



**RAINY RIVER RESOURCES LTD.**  
**THIRD QUARTER ENDED JUNE 30, 2005**  
**Interim Consolidated Financial Statements**

**NOTICE**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these interim unaudited financial statements for the period ended June 30, 2005.

**RAINY RIVER RESOURCES LTD.  
CONSOLIDATED BALANCE SHEET  
AS AT JUNE 30, 2005 AND SEPTEMBER 30, 2004**

	June 30, 2005 Cdn \$	September 30, 2004 Cdn \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short term deposits	\$60,364	\$35,542
Marketable securities	303,339	575,197
Accounts receivable	16,675	-
Deposits and prepaid expenses	23,552	-
Current assets of discontinued operation	-	119,551
	403,930	730,290
<b>EQUIPMENT</b>	30,114	-
<b>MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 4)</b>	3,683,487	-
<b>LONG TERM INVESTMENTS (Note 7)</b>	528,235	528,235
	\$4,645,766	\$1,258,525
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$93,484	\$24,204
Current portion of purchase price payable (Note 3)	1,000,000	-
Current liabilities of discontinued operation	-	19,551
	1,093,484	43,755
<b>LONG TERM LIABILITIES</b>		
Purchase price payable (Note 3)	500,000	-
	1,593,484	43,755
<b>SHAREHOLDERS EQUITY</b>		
<b>CAPITAL STOCK (Notes 2 and 3)</b>	5,917,793	4,743,033
<b>CONTRIBUTED SURPLUS</b>	978,457	-
<b>DEFICIT</b>	(3,843,968)	(3,528,263)
	3,052,282	1,214,770
	\$4,645,766	\$1,258,525

**APPROVED BY THE DIRECTORS:**

"Nelson W. Baker"  
Nelson W. Baker  
Director

"Leo N.S. Berezan"  
Leo N.S. Berezan  
Director

**RAINY RIVER RESOURCES LTD.  
CONSOLIDATED STATEMENT OF DEFICIT  
FOR THE THREE MONTHS AND THE NINE MONTHS ENDED JUNE, 30, 2005**

	3 Months ended June 30, 2005	3 Months ended June 30, 2004	9 Months ended June 30, 2005	9 Months ended June 30, 2004
<b>DEFICIT - BEGINNING OF PERIOD</b>	(\$3,714,333)	(\$3,155,021)	(\$3,528,263)	(\$3,074,583)
Net Earnings (loss) for the period	<u>(129,635)</u>	<u>(354,801)</u>	<u>(315,705)</u>	<u>(435,239)</u>
<b>DEFICIT - END OF PERIOD</b>	<u><u>(\$3,843,968)</u></u>	<u><u>(\$3,509,822)</u></u>	<u><u>(\$3,843,968)</u></u>	<u><u>(\$3,509,822)</u></u>

**RAINY RIVER RESOURCES LTD.**  
**CONSOLIDATED STATEMENT OF EARNINGS**  
**FOR THE THREE MONTHS AND THE YEAR ENDED JUNE 30,2005**

	3 Months ended June 30, 2005	3 Months ended June 30, 2004	9 Months ended June 30, 2005	9 Months ended June 30, 2004
<b>INTEREST INCOME</b>	\$232	\$486	\$592	\$4,844
<b>GAIN ON SALE OF MARKETABLE SECURITIES</b>	36,147	37,468	165,392	108,979
	<u>36,379</u>	<u>37,954</u>	<u>165,984</u>	<u>113,823</u>
<b>EXPENSES</b>				
Amortisation	382	103	1,777	2,188
General and administrative (Schedule)	143,653	97,474	314,169	243,357
Write-down of marketable securities	5,801	35,178	17,765	43,517
	<u>149,836</u>	<u>132,755</u>	<u>333,711</u>	<u>289,062</u>
<b>LOSS FROM CONTINUING OPERATIONS</b>	-113,457	-94,801	-167,727	-175,239
<b>DISCONTINUED OPERATIONS</b>	-16,178	-260,000	-147,978	-260,000
<b>NET LOSS</b>	<u>-129,635</u>	<u>-354,801</u>	<u>-315,705</u>	<u>-435,239</u>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>				
Per share from continuing operations (Note 8)	-\$0.005	-\$0.007	-\$0.007	-\$0.013
Per share from discontinued operations	-\$0.001	-\$0.020	-\$0.006	-\$0.020
Net earnings (loss) per share	-\$0.005	-\$0.027	-\$0.013	-\$0.033
<b>FULLY DILUTED EARNINGS PER SHARE</b>				
Per share from continuing operations (Note 8)	-\$0.005	-\$0.007	-\$0.007	-\$0.013
Per share from discontinued operations	-\$0.001	-\$0.020	-\$0.007	-\$0.019
Net earnings (loss) per share	-\$0.005	-\$0.027	-\$0.014	-\$0.033

**RAINY RIVER RESOURCES LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS AND THE NINE MONTHS ENDED JUNE 30, 2005**

	3 Months ended June, 30 2005	3 Months ended June, 30 2004	9 Months ended June, 30 2005	9 Months ended June, 30 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Earnings (Loss) for the period from continuing operations	-\$113,457	-\$94,801	-\$167,727	-\$175,239
Charges (credits) to continuing operations not resulting in an outlay (inflow) of cash				
Amortisation	382	103	1,777	2,188
Gain on sale of marketable securities	-36,147	-37,468	-165,392	-108,979
Write down of marketable securities	5,801	35,178	17,765	43,517
	<u>-143,421</u>	<u>-96,988</u>	<u>-313,577</u>	<u>-238,513</u>
Loss from discontinued operations	-16,178	-	-147,978	-
Loss on disposal of subsidiary	-	260,000	-	260,000
Changes in non cash working capital balances	1,085,928	-226,121	1,129,063	213,538
	<u>926,329</u>	<u>-63,109</u>	<u>667,508</u>	<u>235,025</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of mineral properties	-3,683,487	-	-3,683,487	-
Increase in long term obligations	500,000	-	500,000	-
Purchase of capital assets	-5,493	-	-31,890	-
Proceeds on exercise of stock options	-	-	52,005	-
Issue of capital stock	2,101,212	-	2,101,212	-
Proceeds on sale of marketable securities	157,086	44,567	511,975	171,153
Purchase of marketable securities	-92,500	-165,000	-92,500	-439,344
	<u>-1,023,182</u>	<u>-120,433</u>	<u>-642,685</u>	<u>-268,191</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	-96,853	-183,542	24,823	-33,166
Cash and cash equivalents - beginning of period	157,218	240,054	35,542	89,678
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u>\$60,365</u>	<u>\$56,512</u>	<u>\$60,365</u>	<u>\$56,512</u>

**RAINY RIVER RESOURCES LTD.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE THREE MONTHS AND THE NINE MONTHS ENDED JUNE 30, 2005**

	3 Months ended June 30, 2005	3 Months ended June 30, 2004	9 Months ended June 30, 2005	9 Months ended June 30, 2004
Bank charges and interest	69	136	205	212
Office & miscellaneous	17,066	19,081	29,801	55,772
Professional & consulting	22,805	44,184	51,715	91,397
Regulatory and filing fees	40,674	1,454	54,664	21,345
Legal and audit	63,039	32,619	177,784	74,631
	<u>\$143,653</u>	<u>\$97,474</u>	<u>\$314,169</u>	<u>\$243,357</u>

**RAINY RIVER RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1 – BASIS OF PRESENTATION**

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements. Certain information and footnote disclosure normal included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period consolidated financial statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the interim periods presented.

Costs related to the acquisition of exploration of mineral properties are capitalised by property. If commercially profitable ore reserves are developed, capitalised costs of the related property are reclassified as mining assets and amortised using the unit of production method. If after management review, it is determined those capitalised costs will not be recoverable for a property, or a property is abandoned, that property is written down to its net realisable value.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The figures presented for the periods ended June, 2004 have been reclassified to facilitate comparison with the current period

The Company changed its financial year-end from June 30 to September 30, commencing with the year ended June 30, 2004 which was extended to September 30, 2004. These financial statements are unaudited interim financial statements for the three months and nine months ended June 30, 2005 with comparative figures for the three months and nine months ended June 30, 2004.

**NOTE 2 - CHANGE OF NAME AND SHARE SPLIT**

During the quarter the Company changed its name from Collingwood Capital Corporation to Rainy River Resources Ltd. With effect from June 15, 2005 the common shares of Rainy River Resources Ltd. commenced trading on the TSX Venture Exchange and the common shares of Collingwood Capital Corp. were delisted.

**NOTE 3 - AGREEMENT TO ACQUIRE RAINY RIVER PROPERTY**

On February 1, 2005 the Company entered into a formal agreement with Nuinsco Resources Ltd. to purchase Nuinsco's 100-per-cent interest in the Rainy River mineral project, located in the Rainy River district of Northwestern Ontario. The agreement was subject to shareholder and regulatory approvals. Final approval was received from the TSX on June 28, 2005. The agreement replaced an agreement between Nuinsco and 608457 B.C. Ltd. respecting the purchase and sale of the Rainy River property, which agreement was assigned by 608457 to the Company. The Company also agreed to purchase all of the securities of 608457 in exchange for securities of the Company.

Nuinsco is a Toronto-based mineral exploration company whose common shares are listed for trading on the Toronto Stock Exchange. The Rainy River project comprises a land package of approximately 16,530 hectares in 12 townships in Northwestern Ontario. Exploration to date has led to three mineral discoveries, the gold-bearing No. 17 zone and the No. 433 zone, two separate volcanogenic gold deposits and the high-grade No. 34 nickel-copper-PGM zone. The Company intends to evaluate all three zones by further drilling aimed at expanding the deposits and exploring for other potential mineral occurrences.

The material terms of the Company's agreement with Nuinsco are:

1. Pursuant to the sale agreement respecting the Rainy River property, Nuinsco is to be paid total cash payments of \$2.5-million, of which \$750,000 has been paid by 608457 to date. The Company will pay to Nuinsco the balance of \$1.75-million in seven equal quarterly installments of \$250,000 each. The first payment was made on June 15, 2005, and the additional six payments are due quarterly thereafter.
2. As security for payment of the purchase price, The Company has granted to Nuinsco a first mortgage and general security interest over the interest it acquires in the Rainy River property and all related assets.
3. In addition to the cash portion of the purchase price, The Company issued to Nuinsco on closing a total of 2,197,380 common shares at a deemed price of \$0.25 per share. If the Company proposes to issue any additional securities in order to finance the continued development of the Rainy River property, Nuinsco shall have a pre-emptive right to participate in such financing, to a maximum of 7 per cent thereof for a term of five years. In addition, if the Company completes an equity financing within 60 days following closing, Nuinsco will be entitled to receive additional shares of the Company equal to 7 per cent of that financing.
4. The Company will also pay to Nuinsco a bonus of \$2.5-million on commencement of commercial production or direct shipment of ore from the property. Nuinsco will also receive a quarterly royalty \$1 per ton of ore produced from the property, subject to an annual consumer price index adjustment. All royalty payments will be paid quarterly.
5. A finders fee of 727,532 common shares was paid in respect of the transaction.
6. In consideration for the acquisition of the issued and outstanding share capital of 608457 B.C. Ltd. , the Company issued 6,400,000 common shares and 6,400,000 share purchase warrants to the shareholders and warrant holders of 608457 B.C. Ltd. in exchange on a one for one basis (one common share of the Company in exchange for one common share of 608457 B.C. Ltd. and one warrant of the Company for one warrant of 608457 B.C. Ltd.). The warrants to be issued by the Company will have an exercise price of \$0.50 and a term of one year.

The company's acquisition of the Rainy River property constituted a change of business under the policies of the TSX-V, and has received exchange acceptance and approval by the Company's shareholders.

#### **NOTE 4 – MINERAL PROPERTIES**

The Company's Rainy River Ontario mineral property consists of:

Acquisition costs	\$3,199,813
Deferred exploration expenses	<u>483,674</u>
	<u>\$3,683,487</u>

## NOTE 5 – DISCONTINUED OPERATION

The Company's operating subsidiary, Architectural Stone Corp. (ASC), in Ontario, Canada was engaged in the development and operation of marble and limestone quarries, and the processing of dimensional stone into marble and limestone tiles and slabs for the construction industry. On September 4, 2003, the Company loaned ASC \$100,000 with interest calculated at 8% per annum. The loan was due and payable on March 2, 2004. The Company subsequently entered into an agreement for a management buyout of ASC for \$260,000 to be effective June 30, 2003. The proposed sale was terminated in September 2004 after ASC failed to repay the loan. In October 2004 ASC was placed into bankruptcy. During the period the assets of ASC were sold for \$125,000. Proceeds from the sale, less trustee and legal fees, were used to partially repay the loan. It is estimated that no further proceeds will be received from the trustee in respect of the asset sale.

The results of the discontinued operations are as follows:

	June 30 <u>2005</u>	September 30 <u>2004</u>
Revenue		\$951,070
Cost of Sales		<u>1,268,118</u> (335,048)
Write-off of loan	\$51,682	
Legal, general & administrative	<u>96,296</u>	<u>607,642</u>
	147,978	
Operating loss		(942,690)
Write-down of accounts receivable		(345,260)
Write-down of assets		(615,159)
Liabilities extinguished due to bankruptcy		<u>1,643,109</u>
Loss from discontinued operations	<u>(\$147,978)</u>	<u>\$(260,000)</u>

## NOTE 6 – RELATED PARTY TRANSACTIONS

1. During the period post-split stock options were issued to a director of the Company as follows:

500,000 Common shares at an exercise price of \$.25 per share expiring February 16, 2010  
500,000 Common shares at an exercise price of \$.28 per share expiring March 17, 2010

2. During the period pre-split stock options held by directors were exercised for proceeds of \$52,005 as follows:

108,000 Common shares at an exercise price of \$0.15  
217,000 Common shares at an exercise price of \$0.165

## NOTE 7 – LONG TERM INVESTMENTS

Long term investments comprise the following:

	June 30 <u>2005</u>	June 30 <u>2004</u>
Investment in real estate	\$ <u>528,235</u>	<u>\$528,235</u>

On May 26, 2000, the Company purchased from 1225085 Ontario Ltd., a company controlled by a director of the Company, a parcel of land situated at 250 King Street West, Cambridge, Ontario, Canada.

The purchase price was \$525,000 satisfied by cash payment of \$75,000, the issuance of 1,000,000 common shares of the Company at a deemed price of \$0.1575 per share, and the balance of \$292,500 payable by way of a three-year vendor take-back mortgage with interest at 6% per annum. The mortgage and related interest was repaid by the Company in January 2001. The appraised value of the said property at January 28, 2000 was \$565,000.

## NOTE 8 – EARNINGS PER SHARE

Basic earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the period.

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants and similar investments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

The reconciliation of earnings and number of shares of basic and fully diluted earnings per share from continuing operations are as follows:

	<u>June 30, 2005 (9 months)</u>			<u>June 30, 2004 (9months)</u>		
	Earnings	Number of Shares	Loss per share	Earnings	Number of Shares	Loss per share
Basic earnings Per share	-\$315,705	23,631,378	-\$0.13	-\$435,239	13,006,472	-\$0.33
Effect of dilutive securities Share purchase options	<u>-</u>	<u>-</u>		<u>-</u>	<u>346,874</u>	
Fully diluted earnings Per share	<u>-\$315,705</u>	<u>23,631,378</u>	-\$0.13	<u>-\$80,438</u>	<u>13,353,346</u>	-\$0.33

## NOTE 9 – STOCK OPTIONS

On January 4, 2005 all the stock options outstanding at December 31, 2004 were exercised for a total consideration of \$52,005. A new stock option plan was approved during the current period. The following options have been granted to a director and an outside consultant under the new plan:

On February 17, 2005	760,000 shares at \$0.25 expiring February 17, 2010
On March 18, 2005	740,000 shares at \$0.28 expiring March 18, 2010

Subsequent to the end of the quarter options for 860,000 shares were set aside for issue to directors and employees at \$0.62 expiring August 4, 2007.

**RAINY RIVER RESOURCES LTD.  
 QUARTERLY REPORT  
 June 30, 2005**

**SCHEDULE B: SUPPLEMENTARY INFORMATION**

**1. For the current fiscal period to date:**

- General and administrative expenses – See schedule in attached financial statements.
- Expenditures made to parties not at arms length – see Note 3 in attached financial statements.

**2. For the quarter under review:**

- a) Securities issued – 9,324,912 common shares issued pursuant to the acquisition of the Rainy River property
- b) Common shares split on a four for one basis.

**3. As at the end of the Quarter:**

- a) Authorized:
 

100,000,000	Common shares without par value
50,000,000	Class A preferred shares without par value
50,000,000	Class B preferred shares without par value

	Shares	Amount
Issued and outstanding:		
Common shares	<u>23,631,378</u>	<u>\$5,917,793</u>

- b) Summary of Options Outstanding:
 

i)	Number	760,000
	Exercise price	\$.25
	Expiry date	February 17, 2010
ii)	Number	740,000
	Exercise price	\$.28
	Expiry date	March 18, 2010
- c) Number of shares in Escrow – Nil  
 Number of shares subject to pooling agreements – Nil
- d) Directors:
  - Charles Raymond
  - John Edmondson
  - Leo Berezan
  - Nelson Baker