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RAIN CITY RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2026
DATED MAY 28, 2026

Disclaimer

This Management's Discussion and Analysis ("MD&A") dated May 28, 2026 is management's interpretation of the results and financial condition of Rain City Resources Inc. ("Rain City" or the "Company") for the three and six-month periods ended March 31, 2026. This MD&A should be read in conjunction with Rain City Resources Inc.'s unaudited interim financial statements for the six months ended March 31, 2026 and 2025, together with the audited financial statements and MD&A for the year ended September 30, 2025. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

This MD&A contains forward-looking statements that involve risks and uncertainties. Actual results or events may differ materially from those expressed or implied. The Company disclaims any intention or obligation to update or revise forward-looking statements except as required by applicable securities legislation.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain "forward-looking information" as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budgeted", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements. Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect.

Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance, or achievements of the Company and/or its subsidiary to be materially different from those expressed or implied by such forward-looking statements.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, performance, or achievements to be materially different from any of its future results, performance, or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary note. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether because of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

All forward-looking statements and information contained in this MD&A are qualified by this cautionary statement.

1. DESCRIPTION OF BUSINESS AND OVERVIEW

Rain 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 145-251 Midpark Blvd. SE., Calgary, Alberta T2X 1S3. The Company's securities are listed on the Canadian Securities Exchange ("CSE") under the ticker "RAIN" (CSE: RAIN).

The Company's principal business activities are focused on the development and application of direct lithium extraction ("DLE") technologies and the evaluation of mineral property interests. During fiscal 2025, the Company earned a 7.5% equity interest in Avonlea Lithium Corporation ("Avonlea") pursuant to an option agreement. Avonlea is a Calgary, Alberta-based company that developed a proprietary direct lithium extraction process known as "Advanced Chemical & Cavitation Extraction of Lithium" ("ACCELi"). In October 2025, the Company elected not to proceed with additional earn-in payments under the option agreement to acquire a greater ownership interest in Avonlea. Following termination of the option agreement, the Company continued discussions with Avonlea regarding a potential licensing arrangement for the ACCELi technology. These discussions were formally terminated in April 2026, and the Company is currently pursuing alternative DLE technology opportunities. The Company retains its 7.5% equity interest in Avonlea, which is accounted for at fair value through profit or loss and carried at a nominal value of $1 as at March 31, 2026. The Company has no further funding or investment commitments to Avonlea.

Subsequent to the reporting period, the Company shifted its strategic focus toward the advancement of alternative direct lithium extraction ("DLE") and critical mineral extraction technologies and entered into new technical partnership and commercialization initiatives, including an agreement with Ion Source LLC focused on the co-development and commercialization of next-generation DLE, critical mineral extraction and water purification technologies in South America and other key jurisdictions.

The Company is also party to a joint venture agreement with Lithium Argentina Investments SA ("Lithium Argentina") to pursue DLE-related opportunities in Argentina; however, no operations under the joint venture had commenced as at March 31, 2026.

2. HIGHLIGHTS, KEY DEVELOPMENTS AND OUTLOOK

- The Company was granted a Management Cease Trade Order ("**MCTO**") by the Alberta Securities Commission effective January 29, 2026. The MCTO was granted due to the Company's inability to file its annual audited financial statements, annual management's discussion and analysis and certification of the annual filings for the year ended September 30, 2025 (the "**Required Filings**") by the January 28, 2026, deadline resulting in a default under Part 4 of National Instrument 51-102 *Continuous Disclosure Obligations* ("**Default"**). The Company filed the Required Filings on March 27, 2026 and the MCTO was revoked on April 2, 2026.

- The Company remained in a working capital deficit position of $346,441 at March 31, 2026 and continues to require additional financing to fund ongoing activities and maintain operations.
- Continued discussions with partners on project development in South America.
- Received non-interest-bearing advances from management and related parties during the six months ended March 31, 2026 of $32,064.

Management's near-term focus remains preserving liquidity, advancing commercial discussions around DLE technology, evaluating funding alternatives to support working capital and future project development. Rain City's outlook continues to depend on successful access to financing, the potential monetization or licensing of technology opportunities, and disciplined management of overhead expenditures.

3. INVESTMENTS

Avonlea Lithium Corporation

Pursuant to an option agreement dated June 12, 2024, Rain City had the right to earn up to a 51.5 % interest in Avonlea through staged investments totaling US$10 million. The first milestone required US$600,000 and 3,000,000 Rain City shares in exchange for a 7.5 % interest. Rain City completed this milestone during fiscal 2025, receiving 81,081 Class A shares of Avonlea.

Management measures the investment at fair value through profit or loss. Using an adjusted net asset valuation approach, the fair value of the investment at September 30, 2025 was assessed as nominal, resulting in the recognition of an unrealized loss of approximately $1.35 million and reducing the carrying value of the investment to $1.

In October 2025, the Company elected not to proceed with the US$1.2 million second earn-in payment under the Avonlea option agreement. Following termination of the option agreement, the Company continued discussions with Avonlea regarding a potential licensing arrangement for the ACCELi technology. Subsequent to March 31, 2026, in April 2026, these discussions were formally terminated, and the Company is currently pursuing alternative DLE technology opportunities.

The Company retains its 7.5% equity interest in Avonlea and has no further funding or investment commitments to Avonlea.

Lithium Argentina Investment

On September 5, 2024 Rain City entered into a joint-venture agreement with Lithium Argentina Investments SA ("Lithium Argentina"), a private company holding exploration licenses totaling approximately 150,000 hectares in Argentina. Under the agreement Rain City will provide exploration and project development expertise and deploy DLE technology while Lithium Argentina contributes its licenses. Rain City is responsible for initial exploration and development funding once the parties agree to the terms of a financing agreement. No expenditures were incurred under the joint venture during fiscal 2025 or the six months ended March 31, 2026.

4. EXPLORATION AND EVALUATION ASSETS

	Northern Champion Project ($)	Bro Property ($)	Total ($)
Acquisition cost			
Balance, September 30, 2025 and September 30, 2024	-	600,000	600,000
Exploration and evaluation costs			
Balance, September 30, 2025 and September 30, 2024	-	-	-
Write-down Bro Property, September 30, 2025	-	(600,000)	(600,000)
Total acquisition costs and exploration expenditures			
Balance, March 31, 2025 and September 30, 2024	**-**	**600,000**	**600,000**
Balance, March 31, 2026 and September 30, 2025	**-**	**-**	**-**

Rain City earned a 100 % interest in the Bro Property in Yukon during 2024 through cash payments and share issuances. Due to limited exploration activity and unfavourable market conditions, management assessed the property's recoverable amount and wrote down its carrying value by $0.6 million in 2025. The Company retains the mineral claims and may re-evaluate exploration opportunities in the future.

The Northern Champion project option was terminated on October 18, 2024; the Company transferred shares of another issuer, issued 200,000 Rain City shares and paid $7,000 to settle outstanding obligations as part of the termination agreement.

5. 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 March 31, 2026 and are therefore classified as Level 1 within the fair value hierarchy.

Continuity for the period ended March 31, 2026 is as follows:

	FMV Balance, September 30, 2025	Additions	Disposals	Realized (loss) on disposals	Unrealized (loss) on changes in fair value	FMV Balance, March 31, 2026
Common shares – Level 1	**$**	**$**	**$**	**$**	**$**	**$**
Mineral Road Discovery Inc. (formerly Crest Resources Inc)	7,352	-	-	-	(4,233)	3,119
Golcap Resources Corp	66,060	-	(23,390)[(b)]	(2,095)	(5,410)	35,165
Total	73,412	-	(23,390)	(2,095)	(9,643)	38,284[(c)]

Continuity for the period ended March 31, 2025 is as follows:

	FMV Balance, September 30, 2024	Additions	Disposals	Realized (loss) on disposals	Unrealized (loss) on changes in fair value	FMV Balance, March 31, 2025
Common shares – Level 1	**$**	**$**	**$**	**$**	**$**	**$**
Mineral Road Discovery Inc. (formerly Crest Resources Inc)	23,357	-	-	(14,000)[(a)]	(4,678)	4,679
Golcap Resources Corp	331,500	-	(119,075)	(137,425)	(45,000)	30,000
Total	354,857	-	(119,075)	(151,425)	(49,678)	34,679

(a) On October 18, 2024, the Company terminated the Northern Champion Property option agreement originally entered into on October 25, 2016 with Rich River Exploration Ltd. ("Rich River"). As consideration for the notice of termination, the Company issued, transferred or paid consideration as follows: (i) 66,667 common shares of Mineral Road Discovery Inc. transferred to Rich River, (ii) issued 200,000 common shares of the Company's common stock, and paid an outstanding payable in the amount of $7,000.

(b) During the six months ended March 31, 2026 the Company sold 96,500 shares of Golcap Resources Corp. for proceeds of $23,390.

(c) At March 31, 2026 the Company held 270,500 shares of Golcap Resources Corp. and 44,555 shares of Mineral Road Discovery Inc.

6. CONVERTIBLE NOTE

On July 7, 2025, Rain City entered into a one-year unsecured convertible note with a private investor for US$47,500. The note bears 5% annual interest and can be converted into Rain City common shares at $0.075 per share. Gross proceeds of C$63,764 were received on July 11, 2025, with the funds allocated to general working capital.

Because the note is denominated in U.S. dollars rather than Rain City's Canadian-dollar functional currency, IFRS requires separate recognition of the conversion feature as a derivative liability. Rain City recorded a $21,990 derivative liability at issuance and recognized a $18,884 gain on remeasurement of derivative liability during the year ended September 30, 2025. During the six months ending March 31, 2026, the Company recognized a fair value gain on remeasurement of derivative liability in the amount of $1,778. As of March 31, 2026, the derivative liability was $1,328 (September 30, 2025 - $3,106)

7. FINANCIAL PERFORMANCE

Subsequent to the year ended September 30, 2025, the Company was unable to file its annual financial statements on time due to capital constraints and delays in obtaining required information related to the Avonlea investment. As a result, on January 29, 2026, the Alberta Securities Commission issued a Management Cease Trade Order ("MCTO") following the Company's failure to file its audited annual financial statements, annual MD&A, and related certifications (the "Required Filings") by the January 28, 2026 deadline, in accordance with National Instrument 51-102.

The Company subsequently raised approximately $23,000 through the sale of marketable securities and received non-interest-bearing advances of approximately $32,000 from management to complete its filings. The Required Filings for the year ended September 30, 2025 were filed on March 27, 2026. Pursuant to its terms, the MCTO was revoked on April 2, 2026, following the filing of the Required Filings. The Company is currently reviewing financing opportunities to support ongoing operations, working capital requirements, and the advancement of its strategic technology and project development initiatives.

Discussion of Operations and Selected Quarterly Information

Three Months ended March 31, 2026, and 2025

The following information is derived from the Company's unaudited Interim Financial Statements prepared in accordance with IFRS Accounting Standards applicable to interim financial reporting including IAS 34. The three-month period ended March 31, 2026, and March 31, 2025, is referred to as "Q2 2026" and "Q2 2025", respectively:

Results for the three months ended March 31, 2026, and 2025 are summarized below:

Operating expenses	Q2 2026 ($)	Q22025 ($)
Accounting fees	9,700	8,436
General and administration	674	549
Consulting	-	31,846
Legal fees	1,945	199
Management fees	38,751	38,751
Stock-based compensation	6,193	88,330
Transfer agent and filing fees	18,724	4,130
Travel	3,312	4,369
Loss from Operations	(79,299)	(176,610)

Other (expense) income		
Fair value change in derivative liability	6,785	-
Foreign exchange	(750)	-
Interest income (expense)	(803)	-
Unrealized gain (loss) on marketable securities	(19,291)	129,490
Realized gain (loss) on sale of marketable securities	(10,295)	(137,425)
(Loss) on termination of mineral option agreement	-	-
	(24,354)	(7,935)

Net loss and comprehensive loss	(103,653)	(184,545)
Loss per share (basic and diluted)	(0.00)	(0.00)
Weighted average number of common shares outstanding	82,826,416	77,334,820

The following includes an analysis of significant factors that impacted period-to-period variations for the three months ended March 31, 2026, and 2025:

Rain City did not generate revenue in either period, and therefore the quarter's results continued to be driven by overhead, business development, and share-based compensation costs. Total operating expenses decreased to $79,299 from $176,610 in the comparative quarter. The most significant driver of this improvement was the decline in share-based compensation, which decreased substantially to $6,193 from $88,330 as the current quarter reflected only limited amortization associated with previously granted options, whereas the comparative quarter included more significant stock option grants issued during fiscal 2025. Consulting fees also declined to $Nil from $31,846 as the Company suspended certain activities and reduced the use of external consultants during periods of cash constraints. Travel declined slightly to $3,312 from $4,369. These decreases were partially offset by accounting fees, which increased slightly to $9,700 from $8,436, general and administration expenses, which increased to $674 from $549, legal fees, which increased to $1,945 from $199, and transfer agent and filing fees, which increased substantially to $18,724 from $4,130 due to regular annual filing costs and penalties associated with late filings and the MCTO process.

Other items

Other items resulted in net expense of $24,354 compared to net expense of $7,935 in the comparative three-month period. During the three months ended March 31, 2026, the Company recorded an unrealized loss on marketable securities of $19,291 compared to an unrealized gain on marketable securities of $129,490 during the comparative period. The Company also recorded a realized loss on sale of marketable securities of $10,295 compared to a realized loss of $137,425 during the comparative period. In addition, the Company recognized a foreign exchange loss of $750 and interest expense of $803 during the current quarter, with no comparable foreign exchange or interest expense amounts in the prior-year comparative quarter. These increases in expenses were partially offset by a fair value gain of $6,785 associated with the remeasurement of the derivative liability related to the U.S. dollar denominated convertible note.

Net loss

As a result of the foregoing, the Company recorded a net loss of $103,653 for the three months ended March 31, 2026, compared with a net loss of $184,545 for the three months ended March 31, 2025. The improvement was driven primarily by lower share-based compensation expense, reduced consulting activity during periods as a result of capital preservation initiatives, and lower realized losses on the disposition of marketable securities relative to the comparative quarter.

Six Months ended March 31, 2026, and 2025

The following information is derived from the Company's unaudited Interim Financial Statements prepared in accordance with IFRS Accounting Standards applicable to interim financial reporting including IAS 34. The six-month periods ended March 31, 2026 and 2025 are referred to as the current and comparative six-month periods, respectively.

Results for the six months ended March 31, 2026, and 2025 are summarized below:

Operating expenses	Q2-2026 ($)	Q2-2025 ($)
Accounting fees	16,200	28,615
General and administration	4,263	1,252
Consulting	27,568	79,772
Legal fees	2,338	4,421
Management fees	77,502	330,002
Stock-based compensation	24,228	216,753

Transfer agent and filing fees	23,419	6,883
Travel	21,180	19,668
Loss from Operations	(196,698)	(687,366)
Other (expense) income		
Fair value change in derivative liability	1,778	-
Foreign exchange	2,927	-
Interest income (expense)	(1,625)	-
Unrealized gain (loss) on marketable securities	(9,643)	(49,678)
Realized gain (loss) on sale of marketable securities	(2,095)	(151,425)
(Loss) on termination of mineral option agreement	-	(17,000)
	(8,658)	(218,103)
Net loss and comprehensive loss	(205,356)	(905,469)
Loss per share (basic and diluted)	(0.00)	(0.01)
Weighted average number of common shares outstanding	82,826,416	76,139,988

The following includes an analysis of significant factors that impacted period-to-period variations for the six months ended March 31, 2026, and 2025:

Rain City did not generate revenue in either period, and therefore the six-month results continued to be driven by overhead, business development, and share-based compensation costs. Total operating expenses decreased significantly to $196,698 from $687,366 in the comparative six months ended March 31, 2026 and March 31, 2025, respectively. The most significant driver of this improvement was management fees, which declined to $77,502 from $330,002 in the comparative period primarily due to the absence of a significant CEO bonus accrual recorded during the prior-year period. Share-based compensation also declined substantially to $24,228 from $216,753 as the current period reflected only limited amortization associated with previously granted options, whereas the comparative period included more significant stock option grants issued during fiscal 2025. Consulting fees declined to $27,568 from $79,772 as the Company suspended certain activities and reduced the use of external consultants during periods of cash constraints. Accounting fees declined to $16,200 from $28,615 and legal fees declined slightly to $2,338 from $4,421. These decreases were partially offset by increases in general and administration expenses, which increased to $4,263 from $1,252, transfer agent and filing fees, which increased to $23,419 from $6,883 due to regular annual filing costs and penalties associated with late filings and the MCTO process, and travel expenses, which increased slightly to $21,180 from $19,668.

Other items

Other items decreased to expenses of $8,658 from expenses of $218,103 in the comparative six-month period. During the six months ended March 31, 2026, the Company recorded an unrealized loss on marketable securities of $9,643 compared to an unrealized loss of $49,678 during the comparative period, and a realized loss on sale of marketable securities of $2,095 compared to a realized loss of $151,425 during the comparative period. The Company also recognized a foreign exchange gain of $2,927 during the current period, with no comparable foreign exchange gain in the prior-year comparative period. In addition, the Company recognized a fair value gain of $1,778 associated with the remeasurement of the derivative liability related to the U.S. dollar denominated convertible note, together with interest expense of $1,625 during the current period.

Net loss

As a result of the foregoing, the Company recorded a net loss of $205,356 for the six months ended March 31, 2026, compared with a net loss of $905,469 for the six months ended March 31, 2025. The improvement was driven primarily by the absence of the significant CEO bonus accrual recorded in the prior-year period, lower share-based compensation expense, reduced consulting activity as a result of capital preservation initiatives, and significantly lower realized losses on the disposition of marketable securities relative to the comparative period.

Summary of Quarterly Results

Period Ended	Revenue	Net loss	Basic and diluted loss per share
March 31, 2026	Nil	(103,653)	(0.00)
December 31, 2025	Nil	(101,703)	(0.00)
September 30, 2025	Nil	(1,889,636)	(0.02)
June 30, 2025	Nil	(165,874)	(0.00)
March 31, 2025	Nil	(184,545)	(0.00)
December 31, 2024	Nil	(720,924)	(0.01)
September 30, 2024	Nil	(438,378)	(0.01)
June 30, 2024	Nil	(190,131)	(0.00)

The most significant variation in the quarterly trend was the net loss of $1,889,316 in the quarter ended September 30, 2025, which reflected the recognition of an unrealized loss of approximately $1.35 million on the Company's investment in Avonlea Lithium Corporation (reducing the carrying value to a nominal $1) together with year-end accruals. The quarter ended December 31, 2024 net loss of $720,924 reflects share-based compensation expense recognized on stock option grants together with one-time consulting and bonus accruals. Excluding these non-recurring items, quarterly net losses have generally ranged between approximately $100,000 and $200,000, consistent with the Company's exploration-stage cost structure.

8. LIQUIDITY AND CAPITAL RESOURCES

The Company's financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Factors that could impact on the Company's liquidity are monitored regularly and include market changes and economic downturns that affect the market price of the Company's trading securities for the purpose of raising financing. The current state of equity markets presents a challenge to raise financing, and Management believes that this condition will continue over the next twelve months.

Rain City remained in a deficit working capital position at March 31, 2026. The Company continues to operate without revenue and remains dependent on external financing, monetization of financial assets, and advances from management or related parties to meet ongoing obligations. Management believes that additional financing will be required in order to fund operating costs and advance the Company's strategic initiatives.

	March 31, 2026	**September 30, 2025**
Cash	25,615	56,543
Current assets	67,346	132,859
Current liabilities	413,787	298,172
Working capital (deficit)	(346,440)	(165,313)
Total assets	67,347	132,860
Total liabilities	413,787	298,172
Total shareholders' deficit	(346,440)	(165,312)

Cash Flows

	Six months ended March 31, 2026	Six months ended March 31, 2025
Cash used in operating activities	(88,007)	(420,749)
Cash provided (used in) by investing activities	23,390	(172,581)
Cash provided by financing activities	33,689	702,393
Increase (decrease) in cash	(30,928)	109,063
Cash, beginning of period	56,543	23,879
Cash, end of period	25,615	132,942

Operating activities used $88,007 of cash in the six months ended March 31, 2026 compared with $420,749 in the prior-year period. The improvement was driven by lower net loss, reflecting materially lower operating expenditures and more favourable other items. Investing activities provided $23,390 from the sale of marketable securities in the six months ended March 31, 2026, as compared to the proceeds from the sale of marketable securities of $119,075 in the prior-year period offset by a purchase of $291,656 of Avonlea Lithium. Financing activities provided only $33,689 in the six months ended March 31, 2026, representing accrued interest on the convertible note of $1,625 and advances from related parties of $32,064, compared with $702,393 in the prior-year period when the Company completed private placement financings.

As of the Report Date, the Company has $12,983.72 in Cash.

9. OFF-BALANCE SHEET ARRANGEMENTS

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

10. SUBSEQUENT EVENTS

Subsequent to March 31, 2026, the Company entered into a non-binding term sheet with Ion Source LLC ("Ion Source"), a Texas-based technology company focused on wastewater purification, providing for a 90-day exclusivity period to negotiate definitive agreements relating to a proposed strategic collaboration focused on direct lithium extraction ("DLE"), critical mineral recovery and water purification technologies. Under the proposed arrangement, the parties intend to jointly develop and commercialize technologies utilizing Ion Source's cavitation-electrolysis platform, including potential exclusive licensing rights in South

America, joint intellectual property development, and broader commercialization initiatives across North and South America. Ion Source is an arm's length party and not a Related Person of the Company.

Subsequent to March 31, 2026, the Company also entered into a Memorandum of Understanding ("MoU") with Yacimientos de Litio Bolivianos ("YLB"), Bolivia's state lithium company, establishing a framework for laboratory-scale testing and evaluation of Bolivian brines utilizing the Company's next-generation DLE platform.

In addition, the Company entered into a strategic collaboration agreement with Fundación Fraunhofer Chile Research to support technology validation, pilot development, metallurgical optimization and commercialization initiatives associated with the Company's next-generation DLE platform across Argentina, Bolivia and Chile.

11.SHARE CAPITAL

Escrow Shares

The Company has no shares held in escrow at March 31, 2026.

Outstanding Share Capital

At each of May 28, 2026 and March 31, 2026, the Company had 82,826,416 common shares issued and outstanding.

At each of May 28, 2026 and March 31, 2026, the Company had 5,200,000 stock options outstanding, of which 4,250,000 were exercisable, with expiry dates ranging from June 13, 2027, to July 7, 2028. No stock options were granted, forfeited, or expired during the six months ended March 31, 2026.

At each of May 28, 2026 and March 31, 2026 the Company had 5,095,417 share purchase warrants outstanding with expiry dates ranging from August 22, 2026 to May 6, 2027.

Security	**Outstanding at May 28, 2026**	**Outstanding at March 31, 2026**	**Key terms / expiry**
Common shares	82,826,416	82,826,416	Issued and outstanding
Stock options	5,200,000	5,200,000	Exercise prices of $0.075 and $0.08; expiry from June 13, 2027, to July 7, 2028
Warrants	5,095,417	5,095,417	Exercise prices of $0.15 and $0.23; expiry from August 22, 2026, to May 6, 2027

12.TRANSACTIONS WITH RELATED PARTIES

Related parties include key management personnel, directors and entities controlled by individuals with significant influence over the Company. Related-party transactions represent transfers of resources, services or obligations between the Company and related parties.

Other transactions – former related parties

During the six months ended March 31, 2026, there were no transactions with former related parties.

During the six months ended March 31, 2025, the Company incurred $10,000 in administrative service fees from a company controlled by Emma Fairhurst, who formerly exerted significant influence over the Company through share ownership, and reimbursed $2,254 for costs incurred on the Company’s behalf.

The Company also recognized $6,460 of share-based compensation relating to Ms. Fairhurst.

In addition, during the six months ended March 31, 2025, a company controlled by Ms. Fairhurst subscribed for 420,000 common shares at $0.075 per share for gross proceeds of $31,500.

At March 31, 2026, no balances remained payable to former related parties.

Key management compensation

Key management personnel include directors and executive officers of the Company, comprising the Chairman of the Board, Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and Head of Corporate Development.

CEO and Director (Benjamin Hill): During the three and six months ended March 31, 2026, the Company paid no signing bonus to Mr. Hill (2025 – $nil and $225,000, respectively). For each of the three and six months ended March 31, 2026 and 2025, the Company paid or accrued management fees of $31,251 and $62,502, respectively. During the three and six months ended March 31, 2026, the Company recognized share-based compensation of $nil (2025 – $21,070) and $3,157 (2025 – $42,635), respectively. As at March 31, 2026, accounts payable included $83,336 owing to Mr. Hill (September 30, 2025 – $52,085). The amounts due are unsecured, non-interest bearing and due on demand.

Chairman of the Board and Director (David Shaw): During the three and six months ended March 31, 2026, the Company recognized share-based compensation of $nil (2025 – $21,070) and $3,157 (2025 – $42,635), respectively. As at March 31, 2026 and September 30, 2025, reimbursable expenses of $3,550 remained payable to Mr. Shaw. The amounts due are unsecured, non-interest bearing and due on demand.

Chief Financial Officer (Jacqueline Danforth): During the three and six months ended March 31, 2026, a company controlled by Ms. Danforth charged accounting fees of $4,750 and $11,250, respectively (2025 – $6,500 and $13,000), and management fees of $7,500 and $15,000, respectively (2025 – $7,500 and $22,500). During the three and six months ended March 31, 2026, the Company recognized share-based compensation of $831 (2025 – $nil) and $2,536 (2025 – $nil), respectively, relating to Ms. Danforth. As at March 31, 2026, accounts payable included $79,240 owing to a company controlled by Ms. Danforth (September 30, 2025 – $51,560). The amounts due are unsecured, non-interest bearing and due on demand.

Director (Ian Hutcheon): During the three and six months ended March 31, 2026, the Company recognized share-based compensation of $nil (2025 – $18,966) and $2,367 (2025 – $31,976), respectively.

Director (Murray Tevlin): During the three months ended March 31, 2026, the Company recognized share-based compensation of $1,294 (2025 – $nil). During the six months ended March 31, 2026, the Company recognized share-based compensation of $1,294 (2025 – $6,727).

Director (Bernadette D'Silva): During the three months ended March 31, 2026, the Company recognized share-based compensation of $1,294 (2025 – $nil). During the six months ended March 31, 2026, the Company recognized share-based compensation of $1,294 (2025 – $6,727).

Head of Corporate Development (Jason Cubitt): During the three and six months ended March 31, 2026, the Company paid or accrued management fees of $nil (2025 – $nil) and $nil (2025 – $21,000), respectively, and recognized share-based compensation of $nil (2025 – $5,268) and $789 (2025 – $10,659), respectively.

As at March 31, 2026 and September 30, 2025, accounts payable included $21,000 owing to Mr. Cubitt. The amounts due are unsecured, non-interest bearing and due on demand.

Former executives

Former CFO (Bryce A. Clark): During the three and six months ended March 31, 2026, the Company paid or accrued $nil in accounting fees to a company controlled by Mr. Clark (2025 – $11,228 and $16,628, respectively). No balance remained payable at March 31, 2026 or September 30, 2025.

Former CEO and Director (Justin Corinella): As at March 31, 2026, accounts payable included $32,000 owing to Mr. Corinella (September 30, 2025 – $32,000). The amounts due are unsecured, non-interest bearing and due on demand.

Former CEO and Director (Christopher Reynolds): During the three and six months ended March 31, 2026, the Company recognized share-based compensation of $nil and $nil, respectively (2025 – $nil and $6,274).

13.COMMITMENTS

None

14.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 scalable, water-conscious direct lithium extraction ("DLE") solutions and project development addressing the environmental, social, and economic challenges of lithium and critical mineral extraction from brine, and 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.

15.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).

<u>Fair Value of Financial Instruments</u>

The majority of the Company's financial instruments are Level 1, consisting of cash, marketable securities, accounts payable, and the convertible note. The Company's investment in Avonlea Lithium Corporation and the derivative liability associated with the note's embedded conversion feature are Level 3, as their fair value measurements rely on unobservable inputs. Marketable securities are classified at fair value through profit or loss and measured using quoted market prices (Level 1). During the quarter, the marketable securities balance declined from $73,412 at September 30, 2025, to $38,285 at March 31, 2026, after dispositions and changes in fair value. The convertible note decreased to $45,762 from $47,041, and the derivative liability decreased to $1,328 from $3,106 following remeasurement. The Company is exposed to credit risk, liquidity risk, market risk, and foreign exchange risk, particularly in connection with the U.S. dollar-denominated convertible note; however, the Company has not entered into derivative instruments to hedge these exposures.

Overall, the majority of the Company's fair value measurements rely on observable market data, with only minor balances requiring estimation techniques.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements requires management to make estimates and judgments that affect reported amounts of assets, liabilities, income and expenses. The critical estimates and judgments applied are consistent with those described in the Company's audited annual financial statements for the year ended September 30, 2025, and include: (i) the going-concern assessment given the Company's working-capital deficit and reliance on financing; (ii) the fair value measurement of the Company's investment in Avonlea Lithium Corporation, which is classified within Level 3 of the fair value hierarchy and relies on unobservable inputs including assumptions regarding intellectual property rights, future financing, and commercialization prospects; (iii) the valuation of share-based payments, including assumptions used in the Black-Scholes option pricing model (volatility, risk-free rate, expected term); (iv) the remeasurement of the derivative liability embedded in the U.S. dollar-denominated convertible note; and (v) the assessment of impairment indicators on exploration and evaluation assets. Actual results may differ materially from these estimates.

CHANGES IN ACCOUNTING POLICIES

During the six months ended March 31, 2026, the Company did not adopt any new accounting standards or amendments that resulted in a change to the Company's accounting policies. The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied in the Company's audited annual financial statements for the year ended September 30, 2025. IFRS 18 Presentation and Disclosure in Financial Statements, effective for annual periods beginning on or after January 1, 2027, is being monitored by management but has not yet been adopted.

15.RISK FACTORS

The Company's business, operations and prospects are subject to significant risks, including but not limited to: continuing losses and the need for additional financing; uncertainty regarding commercialization of direct lithium extraction ("DLE") technology; volatility in marketable securities values; dependence on key personnel; regulatory and securities compliance risks; mineral exploration and project execution risk; foreign jurisdiction and joint venture risk in South America; and accounting and valuation risk associated with fair value measurements, including the derivative liability.

Additional risks and uncertainties not presently known to the Company, or that the Company currently considers immaterial, may also adversely affect the Company's business and financial condition.

16.PROPOSED TRANSACTIONS

None

17.BOARD OF DIRECTORS AND OFFICERS

Chief Executive Officer and Director	: Benjamin Hill
Chairperson and Director	: Dr. David Shaw
Director	: Dr. Ian Hutcheon
Director	: Bernadette D'Silva
Director	: Murray Tevlin
Chief Financial Officer & Corporate Secretary	: Jacqueline Danforth

18.MANAGEMENT'S REPORT ON INTERNAL CONTROLS AND PROCEDURES

Rain City Resources Inc. (the "Company") is a *venture issuer* as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. As a venture issuer, the Company files the basic certificates required by Form 52-109FV1 (annual) and Form 52-109FV2 (interim). These certificates do not include representations relating to the establishment or maintenance of disclosure controls and procedures ("DC&P") or internal control over financial reporting ("ICFR"). Accordingly, management is not required to establish or maintain DC&P or ICFR, and the certifying officers do not make representations regarding such controls.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the certifications they provide. Due to inherent limitations, no control system can provide absolute assurance that misstatements due to error or fraud will be prevented or detected.

For the interim period ended March 31, 2026, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

19.MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The accompanying condensed interim financial statements and the information contained in this Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The condensed interim financial statements have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial reporting, including IAS 34 *Interim Financial Reporting*. These financial statements include amounts based on estimates and judgments, which management has determined on a reasonable basis to ensure fair presentation, in all material respects.

Management ensures that the financial information presented in this MD&A is consistent with the interim financial statements.

The Board of Directors is responsible for reviewing and approving the interim financial statements and MD&A. This responsibility is typically carried out through the Audit Committee, which reviews financial reporting matters with management and, where applicable, the external auditors, prior to approval by the Board.

ADDITIONAL INFORMATION

Additional information relating to the Company, including its annual financial statements, management's discussion and analysis, news releases, and material change reports, is available on SEDAR+ at www.sedarplus.ca.