



**RIO2 LIMITED
(FORMERLY PROSPECTOR RESOURCES CORP.)**

**Condensed Interim Consolidated Financial Statements
(Unaudited)**

For the three and six months ended June 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)

	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,186,672	\$ 1,337,760
Short term investments (Note 5)	1,800,000	4,000,000
Input taxes recoverable	247,398	188,372
Interest receivable	4,780	54,449
Prepaid expenses	55,393	77,685
Total current assets	3,294,243	5,658,266
Property and equipment (Note 6)	3,475	6,542
Exploration and evaluation asset (Note 7)	-	13,901
	\$ 3,297,718	\$ 5,678,709
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	477,948	351,073
	\$ 477,948	\$ 351,073
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	22,064,823	22,064,823
Reserves (Note 9)	3,673,320	2,624,368
Deficit	(22,918,373)	(19,361,555)
	2,819,770	5,327,636
	\$ 3,297,718	\$ 5,678,709

Nature of operations and going concern uncertainty (Note 1)

Subsequent events (Note 13)

See accompanying notes to the condensed interim consolidated financial statements

Approved by the Board of Directors and authorized for issue on August 13, 2018.

"Alexander Black"

**Alexander Black, CEO,
President and Director**

"Klaus Zeitler"

**Klaus Zeitler, Chairman and
Director**

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

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Expenses				
Share based compensation (Note 9)	\$ 501,578	\$ 458,861	\$ 1,048,952	\$ 576,043
Employment costs (Note 10)	505,423	238,427	942,511	384,622
Exploration costs (Note 11)	224,130	436,648	288,580	575,593
Office	42,927	32,675	102,953	47,125
Professional fees	860,358	86,168	896,282	243,336
Travel	75,772	49,671	96,420	160,750
Filing and transfer agent fees	71,113	16,521	86,515	73,577
Investor relations	69,520	-	83,770	-
Meals and entertainment	7,221	5,749	8,705	7,057
Amortization	569	-	1,099	46
	\$ 2,358,611	\$ 1,324,720	\$ 3,555,787	\$ 2,068,149
Other expense (income)				
Foreign exchange loss (gain)	3,159	12,718	(15,371)	15,081
Impairment of Exploration and evaluation asset	13,901	-	13,901	-
Impairment of property and equipment	2,501	-	2,501	-
Interest income	-	(133)	-	(133)
Net Loss and Comprehensive Loss for the Year	\$ 2,378,172	\$ 1,337,305	\$ 3,556,818	\$ 2,083,097
Basic and Diluted Loss per Common Share	0.04	0.02	0.06	0.03
Weighted Average Number of Common Shares Outstanding	59,694,362	59,694,362	59,694,362	59,694,362

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 six months ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

	Capital Stock				Total shareholders' equity (deficiency)
	Number of shares	Amount	Reserves	Deficit	
Balance, as at December 31, 2016	44,694,362	\$ 14,625,411	\$ 714,153	\$ (13,685,750)	\$ 1,653,814
Private placement, net of issuance costs	15,000,000	7,439,412	-	-	7,439,412
Options	-	-	90,624	-	90,624
Restricted Stock Units (RSUs)	-	-	26,558	-	26,558
Net loss for the period	-	-	-	(2,083,097)	(2,083,097)
Balance, as at June 30, 2017	59,694,362	\$ 22,064,823	\$ 831,335	\$ (15,768,847)	\$ 7,586,171
Balance, as at December 31, 2017	59,694,362	22,064,823	2,624,368	(19,361,555)	5,327,636
Options	-	-	918,913	-	918,913
Restricted Stock Units (RSUs)	-	-	130,039	-	130,039
Net loss for the period	-	-	-	(3,556,818)	(3,556,818)
Balance, as at June 30, 2018	59,694,362	\$ 22,064,823	\$ 3,673,320	\$ (22,918,373)	\$ 2,819,770

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 six months ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

	Six months ended June 30, 2018	Six months ended June 30, 2017
Operating activities		
Net loss for the period	\$ (3,556,818)	\$ (2,083,097)
Items not involving cash		
Share based compensation	1,048,952	576,043
Impairment of Exploration and asset	13,901	-
Impairment of Property and equipment	2,501	-
Amortization	1,099	46
Interest income	-	(133)
Change in non-cash components of working capital		
Input taxes recoverable	(59,026)	(34,257)
Interest receivable	49,670	-
Prepaid expenses	22,292	(6,069)
Accounts payable and accrued liabilities	126,874	237,757
Cash used in operating activities	\$ (2,350,555)	\$ (1,309,710)
Financing activities		
Net proceeds from private placement	-	7,439,410
Cash provided by financing activities	\$ -	\$ 7,439,410
Investing activities		
Short term investments	2,200,000	-
Property and equipment	(553)	(3,522)
Cash provided by (used in) investing activities	\$ 2,199,467	\$ (3,522)
Increase in cash and cash equivalents	(151,088)	6,126,178
Cash and cash equivalents - beginning of the period	1,337,760	1,780,119
Cash and cash equivalents - end of the period	\$ 1,186,672	\$ 7,096,297

See accompanying notes to the condensed interim consolidated financial statements

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

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, the Company announced that it completed a business combination with Atacama Pacific Gold Corporation (“Atacama Pacific”). Additional information regarding this transaction is provided in Note 13 – Subsequent Events.

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 Company has not yet determined whether the properties it holds 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 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 June 30, 2018, the Company had a working capital surplus of \$2,816,295 (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 six months ended June 30, 2018 of \$3,556,818 (June 30, 2017 – net and comprehensive loss of \$2,083,097) and negative cash flows from operations of \$2,350,555 for the six months ended June 30, 2018 (June 30, 2017 – negative cash flows from operations of \$1,309,710). As at June 30, 2018, the Company had an accumulated deficit of \$22,918,373 (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, predominately 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 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.

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

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 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

Effective April 27, 2017, the Company's name changed from Prospector Resources Corp. to Rio2 Limited by way of an amalgamation of the Company and its wholly-owned subsidiary Rio2 Limited, pursuant to which the amalgamated company was named Rio2 Limited. 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	
		June 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%

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

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

2. Basis of Presentation (continued)

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.

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 June 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	\$ 1,186,672	\$ -	\$ -	\$ 1,186,672
Short term investments	1,800,000	-	-	1,800,000
Total	\$ 2,968,672	\$ -	\$ -	\$ 2,968,672

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Notes to the Condensed Interim Consolidated Financial Statements
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3. Financial Instruments (continued)

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 June 30, 2018, the Company has cash totalling of \$1,186,672 (December 31, 2017 - \$1,337,760), short term investments of \$1,800,000 (December 31, 2017 - \$4,000,000) and current liabilities of \$477,948 (December 31, 2017 - \$351,073). The current liabilities are Accounts payable of \$435,891 due on demand and accrued liabilities of \$42,057 (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.

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, 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.

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Notes to the Condensed Interim Consolidated Financial Statements
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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 \$26,533 (June 30, 2017 – \$22,151).

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.

		June 30, 2018		December 31, 2017
Share capital	\$	22,064,823	\$	22,064,823
Reserves		3,673,320		2,624,368
	\$	25,738,143	\$	24,689,191

The properties in which the Company currently have an interest are in the exploration 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 June 30, 2018, the Company had \$1,800,000 (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.

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2018 and 2017
(Expressed in Canadian dollars)

6. Property and Equipment

	Office Equipment	Land	Total
Amortized cost:			
Balance, December 31, 2017	\$ 4,909	\$ 2,501	\$ 7,410
Additions	533	-	533
Disposals	-	-	-
Impairment	-	(2,501)	(2,501)
Balance, June 30, 2018	\$ 5,442	\$ -	\$ 5,442
Accumulated depreciation:			
Balance, December 31, 2017	\$ (868)	\$ -	\$ (868)
Additions	(1,099)	-	(1,099)
Balance, June 30, 2018	\$ (1,967)	\$ -	\$ (1,967)
Net book value at June 30, 2018	\$ 3,475	\$ -	\$ 3,475

7. Exploration and Evaluation Assets

	Kalzas Yukon
Acquisition Costs	
Balance, December 31, 2016	\$ 13,901
Additions	-
Balance, December 31, 2017	\$ 13,901
Impairment of property	(13,901)
Balance, June 30, 2018	\$ -

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. Under the agreement, the Company agreed to pay \$25,000 in cash, incur \$4,080,000 in expenditures on or before December 31, 2010 and issue 6,000,000 shares on earlier of completion of the feasibility study and January 1, 2014. The Company sought an extension of time for the exercise of its option from Redtail to allow time for the investigation into certain title issues. Redtail declined to grant such an extension and the Company therefore terminated the Kalzas option in January 2010.

During the year ended December 31, 2009, the Company wrote off its interest in the Kalzas property totalling \$595,404 which included \$141,800 in acquisition costs and \$453,604 in deferred exploration costs.

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets (continued)

In April 2012, the Company and Redtail reached an agreement whereby the Company purchased 100% interest in the Kalzas Property in consideration for 2% royalty of annual profits as defined in the Yukon Quartz Mining Act and Yukon Quartz Mining Royalty Regulation. In addition, the Company has a right to purchase from Redtail the 2% royalty of annual profits for \$500,000. Further, the Company has the sole right to purchase from the former property owners one-half (1%) of the 2% net smelter returns royalty for \$500,000.

In March 2013, an amended royalty agreement was signed between the Company and the former property owners. Both parties agreed the following:

- Nothing will be developed unless the First Nations Selkirk First Nation (and possibly other First Nations of the Yukon) are included in the development.
- If and when the Company puts out a news release that it wishes to proceed with putting the Property into production, the Company shall either pay the former property owner \$14,000 in cash or \$14,000 worth of stock based on the market price of the stock on the day of the news release being issued. Such election is to be in the sole discretion of the former property owner.

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 and has been capitalized to the asset.

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.

8. Accounts Payable and Accrued Liabilities

		June 30, 2018		December 31, 2017
Accounts payable	\$	435,891	\$	293,105
Accrued liabilities		42,057		57,968
	\$	477,948	\$	351,073

9. Capital Stock

Authorized

Unlimited common shares without par value.

Issued and Outstanding

On February 24, 2017, the Company issued 15,000,000 common shares of the Company at a price of \$0.50 per common share for aggregate gross proceeds of \$7,500,000. Share issuance costs of \$60,187 were paid in connection with this private placement.

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
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(Expressed in Canadian dollars)

9. Capital Stock (continued)

At June 30, 2018, there were 59,694,362 issued and fully paid common shares (December 31, 2017 – 59,694,362).

Stock Options and RSUs

On March 1, 2017, the Company terminated its old stock option plan and adopted a new 10% rolling stock option plan and a share incentive plan, which provides for the grant of Restricted Share Units (“RSUs”).

Subsequently, on March 1, 2017, the Company issued 430,000 RSUs under the share incentive plan and 2,050,000 options under the new stock option plan. Of the 430,000 RSUs and 2,050,000 options, 330,000 RSUs and 1,300,000 options were granted to directors and officers of the Company.

On April 24, 2017, the Company issued 750,000 stock options under the new stock option plan to directors of the Company.

On May 30, 2017, the Company issued 100,000 RSUs under the share incentive plan and 250,000 stock options under the new stock option plan to an officer of the Company.

On September 1, 2017, the Company issued 250,000 RSUs under the share incentive plan and 650,000 stock options under the new stock option plan to employees of the Company.

On March 29, 2018, the Company issued 1,250,000 stock options under the new stock option plan to directors, officers and employees of the Company.

The fair value of these stock options was estimated on the date of measurement using the Black-Scholes option pricing model.

	March 1, 2017	April 24, 2017	May 30, 2017	September 1, 2017	March 29, 2018
Number of Options	2,050,000	750,000	250,000	650,000	1,250,000
Exercise price (\$)	1.02	1.50	1.71	1.11	0.55
Market price (\$)	1.02	1.50	1.71	1.11	0.55
Expected Volatility (%)*	123	122	116	110	125
	0.98	1.03	0.94	1.59	1.96
Risk-free interest rate (%)					
Expected life (years)	5.00	5.00	5.00	5.00	5.00
Expected forfeiture rate (%)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Fair value of options	1,746,034	935,806	346,220	569,840	581,303

*Based on average volatility of industry comparable junior mining companies operating in Peru and other South American and Caribbean regions

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
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(Expressed in Canadian dollars)

9. Capital Stock (continued)

The following table summarizes the continuity of the Company's stock options at June 30, 2018:

Outstanding				Exercisable	
Exercise price \$	Number of Options	Weighted average remaining contractual years	Weighted average exercise price	Number of shares	Weighted average exercise price
\$1.02	2,050,000	3.7	\$1.02	683,333	\$ 1.02
\$1.50	750,000	3.8	\$1.50	250,000	\$ 1.50
\$1.71	250,000	3.9	\$1.71	83,333	\$ 1.71
\$1.11	650,000	4.2	\$1.11	-	\$ -
\$0.55	1,250,000	4.8	\$0.55	-	\$ -
	4,950,000	4.0	\$1.02	1,016,666	\$ 1.19

Each option entitles the holder to purchase one Common Share for a period of five years from the date of grant. The options 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 Stock Option Plan respectively.

The following table summarizes the continuity of the Company's RSUs at June 30, 2018:

Expiry date	Number of instruments	Number of instruments vested	Weighted average number of years to expiry
December 15, 2020	780,000	-	2.4

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 all RSUs were modified so that the first tranche would vest after 2018 financial results are finalized.

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.

The shareholders of the Company last approved the Share Incentive Plan and the Stock Option Plan at a meeting held on July 16, 2018.

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.

10. 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 six months ended June 30, 2018 and 2017 was as follows:

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
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10. Related Party Transactions (continued)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Senior management – consulting and employment costs	\$ 216,858	\$ 235,922	\$ 430,856	\$ 383,933
Share-based compensation	264,712	458,861	590,039	576,043
	\$ 481,570	\$ 694,783	\$ 1,020,895	\$ 959,976

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 June 30, 2018, the Company incurred legal fees of \$498,562 (2017 - \$36,725). During the six months ended June 30, 2018, the Company incurred legal fees of \$526,446 (2017 - \$167,555) 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.

11. Exploration Costs

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

				June 30,	June 30,
				2018	2017
	Milpo Portfolio (Peru)	Nicaraguan Portfolio	Other Projects*	Total	Other Projects*
Technical consultants	\$ 9,890	\$ 11,619	\$ 127,875	\$ 149,384	\$ 138,945
Geology	10,132	44,487	-	54,619	-
Community relations	15,566	4,561	-	20,127	-
	\$ 35,588	\$ 60,667	\$ 127,875	\$ 224,130	\$ 138,945

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

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

				June 30,	June 30,
				2018	2017
	Milpo Portfolio (Peru)	Nicaraguan Portfolio	Other Projects	Total	Total
Technical consultants	\$ 9,890	\$ 11,619	\$ 186,969	\$ 208,478	\$ 448,296
Geology	10,132	49,843	-	59,975	127,297
Community relations	15,566	4,561	-	20,127	-
	\$ 35,588	\$ 66,023	\$ 186,969	\$ 288,580	\$ 575,593

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11. Exploration costs (continued)

Milpo Portfolio (Peru)

On April 10, 2017, the Company entered into an Agreement (the “Agreement”) with Compañía Minera Milpo S.A.A. (“Milpo”) 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, \$942,225 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 Milpo 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.

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 Milpo and the Nicaragua Portfolio have been expensed to the income statement, in accordance with the Company’s Exploration and Evaluation Assets policy.

12. Segmented Information

The Company has three operating segments in three geographic areas: the corporate office in Canada, the development of the Milpo Portfolio in Peru, and the development of the Nicaraguan Portfolio in Nicaragua. Segmented disclosure and Company-wide information is as follows:

	June 30, 2018			
	Canada	Peru	Nicaragua	Total
Property and equipment	\$ -	\$ -	\$ 3,475	\$ 3,475
Other assets	3,007,499	282,872	3,872	3,294,243
Total assets	\$ 3,007,499	\$ 282,872	\$ 7,347	\$ 3,297,718
Accounts payable and accrued liabilities	\$ 366,088	\$ 61,178	\$ 50,684	\$ 477,950
	\$ 366,088	\$ 61,178	\$ 50,684	\$ 477,950

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12. 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

For the three months ended June 30, 2018

	Canada	Peru	Nicaragua	Total
Share based compensation	\$ 501,578	\$ -	\$ -	\$ 501,578
Employment costs	429,802	59,582	16,039	505,423
Exploration costs	127,875	35,588	60,667	224,130
Office	25,305	5,874	11,748	42,927
Professional fees	837,673	21,142	1,543	860,358
Travel	54,054	18,001	3,717	75,772
Filing and transfer agent fees	71,113	-	-	71,113
Investor relations	69,520	-	-	69,520
Meals and entertainment	4,100	1,973	1,148	7,221
Amortization	-	-	569	569
Foreign exchange loss (gain)	(27,309)	27,008	3,460	3,159
Impairment of Exploration asset	13,901	-	-	13,901
Impairment of Property and equipment	2,501	-	-	2,501
Net loss	\$ 2,110,113	\$ 169,168	\$ 98,891	\$ 2,378,172

For the three months ended June 30, 2017

	Canada	Peru	Nicaragua	Total
Share based compensation	\$ 458,861	\$ -	\$ -	\$ 458,861
Exploration costs	309,351	127,297	-	436,648
Employment costs	237,615	-	812	238,427
Professional fees	82,390	576	3,202	86,168
Travel	49,304	-	367	49,671
Office	23,975	-	8,700	32,675
Filing and transfer agent fees	16,521	-	-	16,521
Meals and entertainment	5,621	-	128	5,749
Foreign exchange loss (gain)	7,286	5,882	(450)	12,718
Interest income	(133)	-	-	(133)
Net income	\$ 1,190,791	\$ 133,755	\$ 12,759	\$ 1,337,305

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12. Segmented Information (continued)

For the six months ended June 30, 2018

	Canada	Peru	Nicaragua	Total
Share based compensation	\$ 1,048,952	\$ -	\$ -	\$1,048,952
Employment costs	837,469	72,535	32,507	942,511
Exploration costs	186,969	35,588	66,023	288,580
Office	74,015	8,804	20,134	102,953
Professional fees	869,487	21,142	5,653	896,282
Travel	71,321	18,001	7,098	96,420
Filing and transfer agent fees	86,515	-	-	86,515
Investor relations	83,770	-	-	83,770
Meals and entertainment	4,261	1,974	2,470	8,705
Amortization	-	-	1,099	1,099
Foreign exchange loss (gain)	(73,641)	52,177	6,093	(15,371)
Impairment of Exploration asset	13,901	-	-	13,901
Impairment of Property and equipment	2,501	-	-	2,501
Net loss	\$ 3,205,520	\$ 210,221	\$ 141,077	\$ 3,556,818

For the six months ended June 30, 2017

	Canada	Peru	Nicaragua	Total
Share based compensation	\$ 576,043	\$ -	\$ -	\$ 576,043
Exploration costs	448,296	127,297	-	575,593
Employment costs	383,810	-	812	384,622
Legal and accounting	239,558	576	3,202	243,336
Travel	160,383	-	367	160,750
Office	38,425	-	8,700	47,125
Amortization	46	-	-	46
Filing and transfer agent fees	73,577	-	-	73,577
Meals and entertainment	6,929	-	128	7,057
Foreign exchange loss (gain)	9,649	5,882	(450)	15,081
Interest income	(133)	-	-	(133)
Net income	\$ 1,936,583	\$ 133,755	\$ 12,759	\$ 2,083,097

13. Subsequent events

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 will continue to operate under the name Rio2 Limited and will be 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) ("OBICA"). Prior to the effective time of the Arrangement, Atacama Pacific continued from the *Canada Business Corporations Act* to the OBICA. 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.

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13. Subsequent events (continued)

In connection with closing of the Arrangement, the proceeds of Rio2's completed \$10 million private placement of subscription receipts (the "Rio2 Financing") were released from escrow and 10,000,000 common shares of Rio2 were issued.

Due to the completion of the Arrangement and the conversion of the subscription receipts issued in connection with the Rio2 Financing, Rio2 Limited has 102,840,572 common shares issued and outstanding.

After giving effect to the Arrangement, there are 7,940,985 stock options exchangeable for one common share of Rio2 at a weighted average conversion price of \$1.10. The stock options after giving effect to the Arrangement are as follows:

# of options	Exercise price	Date of expiry
1,082,561	\$ 0.30	January 31, 2019
1,645,296	\$ 0.76	March 18, 2021
833,375	\$ 0.82	March 29, 2023
1,353,202	\$ 0.91	January 11, 2022
559,761	\$ 1.51	January 31, 2019
1,366,735	\$ 1.53	March 1, 2022
433,355	\$ 1.66	September 1, 2022
500,025	\$ 2.25	April 24, 2022
166,675	\$ 2.56	May 30, 2022
7,940,985	\$ 1.10	

After giving effect to the Arrangement, there are 520,026 RSUs outstanding that are exchangeable for one common share of Rio2, which vest in accordance with the terms described in Note 9.

After giving effect to the Arrangement, there are also 4,233,324 warrants outstanding that are exchangeable for one common share with an exercise price of \$0.91. All warrants expire on November 17, 2018.

The common shares of new Rio2 Limited commenced trading on the TSX Venture Exchange (the "TSXV") on Friday, July 27, 2018 under the symbol "RIO" following the delisting of the old Rio2 shares and Atacama Pacific shares from the TSXV.