RIO2 LIMITED
(FORMERLY PROSPECTOR RESOURCES CORP.)

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2018 and 2017

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these interim financial statements.

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		September 30, 2018		December 31, 2017
ASSETS				
Current Assets				
Cash and cash equivalents	$	2,134,869	$	1,337,760
Short term investments *(Note 6)*		1,500,000		4,000,000
Input taxes recoverable		952,471		188,372
Interest receivable		2,618		54,449
Prepaid expenses		107,043		77,685
Total current assets		4,697,001		5,658,266
Property and equipment *(Note 7)*		38,144		6,542
Exploration and evaluation assets (*Note 8)*		54,022,083		13,901
Value added tax receivable *(Note 9)*		10,055,140		-
	$	68,812,368	$	5,678,709
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities *(Note 10)*		419,923		351,073
	$	419,923	$	351,073
SHAREHOLDERS' EQUITY				
Capital stock *(Note 11)*		84,311,535		22,064,823
Reserves *(Note 11)*		7,938,027		2,624,368
Deficit		(23,857,117)		(19,361,555)
		68,392,445		5,327,636
	$	68,812,368	$	5,678,709

Nature of operations and going concern uncertainty *(Note 1)*

See accompanying notes to the condensed interim consolidated financial statements

Approved by the Board of Directors and authorized for issue on November 27, 2018.

“Alexander Black”	*“Klaus Zeitler”*
Alexander Black, CEO, President and Director	**Klaus Zeitler, Chairman and Director**

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Expenses				
Share based compensation *(Note 11)*	$ 473,188	$ 600,161	$ 1,522,140	$ 1,176,204
Employment costs *(Note 12)*	922,254	394,300	1,864,765	778,922
Exploration costs *(Note 13)*	99,875	450,167	388,455	1,025,760
Office	102,743	25,889	205,696	73,014
Professional fees	(547,518)	47,872	348,764	291,208
Travel	17,896	87,093	114,316	247,842
Filing and transfer agent fees	51,306	306	137,821	73,883
Investor relations	29,424	21,278	113,194	21,278
Meals and entertainment	2,070	1,486	10,775	8,543
Amortization	1,322	407	2,421	453
	$1,152,560	$ 1,628,959	$ 4,708,347	$ 3,697,107
Other expense (income)				
Property option agreement income *(Note 8)*	(255,620)	-	(255,620)	-
Foreign exchange loss (gain)	60,512	(4,588)	45,141	10,494
Impairment of exploration and evaluation asset	-	-	13,901	-
Impairment of property and equipment	-	-	2,501	-
Interest income	(18,708)	(43,231)	(18,708)	(43,364)
Net Loss and Comprehensive Loss for the Year	$ 938,744	$ 1,581,140	$ 4,495,562	$ 3,664,237
Basic and Diluted Loss per Common Share	0.01	0.04	0.08	0.09
Weighted Average Number of Common Shares Outstanding	87,085,342	39,798,206	55,733,798	39,798,206

See accompanying notes to the condensed interim consolidated financial statements

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the nine months ended September 30, 2018 and 2017
(Expressed in Canadian dollars)

	Capital Stock								
	Number of shares		Amount		Reserves		Deficit		Total shareholders' equity (deficiency)
Balance, as at December 31, 2016	29,797,706	$	14,625,411	$	714,153	$	(13,685,750)	$	1,653,814
Private placement, net of issuance costs	10,000,500		7,439,412		-		-		7,439,412
Options	-		-		975,881		-		975,881
Restricted Stock Units (RSUs)					200,323		-		200,323
Net loss for the period	-		-		-		(3,664,237)		(3,664,237)
Balance, as at September 30, 2017	39,798,206	$	22,064,823	$	1,890,357	$	(17,349,987)	$	6,605,193
Balance, as at December 31, 2017	39,798,206		22,064,823		2,624,368		(19,361,555)		5,327,636
Common shares of Atacama exchanged for common shares of Rio2	56,375,340		52,992,820		-		-		52,992,820
Value of Atacama options acquired	-		-		2,650,385		-		2,650,385
Value of Atacama warrants acquired	-		-		1,141,134		-		1,141,134
Private placement, net of issuance costs	6,667,000		9,160,884		-		-		9,160,884
Options	99,015		93,008		1,299,451		-		1,299,451
Restricted Stock Units (RSUs)	-		-		222,689		-		222,689
Net loss for the period	-		-		-		(4,495,562)		(4,495,562)
Balance, as at September 30, 2018	102,939,561	$	84,311,535	$	7,938,027	$	(23,857,117)	$	68,392,445

See accompanying notes to the condensed interim consolidated financial statements

RIO 2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2018 and 2017
(Expressed in Canadian dollars)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating activities		
Net loss for the period	$ (4,495,562)	$ (3,664,237)
Items not involving cash		
Share based compensation	1,522,140	1,176,204
Value of stock options exercised	63,304	-
Impairment of Kalzas Exploration and evaluation asset	13,901	-
Impairment of Property and equipment	2,501	-
Amortization	2,421	453
Value of Atacama stock options acquired	2,650,385	-
Value of Atacama warrants acquired	1,141,134	-
Shares of Atacama exchanged for Rio2 shares	52,992,820	-
Exploration and evaluation asset acquired from Atacama	(53,446,009)	-
Change in non-cash components of working capital		
Input taxes recoverable	(764,099)	(100,183)
Interest receivable	51,833	(35,293)
Prepaid expenses	(29,357)	(31,221)
Accounts payable and accrued liabilities	68,846	290,640
Value added tax receivable	(10,055,140)	-
Cash used in operating activities	$ (10,280,882)	$ (2,363,637)
Financing activities		
Net proceeds from private placement	9,160,884	7,439,410
Proceeds received from exercise of stock options	29,705	-
Repayment of loan to related party	-	(100,000)
Cash provided by financing activities	$ 9,190,589	$ 7,339,410
Investing activities		
Exploration and evaluation asset	(576,074)	-
Short term investments	2,500,000	(4,000,000)
Property and equipment	(36,524)	(3,747)
Cash provided by (used in) investing activities	$ 1,887,402	$ (4,003,747)
Increase in cash and cash equivalents	797,109	972,026
Cash and cash equivalents - beginning of the period	1,337,760	1,780,119
Cash and cash equivalents - end of the period	$ 2,134,869	$ 2,752,145

See accompanying notes to the condensed interim consolidated financial statements

1. Nature of Operations and Going Concern

Rio2 Limited ("Rio2" or the "Company") is the parent company of a consolidated group. The Company was incorporated under of the laws of the province of British Columbia on February 13, 1990 under the name of Prospector Consolidated Resources Inc. The Company changed its name to Prospector Resources Corp. on January 31, 2011 and its shares began trading on the TSX Venture Exchange ("TSXV") effective November 28, 2016 under the symbol PRR.

The Company continued from the Province of British Columbia to the Province of Ontario pursuant to a resolution passed by shareholders of the company at the Company's Annual General and Special Meeting (the "Meeting") held on April 21, 2017. In addition to the Continuance, the Company changed its name to Rio2 Limited ("Rio2") on April 27, 2017 pursuant to a resolution passed by the shareholders of the Company at the Meeting. On Friday, April 28, 2017, the common shares of the Company began to trade on the TSXV under the symbol "RIO".

On July 24, 2018, Rio2 announced that Rio2 Limited and Atacama Pacific Gold Corporation ("Atacama Pacific") completed a business combination by way of a court approved plan of arrangement through which the companies amalgamated as a single entity (the "Arrangement"). The combined company that resulted from the Arrangement continues to operate under the name Rio2 Limited and is managed by Rio2's existing executive team led by Alex Black as President, Chief Executive Officer and Director.

The Arrangement was completed under the *Business Corporations Act* (Ontario) ("OBCA"). Prior to the effective time of the Arrangement, Atacama Pacific continued from the *Canada Business Corporations Act* to the OBCA. Pursuant to the terms of the Arrangement, each Atacama Pacific shareholder received 0.6601 common shares of Rio2 Limited for each Atacama Pacific common share held and each Rio2 shareholder received 0.6667 common shares of Rio2 Limited for each Rio2 common share held. The key asset acquired in the Arrangement is the Fenix Gold Project in Chile which is owned by now 100% owned subsidiary Fenix Gold Limitada.

On September 7, 2018, Rio2 announced that the Company's common shares have been listed for trading on the Bolsa de Valores de Lima ("BVL") as of the opening of trading on September 7, 2018 under the ticker symbol "RIO".

The Company's registered office is located at Suite 6000, 1 First Canadian Place, 100 King St. West, Toronto, ON, M5X 1E2.

Rio2 is building a multi-asset, multi-jurisdiction, precious metals company focused in the Americas. With projects in Chile, Peru and Nicaragua, Rio2 will continue pursuing additional strategic acquisitions to compile a portfolio of precious metals assets where it can deploy its operational excellence and responsible mining practices to create value for its shareholders.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. These condensed interim consolidated financial statements were prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2018, the Company had a working capital surplus of $4,277,078 (December 31, 2017 – $5,307,193). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses. The Company incurred a net and comprehensive loss for the nine months ended September 30, 2018 of $4,495,562 (September 30, 2017 – net and comprehensive

1. Nature of Operations and Going Concern (continued)

loss of $3,664,237) and negative cash flows from operations of $10,280,882 for the nine months ended September 30, 2018 (September 30, 2017 – negative cash flows from operations of $2,363,637).

As at September 30, 2018, the Company had an accumulated deficit of $23,857,117 (December 31, 2017 – $19,361,555). The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to repay its liabilities when they become due. External financing will be sought to finance the operations of the Company and enable the Company to continue its efforts towards the exploration and development of its mineral properties. This condition, along with other matters set forth above, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". Certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 and the accompanying notes included in those financial statements. For a full description of accounting policies, refer to the audited annual consolidated financial statements of the Company for the year ended December 31, 2017.

Basis of Presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information.

The accounting policies applied in the preparation of these Unaudited Condensed Interim Consolidated Financial Statements are consistent with those applied and disclosed in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2017, except for the following:

IFRS 9 – Financial Instruments: Classification and Measurement

The IASB issued IFRS 9, Financial Instruments, which replaced IAS 39, Financial Instrument: Recognition and Measurements, on November 12, 2009. The new standard provides guidance on the classification and measurement of financial asset and financial liabilities. In November 2013, the IASB amended IFRS 9, IAS 39 and IFRS 7, Financial Instruments: Disclosures, to include the new hedge accounting requirements. The

(Expressed in Canadian dollars)

2. Basis of Presentation (continued)

new amendments have a mandatory effective date of January 1, 2018. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

Principles of Consolidation

Subsidiaries are entities over which the Company directs the financial and operating policies of the entity and expects to obtain benefits from its activities. These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

Name	Location	Ownership by the Company as at	
		September 30, 2018	December 31, 2017
Rio2 S.A.C.	Peru	100%	100%
Rio2 Exploraciones S.A.C.	Peru	100%	100%
Rio2 S.A.	Nicaragua	100%	100%
Fenix Gold Chile Limitada	Chile	100%	-

All material inter-company transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amount of the Company’s assets, liabilities, expenses, and related disclosures. Assumptions and estimates are based on historical experience, expectations, current trends, and other factors that management believes to be relevant at the time at which the Company’s financial statements are prepared.

Management reviews, on a regular basis, the Company’s accounting policies, assumptions, estimates, and judgements in order to ensure that the financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustments.

Use of Judgements

The preparation of financial statements in accordance with IFRS requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company’s financial statements include the assumptions of going concern and functional currency, as well as the determination of whether deferred tax assets are likely to be realized.

3. Financial Instruments

The Company’s financial instruments consist of cash, short term investments and accounts payable. The carrying values of the Company’s financial instruments approximate their fair value due to the short term to maturity.

(Expressed in Canadian dollars)

3. Financial Instruments (continued)

The Company has made the following designations of its financial instruments:

Cash and cash equivalents	Fair value through profit or loss
Short term investments	Fair value through profit or loss
Accounts payable	Other financial liabilities

As at September 30, 2018, the levels in the fair value into which the Company's financial assets and liabilities are measured and recognized in the statement of financial position at fair value are categorized as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Cash	$ 2,134,869	$ -	$ -	$ 2,134,869
Short term investments	1,500,000	-	-	1,500,000
Total	$ 3,634,869	$	$ -	$ 3,634,869

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks and, when appropriate, takes steps to mitigate such risks. These risks may include credit risk, liquidity risk, and market risk.

Credit Risk

Credit risk is the risk that a party to the Company's financial assets will fail to discharge its obligation causing the Company financial loss. The Company's exposure to credit risk is in its cash and receivables. Cash is held in major financial institutions and the major components of amounts receivable are interest receivable from a major Canadian financial institution. Accordingly, the Company believes it has no significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. The Company has sufficient funds on hand to meet current liabilities and the expected operations for the coming year. As of September 30, 2018, the Company has cash totalling of $2,134,869 (December 31, 2017 - $1,337,760), short term investments of $1,500,000 (December 31, 2017 – $4,000,000) and current liabilities of $409,923 (December 31, 2017 - $351,073). The current liabilities are Accounts payable of $419,923 due on demand and accrued liabilities of $10,000 (December 31, 2017 - Accounts payable of $293,105 due on demand and accrued liabilities of $57,968).

The Company has no formal credit facilities at this time and given the Company's current stage of development, it is not expected that such credit facilities would be available to the Company.

3. Financial Instruments (continued)

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: foreign currency risk, interest rate risk, and commodity price risk.

Foreign Currency Risk

Foreign exchange risk is the risk arising from changes in foreign currency fluctuations. The Company's functional currency is the Canadian Dollar. The Company operates in more than one country. As a result, a portion of the Company's expenditures, amounts receivable, accounts payable and accruals are denominated in U.S. Dollars, Chilean Pesos, Peruvian Soles, and Nicaraguan Cordobas and are therefore subject to fluctuation in exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency rates.

Interest Rate Risk

The Company is not exposed to interest rate risk due to the short-term nature of its cash held in a bank account. The Company's loans payable accrued interest at fixed rates and as such the Company was not exposed to interest rate risk in relation to its interest-bearing debt.

Commodity Price Risk

The value of the Company's interests in mineral properties is related to the price of tungsten and gold and the outlook for these minerals. Mineral prices have historically fluctuated widely and are impacted by numerous factors outside of the Company's control, including, but not limited to: industrial and retail demand, forward sales by producers and speculators, level of worldwide production, short-term changes in supply and demand because of speculators, hedging activities, and certain other factors. The Company is not actively managing its commodity risk.

Sensitivity Analysis

The Company has accounts payable which are denominated in United States Dollars. A 10% change in the foreign exchange rate would impact comprehensive loss for the period by $29,138 (September 30, 2017 – $28,602).

4. Capital Risk Management

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 development of its mineral property interests and to maintain flexible capital structure for its projects for the benefit of its stakeholders. There have been no changes in the Company's objectives for managing capital or in what it considers capital from the prior year. In the management of capital, the Company includes the following components of shareholders' equity.

(Expressed in Canadian dollars)

4. Capital Risk Management (continued)

		September 30, 2018		December 31, 2017
Share capital	$	84,311,535	$	22,064,823
Reserves		7,938,027		2,624,368
	$	92,249,562	$	24,689,191

The properties in which the Company currently have an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out any planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. To maintain or adjust the capital structure, the Company may be required to issue new shares or debt or acquire or dispose of assets. The Company will continue to assess new properties and seek to acquire additional properties, if it feels there is sufficient geological or economic potential, and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements. The Company's overall capital management strategy remains unchanged from the prior year.

5. Atacama Pacific Acquisition

On July 24, 2018, Rio2 announced that Rio2 Limited and Atacama Pacific completed a business combination by way of a court approved plan of arrangement through which the companies amalgamated as a single entity (the "Arrangement"). The combined company that resulted from the Arrangement continues to operate under the name Rio2 Limited and is managed by Rio2's existing executive team led by Alex Black as President and Chief Executive Officer.

The Arrangement was completed under the *Business Corporations Act* (Ontario) ("OBCA"). Prior to the effective time of the Arrangement, Atacama Pacific continued from the *Canada Business Corporations Act* to the OBCA. Pursuant to the terms of the Arrangement, each Atacama Pacific shareholder received 0.6601 common shares of Rio2 Limited for each Atacama Pacific common share held and each Rio2 shareholder received 0.6667 common shares of Rio2 for each Rio2 common share held. 85,404,244 shares of Atacama Pacific were exchanged for 56,375,340 common shares of Rio2. 69,694,362 common shares of the old Rio2 were exchanged for 46,465,206 common shares of Rio2. All common share and share based payment balances in these financial statements reflect the exchange ratio applied to common shares of Rio2 retroactively.

The acquisition purchase price of the Fenix Gold Project reflects the closing market price of Rio2's common shares on July 27, 2018, which was CAD $0.94. July 27, 2018 was the first day of trading of Rio2 common shares on the TSX Venture Exchange after the delisting of the "old" Rio2 and Atacama Pacific.

Each Atacama Pacific stock option or warrant which gave the holder the right to acquire shares in the common stock of Atacama Pacific was exchanged for a stock option or warrant which gave the holder the right to acquires shares in common stock of Rio2 on the same basis as the exchange ratio of Atacama Pacific common shares for Rio2 common shares. These stock options and warrants have been included in the purchase price at their fair value based on the Black-Scholes pricing model using the following weighted average assumptions.

(Expressed in Canadian dollars)

5. Atacama Pacific Acquisition (continued)

	Options	Warrants
Issued	4,640,820	4,233,324
Strike price	$0.78	$0.94
Risk-free interest rate	2.03%	2.03%
Expected life (years)	1.85	0.31
Expected price volatility	125%	125%

The purchase price was allocated to the assets acquired and liabilities assumed based on their relative fair values on the closing date. The purchase price allocation is a result of management's best estimates and assumption after taking into account all relevant information available. The fair value of the net assets of Atacama Pacific to be acquired will ultimately be determined during the fourth quarter of 2018. Therefore, it is possible that the fair values of the assets acquired, and liabilities assumed may vary from those shown below and the differences may be material. The preliminary purchase price has been determined and allocated as follows:

Purchase price:		
Fair value of shares issued	$	52,992,820
Fair value of stock options issued		2,713,688
Fair value of warrants issued		1,141,135
Transaction costs		1,940,175
	$	58,787,818
Purchase price allocation:		
Cash	$	495,800
Input tax credits recoverable		452,334
Value added tax receivable		10,055,140
Exploration property (Fenix Gold Project)		53,466,009
Accounts payable		(52,117)
Due to Rio2		(5,629,348)
Net assets acquired	$	58,787,818

6. Short term investments

As at September 30, 2018, the Company had $1,500,000 (December 31, 2017 – $4,000,000) invested in a Canadian dollar denominated guaranteed investment certificate ("GIC") at a major Canadian financial institution. Interest is accrued during the GIC term and is recorded in interest receivable.

(Expressed in Canadian dollars)

7. Property and Equipment

		Office Equipment		Land		Total
Amortized cost:						
Balance, December 31, 2017	$	4,909	$	2,501	$	7,410
Additions		36,524		-		36,524
Disposals		-		-		-
Impairment		-		(2,501)		(2,501)
Balance, September 30, 2018	$	41,433	$	-	$	41,433
Accumulated depreciation:						
Balance, December 31, 2017	$	(868)	$	-	$	(868)
Additions		(2,421)		-		(2,421)
Balance, September 30, 2018	$	(3,289)	$	-	$	(3,289)
Net book value at September 30, 2018	$	38,144	$	-	$	38,144

8. Exploration and Evaluation Assets

		Fenix Gold Project Chile		Kalzas Yukon
Acquisition Costs				
Balance, December 31, 2016	$	-	$	13,901
Additions		-		-
Balance, December 31, 2017	$	-		13,901
Acquisition of Fenix Gold Project		53,466,009		-
Additions		556,074		-
Impairment of property		-		(13,901)
Balance, September 30, 2018	$	54,022,083	$	-

Fenix Gold Project

On July 24, 2018, the Company acquired the Fenix Gold Project ("Fenix") (see Note 5). The value of $53,466,009 was assigned to Fenix based on information readily available to the Company. Further development costs were capitalized to the asset from acquisition by Rio2 on July 24, 2018 to September 30, 2018.

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets (continued)

As part of the acquisition of Fenix Gold Limitada, Rio2 also assumed an agreement with Paul Champagne, a former director of Atacama Pacific. During the quarter ended September 30, 2018, the Company received $200,000 USD as an option payment to acquire the Anocarire Project from Fenix Gold Limitada.

Kalzas Property (Yukon)

Pursuant to an agreement dated August 8, 2007, the Company obtained an option to acquire a 100% interest in the Kalzas Property located in the Mayo Mining District, Yukon from Redtail Metals Corp. ("Redtail"), formerly Copper Ridge Explorations Inc.

The interest was written-down to a nominal value of $1 in 2015 upon cessation of work on the property. The Company recommenced activities in respect of the property in the year ended December 31, 2016. In addition, an asset retirement obligation of $10,000 has been set up with respect to the property.

In June 2018, management determined that it has no intention of doing further work on the property, and therefore determined that the value of the property be written down to $0.

9. Value Added Tax ("VAT") Receivable

VAT receivable from the government of Chile is in respect of VAT paid on expenditures incurred in Chile, which is recoverable in the future. The actual timing of receipt is uncertain as VAT is typically refundable only upon commercial operations; VAT receivable has therefore been classified as a non-current asset.

10. Accounts Payable and Accrued Liabilities

		September 30, 2018		December 31, 2017
Accounts payable	$	325,864	$	293,105
Payroll tax payable		60,980		-
Vacation payable		23,079		-
Accrued liabilities		10,000		57,968
	$	419,923	$	351,073

11. Capital Stock

a. Share capital

Authorized share capital consists of an unlimited number of common shares of which 102,939,561 were issued and outstanding as at September 30, 2018 (39,798,206 – December 31, 2017).

(Expressed in Canadian dollars)

11. Capital Stock (continued)

b. Share-based payments

The Company's stock option plan and its share incentive plan authorizes the directors to grant stock options and Restricted Share Units ("RSUs") to executive officers, directors, employees and consultants enabling them to acquire from treasury up to that number of shares equal to 10 per cent of the issued and outstanding common shares of the Company. The shareholders of the Company last approved the Share Incentive Plan and the Stock Option Plan at a meeting held on July 16, 2018.

The exercise price of options granted is determined by the directors, subject to regulatory approval, if required. Options may be granted for a maximum term of 10 years and vest as determined by the board of directors. The Black-Scholes Option Pricing Model is used to estimate the fair value of options granted. Vesting periods are over a 3-year period.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price ($/option)
Outstanding, December 31, 2017	2,466,790	$ 1.77
Exercised	(99,015)	0.30
Expired	(264,039)	0.96
Issued	2,773,375	0.65
Issued on July 24, 2018*	4,640,820	0.78
Outstanding, September 30, 2018	9,517,931	1.02
Options exercisable, September 30, 2018	5,377,821	$ 1.58

*As part of the Arrangement with Atacama Pacific

Proceeds from the exercise of options were $29,705 (2017 – nil) during the three and nine months ended September 30, 2018.

(Expressed in Canadian dollars)

11. Capital Stock (continued)

Stock options outstanding at September 30, 2018 were:

Outstanding				Exercisable	
Exercise price $	Number of Options	Weighted average remaining contractual years	Weighted average exercise price	Number of shares	Weighted average exercise price
$1.51	49,507	0.22	$1.51	49,507	$1.51
$0.30	82,512	0.22	$0.30	82,512	$0.30
$0.76	99,025	0.22	$0.76	99,025	$0.76
$0.91	33,005	0.22	$0.91	33,005	$0.91
$1.51	427,742	0.34	$1.51	427,742	$1.51
$0.76	6,602	0.50	$0.76	6,602	$0.76
$0.30	23,103	0.82	$0.30	23,103	$0.30
$0.76	102,315	0.82	$0.76	102,315	$0.76
$0.91	151,822	0.82	$0.91	151,822	$0.91
$1.51	33,005	0.82	$1.51	33,005	$1.51
$0.30	495,075	1.82	$0.30	495,075	$0.30
$0.76	660,100	1.82	$0.76	660,100	$0.76
$0.91	528,080	1.82	$0.91	528,080	$0.91
$0.30	402,659	2.18	$0.30	402,659	$0.30
$0.76	661,748	2.47	$0.76	661,748	$0.76
$0.91	521,477	3.28	$0.91	521,477	$0.91
$1.53	1,366,735	3.42	$1.53	455,578	$1.53
$2.25	500,025	3.57	$2.25	166,675	$2.25
$2.56	166,675	3.67	$2.56	55,558	$2.56
$1.66	433,355	3.92	$1.66	144,452	$1.66
$0.82	833,375	4.50	$0.82	277,792	$0.82
$0.65	1,940,000	4.99	$0.65	-	$0.65
	9,517,931	3.15	$1.02	5,377,821	$1.58

RSU transactions are summarized as follows:

	Number of RSUs
Outstanding, December 31, 2017	520,026
Exercised	-
Issued	-
Outstanding, September 30, 2018	520,026
Vested, September 30, 2018	-

(Expressed in Canadian dollars)

11. Capital Stock (continued)

The RSUs, which original terms saw a vesting schedule of 1/3 equally over a three-year period, include a time-based and a performance-based component with a multiplier as determined by the Company's Board of Directors, and entitle the holder to an amount computed by the value of a notional number of Common Shares designated in the award. On March 13, 2018, the vesting of RSUs scheduled to vest during the year ended December 31, 2018 were modified so that the first tranche would vest after 2018 financial results are finalized in early 2019.

The RSUs may be settled in equity instruments, or cash, at the sole discretion of the Company. The choice to settle in equity instruments does not have any commercial substance and the Company does not have a past practise of settling in cash.

As at September 30, 2018, the RSUs had a weighted average expiry life of 2.1 years.

c. Warrants

On July 24, 2018, the Company assumed 6,413,167 warrants from Atacama Pacific, which are each exchangeable for 0.6601 common shares of Rio2. The effective exercise price of these warrants is $0.91. See "Note 15 – Subsequent Events".

d. Reserves

Reserves recognizes share based compensation expense until such time that the stock options and RSUs are exercised, at which time the corresponding amount will be transferred to share capital.

12. Related Party Transactions

Key management consists of the Board of Directors and senior management. Senior management is defined as the President & CEO, and Executive Vice Presidents. Key management compensation for the three and nine months ended September 30, 2018 and 2017 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Senior management – consulting and employment costs	$ 281,224	$ 183,626	$712,080	$ 390,602
Share-based compensation	232,307	432,089	822,346	873,520
	$ 513,531	$ 615,715	$1,534,426	$ 1,264,122

In addition to the compensation paid to directors and officers, the Company had the following transactions with related parties:

(a) During the three months ended September 30, 2018, the Company incurred legal fees of $162,792 (2017 - $84,055). During the nine months ended September 30, 2018, the Company incurred legal fees of $452,862 (2017 - $251,610) to a firm in which a director of the Company is a partner.

(b) On March 29, 2018, the Company issued 1,250,000 stock options. 900,000 of these stock options were granted to the directors and officers of the Company.

(Expressed in Canadian dollars)

12. Related Party Transactions (continued)

(c) On September 27, 2018, the Company issued 1,940,000 stock options. 1,020,000 of these stock options were granted to directors and officers of the Company.

13. Exploration Costs

The Company's exploration expenditures consist of the following for the three months ended September 30, 2018 and 2017:

				September 30, 2018	September 30, 2017
	Nexa Portfolio (Peru)	Nicaraguan Portfolio	Other Projects*	Total	Total
Technical consultants	$ 9,890	$ 11,619	$ 3,620	$ 25,129	$ 231,313
Geology	10,132	44,487	-	54,619	127,297
Community relations	15,566	4,561	-	20,127	54,934
Environment	-	-	-	-	36,623
	$ 35,588	$ 60,667	$ 3,620	$ 99,875	$ 450,167

*Other Projects relate to pre-exploration or project investigation of various projects.

The Company's exploration expenditures consist of the following for the nine months ended September 30, 2018 and 2017:

				September 30, 2018	September 30, 2017
	Nexa Portfolio (Peru)	Nicaraguan Portfolio	Other Projects	Total	Total
Technical consultants	$ 47,766	$ 3,013	$ 213,257	$ 264,036	$ 809,609
Geology	20,428	50,402	-	70,830	40,276
Community relations	49,028	4,561	-	53,589	145,779
Environment	-	-	-	-	30,096
	$ 117,222	$ 57,976	$ 213,257	$ 388,455	$1,025,759

Nexa Portfolio (Peru)

On April 10, 2017, the Company entered into an Agreement (the "Agreement") with Nexa Peru S.A.A. (formerly Compañía Minera Milpo S.A.A.) pursuant to which it has the right and option, but not the obligation, to acquire all rights and interests in the Peruvian Portfolio. The material terms of the Agreement include the following:

- Rio2 is required to incur a total of US$5 million in exploration expenditures on the Peruvian Portfolio over a 36-month period. To date, $1,023,859 has been incurred by Rio2.

- To exercise the option and acquire the Peruvian Portfolio, Rio2 is required to complete the US$5 million investment within the specified time period after which it will grant Nexa a two percent net smelter return royalty over the Peruvian Portfolio.

(Expressed in Canadian dollars)

13. Exploration costs (continued)

- If the 36-month option is exercised, Rio2 will have an additional 3 years to deliver a Feasibility Study or express its decision to start a mining project.

Nicaraguan Portfolio

Rio2 applied for 10,000 hectares of exploration concessions in May 2017 in Nicaragua, as the Company ranks the country highly as a destination to do business in the mining sector in Latin America. Recognizing the mining sector's potential to boost the country's gross domestic product and economic growth, the Nicaraguan government, through the Ministry of Energy and Mines, is actively promoting investments by having established a solid legal framework and facilitating the development of mining projects in the country.

All expenses related to both the Nexa and the Nicaragua Portfolio have been expensed to the income statement, in accordance with the Company's Exploration and Evaluation Assets policy.

14. Segmented Information

The Company has four operating segments in four geographic areas: the corporate office in Canada, the development of the Fenix Project in Chile, the development of the Nexa Portfolio in Peru, and the development of the Nicaraguan Portfolio in Nicaragua. The Fenix Gold Project in Chile was added to the Company's segmented disclosure during the quarter ended September 30, 2018 due to the Arrangement described in Note 5. Segmented disclosure of the Company's assets and liabilities is as follows:

					September 30, 2018
	Canada	Peru	Nicaragua	Chile	Total
Property and equipment	$ -	$ 8,343	$ 2,738	$ 27,063	$ 38,144
Exploration and evaluation assets	-	-	-	52,022,083	52,022,083
VAT receivable	-	-	-	10,055,140	10,055,140
Other assets	3,805,483	433,937	4,288	453,293	4,697,001
Total assets	$ 3,805,483	$ 442,280	$ 7,026	$ 64,557,579	$ 68,812,368
Accounts payable and accrued liabilities	$ 216,141	$ 119,779	$ 29,006	$ 54,997	$ 419,923
	$ 216,141	$ 119,779	$ 29,006	$ 54,997	$ 419,923

(Expressed in Canadian dollars)

14. Segmented Information (continued)

				December 31, 2017
	Canada	Peru	Nicaragua	Total
Property and equipment	$ 2,501	$ -	$ 4,041	$ 6,542
Exploration and evaluation assets	13,901	-	-	13,901
Other assets	5,372,170	283,326	2,770	5,658,266
Total assets	$ 5,388,572	$ 283,326	$ 6,811	$ 5,678,709
Accounts payable and accrued liabilities	$ 185,594	$ 127,189	$ 38,290	$ 351,073
	$ 185,594	$ 127,189	$ 38,290	$ 351,073

15. Subsequent events

On November 17, 2018, the 6,413,167 warrants that were exercisable for 0.6601 of a Rio2 share expired. The effective exercise price of these warrants was $0.91.