



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

The following management's discussion and analysis ("MD&A") was prepared as of November 27, 2018 and is management's assessment of the operating results and financial condition of Rio2 Limited ("Rio2" or the "Company") together with its subsidiaries. This MD&A should be read in conjunction with both the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018, the audited consolidated financial statements for the year ended December 31, 2017 and the related notes thereto.

The unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise stated.

The Company's common shares (the "Common Shares") are currently traded on the TSX Venture Exchange ("TSXV"), as well as the Bolsa de Valores de Lima ("BVL"), under the symbol "RIO". The Company's registered office is located at Suite 6000, 1 First Canadian Place, 100 King St. West, Toronto, ON, M5X 1E2.

Additional information relating to the Company, including its Annual Information Form dated May 30, 2018, can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and may be obtained by contacting the Company at [info@rio2.com](mailto:info@rio2.com).

## **DESCRIPTION OF BUSINESS**

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.

Rio2 has assembled a highly experienced executive team to generate shareholder value, with proven technical skills in the development and operations of mines and capital markets experience.

Through its strategy of acquiring precious metals assets at exploration, development, and operating stages, the executive team intends to grow Rio2 and create long-term shareholder value through the development of high-margin, strong free-cash-flowing mining operations.

On May 14, 2018, the Company and Atacama Pacific Gold Corporation ("Atacama Pacific") announced it had entered into a definitive arrangement agreement (the "Arrangement") to combine their respective businesses via a court approved plan of Arrangement. Under the terms of the Arrangement, each Atacama Pacific shareholder received (upon completion of the Arrangement in July 2018) 0.6601 shares of the combined company for each Atacama Pacific common share held and each Rio2 shareholder received 0.6667 shares of the combined company for each Rio2 common share held. The purpose of this transaction is for Rio2's management team to continue to develop the Cerro Maricunga Gold Project in Chile, leveraging on Rio2's management team's experience in the development of the La Arena gold mine and the Shahuindo gold mine in Peru.

On May 31, 2018, the Company announced that it has closed an offering of 10,000,000 subscription receipts at a price of \$1.00 per subscription receipt for gross proceeds to Rio2 of \$10,000,000. The offering

was completed in connection with the previously announced proposed business combination of Rio2 and Atacama Pacific Gold Corporation.

On July 24, 2018, Rio2 and Atacama Pacific Gold Corporation announced that the business combination of Rio2 and Atacama was completed by way of a court approved plan of arrangement through which the companies amalgamated as a single entity, and the proceeds of the private placement closed on May 31, 2018 were released to Rio2. The combined company that resulted continues to operate under the name "Rio2 Limited" and is managed by Rio2's existing executive team led by Alex Black as President and Chief Executive Officer.

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". Kallpa Securities S.A.B. in Lima, Peru acted as Rio2's sponsoring broker for the BVL listing.

On September 17, 2018, Rio2 announced had decided to change the name of the Cerro Maricunga Gold Project to the Fenix Gold Project and the name of the Company's Chilean subsidiary from Minera Atacama Pacific Gold Chile Limitada to Fenix Gold Limitada. The reasons for the name changes are to simplify reference to the project and differentiate it from others that use the word "Maricunga" in their project and/or company names. The change took effect on September 17, 2018.

On September 17, 2018, the Company also announced it had appointed Enrique Garay as Senior Vice President, Geology, to its leadership team. Mr. Garay is replacing Ian Dreyer who is undertaking a newly created position as Senior Vice President, Technical Services. Mr. Dreyer will provide high-level ongoing support to the Rio2 technical team and lead the geological component of project assessments in relation to ongoing M&A activities. Mr. Garay is a seasoned senior geologist with over 25 years of experience in the precious and base metal resource sector, with a focus on exploration and mine geology. He has worked for a number of leading mining companies including Barrick, Hochschild Mining, Trafigura, Consorcio Minero Horizonte, Rio Alto Mining, and Nexa Resources.

On November 7, 2018, Rio2 announced that a 7,000-meter in-pit drilling program has commenced at its Fenix Gold Project located in the Atacama Region (III Region, Chile) within the well-known Maricunga Mineral Belt. The drilling is focused on the US\$728 pit shell as defined in the Project's Pre-Feasibility Study completed in 2014. The objective of this drilling is to intersect and define east-west structural feeders that the geologists believe are controlling the higher grade mineralization, as evidenced in surface sampling. The drilling will also serve as a check for previous drilling within the US\$728 pit shell and assist in better defining the near surface higher grade mineralized component of the new resource estimate for the deposit to be completed by the end of the first quarter of 2019.

The in-pit drilling campaign, including assaying, is expected to take up to three months to complete and will be followed by a series of geo-metallurgical, geotechnical and condemnation drill holes. Metallurgical drilling will assist the Company on completing a trade-off of various crushing options for the project while geotechnical drilling will focus on pit wall stability and condemnation drilling will be targeted in areas of mine infrastructure such as leach pad, waste dump, process plant and other mine facilities. All the information gathered from this additional drilling will contribute to the planned Feasibility Study which is expected to be completed in second half of 2019.

Rio2's geologists have recently completed the re-logging of the existing core from past drilling programs dating back to 2010. The principal reason for re-logging the core is to generate, for the first time, a geological model that will support the new resource estimate to be completed in the first quarter of 2019. The Company believes that there is a high-grade component to the resource related to structures and breccias which are prevalent in the deposit but have not been defined in the current resource estimate which has been constrained by a 0.15 g/t grade shell without considering geological domaining. The geologists are also resampling surface exposures of the mineralized resource to include this information in the revised resource estimate. Previous surface sampling was not included in the current resource estimate despite a high

proportion of samples being above the average mineralized resource grade and the resource outcropping at surface.

On November 7, 2018, Rio2 also announced that it has initiated the Environmental Baseline Study on the Fenix Gold Project. The study is scheduled to be completed by mid 2019 and will form a basis for the preparation of an Environmental Impact Study which is scheduled to be filed with Chilean authorities during second half of 2019, following the completion of the planned Feasibility Study.

As of September 30, 2018, the Company had a working capital surplus of \$4,277,078 (December 31, 2017 – \$5,307,193). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses. The Company incurred a net and comprehensive loss for the nine months ended September 30, 2018 of \$4,495,562 (September 30, 2017 – net and comprehensive loss of \$3,664,237) and negative cash flows from operations of \$10,280,882 for the nine months ended September 30, 2018 (September 30, 2017 – negative cash flows from operations of \$2,363,637). As at September 30, 2018, the Company had an accumulated deficit of \$23,857,117 (December 31, 2017 – \$19,361,555). The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to repay its liabilities when they become due. This condition, along with other matters set forth in Note 1 of the condensed interim consolidated financial statements for the three and nine months ended September 30, 2018, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## REVIEW OF PROPERTIES

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

### *Fenix Gold Project*

On July 24, 2018, the Company acquired the Fenix Project, located in Chile's III Region, a well-established mining jurisdiction, through its transaction with Atacama Pacific. On September 17, 2018, the Company announced that it had changed the name of the Cerro Maricunga Gold Project to the Fenix Gold Project.

The acquisition of the Fenix Gold Project is reflected in the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 and 2018, with an effective date of July 24, 2018.

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

As part of the acquisition of the Fenix Gold Project, Rio2 also assumed an agreement with Paul Champagne, a former director of Atacama Pacific. During the quarter ended September 30, 2018, the

Company received \$200,000 USD as an option payment to acquire the Anocarire Project from Fenix Gold Limitada.

For further details of the transaction with Atacama Pacific and the acquisition of the Fenix Gold Project, see Note 5 of the of the condensed interim consolidated financial statements for the three and nine months ended September 30, 2018.

### ***Kalzas Project***

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

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

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

### ***Exploration expenses***

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

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

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

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

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

### **Nexa Portfolio (Peru)**

On April 10, 2017, the Company entered into an Agreement (the "Agreement") with Nexa Peru S.A.A. (formerly Compañía Minera Milpo S.A.A.) pursuant to which it has the right and option, but not the

obligation, to acquire all rights and interests in the Peruvian Portfolio. The material terms of the Agreement include the following:

- Rio2 is required to incur a total of US\$5 million in exploration expenditures on the Peruvian Portfolio over a 36-month period. To date, \$1,023,859 has been incurred by Rio2.
- To exercise the option and acquire the Peruvian Portfolio, Rio2 is required to complete the US\$5 million investment within the specified time period after which it will grant Nexa a two percent net smelter return royalty over the Peruvian Portfolio.
- 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 Nexa and the Nicaragua Portfolio have been expensed to the income statement, in accordance with the Company's Exploration and Evaluation Assets policy.

#### **RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018**

The principal business activity during the three months ended September 30, 2018 was working towards the completion of the Arrangement with Atacama Pacific, as well the evaluation of other precious metal projects that can be developed into mines with a view towards their acquisition. On July 24, 2018, the Arrangement was completed and the companies amalgamated as a single entity by way of a plan of arrangement completed under the Business Corporations Act (Ontario).

The Company also entered into the Nexa Agreement in April 2017 pursuant to which the Company has the right to acquire the Peruvian Portfolio. In addition, the Company also applied for 10,000 hectares of exploration concessions in Nicaragua in May 2017. The Company continues to focus on its strategy of evaluating and acquiring precious metal projects.

The Company recorded a loss of \$938,744 for the three months ended September 30, 2018, compared to a loss of \$1,581,140 for the same period in 2017. The decrease in loss of \$642,396 was primarily due to the capitalizing costs relating to directly to the Arrangement that had been expensed in previous quarters, offset by an increase in corporate activity during the period, as represented as follows:

- Employment costs - \$922,254 (2017 - \$394,300). The increase was due to adding several new employees to the Rio2 team in Lima Peru, to support the Fenix Gold Project.
- Office - \$102,743 (2017 - \$25,889). The increase was due to the establishment of an office in Lima, Peru, as well as administrative expenses for the support of the Fenix Gold Project.
- Filing and transfer agent fees - \$51,306 (2017 - \$306). The increase was due to increased fees associated with the Arrangement, as well as listing on the BVL.
- Investor relations - \$29,424 (\$2017 - \$21,278). The increase was due to the development of the Rio2.com website, conference fees, as well as an increased number of press releases relating to the Arrangement.

- Property option agreement income - \$255,620 in other income (2017 - \$nil). This income was related to a \$200,000 USD option payment received from Paul Champagne, a former director of Atacama Pacific. During the quarter ended September 30, 2018, the Company received \$200,000 USD as an option payment to acquire the Anocarire Project from Fenix Gold Limitada.

These increased expenses were partially offset by a decrease in:

- Share based compensation - \$473,188 (2017 - \$600,161). The decrease was due to the timing of vesting of stock options and restricted share units ("RSUs") during the three months ended September 30, 2018, compared to a higher expense during the three months ended September 30, 2017.
- Exploration costs - \$99,875 (2017 - \$450,167). The decrease was due to the technical team concentrating their efforts on the Arrangement, instead of exploring other projects.
- Travel - \$17,896 (2017 - \$87,093). The decrease was due to the technical team concentrating their efforts on the Arrangement, with less travel to explore other projects.
- Professional fees – a credit of \$547,518 (2017 - \$47,872). The credit recognized in the three months ended September 30, 2018 was due to the capitalization of legal and accounting expenses relating directly to the acquisition of the Fenix Gold Project, that had been expensed in previous quarters before the Arrangement had been finalized.

## **RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

The principal business activity during the three months ended September 30, 2018 was working towards the completion of the Arrangement with Atacama Pacific, as well the evaluation of other precious metal projects that can be developed into mines with a view towards their acquisition. On July 24, 2018, the Arrangement was completed amalgamate as a single entity by way of a plan of arrangement completed under the Business Corporations Act (Ontario).

The Company also entered into the Nexa Agreement in April 2017 pursuant to which the Company has the right to acquire the Peruvian Portfolio. In addition, the Company also applied for 10,000 hectares of exploration concessions in Nicaragua in May 2017. The Company continues to focus on its strategy of evaluating and acquiring precious metal projects.

The Company recorded a loss of \$4,495,562 for the nine months ended September 30, 2018, compared to a loss of \$3,664,237 for the same period in 2017. The increase in loss of \$831,325 was primarily due to the Arrangement, as well as an increase in corporate activity during the period, as represented as follows:

- Share based compensation - \$1,522,140 (2017 - \$1,176,204). The increase was due to the timing of vesting of stock options and restricted share units ("RSUs") during the nine months ended September 30, 2018, compared to a lower expense during the nine months ended September 30, 2017.
- Employment costs – \$1,864,765 (2017 - \$778,922). The increase was due to Rio2 having engaged its team throughout 2017 and 2018 and the associated increased cost.
- Professional fees - \$348,764 (2017 - \$291,208). The increase was due primarily to increased activity of the Company. Costs relating directly to the acquisition of the Fenix Gold Project are not included in this figure as they are capitalized to the costs of acquisition. This expense recognized in the income statement consisted primarily of advisory, legal fees and accounting fees.
- Office - \$205,696 (2017 - \$73,014). The increase was due to the establishment of an office in Lima, Peru, as well as administrative expenses for the support of the Fenix Gold Project.
- Filing and transfer agent fees - \$137,821 (2017 - \$73,883). The increase was due to increased fees associated with the Arrangement, as well as listing on the BVL.

- Investor relations - \$113,194 (\$2017 - \$21,278). The increase was due to the development of the Rio2.com website, conference fees, as well as an increased number of press releases relating to the Arrangement.
- Property option agreement income - \$255,620 in other income (2017 - \$nil). This income was related to a \$200k USD payment received as an agreement with Paul Champagne, a former director of Atacama Pacific. During the quarter ended September 30, 2018, the Company received \$200,000 USD as an option payment to acquire the Anocarire Project from Fenix Gold Limitada.

These increased expenses were partially offset by a decrease in:

- Exploration costs - \$388,455 (2017 – \$1,025,760). The decrease was due to the technical team concentrating their efforts on the Arrangement, instead of exploring other projects
- Travel - \$114,316 (2017 - \$247,842). The decrease was due to the technical team concentrating their efforts on the Arrangement, with less travel to explore other projects.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information and is derived from the financial statements prepared by the Company's management.

Quarter Ended	Revenue		Net Income (Loss)	Earnings (Loss) Per Share	Total Assets
September 30, 2018	\$	-	\$ (938,744)	\$ (0.01)	\$ 68,812,368
June 30, 2018		-	(2,378,172)	(0.04)	3,297,718
March 31, 2018		-	(1,178,646)	(0.02)	4,939,425
December 31, 2017		-	(2,011,566)	(0.04)	5,678,709
September 30, 2017		-	(1,581,140)	(0.03)	6,948,125
June 30, 2017		-	(1,337,305)	(0.02)	7,975,863
March 31, 2017		-	(745,794)	(0.01)	8,912,584
December 31, 2016		-	541,092	0.09	1,805,645

As the Company's projects are still in the development and exploration stage, the Company continues to incur losses each quarter and the trend remains unchanged for the near future. Increased losses are likely to occur as the Company is now more actively evaluating potential opportunities.

## RELATED PARTY TRANSACTIONS AND BALANCES

Key management consists of the Board of Directors and senior management. There was an increase in the senior management costs during the three and nine months ended September 30, 2018 compared to the three and nine months ended September 30, 2017. This is due to the engagement of the senior management team that occurred during 2017. Share based compensation to related parties decreased during the three months ended September 30, 2018 compared to the three months ended September 30, 2017 due to the timing of vesting of stock options and RSUs issued to the senior management team. Share based compensation during the nine months ended September 30, 2018 compared to the nine months ended September 27, 2018 remained similar. Senior management is defined as the President & CEO, and Executive Vice Presidents. Key management compensation for the three and nine months ended September 30, 2018 and 2017 was as follows:

Rio2 Limited (Formerly Prospector Resources Corp.)  
Management's Discussion and Analysis  
For the nine months ended September 30, 2018

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

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

- (a) During the three months ended September 30, 2018, the Company incurred legal fees of \$162,792 (2017 - \$84,055). During the nine months ended September 30, 2018, the Company incurred legal fees of \$452,862 (2017 - \$251,610) to a firm in which a director of the Company is a partner.
- (b) On March 29, 2018, the Company issued 1,250,000 stock options. 900,000 of these stock options were granted to the directors and officers of the Company.
- (c) On September 27, 2018, the Company issued 1,940,000 stock options. 1,020,000 of these stock options were granted to directors and officers of the Company.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development stage company seeking additional opportunities. 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 and has significant cash requirements to meet its administrative overhead and maintain its mineral interests.

The financial statements were prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2018, the Company had a working capital surplus of \$4,277,078 (December 31, 2017 – \$5,307,193). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses. As at September 30, 2018, the Company had an accumulated deficit of \$23,857,117 (December 31, 2017 – \$19,361,555).

As of September 30, 2018, the Company has cash totalling of \$2,134,869 (December 31, 2017 - \$1,337,760) and short-term investments of \$1,500,000 (December 31, 2017 - \$4,000,000). Liabilities of the Company consist of accounts payable and accrued liabilities of \$409,923 due on demand and an additional accrued liability of \$10,000 with an indeterminate date of settling the obligation (December 31, 2017 - \$351,073).

Following the private placement for gross proceeds of \$2,144,500 completed in November 2016, the Company had positive working capital. In February 2017, the Company completed a private placement for gross proceeds of \$7,500,000. In July 2018, the Company completed a private placement for gross proceeds of \$10,000,000. Long-term, the Company's ability to execute its work plan, meet its administrative overhead obligations, discharge its liabilities and fulfill its commitments as they come due is dependent upon its success in obtaining additional financing and, ultimately, on locating economically recoverable resources and attaining profitable operations.

External financing will be sought to finance the operations of the Company and enable it to continue its efforts towards the exploration and development of its mineral properties. Failure to continue as a going



concern would require the restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis.

## **OFF-BALANCE SHEET ARRANGEMENTS**

At September 30, 2018, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations, or any obligations that trigger financing, liquidity, market, or credit risk to the Company.

## **PROPOSED TRANSACTIONS**

There are no proposed transactions as at the date of this MD&A.

## **EVENTS SUBSEQUENT TO SEPTEMBER 30, 2018**

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

## **RISKS AND UNCERTAINTIES**

The Company's business consists of the exploration, evaluation and development of mineral properties and is subject to certain risks. The risks described below are not the only risks facing the Company and other risks now unknown to the Company may arise or risks now thought to be immaterial may become material. No guarantee is provided that other factors will not affect the Company in the future. Many of these risks are beyond the control of the Company.

### ***Limited History of Operations***

The Company has had a limited operating history upon which an evaluation of the Company, its current business and its prospects can be based. An investor should consider any purchase of the Company's securities in light of the risks, expenses, and problems frequently encountered by all companies in the early stages of their corporate development.

### ***Risks Inherent in Acquisitions***

It is part of the Company's corporate strategy to actively pursue the acquisition of exploration, development and production assets consistent with its acquisition and growth strategy. From time to time, the Company may also acquire securities of or other interests in companies with respect to which it may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including but not limited to:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities, and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of the Company's key employees or key employees of any business acquired;
- unanticipated changes in business, industry, or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of acquired properties, companies, or securities.

Any one or more of these factors or other risks could cause the Company not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on its financial condition.

### ***Dilution and Future Sales of Common Shares***

The Company is in the exploration and development stage of its corporate development; it owns no producing properties and, consequently has no current operating income or cash flow from the properties it holds, nor has it had any income from operations in the past three financial years. As a consequence, operations of the Company are primarily funded by equity subscriptions. The Company may issue additional shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and shareholders will have no pre-emptive rights in connection with further issuances.

### ***Nature of Mining, Mineral Exploration and Development Projects***

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the exploration, development, and production of minerals, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses, and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

### ***Uncertainty of Exploration and Development Projects***

The future development of Fenix (Chile), the Nexa Portfolio (Peru), the Nicaraguan Portfolio, or any of the Company's future exploration and development projects will require extensive drilling, testing, the construction and operation of a mine, processing plants and related infrastructure. As a result, the Company is subject to all of the risks associated with establishing mining operations including:

- the timing and cost, which will be considerable, of the construction of mining and processing facilities;
- the availability and costs of skilled labour, power, water, transportation and mining equipment;
- costs of operating a mine in a specific environment;

- the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits;
- adequate access to the site; and
- unforeseen events.

The costs, timing and complexities of mine construction and development are increased by the remote location of the Company's properties. It is not unusual in a new mining operation to experience unexpected problems and delays during the construction and development of the mine. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in the feasibility study. Accordingly, there are no assurances that the Company will successfully develop mining activities at properties.

#### ***Uninsured Risks Exist and May Affect Certain Values***

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company's Common Shares.

#### ***Key-Man and Liability Insurance Factors Should be Considered***

The success of the Company will be largely dependent upon the performance of its key officers. The Company has not, as yet, purchased any "key-man" insurance with respect to any of its directors, officers, and key employees and has no current plans to do so.

Although the Company may obtain liability insurance in an amount which management considers adequate, the nature of the risks for mining companies is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

#### ***Dependence on Outside Parties***

The Company has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

#### ***Ability to Attract and Retain Qualified Personnel***

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, they will require additional key financial, administrative and mining personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations, and financial condition.

### ***Factors Beyond Corporation's Control***

The exploration and development of mineral properties and the marketability of any minerals contained in such properties will be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and processing facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

### ***Government Regulation and Permitting***

The current or future operations of the Company, including development activities, require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, water use, environmental protection, land claims of local people, mine safety, and other matters.

Such exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that will require the Company to obtain permits, licences, and approvals from various governmental agencies. There can be no assurance, however, that all permits, licences, and approvals that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Amendments to current laws, regulations, and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations.

### ***Environmental Risks and Hazards***

The Company's activities are subject to extensive national, provincial, and local laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide bonding requirements under environmental laws. All phases of the Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage, and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Environmental laws and regulations are complex and have tended to become more stringent over time. These laws are continuously evolving. The Company is not able to predict the impact of any future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions, and delays in the activities of the Company, the extent of which cannot be predicted.

### ***Other Tax Considerations***

The Canadian federal and provincial tax treatment of natural resource activities has a material effect on the advisability of investing in mining companies. The ability of the Company to claim and collect tax credits relating to its natural resource activities and the return on an investment in Common Shares will be subject to applicable tax laws. There can be no assurance that applicable tax laws will not be amended so as to fundamentally alter the tax consequences of claiming and collecting tax credits and holding or disposing of the Common Shares.

### ***Aboriginal Land Claims and Consultation Issues***

The Company may be the subject of land claims by aboriginal groups. Management of the Company is not aware of any such claims, however, there is no assurance that such claims may not arise in the future.

### ***Share Price Fluctuations***

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance or the underlying asset values of prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

### ***Price Volatility of Publicly Traded Securities***

Securities of exploration and mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Common Shares include the following:

- the extent of analyst coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow its securities;
- limited trading volumes and general market interest in the Company's securities may affect an investor's ability to trade the Common Shares; and
- the relatively small number of publicly held Common Shares may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value.

### ***Conflicts of Interest***

There are potential conflicts of interest which the directors and officers of the Company may be subject in connection with the operations of the Company. Some of the directors and officers of the Company may be, or may become, engaged in the mineral exploration or mining industry, and situations may arise where directors, officers, and promoters will be in direct conflict with the Company. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under, the *Ontario Business Corporations Act*, and the applicable statutes of the jurisdictions of incorporation of the Company's subsidiaries.

The following are risks related specifically to the "Arrangement" that the Company entered into with Atacama Pacific.

### ***Failure to Realize Anticipated Benefits of the Arrangement***

Rio2 completed the Arrangement to realize certain benefits. Achieving the benefits of the Arrangement depends in part on successfully consolidating functions and integrating operations in a timely and efficient manner, as well as the ability of Rio2, after giving effect to the Arrangement, to realize the anticipated growth opportunities and synergies from integrating the acquired Atacama assets with those of Rio2. The integration of acquired assets requires the dedication of substantial management effort, time and resources which may divert Rio2's management's focus and resources from other strategic opportunities and from operational matters during this process.

### **CRITICAL ACCOUNTING ESTIMATES**

The Company's accounting policies are presented in Note 3 to the audited consolidated financial statements for the year ended December 31, 2017. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

The preparation of the audited consolidated financial statements, using accounting policies consistent with International Financial Reporting Standards ("IFRS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), requires management to make estimates and assumptions which affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the audited consolidated financial statements, and the reported amount of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the variables used in the determination of the fair value of stock options granted. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

### **Financial Instruments**

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available-for-sale, or other financial liabilities. Financial assets and liabilities FVTPL are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income and reported in shareholders' equity.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as held-to-maturity, loans and receivables, or other financial liabilities are included in the initial carrying value of such instruments and amortized using the effective interest method. Transaction costs classified as FVTPL are expensed when incurred, while those classified as available for sale are included in the initial carrying value.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## **ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED**

### **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. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. The Company has not yet assessed the future impact of this new standard on its financial statements.

## **MATERIAL LEGAL PROCEEDINGS**

The Company is not a party to any legal proceedings.

## **EXECUTIVE TEAM**

Alexander Black	- Chief Executive Officer, President and Director
Kathryn Johnson	- Executive Vice President – Chief Financial Officer and Corporate Secretary
Jose Luis Martinez	- Executive Vice President and Chief Strategy Officer
Tim Williams	- Executive Vice President – Chief Operating Officer

## **BOARD OF DIRECTORS**

Dr. Klaus Zeitler	- Chairman and Director
Alexander Black	- Chief Executive Officer, President and Director
Daniel Kenney	- Director
Ram Ramachandran	- Director
Sidney Robinson	- Director
Albrecht Schneider	- Director
David Thomas	- Director

## **OUTSTANDING COMMON SHARES, STOCK OPTIONS AND RESTRICTED SHARE UNITS**

At November 27, 2018, there were 102,939,561 issued and fully paid common shares.

The following table summarizes the Company's stock options as at November 27, 2018:

Rio2 Limited (Formerly Prospector Resources Corp.)  
Management's Discussion and Analysis  
For the nine months ended September 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
\$1.51	49,507	0.22	\$1.51	49,507	\$1.51
\$0.30	82,512	0.22	\$0.30	82,512	\$0.30
\$0.76	99,025	0.22	\$0.76	99,025	\$0.76
\$0.91	33,005	0.22	\$0.91	33,005	\$0.91
\$1.51	427,742	0.34	\$1.51	427,742	\$1.51
\$0.76	6,602	0.50	\$0.76	6,602	\$0.76
\$0.30	23,103	0.82	\$0.30	23,103	\$0.30
\$0.76	102,315	0.82	\$0.76	102,315	\$0.76
\$0.91	151,822	0.82	\$0.91	151,822	\$0.91
\$1.51	33,005	0.82	\$1.51	33,005	\$1.51
\$0.30	495,075	1.82	\$0.30	495,075	\$0.30
\$0.76	660,100	1.82	\$0.76	660,100	\$0.76
\$0.91	528,080	1.82	\$0.91	528,080	\$0.91
\$0.30	402,659	2.18	\$0.30	402,659	\$0.30
\$0.76	661,748	2.47	\$0.76	661,748	\$0.76
\$0.91	521,477	3.28	\$0.91	521,477	\$0.91
\$1.53	1,366,735	3.42	\$1.53	455,578	\$1.53
\$2.25	500,025	3.57	\$2.25	166,675	\$2.25
\$2.56	166,675	3.67	\$2.56	55,558	\$2.56
\$1.66	433,355	3.92	\$1.66	144,452	\$1.66
\$0.82	833,375	4.50	\$0.82	277,792	\$0.82
\$0.65	1,940,000	4.99	\$0.65	-	\$0.65
	9,517,931	3.15	\$1.02	5,377,821	\$1.58

At November 27, 2018, 520,026 Restricted Share Units ("RSUs") are outstanding, and have a weighted average expiry life of 1.9 years.

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

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

#### QUALIFIED PERSONS

Enrique Garay, Senior Vice President – Geology, is the Qualified Person for the Company.

#### TECHNICAL INFORMATION

Where appropriate, certain information contained in this MD&A regarding the Company's Fenix Gold Project (formerly the Cerro Maricunga Project) located in the Chile's III Region (Copiapó Province) or in a document incorporated or deemed to be incorporated by reference herein updates information from the report entitled "Technical Report on the Cerro Maricunga Project, Pre-Feasibility Study, Atacama Region, Chile" dated October 6, 2014, prepared by Leticia Conca, Metallurgy Engineer, Registered Member of the Chilean



Mining Commission, Carlos Guzman, Mining Engineer, Registered Member of the Chilean Mining Commission, FAusIMM and Eduardo Magri, Ph.D., MSc, FSAIMM, and addressed to the Company (the "Cerro Maricunga Technical Report"). Any updates to the scientific or technical information derived from the Cerro Maricunga Technical Report and any other scientific or technical information contained in this MD&A was approved by Enrique Garay, M Sc. P. Geo (AIG Member), a "Qualified Person" for the purposes of National Instrument 43-101 and an officer of the Company.

## **FORWARD-LOOKING INFORMATION**

This MD&A contains certain statements that may constitute "forward-looking statements." All statements, other than statements of historical fact, included herein, including but not limited to, statements regarding future anticipated property acquisitions, the nature of future anticipated exploration programs and the results thereof, discovery and delineation of mineral resources/reserves, business and financing plans and business trends, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct.

Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market for, and pricing of, any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, the Company's inability to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks and uncertainties identified herein under "Risks and Uncertainties".

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in any of those forward-looking statements. For this reason, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant fluctuations in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to develop any of its present or future mineral properties.

Additional information regarding the Company and factors that could affect its operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

## **INTERNAL AND DISCLOSURE CONTROLS OVER FINANCIAL REPORTING**

The Company is exempted from providing certifications regarding its disclosure controls and procedures as well as regarding its internal control over financial reporting as a "venture issuer". The Company is required to file basic certificates, which it has done for the period ended September 30, 2018. The Company makes no assessment relating to the establishment and maintenance of (i) disclosure controls and procedures or (ii) internal control over financial reporting (as such terms are defined under Multilateral Instrument 52-109) as at September 30, 2018.