RIO2 LIMITED

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2019 and 2018

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
Condensed Interim Consolidated Statements of Financial Position
As at March 31, 2019 and December 31, 2018
(Expressed in Canadian dollars)

		March 31, 2019		December 31, 2018
ASSETS				
Current Assets				
Cash	$	4,514,997	$	1,101,566
Input taxes recoverable *(Note 6)*		38,280		8,550
Prepaid expenses		36,202		91,662
Total current assets		4,589,479		1,201,778
Input taxes recoverable *(Note 6)*		11,008,964		10,398,400
Property and equipment *(Note 7)*		218,106		234,342
Exploration and evaluation assets (*Note 8)*		60,955,206		59,339,701
	$	76,771,755	$	71,174,221
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities *(Note 9)*	$	3,064,678	$	2,420,265
		3,064,678		2,420,265
SHAREHOLDERS' EQUITY				
Capital stock *(Note 10)*		96,109,270		89,426,543
Reserves *(Note 10)*		7,532,083		6,959,468
Deficit		(29,934,276)		(27,632,055)
		73,707,077		68,753,956
	$	76,771,755	$	71,174,221

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

See accompanying notes to the condensed interim consolidated financial statements

"Alexander Black"
Alexander Black, CEO, President and Director

"Klaus Zeitler"
Klaus Zeitler, Chairman and Director

RIO2 LIMITED
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Expenses		
Employment costs *(Note 11)*	$ 1,206,334	$ 437,088
Share based compensation *(Note 10)*	572,614	547,374
Travel	147,570	20,648
Office and miscellaneous	135,348	61,510
Professional fees	122,436	35,924
Filing and transfer agent fees	43,057	15,402
Exploration costs *(Note 12)*	25,586	64,450
Investor relations	20,900	14,250
Amortization	16,818	530
	$ 2,290,663	$ 1,197,176
Other expense (income)		
Foreign exchange loss (gain)	11,558	(18,530)
Net Loss and Comprehensive Loss for the Year	$ 2,302,221	$ 1,178,646
Basic and Diluted Earnings Loss per Common Share	0.02	0.03
Weighted Average Number of Common Shares Outstanding	109,852,609	39,798,206

See accompanying notes to the condensed interim consolidated financial statements

RIO2 LIMITED
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

	Capital Stock								
	Number of shares		Amount		Reserves		Deficit		Total shareholders' equity (deficiency)
Balance, as at December 31, 2017	39,798,206		22,064,823		2,624,368		(19,361,555)		5,327,636
Options	-		-		495,394		-		495,394
Restricted Stock Units (RSUs)	-		-		51,980		-		51,980
Net loss for the period	-		-		-		(1,178,646)		(1,178,646)
Balance, as at March 31, 2018	39,798,206	$	22,064,823	$	3,171,742	$	(20,540,201)	$	4,696,364
Balance, as at December 31, 2018	103,022,073		89,426,543		6,959,468		(27,632,055)		68,753,956
Private placement, net of share issuance costs	15,217,391		6,682,727		-		-		6,682,727
Options	-		-		463,719		-		463,719
Restricted Stock Units (RSUs)	-		-		108,896		-		108,896
Net loss for the period	-		-		-		(2,302,221)		(2,302,221)
Balance, as at March 31, 2019	118,239,464	$	96,109,270	$	7,532,083	$	(29,934,276)	$	73,707,077

See accompanying notes to the condensed interim consolidated financial statements

RIO 2 LIMITED
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Operating activities		
Net loss for the period	$ (2,302,221)	$ (1,178,646)
Items not involving cash		
Share based compensation	572,614	547,374
Amortization	16,818	530
Change in non-cash components of working capital		
Input taxes recoverable	(640,294)	30,835
Interest receivable		25,207
Prepaid expenses	55,461	25,500
Accounts payable and accrued liabilities	644,413	(108,012)
Cash used in operating activities	(1,653,209)	(657,212)
Financing activities		
Net proceeds from private placement	6,682,727	-
Cash provided by financing activities	6,682,727	-
Investing activities		
Exploration and evaluation assets	(1,615,505)	-
Property and equipment	(582)	-
Short term investments	-	2,200,000
Cash provided by (used in) investing activities	(1,616,087)	2,200,000
Increase in cash and cash equivalents	3,413,431	1,542,788
Cash and cash equivalents-beginning of the period	1,101,566	1,337,760
Cash and cash equivalents-end of the period	$ 4,514,997	$ 2,880,548

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 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 and is managed by Rio2's existing executive team.

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 and its head office is at The Marine Building, 1260-355 Burrard Street, Vancouver, BC, V6C 2G8.

Rio2 is building a multi-asset, multi-jurisdiction, precious metals company focused in the Americas. With projects in Chile and Peru, 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 Company has not yet determined whether the properties they hold contain mineral reserves which are economically recoverable. 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. The Company has no source of revenue. These 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 March 31, 2019, the Company had a working capital surplus of $1,524,801 (December 31, 2018 – working capital deficiency of $1,218,487). 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 three months ended March 31, 2019 of $2,302,221 (three months ended March 31, 2018 – $1,178,646) and negative cash flows from operations of $1,653,209 for the three months ended March 31, 2019 (March 31, 2018 – $657,212). As at March 31, 2019, the Company had an accumulated deficit of $29,934,276 (December 31, 2018 – $27,632,055). 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

1. Nature of Operations and Going Concern (continued)

they become due. External financing, predominantly by the issuance of equity, 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 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, 2018 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, 2018.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 22, 2019.

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 Company restated the statement of changes equity to align the comparative number of shares issued and outstanding after the reduction of proportionate issued and outstanding shares as a result of the Arrangement with Atacama Pacific. The restatement did not have any impact on the comparative equity balances.

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, 2018, except for the following:

(Expressed in Canadian dollars)

2. Basis of Presentation (continued)

IFRS 16 - Leases

IFRS 16 replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. IFRS 16 did not impact the Company's classification and measurement of financial assets and liabilities.

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	
		March 31, 2019	December 31, 2018
Rio2 S.A.C.	Peru	100%	100%
Rio2 Exploraciones S.A.C.	Peru	100%	100%
Rio2 S.A.	Nicaragua	100%	100%
Fenix Gold Limitada	Chile	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.

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 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 and receivables. 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 March 31, 2019, the Company has cash totalling $4,514,997 (December 31, 2018 - $1,101,566) and current liabilities of $3,064,678 (December 31, 2018 - $2,420,265). The current liabilities are Accounts payable of $3,054,678 due on demand and accrued liabilities of $10,000 (December 31, 2018 - Accounts payable of $2,410,265 due on demand and accrued liabilities of $10,000).

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.

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.

3. Financial Instruments (continued)

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 $344,980 (December 31, 2018 – $12,070).

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.

		March 31, 2019		**December 31, 2018**
Share capital	$	96,109,270	$	89,426,543
Reserves		7,532,083		6,959,468
	$	103,641,353	$	96,386,011

The properties in which the Company currently have an interest 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. Atacama Pacific Acquisition

On July 24, 2018, Rio2 announced that Rio2 Limited and Atacama Pacific completed 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.

(Expressed in Canadian dollars)

5. Atacama Pacific Acquisition (continued)

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 the Company. 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 Atacama Pacific's common shares on July 24, 2018, which was CAD $0.68.

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.

	Options	Warrants
Issued	4,640,820	4,233,324
Strike price	$0.78	$0.91
Risk-free interest rate	2.03%	2.03%
Expected life (years)	1.85	0.31
Expected price volatility	125%	125%

The Company accounted for the transaction as an asset acquisition as Atacama Pacific does not constitute a business. 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 preliminary purchase price has been determined and allocated as follows:

Purchase price:		
Fair value of shares issued	$	58,074,886
Fair value of stock options issued		1,766,609
Fair value of warrants issued		510,686
Transaction costs		1,940,175
	$	62,292,356
Purchase price allocation:		
Cash	$	495,800
Canadian GST/HST receivable		452,334
Chilean IVA receivable		10,024,213
Exploration property (Fenix Gold Project)		50,684,315
Exploration property (Anocarire Gold Project)		6,317,160
Accounts payable		(52,117)
Due to Rio2 (i)		(5,629,349)
Net assets acquired	$	62,292,356

(Expressed in Canadian dollars)

5. Atacama Pacific Acquisition (continued)

i. Atacama Pacific incurred transaction costs of $5,629,349 that it was unable to settle with their own cash balances. Rio2 paid these amounts on behalf of Atacama Pacific.

6. Input taxes recoverable

Input taxes recoverable consist of the following:

	March 31, 2019	December 31, 2018
Canadian GST/HST receivable	$ 36,202	$ 8,550
Nicaragua IVA receivable	-	-
Current input taxes recoverable	$ 36,202	$ 8,550
Peruvian IGV receivable	$ 285,838	$ 254,569
Chilean IVA receivable	10,723,126	10,143,831
Long term input taxes recoverable	$ 11,008,964	$ 10,398,400

The Peruvian Impuestos General a las Ventas (“IGV”) receivable consists of input taxes recoverable for expenses incurred for an Agreement (the “Agreement”) with Nexa Peru S.A.A. (“Nexa”). See Note 11 for further details of the Agreement. The Agreement was signed on April 10, 2017, and registered in January 2019 with the public registry of Peru.

The Chilean Impuesto al Valor Agregado (“IVA”) relates to the Fenix 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.

7. Property and Equipment

	Office Equipment	Software	Total
Cost:			
Balance, December 31, 2018	44,130	240,462	284,592
Additions	582	-	582
Disposals	-	-	-
Balance, March 31, 2019	44,712	240,462	285,175
Accumulated depreciation:			
Balance, December 31, 2018	(7,120)	(43,130)	(50,250)
Additions	(2,452)	(14,366)	(16,818)
Balance, March 31, 2019	(9,572)	(57,496)	(67,068)
Net book value at December 31, 2018	37,010	197,332	234,342
Net book value at March 31, 2019	35,140	182,966	218,106

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets

	Fenix Gold Project Chile	Anocarire Gold Project Chile	Kalzas Yukon	Total
Balance, December 31, 2017	$ -	$ -	$ 13,901	$ 13,901
Acquisition of Atacama Pacific	50,684,315	6,317,160	-	57,001,475
Additions	2,405,219	-	-	2,405,219
Effect of exchange rate	-	195,686	-	195,686
Option income received	-	(262,680)	-	(262,680)
Impairment of property	-	-	(13,901)	(13,901)
Balance, December 31, 2018	$ 53,089,534	$ 6,250,166	$ -	$ 59,339,701
Additions	1,723,059	-	-	1,723,059
Effect of exchange rate	-	(107,554)	-	(107,554)
Balance, March 31, 2019	$ 54,812,593	$ 6,142,612	$ -	$ 60,955,206

Fenix Gold Project (Chile)

On July 24, 2018, the Company acquired the Fenix Gold Project ("Fenix") (see Note 5). Evaluation related costs were capitalized to the asset from the date of acquisition by Rio2. Additions to Fenix included drilling, technical consultant fees and equipment rentals.

Anocarire Project (Chile)

On July 24, 2018, the Company acquired the Anocarire Gold Project (see Note 5). The value of $6,317,160 was assigned to Anocarire based on the $4.8 million USD option payment that may be paid to Rio2 by a company controlled by Paul Champagne, a former director of Atacama Pacific. During the year ended December 31, 2018, a payment of $200,000 USD was received on the payment, and the remaining payment of $4,600,000 USD is expected during the year ending December 31, 2019. Payments under this agreement are being recorded as a reduction of the exploration and evaluation asset.

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"). 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. Accounts Payable and Accrued Liabilities

	March 31, 2019	December 31, 2018
Accounts payable	$ 3,054,678	$ 2,410,265
Accrued liabilities	10,000	10,000
	$ 3,064,678	$ 2,420,265

(Expressed in Canadian dollars)

10. Capital Stock

a. Share capital

On July 24, 2018, the Company issued 6,667,000 common shares of the Company at a price of $1.50 per common share for aggregate gross proceeds of $10,000,000. Share issuance costs of $839,116 were paid in connection with this private placement.

In February and March 2019, the Company completed a non-brokered private placement via two tranches. The Company issued a total of 15,217,391 units at $0.46 per unit for aggregate gross proceeds of $7,000,000. Each Unit consists of one common share and one whole common share purchase warrant ("Warrant"). Each Warrant will entitle the holder thereof to acquire one additional common shares at a price of $0.65 per Common Share for a period of two years following the issuance of the Warrant.

Authorized share capital consists of an unlimited number of common shares of which 118,239,464 were issued and outstanding as at December 31, 2018 (103,022,073 – December 31, 2018).

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, 2018	9,253,892	$ 1.02
Expired	(434,343)	1.50
Outstanding, March 31, 2019	8,819,549	0.95
Options exercisable, March 31, 2019	5,779,494	$ 1.02

(Expressed in Canadian dollars)

10. Capital Stock (continued)

Stock options outstanding at March 31, 2019 were:

Outstanding			Exercisable	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price	Number of Options	Weighted average exercise price
310,245	0.32	$0.88	310,245	$0.88
1,683,255	1.32	$0.67	1,683,255	$0.67
402,659	1.68	$0.33	402,659	$0.33
661,748	1.97	$0.76	661,748	$0.76
521,477	2.79	$0.91	521,477	$0.91
1,366,735	2.92	$1.53	911,157	$1.53
500,025	3.07	$2.25	166,675	$2.25
166,675	3.17	$2.56	55,558	$2.56
433,355	3.42	$1.66	144,452	$1.66
833,375	4.00	$0.82	277,792	$0.82
1,940,000	4.50	$0.65	-	$0.65
8,819,549	2.87	$0.95	5,135,017	$0.95

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 options assumed from Atacama Pacific, if not already vested, vested in full on July 24, 2018. The grant of the RSUs and options are subject to the terms of the Share Incentive Plan and the Stock Option Plan respectively, and final regulatory approval and if applicable, shareholder approval.

RSU transactions are summarized as follows:

	Number of RSUs
Outstanding, December 31, 2018	520,026
Exercised	-
Issued	-
Outstanding, March 31, 2019	520,026
Vested, March 31, 2019	-

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 April 2019. On April 30, 2019, the vesting of the RSUs were further modified to vest by December 31, 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.

(Expressed in Canadian dollars)

10. Capital Stock (continued)

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. These warrants expired on November 17, 2018.

In February and March 2019 as part of the private placement of 15,217,391 common shares, the Company issued 15,217,391 warrants with an exercise price of $0.65 and an expiry of two years. 12,623,525 warrants will expire on February 28, 2021 and 2,593,866 warrants will expire on March 13, 2021.

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.

11. 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 months ended March 31, 2019 and 2018 was as follows:

		2019		**2018**
Senior management – consulting and employment costs	$	178,558	$	213,998
Share-based compensation		263,635		350,056
	$	442,193	$	564,054

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 March 31, 2019, the Company incurred legal fees of $69,726 (2018 - $27,884) to a firm in which a director of the Company is a partner.

(b) During the three months ended March 31, 2019, the Company management fees of $49,888 (2018 - $nil) to a company in which a director of the Company is the owner.

(Expressed in Canadian dollars)

12. Exploration costs

The Company's exploration expenditures consist of the following for the three months ended March 31, 2019 and 2018:

			March 31, 2019	March 31, 2018
	Nexa Portfolio (Peru)	Other Projects*	Total	Total
Technical consultants	$ 20,840	$ 4,746	$ 25,586	$ 59,094
Geology	-	-	-	5,356
	$ 20,840	$ 4,746	$ 25,586	$ 64,450

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

<u>Nexa Portfolio (Peru)</u>

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, $1,087,623 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.
- 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.

<u>Nicaraguan Portfolio</u>

Rio2 applied for 10,000 hectares of exploration concessions in May 2017 in Nicaragua. All expenses related to Nicaragua have been expensed to the income statement, in accordance with the Company's Exploration and Evaluation Assets policy.

(Expressed in Canadian dollars)

13. Segmented Information

The Company has four operating segments in four geographic areas: the corporate office in Canada, development of the Fenix Project in Chile, the support of the Fenix Project and the development of the Nexa Portfolio in Peru, and development of the Nicaraguan Portfolio in Nicaragua. Segmented disclosure and Company-wide information is as follows:

March 31, 2019

	Canada	Chile	Peru	Nicaragua	Total
Property and equipment	$ -	$ 25,787	$ 190,744	$ 1,575	$ 218,106
Exploration and evaluation assets	-	60,955,206	-	-	60,955,206
Other assets	3,895,456	11,198,620	504,367	-	15,598,443
Total assets	$ 3,895,456	$ 72,179,613	$ 695,111	$ 1,575	$ 76,771,755
Accounts payable and accrued liabilities	$ 257,875	$ 2,472,729	$ 330,204	$ 3,870	$ 3,064,678
	$ 257,875	$ 2,472,729	$ 330,204	$ 3,870	$ 3,064,678

December 31, 2018

	Canada	Chile	Peru	Nicaragua	Total
Property and equipment	$ -	$ 26,653	$ 205,325	$ 2,364	$ 234,342
Exploration and evaluation assets	-	59,339,701	-	-	59,339,701
Other assets	733,404	10,478,424	387,183	1,167	11,600,178
Total assets	$ 733,404	$ 69,844,778	$ 592,508	$ 3,531	$ 71,174,221
Accounts payable and accrued liabilities	$ 409,268	$ 1,712,738	$ 246,155	$ 52,104	$ 2,420,265
	$ 409,268	$ 1,712,738	$ 246,155	$ 52,104	$ 2,420,265

(Expressed in Canadian dollars)

13. Segmented Information (continued)

For the three months ended March 31, 2019

	Canada	Chile	Peru	Nicaragua	Total
Employment costs	$ 246,341	$ 353,659	$ 606,125	$ 209	$ 1,206,334
Share based compensation	572,614	-	-	-	572,614
Travel	2,076	116,011	29,483		147,570
Office	32,702	37,010	59,235	6,401	135,348
Legal and accounting	115,728	5,385	-	1,323	122,436
Filing and transfer agent fees	43,057	-	-	-	43,057
Exploration costs	4,746	-	20,840	-	25,586
Investor relations	20,900	-	-	-	20,900
Amortization	-	-	16,226	592	16,818
Foreign exchange loss (gain)	190,649	(149,040)	(25,945)	(4,106)	11,558
Net loss	$ 1,228,813	$ 363,025	$ 705,964	$ 4,419	$2,302,221

For the three months ended March 31, 2018

	Canada	Chile	Peru	Nicaragua	Total
Share based compensation	$ 547,374	$ -	$ -	$ -	$ 547,374
Employment costs	407,066	-	12,953	16,469	437,088
Exploration costs	59,093	-	-	5,357	64,450
Office	48,710	-	2,930	8,386	60,026
Legal and accounting	31,814	-	-	4,110	35,924
Travel	17,267	-	-	3,381	20,648
Filing and transfer agent fees	15,402	-	-	-	15,402
Investor relations	14,250	-	-	-	14,250
Meals and entertainment	161	-	-	1,323	1,484
Amortization	-	-	-	530	530
Foreign exchange loss (gain)	(46,333)	-	25,169	2,634	(18,530)
Net loss	$ 1,094,804	$ -	$ 41,052	$ 42,190	$1,178,646