, the Company entered into a loan agreement with a company controlled by an individual that exerts significant control through share ownership, to borrow \$19,897. This loan is due on or before May 28, 2024 at an interest rate of 5% per annum. As at September 30, 2023, an amount of \$10,732 (2022 - \$Nil) included in loans payable was due to a company controlled by an individual that exerts significant influence through share ownership.

On February 27, 2023, the Company entered into a loan agreement with a company controlled by an individual that exerts significant control through share ownership, to borrow \$5,000. This loan is due on or before August 4, 2024 at an interest rate of 5% per annum. As at September 30, 2023, an amount of \$5,148 (2022 - \$Nil) included in loans payable was due to a company controlled by an individual that exerts significant influence through share ownership.

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

10. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

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, 2023, the Company incurred \$Nil (2022 - \$29,500) in professional fees to a director and former CEO of the Company. As at September 30, 2023, an amount of \$Nil (2022 - \$32,000) included in accounts payable was due to a director and former CEO of the Company.

During the year ended September 30, 2023, the Company incurred \$35,900 (2022 - \$41,391) in accounting fees to a company controlled by the CFO. As at September 30, 2023, an amount of \$89,595 (2022 - \$61,012) included in accounts payable was due to a company controlled by the CFO of the Company.

During the year ended September 30, 2023, the Company incurred \$Nil (2022 - \$7,143) in consulting fees to a former director of the Company.

See also Note 7.

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. 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 marketable securities are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short years 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, 2023 are as follows:

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

	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	1,805	–	–	1,805
Marketable securities	76,525	–	–	76,525

Financial risk management objectives and policies

The Company's financial instruments include cash, marketable securities, accounts payable, loans payable, and due to related party. 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.

(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 the liquidity risk of the Company, the Company maintains a balance between continuity of funding and 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.

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

13. INCOME TAXES

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

	2023	2022
Canadian statutory income tax rate	27%	27%
	\$	\$
Current income tax recovery at statutory rate	(55,719)	(490,326)
Effect of income taxes of:		
Change in rate and others	(7,082)	3,861
Change in deferred tax assets not recognized	62,801	486,465
Deferred income tax recovery	-	-

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

	2023	2022
	\$	\$
Non-capital loss carry forwards	384,860	290,102
Capital loss carry forwards	24,356	
Shares issuance cost	-	6,947
Marketable securities	55,508	111,017
Mineral properties	329,530	326,530
Deferred tax assets not recognized	(793,954)	(734,596)
	-	-

The Company has losses carried forward of approximately \$1,363,463 (2022 - \$1,346,254) available to reduce income taxes in future years which expire between 2037 and 2043. These losses expire as follows:

	\$
2037	39,507
2038	58,081
2039	192,053
2040	196,337
2041	286,051
2042	574,225
2043	79,152
	1,425,406

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.

RAIN CITY RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended September 30, 2023 and 2022, the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

	2023	2022
Shares issued for evaluation and exploration costs	\$ -	\$ 505,000

There were no amounts of cash paid for income taxes for the years presented.

15. SUBSEQUENT EVENTS

On November 3, 2023, the Company entered into a loan agreement with a company controlled by an individual that exerts significant influence through share ownership, to borrow \$29,925. This loan is due or before May 3, 2024 at an interest rate of 7% per annum.

On November 27, 2023, the Company entered into a loan agreement with a company controlled by an individual that exerts significant influence through share ownership, to borrow \$6,300. This loan is due on or before May 27, 2024 at an interest rate of 7% per annum.

On November 27, 2023, the Company entered into a loan agreement to borrow \$10,000 from Crest Resources Inc. This loan is due on or before May 27, 2024 at an interest rate of 7% per annum.