



**Rio2 Limited**  
**Condensed Interim Consolidated Financial Statements**  
**(Unaudited)**

**Three and nine months ended September 30, 2024 and 2023**

**Presented in United States dollars**

**RIO2 LIMITED****Condensed Interim Consolidated Statements of Financial Position****As at September 30, 2024 and December 31, 2023****(Unaudited - Expressed in United States dollars, unless otherwise stated)**

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
Current Assets		
Cash	\$ 14,349,235	\$ 4,550,420
Short-term investments	46,000	46,000
Input taxes recoverable (Note 4)	11,504	12,644
Prepaid expenses and other	220,291	284,963
Total current assets	14,627,030	4,894,027
Input taxes recoverable (Note 4)	11,333,017	10,574,638
Right of use assets	333,807	454,263
Property and equipment (Note 5)	28,407,178	29,233,068
Mineral properties (Note 6)	65,336,990	63,261,989
Total assets	\$ 120,038,022	\$ 108,417,985
<b>LIABILITIES</b>		
Current Liabilities		
Lease liability	\$ 151,017	\$ 151,330
Accounts payable and accrued liabilities	689,963	482,481
Total current liabilities	840,980	633,811
Deferred revenue (Note 8)	36,343,974	30,303,109
Lease liability	194,043	314,002
Asset retirement obligation (Note 7)	4,082,527	3,956,262
Total liabilities	\$ 41,461,524	\$ 35,207,184
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 9)	\$ 144,568,972	\$ 128,812,302
Reserves (Note 9)	12,073,383	11,610,014
Deficit	(72,542,963)	(63,444,523)
Accumulated other comprehensive loss	(5,522,894)	(3,766,992)
Total shareholders' equity	\$ 78,576,498	\$ 73,210,801
Total liabilities and equity	\$ 120,038,022	\$ 108,417,985

Nature of operations (Note 1)

Subsequent events (Note 13)

See accompanying notes to the condensed interim consolidated financial statements.

Approved by the Board of Directors:

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*"Alexander Black"***Alexander Black, Executive  
Chairman**

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*"Klaus Zeitler"***Klaus Zeitler, Lead Director**

**RIO2 LIMITED****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited - Expressed in United States dollars, unless otherwise stated)**

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
<b>Expenses</b>				
Employment costs	\$ 1,030,204	\$ 633,582	\$ 2,567,444	\$ 1,914,737
Professional fees	125,640	167,711	531,760	443,607
Depreciation	304,201	419,576	913,202	1,515,619
Office and miscellaneous	197,664	122,094	513,069	486,510
Advisory fees	164,507	67,464	339,354	169,895
Share-based compensation (Note 9)	115,087	301,318	504,517	864,915
Directors fees	35,708	35,967	116,544	111,280
Filing and transfer agent fees	17,924	12,568	85,555	61,726
Travel	28,329	19,519	71,037	45,483
Investor relations	30,607	9,125	68,822	16,110
Exploration costs	19,600	41,817	44,471	113,103
<b>Loss before the following</b>	<b>2,069,471</b>	<b>1,830,741</b>	<b>5,755,775</b>	<b>5,742,985</b>
<b>Other (income) expense</b>				
Accrued delay ounces on PMPA (Note 8)	1,379,115	-	3,409,085	-
Accretion expense on deferred revenue (Note 8)	943,283	795,462	2,631,780	2,298,677
Accretion expense on ARO (Note 7)	35,976	11,455	169,701	186,426
Foreign exchange (gain) loss	1,006,292	(872,546)	(2,064,893)	222,199
Interest income	(142,198)	(121,645)	(329,028)	(170,195)
Camp rental income	(180,451)	(134,968)	(473,980)	(438,160)
<b>Loss for the period</b>	<b>\$ 5,111,488</b>	<b>\$ 1,508,499</b>	<b>\$ 9,098,440</b>	<b>\$ 7,841,932</b>
<b>Other comprehensive loss</b>				
Exchange loss (gain) on translation of foreign operations	(1,644,176)	2,172,781	1,755,902	(191,649)
<b>Total comprehensive loss for the period</b>	<b>\$ 3,467,312</b>	<b>\$ 3,681,280</b>	<b>\$ 10,854,342</b>	<b>\$ 7,650,283</b>
<b>Basic and Diluted Loss per Common Share</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$0.03</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>318,598,913</b>	<b>258,732,838</b>	<b>295,542,746</b>	<b>258,235,498</b>

See accompanying notes to the condensed interim consolidated financial statements.

**RIO2 LIMITED****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****For the nine months ended September 30, 2024 and 2023****(Unaudited - Expressed in United States dollars, unless otherwise stated)**

	Capital Stock		Reserves	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
	Number of shares	Amount				
<b>Balance, as at December 31, 2022</b>	257,560,649	\$ 128,530,321	\$ 10,609,506	\$ (6,220,438)	\$ (51,088,811)	\$ 81,830,578
Common shares issued for vested RSUs	83,334	51,151	(51,151)	-	-	-
Common shares issued as payment for services	1,109,125	156,889	-	-	-	156,889
Share-based compensation – stock options	-	-	846,307	-	-	846,307
Share-based compensation – RSUs	-	-	18,608	-	-	18,608
Net loss for the period	-	-	-	-	(7,841,932)	(7,841,932)
Other comprehensive income (loss)	-	-	-	191,649	-	191,649
<b>Balance, as at September 30, 2023</b>	258,753,108	\$ 128,738,361	\$ 11,423,270	\$ (6,028,789)	\$ (58,930,743)	\$ 75,202,099
<b>Balance, as at December 31, 2023</b>	259,232,306	\$ 128,812,302	\$ 11,610,014	\$ (3,766,992)	\$ (63,444,523)	\$ 73,210,801
Private placement, net of share issuance costs	59,030,000	15,643,414	-	-	-	15,643,414
Common shares issued for vested RSUs	83,334	41,148	(41,148)	-	-	-
Common shares issued as payment for services	253,273	72,108	-	-	-	72,108
Share-based compensation – stock options	-	-	491,853	-	-	491,853
Share-based compensation – RSUs	-	-	12,664	-	-	12,664
Net loss for the period	-	-	-	-	(9,098,440)	(9,098,440)
Other comprehensive income (loss)	-	-	-	(1,755,902)	-	(1,755,902)
<b>Balance, as at September 30, 2024</b>	318,598,913	\$ 144,568,972	\$ 12,073,383	\$ (5,522,894)	\$ (72,542,963)	\$ 78,576,498

See accompanying notes to the condensed interim consolidated financial statements.

**RIO 2 LIMITED**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the nine months ended September 30, 2024 and 2023**  
**(Unaudited - Expressed in United States dollars)**

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
		<i>(Revised – Note 12)</i>
<b>Operating activities</b>		
Net loss for the period	\$ (9,098,440)	\$ (7,841,932)
Items not involving cash		
Share-based compensation	504,517	864,915
Common shares issued for services	72,108	156,889
Depreciation	1,023,612	1,648,714
Accretion of asset retirement obligation	169,701	186,426
Accretion of deferred revenue <i>(Note 8)</i>	2,631,780	2,298,676
Accrued delay ounces on PMPA <i>(Note 8)</i>	3,409,085	-
Accretion of lease liability	7,418	11,603
Lease extinguishment – right of use asset	-	90,859
Lease extinguishment – lease liability	-	(93,698)
Foreign exchange (gain) loss	(1,877,750)	(31,147)
Change in non-cash components of working capital		
Input taxes recoverable	(757,239)	6,107,680
Prepaid expenses and other	64,672	91,647
Accounts receivable	-	192,370
Accounts payable and accrued liabilities	(27,420)	(1,187,540)
<b>Cash (used in) provided by operating activities</b>	<b>\$ (3,877,956)</b>	<b>\$ 2,495,462</b>
<b>Financing activities</b>		
Private placement	16,689,648	-
Share issuance costs	(1,046,234)	-
Lease payments	(117,424)	(141,518)
<b>Cash provided by (used in) financing activities</b>	<b>\$ 15,525,990</b>	<b>\$ (141,518)</b>
<b>Investing activities</b>		
Mineral properties	(1,840,099)	(935,620)
Property and equipment	(87,312)	(641,531)
<b>Cash used in investing activities</b>	<b>\$ (1,927,411)</b>	<b>\$ (1,577,151)</b>
Effect of foreign exchange on cash	78,192	3,456
Increase in cash and cash equivalents	9,798,815	780,249
Cash, beginning of the period	4,550,420	4,679,667
<b>Cash, end of the period</b>	<b>\$ 14,349,235</b>	<b>\$ 5,459,916</b>

See accompanying notes to the condensed interim consolidated financial statements

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited - Expressed in United States dollars, unless otherwise stated)**

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**1. Nature of Operations**

Rio2 Limited (“Rio2” or the “Company”) is the parent company of a consolidated group. Rio2 is incorporated under the laws of the province of Ontario. Rio2 is a mining company with a focus on development and mining operations. Rio2 is focused on taking its Fenix Gold Project in Chile to production in the shortest possible timeframe based on a staged development strategy.

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

The Company’s registered office is located at Suite 6000, 1 First Canadian Place, 100 King St. West, Toronto, ON, M5X 1E2 and its head office is located at Suite 1500, 701 West Georgia Street, Vancouver, BC, V7Y 1C6.

**2. Basis of presentation and summary of material accounting policies****(a) Statement of Compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting* (“IAS 34”).

These interim financial statements do not include all the information required for a complete set of IFRS Accounting Standards statements. They should be read in conjunction with the Company’s audited consolidated financial statements as at and for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards. However, selected notes are included to explain events and transactions that are significant to understanding the changes in Rio2’s financial position and performance since the last annual consolidated financial statements.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 15, 2024.

**(b) Basis of Presentation and Consolidation**

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

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

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries as outlined in the Company’s consolidated financial statements for the year ended December 31, 2023. All material inter-company transactions and balances have been eliminated upon consolidation.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited - Expressed in United States dollars, unless otherwise stated)**

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**2. Basis of Presentation and summary of material accounting policies (continued)****(c) Material accounting policies**

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2023. Except as described in Note 2 (d) and (e), there were no changes in material accounting policies during the three and nine months ended September 30, 2024.

**(d) New accounting standards issued***Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Under existing requirements, a liability is current if an unconditional right to defer settlement of the liability for at least twelve months after the reporting period does not exist. With the introduction of the two amendments to IAS 1 in 2024, for a liability to be classified as non-current, a company must have the right to defer settlement of the liability for at least twelve months after the reporting period. The right must have substance and exist at the end of the reporting period, and the classification of the liability must be unaffected by the likelihood that the company will exercise that right. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted and have been applied with no material impact on the Company in the current reporting period.

**(e) Mineral properties development costs**

Once the technical feasibility and commercial viability of the Fenix Gold Project have been established, the property is no longer in the exploration and evaluation phase ("E&E") and is considered to be a mineral property under development. Technical feasibility and commercial viability generally coincide with the attainment of a positive feasibility study and governmental authorization to develop a mine. From that time, following an assessment for impairment, costs incurred directly related to mine development and construction are capitalized as development costs.

Mineral properties under development are carried at cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale.

Upon entering the commercial production phase, development costs will be transferred to producing properties and will be amortized using the units of production method using proven and probable reserves. Depletion will be determined each period using gold equivalent ounces mined over the property's estimated recoverable reserves.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited - Expressed in United States dollars, unless otherwise stated)**

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**2. Basis of Presentation and summary of material accounting policies (continued)****(f) Critical estimates and judgements**

The Company makes estimates and assumptions concerning the future. In preparing these unaudited condensed consolidated interim financial statements, the Company applied the same areas of estimation and judgement as those that were applied to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2023, except as follows:

***Determination of commercial viability and technical feasibility of the Fenix Gold Project***

The application of the Company's accounting policies for exploration and evaluation assets and mineral properties development costs requires judgment to determine when technical feasibility and commercial viability of the Fenix Gold Project was demonstrable. The Company considered the positive NI 43-101 compliant Feasibility Study and the receipt of key sectorial permits received and concluded that commercial viability and technical feasibility of the Fenix Gold Project had been confirmed on September 30, 2024. At this point, the related Exploration and Evaluation assets were reclassified to mineral properties and tested for impairment.

**3. Financial Instruments and Risk Management**

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

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

***Credit Risk***

Credit risk is the risk that a party to the Company's financial assets will fail to discharge its obligation causing the Company financial loss. The Company's exposure to credit risk is in its cash. Cash is held in major financial institutions with the majority of cash being held in one major Canadian bank. The Company has assessed its exposure to credit risk on its cash and has determined that such risk is minimal.

***Liquidity Risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. As at September 30, 2024, the Company has cash totalling \$14,349,235 (December 31, 2023 - \$4,550,420), short-term investments of \$46,000 (December 31, 2023 - \$46,000) and current liabilities of \$840,980 (December 31, 2023 - \$633,811). The current liabilities are accounts payable and accrued liabilities of \$689,963 due on demand (December 31, 2023 - \$482,481), as well as the current portion of lease liability of \$151,017 (December 31, 2023 - \$151,330).

Subsequent to September 30, 2024, the Company arranged a mine construction financing package for the construction of the Fenix Gold Project. Please refer to *Note 13 - Subsequent events*.



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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
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**3. Financial Instruments and Risk Management (continued)***Market Risk*

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

*Foreign Currency Risk*

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

*Interest Rate Risk*

The Company is not exposed to interest rate risk due to the short-term nature of its cash held in a bank account.

*Foreign Exchange Sensitivity*

The Company has accounts payable which are denominated in Canadian Dollars, Chilean Pesos and Peruvian Soles. A 10% change in the foreign exchange rates would impact the loss for the period by \$45,100.

**4. Input Taxes Recoverable**

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Canadian GST/HST receivable	\$ 11,504	\$ 12,644
Current input taxes recoverable	\$ 11,504	\$ 12,644
Peruvian IGV receivable	\$ 485,816	\$ 386,052
Chilean IVA receivable	10,847,201	10,188,586
Non-current input taxes recoverable	\$ 11,333,017	\$ 10,574,638

The Peruvian Impuesto General a las Ventas ("IGV") receivable consists of input taxes recoverable for expenses incurred in Peru for the Fenix Gold Project. The Chilean Impuesto al Valor Agregado ("IVA") relates to the Fenix Gold Project. The actual timing of receipt is uncertain as these taxes are typically refundable only upon the commencement of commercial operations.

**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2024 and 2023****(Unaudited - Expressed in United States dollars, unless otherwise stated)****5. Property and Equipment**

	Land	Office Equipment	Mine Equipment	Software	Total
<b>Cost:</b>					
Balance, December 31, 2022	\$ 2,174	\$ 385,405	\$ 29,521,387	\$ 216,593	\$ 30,125,559
Additions, including reclassification from exploration and evaluation assets	-	66,248	3,423,555	-	3,489,803
Balance, December 31, 2023	2,174	451,653	32,944,942	216,593	33,615,362
Additions	-	31,235	56,077	-	87,312
Balance, September 30, 2024	\$ 2,174	\$ 482,888	\$ 33,001,019	\$ 216,593	\$ 33,702,674
<b>Accumulated depreciation:</b>					
Balance, December 31, 2022	\$ -	\$ (264,234)	\$ (2,061,872)	\$ (191,798)	\$ (2,517,904)
Additions	-	(93,490)	(1,750,601)	(20,299)	(1,864,390)
Balance, December 31, 2023	-	(357,724)	(3,812,473)	(212,097)	(4,382,294)
Additions	-	(22,234)	(889,773)	(1,195)	(913,202)
Balance, September 30, 2024	\$ -	\$ (379,958)	\$ (4,702,246)	\$ (213,292)	\$ (5,295,496)
Net book value at December 31, 2023	\$ 2,174	\$ 93,929	\$ 29,132,469	\$ 4,496	\$ 29,233,068
<b>Net book value at September 30, 2024</b>	<b>\$ 2,174</b>	<b>\$ 102,930</b>	<b>\$ 28,298,773</b>	<b>\$ 3,301</b>	<b>\$ 28,407,178</b>

**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited - Expressed in United States dollars, unless otherwise stated)****6. Mineral Properties**

	Fenix Gold Project Exploration and Evaluation Assets	Fenix Gold Project Mineral Properties	Fenix Gold Project Total
Balance, December 31, 2022	\$ 64,773,833	\$ -	\$ 64,773,833
Community initiatives	57,991	-	57,991
Geological and drilling	1,029	-	1,029
Engineering studies	276,973	-	276,973
Field support	912,023	-	912,023
Reclassification to property and equipment	(2,759,860)	-	(2,759,860)
Balance, December 31, 2023	\$ 63,261,989	\$ -	\$ 63,261,989
Community initiatives	309,238	-	309,238
Geological and drilling	95,763	-	95,763
Environmental	35,169	-	35,169
Engineering studies	932,029	-	932,029
Field support	702,802	-	702,802
Reclassification to mineral properties	(65,336,990)	65,336,990	-
Balance, September 30, 2024	\$ -	\$ 65,336,990	\$ 65,336,990

Mineral properties consist solely of the Fenix Gold Project located in Chile. On September 30, 2024, the Company received the last of the sectorial permits it required to begin construction at its Fenix Gold Project (the “permits”). The permits received were the final governmental authorization required to enable the start of the construction phase and subsequent operation of the Fenix Gold mine.

The receipt of the permits also allowed the Company to complete arranging its mine construction financing package in October 2024. Refer to *Note 13 - Subsequent events*.

With receipt of the permits, it is management’s position that the technical feasibility and commercial viability of the Fenix Gold Project has been demonstrated as at September 30, 2024. Accordingly, the Fenix Gold Project has transitioned from Exploration and Evaluation Assets under IFRS 6 to mineral properties under IAS 16. Mineral properties are not depreciated until the related assets are ready for its intended use.

At the time of the transition from exploration and evaluation to mineral properties, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of the Fenix Gold Project to its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal (“FVLCD”) and value in use. The Company estimated the recoverable amount based on the FVLCD method using discounted cash flows. The significant assumptions that impact the resulting fair value include future gold prices, exchange rates, capital cost estimates, operating cost estimates, estimated reserves and resources and the discount rate. Upon completion of the impairment test, the Company concluded there was no impairment.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
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**7. Asset Retirement Obligation**

The asset retirement obligation is comprised of:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Opening balance	\$ 3,956,262	\$ 3,830,028
Accretion expense	169,701	249,856
Effect of exchange rate	(43,436)	(123,622)
	<b>\$ 4,082,527</b>	<b>\$ 3,956,262</b>

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

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

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
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**8. Deferred revenue**

On March 25, 2022, the Company received \$25 million from Wheaton Precious Metals International Ltd. (“WPMI” or “Wheaton”) pursuant to the Precious Metals Purchase Agreement (“PMPA”) on Rio2’s Fenix Gold Project in Chile that was entered into on November 15, 2021 (the “Gold Stream”).

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

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

Pursuant to the PMPA, Rio2 had 24 months after the initial tranche was received to begin selling ounces of gold to WPMI, or otherwise would incur a delay payment. The first sale should have occurred on March 25, 2024 (24 months after the initial tranche of \$25 million was received on March 25, 2022). Rio2 has elected to defer any delivery of the delay payment contemplated by the PMPA. The monthly amount of delay payment that is recognized is 435 ounces of gold, multiplied by the amount of the advanced deposit of \$25 million received by Rio2, divided by \$50 million. This results in Rio2 recognizing an accrual of delay ounces on the PMPA of 217.50 ounces of gold per month, beginning on March 25, 2024. The accrual is calculated each month based on the cumulative balance of gold ounces to be delivered. The accrual is revalued each period using the market price of gold at period-end less the purchase price receivable for the gold ounces accrued. The accrued balance has been added to the deferred revenue balance.

The following are the components of deferred revenue as at September 30, 2024:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Opening balance	\$ 30,303,109	\$ 27,186,914
Accretion on financing component	2,631,780	3,116,195
Accrued delay ounces	3,409,085	-
	<b>\$ 36,343,974</b>	<b>\$ 30,303,109</b>

Subsequent to September 30, 2024, the Company amended the PMPA with Wheaton. Please refer to *Note 13 - Subsequent events*.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited - Expressed in United States dollars, unless otherwise stated)**

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**9. Capital Stock**

## a. Share capital

The Company's authorized share capital consists of an unlimited number of common shares of which 318,598,913 were issued and outstanding as at September 30, 2024 (259,232,306 – December 31, 2023).

Share transactions during the nine months ended September 30, 2024

On January 3, 2024, 41,667 RSUs were settled. A multiplier of 2 was approved by the Board of Directors and therefore, 83,334 common shares were issued.

On January 5, 2024, the Company issued 253,273 common shares in accordance with shares for services agreements it had entered into with directors of Rio2.

On April 17, 2024, the Company issued 59,030,000 common shares in a private placement. The shares were issued at a price of CAD\$0.39 for gross proceeds of CAD\$23,021,700. There were share issuance costs of CAD\$1,442,445, for net proceeds of CAD\$21,579,255. Translated to US dollars at the time of the transaction, the net proceeds of the private placement were \$15,643,414.

Subsequent to September 30, 2024, the Company issued additional common shares. Please refer to *Note 13 - Subsequent events*.

## b. Share-based payments

The Company's stock option plan and its share incentive plan authorize the directors to grant stock options and Restricted Share Units ("RSUs") to executive officers, directors, employees, and consultants, enabling them to acquire from treasury up to that number of shares equal to 10 percent of the issued and outstanding common shares of the Company. The shareholders of the Company approved an amended stock option plan (the "Amended Plan" or the "2023 Stock Option Plan") including the addition of cashless and net exercise provisions at a meeting held on September 27, 2023, and then reapproved the Amended Plan on May 15, 2024. All issued and outstanding stock options previously granted under the old Stock Option Plan were continued under and will be governed by the Amended Plan.

The number and exercise price of options granted are determined by the directors, subject to regulatory approval if required. Options may be granted for a maximum term of 10 years and vest as determined by the Board of Directors.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price (C\$/option)
Outstanding, December 31, 2022	17,803,370	\$ 0.63
Issued	7,150,000	0.30
Expired	(2,573,370)	0.70
Forfeited	(450,000)	\$ 0.30
Outstanding, December 31, 2023	21,930,000	\$ 0.52
Issued	-	-
Expired	-	-
Forfeited	-	\$ -
Outstanding, September 30, 2024	21,930,000	\$ 0.52
Options exercisable, September 30, 2024	16,780,000	\$ 0.56

**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited - Expressed in United States dollars, unless otherwise stated)****9. Capital Stock (continued)**

During the nine months ended September 30, 2024, no stock options were granted.

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

	2024	2023
(i) Risk-free interest rate	-	3.13%
(ii) Expected life	-	5 years
(iii) Expected volatility	-	91.56%
(iv) Expected dividend yield	-	0%
(iv) Expected forfeiture rate	-	0%

Stock options outstanding at September 30, 2024 were:

Outstanding			Exercisable	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price C\$	Number of Options	Weighted average exercise price C\$
5,380,000	0.13	0.55	5,380,000	0.55
3,650,000	0.74	0.65	3,650,000	0.65
4,100,000	1.98	0.65	4,100,000	0.65
2,100,000	2.28	0.65	1,400,000	0.65
6,700,000	3.28	0.30	2,300,000	0.30
21,930,000	1.75	0.52	16,830,000	0.57

Stock options outstanding at December 31, 2023 were:

Outstanding			Exercisable	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price C\$	Number of Options	Weighted average exercise price C\$
5,380,000	0.69	0.55	5,380,000	0.55
3,650,000	1.49	0.65	3,600,000	0.65
4,100,000	2.73	0.65	2,733,333	0.65
2,100,000	3.03	0.65	700,000	0.65
6,700,000	4.03	0.30	-	0.30
21,930,000	2.43	0.52	12,413,333	0.61

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

Share-based compensation relating to stock options for the nine months ended September 30, 2024 was \$491,853 (nine months ended September 31, 2023 - \$846,307).

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
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**9. Capital Stock (continued)**

RSU transactions are summarized as follows:

	Number of RSUs
Outstanding, December 31, 2022	83,334
Settled in common shares	(41,667)
Outstanding, December 31, 2023*	41,667
Settled in common shares	(41,667)
Outstanding, September 30, 2024	-

\*As at December 31, 2023, 41,667 outstanding RSUs were vested, but not settled until the nine months ended September 30, 2024.

The RSUs, which was originally termed with a vesting schedule of 1/3 equally over a three-year period, include a time-based and a performance-based component with a multiplier as determined by the Company's Board of Directors, and entitle the holder to an amount computed by the value of a notional number of common shares designated in the award.

The RSUs may be settled in equity instruments, or cash, at the sole discretion of the Company. At the current time, the Company does not intend on settling in cash and does not have a past practice of settling in cash.

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

On January 3, 2024, 41,667 RSUs were settled. A multiplier of 2 was approved by the Board of Directors and therefore, 83,334 common shares were issued.

Share-based compensation relating to RSUs for the nine months ended September 30, 2024 was \$12,664 (nine months ended September 30, 2023 - \$18,608).

**c. Reserves**

Share-based compensation expenses are recognized within reserves until such time that the stock options and RSUs are exercised, at which time the corresponding amount will be transferred to share capital.



**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
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Key management consists of the Board of Directors and senior management. Senior management is defined as the President & CEO, and Executive Vice Presidents. Key management compensation for the three and nine months ended September 30, 2024, and 2023 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Senior management employment costs	\$ 218,488	\$ 220,014	\$ 701,892	\$ 649,064
Directors fees	35,708	35,967	116,544	111,280
Share-based compensation	39,855	108,994	164,951	310,858
	\$ 294,051	\$ 364,975	\$ 983,387	\$ 1,071,202

**11. Segmented Information**

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

During the nine months ended September 30, 2024 and 2023, the Company's reportable segment included four geographic areas: the corporate office in Canada, the financing of the Fenix Gold Project in the Bahamas, the support of the Fenix Gold Project in Peru, and the development of the Fenix Gold Project in Chile. Segmented disclosure of the Company's assets and liabilities is as follows:

As at September 30, 2024

	Canada	Bahamas	Peru	Chile	Total
Property and equipment	\$ -	\$ -	\$ 7,288	\$ 28,399,890	\$ 28,407,178
Mineral properties	-	-	-	65,336,990	65,336,990
Other assets	13,121,717	98,423	1,371,071	11,702,643	26,293,854
<b>Total assets</b>	<b>\$ 13,121,717</b>	<b>\$ 98,423</b>	<b>\$ 1,378,359</b>	<b>\$ 105,439,523</b>	<b>\$ 120,038,022</b>
Lease liability	\$ -	\$ -	\$ 345,060	\$ -	\$ 345,060
Accounts payable and accrued liabilities	109,910	-	127,667	452,386	689,963
Asset retirement obligation	-	-	-	4,082,527	4,082,527
Deferred revenue	-	36,343,974	-	-	36,343,974
<b>Total liabilities</b>	<b>\$ 109,910</b>	<b>\$ 36,343,974</b>	<b>\$ 472,727</b>	<b>\$ 4,534,913</b>	<b>\$ 41,461,524</b>

**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
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As at December 31, 2023

	Canada	Bahamas	Peru	Chile	Total
Property and equipment	\$ -	\$ -	\$ 5,855	\$ 29,227,213	\$ 29,233,068
Mineral properties (Exploration and evaluation assets)	-	-	-	63,261,989	63,261,989
Other assets	1,580,879	98,878	601,957	13,641,215	15,922,929
<b>Total assets</b>	<b>\$ 1,580,879</b>	<b>\$ 98,878</b>	<b>\$ 607,812</b>	<b>\$ 106,130,417</b>	<b>\$ 108,417,986</b>
Lease liability	\$ -	\$ -	\$ 465,332	\$ -	\$ 465,332
Accounts payable and accrued liabilities	222,098	-	173,161	87,222	482,481
Asset retirement obligation	-	-	-	3,956,262	3,956,262
Deferred revenue	-	30,303,109	-	-	30,303,109
<b>Total liabilities</b>	<b>\$ 222,098</b>	<b>\$ 30,303,109</b>	<b>\$ 638,493</b>	<b>\$ 4,043,484</b>	<b>\$ 35,207,184</b>

**12. Comparative figures**

To align with the presentation adopted in the current period, the comparative figures in the cash flow statement have been revised to reclassify (\$31,148) relating to unrealized foreign exchange losses to operating activities from effect of foreign exchange as these amounts did not relate to the effect of exchange rate changes on cash denominated in currencies other than the reporting currency of the Company.

**13. Subsequent events**

Subsequent to September 30, 2024:

- a. On October 21, 2024, the Company arranged a mine construction financing package for the construction of the Fenix Gold Project. The financing is comprised of a US\$120 million financing package with Wheaton, in addition to a public offering of common shares and a private placement of common shares with Wheaton.

The financing package with Wheaton (the "Wheaton Financing") is comprised of (i) a US\$100 million flexible prepay arrangement (the "Flexible Prepay Arrangement"), (ii) a US\$20 million contingent cost overrun facility in the form of a standby loan facility (the "Standby Loan Facility") and (iii) a CAD\$5 million private placement of common shares.

The Flexible Prepay Arrangement is comprised of US\$100 million across two equal tranches in exchange for total gold deliveries of 95,000 ounces of gold between years 2026 and 2032, delivered on the following schedule: 8,000 ounces in 2026, 14,000 ounces in 2027, 15,000 ounces in each year from 2028 through 2031, and 13,000 ounces in 2032.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
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**13. Subsequent events (continued)**

The Company is to receive payments from Wheaton for all gold ounces delivered equal to 20% of the spot gold price, provided that the purchase price will be adjusted downward if the market price of gold is less than US\$1,900 per ounce. The Company will have the option for early repayment of the Flexible Prepay Arrangement without penalty during a two-year period in 2028 and 2029. The Flexible Prepay Arrangement shares in the same security as the Existing Stream (defined below).

The Standby Loan Facility is comprised of US\$20 million available following drawdown of the Flexible Prepay Arrangement and satisfaction of certain conditions, including compliance with a working capital test, capital expenditures thresholds and satisfaction of the conditions precedent under the Gold Stream Amendment. The Standby Loan Facility carries an interest rate of 3-month Term SOFR plus 9.50% per annum, standby fee of 1.50% per annum, with a maturity of four years following first drawdown.

Concurrent to the Wheaton Financing, the Company and Wheaton also agreed to an amendment (the "Gold Stream Amendment") to the existing PMPA that was entered into on November 15, 2021 (the "Existing Stream") which is disclosed in Note 8 of these financial statements.

Under the Gold Stream Amendment, the Company and Wheaton have agreed to adjust the commencement date for the calculation of delay ounces so that those that have already accrued or that would have accrued to the end of 2026 are waived, and increase ongoing payments for gold ounces delivered to 20% of the spot gold price (vs. 18% previously) until the value of gold delivered less the ongoing payment equals the upfront consideration. The remaining deposit of US\$25 million under the PMPA is expected to be available to Rio2 following completion of the public offering of October 2024.

- b. On October 29, 2024, the Company closed its private placement of 7,692,308 common shares to Wheaton at a price of CAD\$0.65 per share for gross proceeds of CAD\$5 million, equivalent to US\$3.6 million.
- c. On October 29, 2024, the Company closed a public offering of 97,307,710 common shares at a price of CAD\$0.65 per share for gross proceeds of CAD\$63.2 million, equivalent to US\$45.5 million.
- d. Subsequent to September 30, 2024 and up to the filing date of these financial statements, a total of 2,330,000 stock options were exercised at a weighted average exercise price of C\$0.55 per share.