Rio2 Limited
Condensed Interim Consolidated Financial Statements
(Unaudited)

Three and nine months ended September 30, 2023 and 2022

Presented in United States dollars

RIO2 LIMITED
Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2023 and December 31, 2022
(Unaudited - Expressed in United States dollars, unless otherwise stated)

	September 30, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash	$ 5,459,916	$ 4,679,667
Short term investments *(Note 5)*	46,000	46,000
Accounts receivable	58,195	250,565
Input taxes recoverable *(Note 6)*	8,832	113,559
Prepaid expenses	319,680	411,327
Total current assets	$ 5,892,623	$ 5,501,118
Input taxes recoverable *(Note 6)*	10,471,930	16,474,883
Right of use asset *(Note 7)*	481,416	703,501
Property and equipment *(Note 8)*	29,643,838	27,607,655
Exploration and evaluation assets *(Note 9)*	63,115,612	64,773,833
Total assets	$ 109,605,419	$ 115,060,990
LIABILITIES		
Current Liabilities		
Lease liability *(Note 7)*	$ 147,137	$ 208,827
Accounts payable and accrued liabilities	628,959	1,500,069
Total current liabilities	$ 776,096	$ 1,708,896
Deferred revenue *(Note 11)*	29,485,591	27,186,914
Lease liability *(Note 7)*	344,524	504,574
Asset retirement obligation *(Note 10)*	3,797,109	3,830,028
Total liabilities	$ 34,403,320	$ 33,230,412
SHAREHOLDERS' EQUITY		
Capital stock *(Note 12)*	$128,738,361	$ 128,530,321
Reserves *(Note 12)*	11,423,270	10,609,506
Deficit	(58,930,743)	(51,088,811)
Accumulated other comprehensive income	(6,028,789)	(6,220,438)
Total equity	$75,202,099	$ 81,830,578
Total liabilities and equity	$ 109,605,419	$ 115,060,990

Nature of operations and going concern *(Note 1)*
Subsequent events *(Note 15)*

See accompanying notes to the condensed interim consolidated financial statements

"Alexander Black"
Alexander Black, Executive Chairman

"Klaus Zeitler"
Klaus Zeitler, Lead Director

RIO2 LIMITED
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - Expressed in United States dollars, unless otherwise stated)

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Expenses				
Employment costs *(Note 13)*	$ 633,582	$ 2,120,555	$ 1,914,737	$ 5,164,843
Amortization	419,576	516,812	1,515,619	1,380,930
Share based compensation *(Note 12)*	301,318	379,016	864,915	1,473,949
Professional fees	167,711	107,463	443,607	679,768
Office and miscellaneous	122,094	175,283	486,510	727,458
Advisory fees	67,464	61,382	169,895	234,423
Exploration costs	41,817	15,019	113,103	20,900
Directors' fees	35,967	35,796	111,280	109,329
Filing and transfer agent fees	12,568	5,003	61,726	80,565
Travel expense	19,519	37,302	45,483	154,009
Investor relations	9,125	37,186	16,110	113,431
Loss before the following	$ 1,830,741	$ 3,490,817	$ 5,742,985	$ 10,139,605
Other (income) expense				
Foreign exchange (gain) loss	(872,546)	(6,658,157)	222,199	(8,230,858)
Accretion expense on deferred revenue *(Note 11)*	795,462	713,662	2,298,677	1,453,465
Accretion expense on ARO *(Note 10)*	11,455	117,765	186,426	348,156
Camp rental income	(134,968)		(438,160)	-
Interest income	(121,645)	(21,820)	(170,195)	(35,666)
Loss (Gain) for the Period Before Taxes	$ 1,508,499	$ (2,357,733)	$ 7,841,932	$ 3,674,702
Income taxes	-	-	-	33,017
Net Loss (Gain) for the Period	$ 1,508,499	$(2,357,733)	$ 7,841,932	$ 3,707,719
Other comprehensive loss				
Exchange loss (gain) on translation of foreign operations	2,172,781	6,698,317	(191,649)	8,457,164
Total comprehensive loss for the period	$ 3,681,280	$(4,340,584)	$ 7,650,283	$12,164,883
Basic and Diluted Loss (Gain) per Common Share	$ 0.01	$ (0.01)	$ 0.03	$ 0.01
Weighted Average Number of Common Shares Outstanding	258,732,838	257,510,649	258,235,498	256,604,158

See accompanying notes to the condensed interim consolidated financial statements

RIO2 LIMITED
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2023 and 2022
(Unaudited - Expressed in United States dollars, unless otherwise stated)

	Capital Stock					
	Number of shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total shareholders' equity (deficiency)
Balance, as at December 31, 2021	254,336,483	$ 127,202,022	$ 9,081,203	$ 865,138	$ (48,785,350)	$ 88,363,013
Common shares issued for vested RSUs	266,666	162,627	(162,627)	-	-	$ -
Warrant exercises	2,907,500	1,148,208	-	-	-	$ 1,148,208
Share issuance costs	-	(1,972)				$ (1,972)
Share based compensation – stock options	-	-	1,374,884	-	-	$ 1,374,884
Share based compensation – RSUs	-	-	99,065	-	-	$ 99,065
Net loss for the period	-	-	-	-	(3,707,719)	$ (3,707,719)
Other comprehensive loss	-	-	-	(8,457,164)	-	$ (8,457,164)
Balance, as at September 30, 2022	257,510,649	$ 128,510,885	$ 10,392,525	$ (7,592,026)	$ (52,493,069)	$ 78,818,315
Balance, as at December 31, 2022	257,560,649	$ 128,530,321	$ 10,609,506	$ (6,220,438)	$ (51,088,811)	$ 81,830,578
Common shares issued for vested RSUs	83,334	51,151	(51,151)	-	-	$ -
Common shares issued for shares for services	1,109,125	156,889	-			156,889
Share based compensation – stock options	-	-	846,307	-	-	846,307
Share based compensation – RSUs	-	-	18,608	-	-	18,608
Net loss for the period	-	-	-	-	(7,841,932)	(7,841,932)
Other comprehensive loss	-	-	-	191,649	-	191,649
Balance, as at September 30, 2023	258,753,108	$ 128,738,361	$ 11,423,270	$ (6,028,789)	$ (58,930,743)	$ 75,202,099

See accompanying notes to the condensed interim consolidated financial statements

RIO 2 LIMITED
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2023 and 2022
(Unaudited - Expressed in United States dollars)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Operating activities		
Net loss for the period	$ (7,841,932)	$ (3,614,609)
Items not involving cash		
Share based compensation	864,915	1,473,949
Amortization	1,648,714	1,555,394
Accretion of asset retirement obligation	186,426	348,156
Accretion of deferred revenue	2,298,676	1,453,465
Accretion of lease liability	11,603	18,333
Common shares issued for services	156,889	-
Lease extinguishment – right of use asset	90,859	-
Lease extinguishment – lease liability	(93,698)	-
Change in non-cash components of working capital		
Input taxes recoverable	6,107,680	(3,605,579)
Prepaid expenses	91,647	1,069,560
Accounts receivable	192,370	-
Accounts payable and accrued liabilities	(1,187,540)	(2,929,131)
Cash generated by (used in) operating activities	$ 2,526,609	$ (4,230,462)
Financing activities		
Proceeds from deferred revenue *(Note 11)*	-	25,000,000
Proceeds received from exercise of share purchase warrants, net of share issuance costs	-	1,146,236
Lease payments	(141,518)	(208,398)
Cash provided by (used in) financing activities	$ (141,518)	$ 25,937,838
Investing activities		
Exploration and evaluation assets	(935,620)	(4,584,618)
Property and equipment	(641,531)	(24,372,603)
Cash used in investing activities	$ (1,577,151)	$ (28,957,221)
Effect of foreign exchange	(27,693)	(8,859,384)
Increase (decrease) in cash and cash equivalents	780,249	(16,109,229)
Cash - beginning of the period	4,679,667	21,345,286
Cash - end of the period	$ 5,459,916	$ 5,236,057

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. Rio2 is incorporated under the laws of the province of Ontario. Rio2 is a mining company with a focus on development and mining operations. Rio2 is focused on taking its Fenix Gold Project in Chile to production in the shortest possible timeframe based on a staged development strategy.

Rio2 is currently in an administrative appeal process with the Chilean Government in respect to the rejection of the Environmental Impact Assessment for the development of its Fenix Gold Project.

On July 24, 2018, Rio2 announced that Rio2 Limited and Atacama Pacific Gold Corporation completed a transaction 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.

The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "RIO", the Bolsa de Valores de Lima ("BVL") under the symbol "RIO" and on the OTCQX® Best Market under the ticker "RIOFF**".**

The Company's registered office is located at Suite 6000, 1 First Canadian Place, 100 King St. West, Toronto, ON, M5X 1E2 and its head office is at The Marine Building, 1000-355 Burrard Street, Vancouver, BC, V6C 2G8.

The business of exploring for minerals and mine development 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. The Company has no source of revenue. 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, 2023, the Company had a working capital surplus of $5,116,527 (December 31, 2022 – $3,792,222). The Company does not currently hold any revenue-generating properties and therefore continues to incur losses.

The Company incurred a net loss for the nine months ended September 30, 2023 of $7,841,932 (nine months ended September 30, 2022 – $3,707,719) and cash generated in operations of $2,526,609 for the nine months ended September 30, 2023 (nine months ended September 30, 2022 – cash used in operations of $4,230,462). As at September 30, 2023, the Company had an accumulated deficit of $58,930,743 (December 31, 2022 – $51,088,811). 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 pay 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. These conditions, 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. There can be no assurance that steps management is taking will be successful. 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 and such adjustments could be material.

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 condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 17, 2023.

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.

These condensed interim consolidated financial statements are presented in United States dollars, unless otherwise stated.

Principles of Consolidation

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	
		September 30, 2023	December 31, 2022
Fenix Gold Limitada	Chile	100%	100%
Lince S.A.	Chile	100%	100%
Rio2 S.A.C.	Peru	100%	100%
Rio2 Exploraciones S.A.C.	Peru	100%	100%
Rio2 Limited Bahamas	Bahamas	100%	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.

2. Basis of Presentation (continued)

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. The most significant estimates applied to the Company's financial statements include the asset retirement obligation, share based payment transactions and mineral resource estimate. Key judgements include the timing commencement of commercial production which in turn impacts the realization of input tax inputs.

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 accounting for the Precious Metals Purchase Agreement ("PMPA") as a gold prepaid sale arrangement and exploration and evaluation assets.

3. Financial Instruments and Risk Management

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.

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. Cash is held in major financial institutions. 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. As of September 30, 2023, the Company has cash totalling $5,459,916 (December 31, 2022 - $4,679,667), short term investments of $46,000 (December 31, 2022 - $46,000) and current liabilities of $776,096 (December 31, 2022 - $1,708,896). The current liabilities are accounts payable and accrued liabilities of $628,959 due on demand (December 31, 2022 - $1,500,069), as well as the current portion of a lease liability of $147,137 (December 31, 2022 - $208,827).

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 and Risk Management (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 exchange rates. 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 and Peruvian Soles 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.

Commodity Price Risk

The value of the Company's interests in mineral properties is related to the price of gold and the outlook for this mineral. 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.

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 a 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.

		September 30, 2023		**December 31, 2022**
Share capital	$	128,738,361	$	128,530,321
Reserves		11,423,270		10,609,506
	$	140,161,631	$	139,139,827

(Unaudited - Expressed in United States dollars, unless otherwise stated)

4. Capital Risk Management (continued)

The properties in which the Company currently has an interest in are in the exploration and evaluation 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. Short Term Investments

As at September 30, 2023, the Company had $46,000 (December 31, 2022 – $46,000) invested in guaranteed investment certificates ("GIC") at a major Canadian financial institution. $46,000 is invested in a GIC that accrues interest at 2% and expires on December 27, 2023. Interest is accrued during the GIC term and is recorded in interest receivable.

6. Input Taxes Recoverable

Input taxes recoverable consist of the following:

	September 30, 2023	December 31, 2022
Canadian GST/HST receivable	$ 8,832	$ 113,559
Current input taxes recoverable	$ 8,832	$ 113,559
Peruvian IGV receivable	$ 679,401	$ 567,528
Chilean IVA receivable	9,792,529	15,907,355
Long term input taxes recoverable	$ 10,471,930	$ 16,474,883

The Peruvian Impuesto General a las Ventas ("IGV") receivable consists of input taxes recoverable for expenses incurred in Peru for the Fenix Gold Project.

The Chilean Impuesto al Valor Agregado ("IVA") relates to the Fenix Gold Project. The actual timing of receipt is uncertain as IVA is typically refundable only upon commercial operations; IVA receivable has therefore been classified as a non-current asset.

(Unaudited - Expressed in United States dollars, unless otherwise stated)

7. Right of use asset and lease liability

The Company entered into office leases that resulted in right-of-use assets and lease liabilities. The balances are as follows:

Right-of-use assets:

Balance, December 31, 2021	$	491,995
Lease additions		501,030
Amortization		(220,229)
Adjustment on foreign exchange		(69,295)
Balance, December 31, 2022	$	703,501
Extinguishment of leases – right of use asset		(90,859)
Amortization		(133,095)
Adjustment on foreign exchange		1,869
Balance, September 30, 2023	$	481,416

Lease liabilities:

Balance, December 31, 2021	$	485,314
Recognition of liability		470,668
Payments – Office and miscellaneous		(234,122)
Accretion – Office and miscellaneous		23,294
Adjustment on foreign exchange		(31,753)
Balance, December 31, 2022	$	713,401
Extinguishment of leases – lease liability		(93,698)
Payments – Office and miscellaneous		(141,518)
Accretion – Office and miscellaneous		11,603
Adjustment on foreign exchange		1,873
Balance, September 30, 2023	$	491,661
Short term portion, lease liability		147,137
Long term portion, lease liability	$	344,524

During the nine months ended September 30, 2023, a subsidiary of Rio2 Limited, Fenix Gold Limitada, extinguished two office leases in Copiapó, Chile, in an effort to reduce overall costs. This resulted in a reduction of the right of use asset of $90,589, a reduction of the lease liability of $93,698, and a gain on the extinguishment of the lease of $2,839.

(Unaudited - Expressed in United States dollars, unless otherwise stated)

8. Property and Equipment

	Land	Office Equipment	Mine Equipment	Software	Total
Cost:					
Balance, December 31, 2021	$ 2,174	$ 339,830	$ 1,707,631	$ 216,593	$ 2,266,228
Additions	-	45,575	27,813,756	-	27,859,331
Balance, December 31, 2022	$ 2,174	$ 385,405	$ 29,521,387	$ 216,593	$ 30,125,559
Additions, including reclassification from exploration and evaluation assets	-	66,248	3,485,554	-	3,551,802
Balance, September 30, 2023	$ 2,174	$ 451,653	$ 33,006,941	$ 216,593	$ 33,677,361
Accumulated depreciation:					
Balance, December 31, 2021	$ -	$ (76,011)	$ (227)	$ (158,238)	$ (234,476)
Additions	-	(188,223)	(2,061,645)	(33,560)	(2,283,428)
Balance, December 31, 2022	$ -	$ (264,234)	$ (2,061,872)	$ (191,798)	$ (2,517,904)
Additions	-	(141,922)	(1,353,462)	(20,235)	(1,515,619)
Balance, September 30, 2023	$ -	$ (406,156)	$(3,415,334)	$(212,033)	$ (4,033,523)
Net book value at December 31, 2022	$ 2,174	$ 121,171	$ 27,459,514	$ 24,795	$ 27,607,655
Net book value at September 30, 2023	$ 2,174	$ 45,497	$29,591,607	$ 4,560	$29,643,838

During the nine months ended September 30, 2023, Fenix Gold Limitada, a subsidiary of Rio2 Limited, reallocated $2,759,860 from Exploration and Evaluation assets to Property and Equipment. The reason for this reallocation was so that Fenix Gold Limitada could apply for an IVA refund on certain items previously capitalized to Exploration and Evaluation Assets.

(Unaudited - Expressed in United States dollars, unless otherwise stated)

9. Exploration and Evaluation Assets

	Fenix Gold Project Chile
Balance, December 31, 2021	$ 60,121,205
Exploration and evaluation costs additions:	
Community initiatives	134,450
Geological and drilling	351,549
Engineering studies	2,302,993
Field support	1,863,636
Balance, December 31, 2022	$ 64,773,833
Community initiatives	48,066
Geological and drilling	1,029
Engineering studies	243,864
Field support	808,680
Reclassification to property and equipment	(2,759,860)
Balance, September 30, 2023	$ 63,115,612

Fenix Gold Project (Chile)

On July 24, 2018, the Company acquired the Fenix Gold Project. Evaluation related costs were capitalized to the asset from the date of acquisition by Rio2. Additions to the Fenix Gold Project include purchase price acquisition costs, the asset retirement obligation for Lince *(Note 10)*, geological and drilling, environmental, technical consultant fees, camp, and community relations.

10. Asset Retirement Obligation

The asset retirement obligation comprises:

		September 30, 2023		December 31, 2022
Opening balance	$	3,830,028	$	3,368,322
Accretion expense		186,425		490,461
Effect of exchange rate		(219,344)		(28,755)
	$	3,797,109	$	3,830,028

On April 15, 2020, Rio2 announced that it completed the strategic acquisition of Compañía Minera Paso San Francisco S.A. (“MPSF”). Subsequent to the acquisition of MPSF, the name of MPSF was changed to Lince S.A. (“Lince”). The Lince assets consist of strategic mining infrastructure and facilities located adjacent to Rio2’s Fenix Gold Project in Chile. The net assets acquired included an asset retirement obligation relating to Lince.

(Unaudited - Expressed in United States dollars, unless otherwise stated)

10. Asset Retirement Obligation (continued)

In 2018, the reclamation and closure plan for Lince was submitted to the Chilean Government. The undiscounted obligation is 116,531 Chilean Unidad de Fomento (UF), which translates to $4,761,670. The majority of the work is anticipated to be done in 2026 - 2027. The credit adjusted risk free rate is 1.46%, based on the Chilean Government 10 year bond rate.

11. Deferred revenue

On March 25, 2022, the Company received $25,000,000 from Wheaton Precious Metals International Ltd. (“WPMI” or “Wheaton”) pursuant to the PMPA on Rio2’s Fenix Gold Project in Chile (the “Gold Stream”).

WPMI will purchase 6.0% of the gold production until 90,000 ounces of gold have been delivered and 4.0% of the gold production until 140,000 ounces of gold have been delivered, after which the stream will reduce to 3.5% of the gold production for the life of mine. Under the Gold Stream, WPMI will pay total cash consideration of $50 million, $25 million of which was paid upon closing, with the remaining $25 million payable subject to certain conditions, including the receipt of the Environmental Impact Assessment approval for the Fenix Gold Mine. In addition, Wheaton will make ongoing payments for gold ounces delivered equal to 18% of the spot gold price until the value of gold delivered less the production payment is equal to the upfront consideration of $50 million, at which point the production payment will increase to 22% of the spot gold price.

The Company recorded the advances received on precious metals delivery, net of transaction costs, as deferred revenue and will recognize the amounts in revenue as performance obligations to metals delivery are satisfied over the term of the metals delivery and purchase agreements. The advances received on precious metals delivery are expected to reduce to nil through deliveries of the Company’s own production to WPMI. A rate of 11%, based on the rate inherent in Gold Stream, is used to calculate accretion on the financing component.

The following are components of deferred revenue as at September 30, 2023:

		September 30, 2023		**December 31, 2022**
Opening balance	$	27,186,914	$	-
Advances received		-		25,000,000
Accretion on financing component		2,298,677		2,186,914
	$	29,485,591	$	27,186,914

(Unaudited - Expressed in United States dollars, unless otherwise stated)

12. Capital Stock

a. Share capital

The Company's authorized share capital consists of an unlimited number of common shares of which 258,753,108 were issued and outstanding as at September 30, 2023 (257,560,649 – December 31, 2022).

b. Share based payments

The Company's stock option plan and its share incentive plan authorize 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 percent of the issued and outstanding common shares of the Company. The shareholders of the Company approved an amended stock option plan (the "Amended Plan" or the "2023 Stock Option Plan") including the addition of cashless and net exercise provisions at a meeting held on September 27, 2023. All issued and outstanding stock options previously granted under the old Stock Option Plan were continued under and will be governed by the Amended Plan.

The number and 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.

During the nine months ended September 30, 2023, 7,150,000 stock options were granted to directors, officers, employees and consultants of the Company. The estimated fair value associated with the stock options granted is $899,235. The options have an exercise price of C$0.30.

During the year ended December 31, 2022, 2,100,000 stock options were granted to officers of the Company. The estimated fair value associated with the stock options granted is $637,163. The options have an exercise price of C$0.65.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price (C$/option)
Outstanding, December 31, 2021	18,003,480	$ 0.77
Issued	2,100,000	0.65
Expired	(2,200,110)	1.77
Forfeited	(100,000)	$ 0.65
Outstanding, December 31, 2022	17,803,370	$ 0.63
Issued	7,150,000	0.30
Expired	(2,573,370)	0.70
Forfeited	(650,000)	$ 0.49
Outstanding, September 30, 2023	21,730,000	$ 0.51
Options exercisable, September 30, 2023	12,280,000	$ 0.61

The Black-Scholes Option Pricing Model is used to estimate the fair value of options granted. Vesting periods are over a 3-year period as follows:

(Unaudited - Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

	2023	2022
(i) Risk-free interest rate	3.13%	1.50%
(ii) Expected life	5 years	5 years
(iii) Expected volatility	91.56%	84.87%
(iv) Expected dividend yield	0%	0%
(iv) Expected forfeiture rate	0%	0%

Stock options outstanding at September 30, 2023 were:

Outstanding			**Exercisable**	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price C$	Number of Options	Weighted average exercise price C$
5,380,000	0.95	0.55	5,380,000	0.55
3,600,000	1.74	0.65	3,600,000	0.65
4,000,000	2.98	0.65	2,666,667	0.65
1,900,000	3.28	0.65	633,333	0.65
6,850,000	4.28	0.30	-	0.30
21,730,000	2.71	0.51	12,280,000	0.61

Stock options outstanding at December 31, 2022 were:

Outstanding			**Exercisable**	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price C$	Number of Options	Weighted average exercise price C$
733,370	0.24	0.82	733,370	0.82
1,840,000	0.74	0.65	1,840,000	0.65
5,380,000	1.69	0.55	5,380,000	0.55
3,650,000	2.49	0.65	2,483,334	0.65
4,100,000	3.73	0.65	1,466,666	0.65
2,100,000	4.03	0.65	-	0.65
17,803,370	2.44	0.63	11,903,370	0.62

Each option entitles the holder to purchase one common share for a period of five years from the date of grant. The options granted by Rio2 vest 1/3 equally over a three-year period. The grant of the RSUs and options are subject to the terms of the Share Incentive Plan and the 2023 Stock Option Plan respectively, and final regulatory approval and if applicable, shareholder approval.

Share based compensation relating to stock options for the nine months ended September 30, 2023 was $846,307 (nine months ended September 30, 2022 - $1,373,363).

(Unaudited - Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

RSU transactions are summarized as follows:

	Number of RSUs
Outstanding, December 31, 2021	316,667
Vested and settled in common shares	(183,333)
Cancelled	(50,000)
Outstanding, December 31, 2022*	83,334
Settled in common shares	(41,667)
Outstanding, September 30, 2023	41,667

*As at December 31, 2022, 41,667 of the 83,334 outstanding RSUs were vested, but not settled until the nine months ended September 30, 2023.

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.

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 practice of settling in cash.

On January 4, 2022, 133,333 RSUs were settled. A multiplier of 2 was approved by the Board of Directors and therefore, 266,666 common shares were issued.

On September 9, 2022, 50,000 RSUs vested. However, the executive who held the RSUs declined any shares being issued to him for the settlement of the RSUs, and therefore, no common shares were issued.

On November 25, 2022, an executive who held 50,000 RSUs departed the company. The initial vesting terms of these RSUs were that 25,000 RSUs were to vest on December 31, 2022, and the remaining 25,000 RSUs were to vest on June 30, 2023. However, the Board of Directors of Rio2 approved an accelerated vesting of the RSUs to be converted into 50,000 common shares of Rio2 upon the executive's departure from the Company on November 25, 2022.

On January 25, 2023, 41,667 RSUs were settled. A multiplier of 2 was approved by the Board of Directors and therefore, 83,334 common shares were issued.

Share based compensation relating to RSUs for the nine months ended September 30, 2023 was $18,608 (nine months ended September 30, 2022 - $100,586).

c. Warrants

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

(Unaudited - Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

	Number of warrants	Weighted average exercise price (C$)
Outstanding, December 31, 2021	27,999,450	0.50
Exercised	(2,907,500)	0.50
Expired	(25,091,950)	0.50
Outstanding, December 31, 2022	-	-
Exercised	-	-
Expired	-	-
Outstanding, September 30, 2023	-	-

During the nine months ended September 30, 2023, the Company received net proceeds of $nil (nine months ended September 30, 2022 - $1,146,236) for the exercise of 0 warrants (nine months ended September 30, 2022 – exercise of 2,907,500 warrants).

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.

13. Related Party Transactions

Key management consists of the Board of Directors and senior management. Senior management is defined as the Executive Chairman, the President & CEO, and the Executive Vice President. Key management compensation for the three and nine months ended September 30, 2023, and 2022 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Senior management employment costs	$ 220,014	$ 269,533	$ 649,064	$ 833,925
Directors' fees	35,967	35,796	111,280	109,329
Share based compensation	108,994	186,667	310,858	675,434
	$ 364,975	$ 491,996	$ 1,071,202	$ 1,618,688

(Unaudited - Expressed in United States dollars, unless otherwise stated)

14. Segmented Information

The Company's business consists of a single reportable segment being mineral exploration and development.

During the nine months ended September 30, 2023 and 2022, the Company had four operating segments in four geographic areas: the corporate office in Canada, the financing of the Fenix Gold Project in the Bahamas, the support of the Fenix Gold Project in Peru, and the development of the Fenix Gold Project in Chile. Segmented disclosure of the Company's assets and liabilities is as follows:

					September 30, 2023
	Canada	Bahamas	Peru	Chile	Total
Property and equipment	$ -	$ -	$ 8,219	$ 29,635,619	$ 29,643,838
Exploration and evaluation assets	-	-	-	63,115,612	63,115,612
Other assets	1,924,094	99,003	883,293	13,939,579	16,845,969
Total assets	$ 1,924,094	$ 99,003	$ 891,512	$ 106,690,810	$ 109,605,419
Lease liability	$ -	$ -	$ 491,661	$ -	$491,661
Accounts payable and accrued liabilities	94,749	-	88,728	445,482	628,959
Asset retirement obligation	-	-	-	3,797,109	3,797,109
Deferred revenue	-	29,485,591	-	-	29,485,591
Total liabilities	$ 94,749	$ 29,485,591	$ 580,389	$ 4,242,591	$ 34,403,320

					December 31, 2022
	Canada	Bahamas	Peru	Chile	Total
Property and equipment	$ -	$ -	$ 36,544	$ 27,571,111	$ 27,607,655
Exploration and evaluation assets	-	-	-	64,773,833	64,773,833
Other assets	3,804,536	99,424	1,342,131	17,433,411	22,679,502
Total assets	$ 3,804,536	$ 99,424	$ 1,378,675	$ 109,778,355	$ 115,060,990
Lease liability	$ -	$ -	$ 598,611	$ 114,790	$ 713,401
Accounts payable and accrued liabilities	232,231	-	131,993	1,135,845	1,500,069
Asset retirement obligation	-	-	-	3,830,028	3,830,028
Deferred revenue	-	27,186,914	-	-	27,186,914
Total liabilities	$ 232,231	$ 27,186,914	$ 730,604	$ 5,080,663	$ 33,230,412

15. Subsequent Events

Subsequent to September 30, 2023, 479,198 common shares of Rio2 were issued on October 5, 2023 at a deemed price of C$0.21 in accordance with the shares for services agreements announced on January 25, 2023 and March 27, 2023. The amount of debt settled with common shares was $73,277.