

RAINY RIVER RESOURCES LTD.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Stated in Canadian Dollars)
FOR THE SIX MONTHS ENDED
MARCH 31, 2010

(Unaudited)

RAINY RIVER RESOURCES LTD.

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

ASSETS

	<u>March 31 2010</u>	<u>September 30 2009</u>
CURRENT		
Cash and cash equivalents	\$ 67,532,751	\$ 7,562,591
Short-term investments (Note 3)	-	10,143,311
Marketable securities (Note 4)	-	158,400
Receivables	263,006	173,511
Prepaid expenses	128,233	47,563
	<u>67,923,990</u>	<u>18,085,376</u>
NON-CURRENT		
Equipment (Note 5)	267,397	191,806
Mineral properties (Note 6)	56,890,617	47,734,155
	<u>\$ 125,082,004</u>	<u>\$ 66,011,337</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 1,340,788	\$ 1,479,921
NON-CURRENT		
Future income taxes (Note 10)	1,774,000	1,045,000
	<u>3,114,788</u>	<u>2,524,921</u>

SHAREHOLDERS' EQUITY

Share capital (Note 7)	129,932,933	70,354,790
Contributed surplus (Note 7)	8,246,603	7,174,685
Deficit	(16,212,320)	(14,043,059)
	<u>121,967,216</u>	<u>63,486,416</u>
	<u>\$ 125,082,004</u>	<u>\$ 66,011,337</u>

Basis of presentation (Note 1)
Commitment to issue shares (Note 7 (d))
Subsequent events (Note 12)

APPROVED BY THE DIRECTORS:

"Dale C. Peniuk"

Dale C. Peniuk, Director

"Raymond W. Threlkeld"

Raymond W. Threlkeld, Director

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

RAINY RIVER RESOURCES LTD.

INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

(Unaudited)

	For the three months ended		For the six months ended	
	Mar. 31, 2010	Mar. 31, 2009	Mar. 31, 2010	Mar. 31, 2009
EXPENSES				
Amortization	\$ 26,047	\$ 15,724	\$ 40,373	\$ 29,448
Audit and legal	89,230	38,437	97,036	59,148
Consulting	160,566	95,500	297,658	149,500
Office and miscellaneous	74,195	50,862	119,177	79,971
Promotion and investor relations	61,442	34,378	113,185	68,760
Regulatory and filing fees	59,386	13,026	101,169	26,196
Rent	17,002	15,436	34,214	31,560
Salaries and benefits	257,948	81,588	503,626	152,571
Stock-based compensation (Note 7c)	1,480,016	1,475,246	2,076,623	1,722,546
Travel	122,802	42,461	185,766	51,018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	(2,348,634)	(1,862,658)	(3,568,827)	(2,370,718)
OTHER ITEMS				
Interest income	68,987	104,004	140,181	341,770
Unrealized loss on marketable securities	(5,904)	(16,745)	(79,519)	(196,176)
Gain on disposal of marketable securities	5,904	-	5,904	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	68,987	87,259	66,566	145,594
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LOSS BEFORE INCOME TAXES	(2,279,647)	(1,775,399)	(3,502,261)	(2,225,124)
Future income tax recovery	1,055,000	74,000	1,333,000	61,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(1,224,647)	(1,701,399)	(2,169,261)	(2,164,124)
DEFICIT, BEGINNING OF THE PERIOD	(14,987,673)	(10,950,930)	(14,043,059)	(10,488,205)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEFICIT, END OF THE PERIOD	(\$16,212,320)	(\$12,652,329)	(\$16,212,320)	(\$12,652,329)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.04)
Weighted average number of common shares outstanding	65,218,638	56,768,158	62,153,578	57,334,482

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

RAINY RIVER RESOURCES LTD.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the three months ended		For the six months ended	
	Mar. 31, 2010	Mar. 31, 2009	Mar. 31, 2010	Mar. 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	\$ (1,224,647)	\$ (1,701,399)	\$ (2,169,261)	\$ (2,164,124)
Items not involving cash:				
Amortization	26,047	15,724	40,373	29,448
Gain on disposal of marketable securities	(5,904)	-	(5,904)	-
Unrealized loss on marketable securities	5,904	16,745	79,519	196,176
Interest accrual on short-term investments	56,064	302,362	-	207,974
Stock-based compensation	1,480,016	1,475,246	2,076,623	1,722,546
Future income tax recovery	(1,055,000)	(74,000)	(1,333,000)	(61,000)
Changes in non-cash working capital items:				
Accounts payable and accrued liabilities	(59,094)	(33,047)	(21,641)	(20,329)
Receivables	(26,836)	(24,565)	(89,495)	(10,288)
Prepaid expenses	(21,209)	22,852	(80,670)	24,893
Net cash flows used in operating activities	<u>(824,659)</u>	<u>(82)</u>	<u>(1,503,456)</u>	<u>(74,704)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issue of share capital	55,868,226	-	64,197,316	-
Share issue costs	(3,490,683)	-	(4,122,958)	-
Shares purchased under issuer bid	-	-	-	(1,122,529)
Cash flows provided by (used in) financing activities	<u>52,377,543</u>	<u>-</u>	<u>60,074,358</u>	<u>(1,122,529)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties, net of changes in accounts payable and accrued liabilities	(4,273,601)	(2,235,684)	(8,712,874)	(6,367,412)
Short term investments	10,143,311	-	10,143,311	-
Proceeds on disposal of marketable securities	84,785	-	84,785	-
Purchase of equipment	(89,708)	(13,493)	(115,964)	(33,016)
Cash flows provided by (used in) investing activities	<u>5,864,787</u>	<u>(2,249,177)</u>	<u>1,399,258</u>	<u>(6,400,428)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	57,417,671	(2,249,259)	59,970,160	(7,597,661)
Cash and cash equivalents - beginning of period	<u>10,115,080</u>	<u>16,338,967</u>	<u>7,562,591</u>	<u>21,687,369</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 67,532,751</u>	<u>\$ 14,089,708</u>	<u>\$ 67,532,751</u>	<u>\$ 14,089,708</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

RAINY RIVER RESOURCES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended March 31, 2010
(Unaudited)

1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“GAAP”). All financial information included herein is presented on a comparative and consistent basis showing the figures for the corresponding periods in the preceding year. The preparation of these interim consolidated financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with GAAP has been condensed or omitted. These interim consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Company’s latest annual report. In the opinion of management, the Company’s interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the financial position and the results of operations and cash flows for the interim periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements to be Applied

Amendment to Financial Instruments – Disclosures

The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards (“IFRS”).

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) announced that IFRS will replace Canadian GAAP for publicly-listed companies for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be October 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended September 30, 2011. The Company has not yet completed a full evaluation of the impact of the adoption of IFRS on its consolidated financial statements.

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-Controlling Interests”, which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted, although all three Sections must be adopted concurrently.

3. SHORT-TERM INVESTMENTS

At September 30, 2009, short-term investments consisted of \$10,000,000 in guaranteed investment certificates plus accrued interest of \$143,511 with an average interest yield of 2.26%, purchased on February 12, 2009 and maturing on February 12, 2010. Upon maturity on February 12, 2010, these funds were invested in cash and cash equivalents.

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4. MARKETABLE SECURITIES

During the three month period ended March 31, 2010, shares in publicly traded companies were sold for proceeds of \$84,785. At September 30, 2009, marketable securities were stated at fair value and consisted of shares in publicly traded companies with an original cost of \$78,881.

5. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
March 31, 2010			
Computer equipment	228,753	118,846	109,007
Office furniture and equipment	84,953	37,213	47,740
Field equipment	222,756	113,006	109,750
	536,462	269,065	267,397
September 30, 2009			
Computer equipment	201,462	103,144	98,318
Office furniture and equipment	55,953	31,909	24,044
Field equipment	163,083	93,639	69,444
	420,498	228,692	191,806

6. MINERAL PROPERTIES

Title to mineral properties involves inherent risks due to difficulties of determining the validity of certain mineral claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

a) Rainy River Property, Ontario

The Company holds a 100-percent interest in the Rainy River property, located in the southwest corner of northern Ontario.

At the time of original acquisition, the Company was obligated to pay a bonus of \$2,500,000 on commencement of commercial production from the property and a quarterly royalty of \$1 per ton of ore produced from the property, subject to an annual consumer price index adjustment. In December 2008, the Company completed an agreement with Nuinsco Resources Limited (“Nuinsco”) pursuant to which the Company purchased Nuinsco’s right to the production tonnage royalty and the bonus payment due on the property. Under the terms of the agreement, the Company purchased Nuinsco’s rights to the royalty and the bonus payment by making a cash payment of \$500,000 and issuing a total of 200,000 common shares valued at \$130,000.

The property had a 3% net smelter returns royalty (“NSR”) on production. In May 2009, the Company completed an agreement with the underlying vendors pursuant to which the Company purchased the underlying vendors right to the 3% NSR. Under the terms of the agreement, the Company purchased the underlying vendors rights to the NSR by making a cash payment of \$475,000 and issuing a total of 600,000 common shares valued at \$1,710,000.

A portion of the property is also subject to a 10% net profits interest.

The Company has entered into several additional property option agreements in the Rainy River District which, together with the aforementioned property, make up the entire Rainy River Property.

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6. MINERAL PROPERTIES (Cont'd)

During the period from June 2005 to March 31, 2010, the Company entered into various agreements whereby the Company has an option to earn a 100% interest, subject to a 2% NSR (3% on one property), in certain patented mineral rights in various townships in the Rainy River District, by making cash payments totalling \$3,195,000 (\$1,893,610 paid) and issuing a total of 1,589,500 common shares (1,086,500 issued at a total value of \$3,341,130) over the period to March 2012. Upon expiry of the option period on one of the properties, on the fifth anniversary date of the agreement (fiscal 2010), the Company is required to make annual advance royalty payments of \$30,000 for a three year period, totalling \$90,000 (\$30,000 paid).

During fiscal 2008, 2009 and 2010, the Company also paid a total of \$210,000 and issued 82,500 shares (issued at total value of \$276,625) in connection with five option agreements entered into during fiscal 2007 and 2008 that were terminated in 2009 and 2010.

During the year ended September 30, 2009, the Company completed the purchase of surface and mineral rights to two land parcels in Richardson Township for \$75,882.

The details of the costs incurred on the Company's Rainy River Property are as follows:

	Six months ended March 31 2010	Year ended September 30 2009
Acquisition costs		
Opening balance	\$ 12,236,623	\$ 8,088,183
Additions		
Shares issued	561,080	2,401,100
Property option payments	315,000	658,000
Royalty and bonus purchase	-	500,000
NSR purchase	-	475,000
Advance royalty payments	30,000	-
Legal costs	1,502	17,228
Staking costs	1,815	21,230
Land rights purchase	-	75,882
	<u>909,397</u>	<u>4,148,440</u>
Total acquisition costs	<u>13,146,020</u>	<u>12,236,623</u>
Exploration costs		
Opening balance	35,372,935	24,860,578
Additions		
Compilation and analysis	832,786	1,459,054
Drilling	5,560,146	6,317,843
Equipment rental	44,675	73,283
Field technicians and expenses	518,312	779,877
Geologists and consultants	443,130	1,060,277
Preliminary geo-technical studies	505,394	168,799
Site office preparation	49,728	68,276
Socio-environmental baseline studies	218,655	460,603
Travel and subsistence	68,985	124,345
	<u>8,241,811</u>	<u>10,512,357</u>
Total exploration costs	<u>43,614,746</u>	<u>35,372,935</u>
Total costs – Rainy River Property	\$ 56,760,766	\$ 47,609,558

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6. MINERAL PROPERTIES (Cont'd)

b) Mud Creek Property

During the year ended in September 30, 2006, the Company acquired a 100% interest in certain mineral leases in St. Louis County in northern Minnesota, U.S.A. referred to as the Mud Creek Property. Based on mineral tenure provisions in Minnesota, subject to performance and payment of rental, these mineral leases expire in September 2055.

The details of the costs incurred on the Company's Mud Creek Property are as follows:

	Six months ended March 31 2010	Year ended September 30 2009
Acquisition costs		
Opening balance	\$ 17,685	\$ 17,685
Additions	-	-
Total acquisition costs	17,685	17,685
Exploration costs		
Opening balance	106,912	90,553
Additions		
Geological consulting	-	1,006
Lease maintenance costs	5,254	15,353
	5,254	16,359
Total exploration costs	112,166	106,912
Total costs – Mud Creek Property	\$ 129,851	\$ 124,597
Total all properties	\$ 56,890,617	\$ 47,734,155

7. SHARE CAPITAL

(a) Share capital and contributed surplus

Authorized

Unlimited common shares without par value

	Number of shares	Share Capital \$	Contributed Surplus \$
Issued			
As at September 30, 2009	57,161,890	70,354,790	7,174,685
Stock-based compensation	-	-	2,076,623
Stock options exercised	975,963	935,926	-
Fair value allocation on exercise of options	-	1,004,705	(1,004,705)
Property option agreements	162,000	561,080	-
Private placements	14,038,500	63,261,390	-
Share issue costs	-	(4,122,958)	-
Tax benefits of the renunciation of flow-through expenditures to shareholders	-	(2,062,000)	-
As at March 31, 2010	72,338,353	129,932,933	8,246,603

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7. SHARE CAPITAL (Cont'd)

Private placements

On February 25, 2010, the Company closed a private placement raising gross proceeds of \$55,014,300 through the issuance of 11,114,000 units at a price of \$4.95 per unit on a bought deal basis. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$7.10 per common share until February 26, 2012. The Company paid a finance fee of \$3,300,858 in connection with the private placement.

On November 2, 2009, the Company closed a brokered private placement raising gross proceeds of \$8,247,090 through the issuance of 2,924,500 flow-through shares at a price of \$2.82 per common share. The agents were paid a total of \$494,825 as financing fees. During the period ended March 31, 2010, the Company incurred \$6,999,504 of flow-through expenditures, leaving \$1,247,586 remaining to be incurred by December 31, 2010.

(b) Stock options and warrants

The Company has a rolling stock option plan, whereby from time to time, at the discretion of the Board of Directors, stock options may be granted to directors, officers, employees and consultants. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant less an applicable discount. The options may be granted for a maximum of five years and vesting is determined by the Board of Directors.

Stock options and share purchase warrant transactions are summarized as follows:

	Stock options		Warrants	
	Number of options	Weighted Average Exercise Price \$	Number of warrants	Exercise Price \$
Outstanding, September 30, 2009	4,575,000	1.61	-	-
Granted/issued	1,130,000	4.55	5,557,000	7.10
Exercised	(975,963)	0.96	-	-
Expired/cancelled	-	-	-	-
Outstanding, March 31, 2010	4,729,037	2.45	5,557,000	7.10
Exercisable, March 31, 2010	2,413,204	2.17	5,557,000	7.10

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7. SHARE CAPITAL (Cont'd)

The following stock options and warrants were outstanding at March 31, 2010:

	Number of shares	Exercise Price \$	Expiry Date
Stock options	100,000	4.50	June 6, 2013 (2/3 not vested)
	50,000	2.00	June 6, 2013 (1/3 not vested)
	3,500	2.00	August 6, 2013 (3,333 not vested)
	866,667	0.83	November 11, 2013 (333,333 not vested)
	325,468	2.00	February 9, 2014 (171,667 not vested)
	1,753,402	2.00	February 9, 2014 (633,333 not vested)
	500,000	2.01	June 22, 2014 (2/3 not vested)
	250,000	2.98	December 14, 2014 (2/3 not vested)
	880,000	5.00	February 17, 2015 (590,833 not vested)
	<u>4,729,037</u>	<u>2.45</u>	
Warrants	5,557,000	7.10	February 26, 2012
	<u>5,557,000</u>	<u>7.10</u>	

Vesting of certain options may be accelerated under certain terms and conditions.

(c) Stock-based compensation

During the six-month period ended March 31, 2010, the Company granted 1,130,000 (March 31, 2009 – 2,900,000) stock options with a total estimated fair value of \$3,051,200 (March 31, 2009 - \$3,157,052) and re-priced nil (2009 – 575,000) stock options that the Company estimated had a fair value of \$nil (2009 - \$696,732). The fair value per option granted was \$2.70 (March 31, 2009 - \$1.09) and per re-priced option was \$nil (2009 - \$1.21). The vesting periods ranged from date of grant for a period of two years. For the period ended March 31, 2010, the Company recorded \$2,076,623 (March 31, 2009 - \$1,722,546) as stock-based compensation expense.

The fair value of stock options granted and re-priced is estimated on the grant date using the Black-Scholes option-pricing model. The weighted average assumptions used in the calculation of fair value are as follows:

	Six months ended March 31, 2010	Six months ended March 31, 2009
Risk free interest rate	1.94%	2.20%
Expected life	5 years	5 years
Expected stock volatility	81%	91%
Expected dividend yield	Nil	Nil

(d) Commitment to issue shares

In June 2009, the Company agreed to issue 50,000 common shares as a signing bonus to the Company's new president and chief executive officer on June 22, 2010, being the first anniversary of the date of the appointment, provided the president and chief executive officer continues to be employed by the Company at that time.

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8. RELATED PARTY TRANSACTIONS

During the six months ended March 31, 2010, the Company entered into transactions with related parties as follows:

- (a) paid or accrued consulting fees of \$60,000 (March 31, 2009 - \$60,000) to a company controlled by the Vice-Chair of the Board of Directors who is formerly the Company's President and Chief Executive Officer;
- (b) paid or accrued consulting fees of \$30,000 (March 31, 2009 - \$30,000) to a company controlled by the Chief Financial Officer;
- (c) paid or accrued consulting fees, included in exploration costs, of \$83,969 (March 31, 2009 - \$39,270) and other consulting fees of \$60,000 (March 31, 2009 - \$20,000) to a company controlled by the Vice President Exploration, who is also a director; and
- (d) paid or accrued consulting fees of \$60,000 (March 31, 2009 - \$20,000) to a company controlled by the Vice President Administration, who is also a director.

As at March 31, 2010, accounts payable and accrued liabilities includes \$15,659 due to related parties (September 30, 2009 - \$18,985).

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company did not pay cash for interest expense or income taxes for any of the periods presented.

For the six months ended March 31, 2010, the Company's significant non-cash financing and investing transactions consisted of:

- a) The accrual in mineral properties of deferred exploration costs incurred of \$1,204,074 as at March 31, 2010 (\$1,321,566 as at September 30, 2009);
- b) The issuance of common shares valued at \$561,080 related to mineral property option agreements;
- c) The recognition of a fair value component of \$1,004,705 in respect of options exercised; and
- d) The recording of a decrease to share capital of \$2,062,000 on the renunciation of flow-through expenditures to shareholders and a corresponding increase to future income tax liability related thereto.

For the six months ended March 31, 2009, the Company's significant non-cash financing and investing transactions consisted of:

- e) The accrual in mineral properties of deferred exploration costs incurred of \$1,064,660 as at March 31, 2009 (\$1,192,646 at September 30, 2008);
- f) The issuance of common shares valued at \$133,375 related to mineral property option agreements;
- g) The issuance of common shares valued at \$130,000 related to the purchase of royalty and bonus rights; and
- h) The allocation of a share repurchase premium of \$198,801 from share capital to contributed surplus on cancellation of treasury shares repurchased.

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10. INCOME TAXES

A reconciliation of income tax expense (recovery) for the six-month periods ended March 31, 2010 and 2009 at statutory rates with reported taxes follows:

	March 31, 2010	March 31, 2009
Loss before income taxes	\$ (3,502,261)	\$ (2,225,124)
Expected income tax recovery	\$ (1,011,000)	\$ (670,000)
Non deductible expenses	634,000	588,000
Non-capital losses and financing costs	(956,000)	21,000
Income tax expense (recovery)	\$ (1,333,000)	\$ (61,000)
Represented by:		
Income tax expense (recovery)	-	-
Future income tax expense (recovery)	\$ (1,333,000)	\$ (61,000)

The tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities as at March 31, 2010 and September 30, 2009 are as follows:

	March 31, 2010	September 30, 2009
Future income tax assets:		
Financing costs	\$ 1,130,000	\$ 284,000
Investment tax credit	1,482,000	1,411,000
Non-capital losses carried forward	1,611,000	1,134,000
Net capital losses carried forward	562,000	563,000
Equipment	64,000	54,000
	4,849,000	3,446,000
Valuation allowance	(2,044,000)	(1,964,000)
Net future income tax assets	2,805,000	1,482,000
Future income tax liabilities:		
Marketable securities	-	(10,000)
Mineral properties	(4,579,000)	(2,517,000)
	(4,579,000)	(2,527,000)
Net future income tax assets (liabilities)	\$ (1,774,000)	\$ (1,045,000)

Subject to certain restrictions, at March 31, 2010, the Company has operating losses of approximately \$6,445,000 available to reduce taxable income of future years. Unless utilized, these losses will expire through 2030. In addition, the Company has exploration and development expenditures of approximately \$39,822,000 available to reduce taxable income of future years. The Company has net capital loss carry forwards of approximately \$4,499,000.

The Company renounced certain deductions for Canadian exploration expenditures incurred on the Company's resource properties resulting in a future income tax liability and a charge against share capital. This liability has been offset by future income tax. The Company is required to spend approximately \$8,247,090 on mineral exploration expenditures relating to flow-through share issuances.

RAINY RIVER RESOURCES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended March 31, 2010
(Unaudited)

11. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition and exploration of mineral properties. All of the Company's assets are located in Canada, except for certain mineral property interests disclosed in Note 6.

12. SUBSEQUENT EVENTS

Subsequent to March 31, 2010, the Company:

- a) issued 55,331 common shares on exercise of stock options for proceeds of \$110,662;
- b) issued 10,000 common shares and paid \$20,000 towards an existing property option agreement; and
- c) granted 150,000 stock options to acquire common shares exercisable at \$6.09 per option for a period of five years expiring April 6, 2015.