



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

**For the three months ended March 31, 2020 and 2019**

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## NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these interim financial statements.

**RIO2 LIMITED**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at March 31, 2020 and December 31, 2019**  
**(Expressed in Canadian dollars)**

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current Assets		
Cash	\$ 2,731,707	\$ 5,410,836
Short term investments (Note 5)	12,060,407	14,060,407
Interest receivable	132,329	93,301
Input taxes recoverable (Note 6)	8,453	7,071
Prepaid expenses	171,318	117,791
<b>Total current assets</b>	<b>\$ 15,104,214</b>	<b>19,689,406</b>
Input taxes recoverable (Note 6)	9,404,483	10,475,986
Property and equipment (Note 7)	211,817	236,746
Exploration and evaluation assets (Note 8)	65,142,792	63,652,290
	<b>\$ 89,863,306</b>	<b>\$ 94,054,428</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 1,142,233	\$ 3,870,208
	<b>\$ 1,142,233</b>	<b>3,870,208</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 10)	\$ 119,966,686	119,966,686
Reserves (Note 10)	8,846,445	8,242,121
Deficit	(40,092,058)	(38,024,587)
	<b>88,721,073</b>	<b>90,184,220</b>
	<b>\$ 89,863,306</b>	<b>\$ 94,054,428</b>

Nature of operations and going concern uncertainty (Note 1)

See accompanying notes to the condensed interim consolidated financial statements

*"Alexander Black"*

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

*"Klaus Zeitler"*

**Klaus Zeitler, Chairman and  
Director**

**RIO2 LIMITED**  
**Condensed Interim Consolidated Statements of Comprehensive Loss**  
**For the three months ended March 31, 2020 and 2019**  
**(Expressed in Canadian dollars)**

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Expenses</b>		
Employment costs <i>(Note 11)</i>	\$ 1,025,507	\$ 1,206,334
Share based compensation <i>(Note 10)</i>	604,324	572,614
Office and miscellaneous	171,475	135,348
Investor relations	115,124	20,900
Professional fees	98,902	122,436
Filing and transfer agent fees	56,307	43,057
Directors fees	56,201	-
Amortization	48,088	16,818
Travel	44,653	147,570
Exploration costs	11,325	25,586
	\$ 2,231,906	\$ 2,290,663
<b>Other expense (income)</b>		
Interest income	(57,378)	-
Foreign exchange loss (gain)	(107,057)	11,558
<b>Net Loss and Comprehensive Loss for the Year</b>	<b>\$ 2,067,471</b>	<b>\$ 2,302,221</b>
<b>Basic and Diluted Earnings Loss per Common Share</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>181,431,278</b>	<b>109,852,609</b>

See accompanying notes to the condensed interim consolidated financial statements

**RIO2 LIMITED****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****For the three months ended March 31, 2020 and 2019****(Expressed in Canadian dollars)**

	Capital Stock				Total shareholders' equity (deficiency)
	Number of shares	Amount	Reserves	Deficit	
<b>Balance, as at December 31, 2018</b>	103,022,073	\$ 89,426,543	\$ 6,959,468	\$ (27,632,055)	\$ 68,753,956
Private placements, net of share issuance costs	15,217,391	6,682,727	-	-	6,682,727
Share based compensation – stock options	-	-	463,719	-	463,719
Share based compensation - RSUs	-	-	108,896	-	108,896
Net loss for the period	-	-	-	(2,302,221)	(2,302,221)
<b>Balance, as at March 31, 2019</b>	118,239,464	\$ 96,109,270	\$ 7,532,083	\$ (29,934,276)	\$ 73,707,077
<b>Balance, as at December 31, 2019</b>	181,431,278	\$ 119,966,686	\$ 8,242,121	\$ (38,024,587)	\$ 90,184,220
Share based compensation – stock options	-	-	572,613	-	572,613
Share based compensation - RSUs	-	-	31,711	-	31,711
Net loss for the period	-	-	-	(2,067,471)	(2,067,471)
<b>Balance, as at March 31, 2020</b>	181,431,278	\$ 119,966,686	\$ 8,846,445	\$ (40,092,058)	\$ 88,721,073

See accompanying notes to the condensed interim consolidated financial statements

**RIO 2 LIMITED**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2020 and 2019**  
**(Expressed in Canadian dollars)**

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Operating activities</b>		
Net loss for the period	\$ (2,067,471)	\$ (2,302,221)
Items not involving cash		
Share based compensation	604,324	572,614
Amortization	48,088	16,818
Change in non-cash components of working capital		
Input taxes recoverable	1,070,121	(640,294)
Interest receivable	(39,028)	-
Prepaid expenses	(53,527)	55,461
Accounts payable and accrued liabilities	(2,727,975)	644,413
<b>Cash used in operating activities</b>	<b>(3,165,468)</b>	<b>(1,653,209)</b>
<b>Financing activities</b>		
Net proceeds from private placement	-	6,682,727
<b>Cash provided by financing activities</b>	<b>-</b>	<b>6,682,727</b>
<b>Investing activities</b>		
Exploration and evaluation assets	(1,490,502)	(1,615,505)
Property and equipment	(23,159)	(582)
Short term investments	2,000,000	-
<b>Cash provided by (used in) investing activities</b>	<b>486,339</b>	<b>(1,616,087)</b>
Increase in cash and cash equivalents	(2,679,129)	3,413,431
Cash and cash equivalents-beginning of the period	5,410,836	1,101,566
<b>Cash and cash equivalents-end of the period</b>	<b>\$ 2,731,707</b>	<b>\$ 4,514,997</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 months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**1. Nature of Operations and Going Concern**

Rio2 Limited (“Rio2” or the “Company”) is the parent company of a consolidated group. The Company was incorporated under of the laws of the province of British Columbia on February 13, 1990 under the name of Prospector Consolidated Resources Inc. The Company changed its name to Prospector Resources Corp. on January 31, 2011 and its shares began trading on the TSX Venture Exchange (“TSXV”) effective November 28, 2016 under the symbol PRR.

The Company continued from the Province of British Columbia to the Province of Ontario pursuant to a resolution passed by shareholders of the company at the Company’s Annual General and Special Meeting (the “Meeting”) held on April 21, 2017. In addition to the Continuance, the Company changed its name to Rio2 Limited (“Rio2”) on April 27, 2017 pursuant to a resolution passed by the shareholders of the Company at the Meeting. On Friday, April 28, 2017, the common shares of the Company began to trade on the TSXV under the symbol “RIO”.

On July 24, 2018, Rio2 announced that Rio2 Limited and Atacama Pacific Gold Corporation (“Atacama Pacific”) completed a transaction by way of a court approved plan of arrangement through which the companies amalgamated as a single entity (the “Arrangement”). The combined company that resulted from the Arrangement continues to operate under the name Rio2 Limited and is managed by Rio2’s existing executive team.

On September 7, 2018, Rio2 announced that the Company’s common shares 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”. On March 14, 2019, Rio2 announced that the Company’s common shares listed for trading on the OTCQX® Best Market under the ticker “RIOFF”.

The Company’s registered office is located at Suite 6000, 1 First Canadian Place, 100 King St. West, Toronto, ON, M5X 1E2 and its head office is at The Marine Building, 1260-355 Burrard Street, Vancouver, BC, V6C 2G8.

Rio2 is a mining company with a focus on development and mining operations with a team that has proven technical skills as well as a successful capital markets track record. Rio2 is focused on taking its Fenix Gold Project in Chile to production in the shortest possible timeframe based on a staged development strategy. In addition to the Fenix Gold Project in development in Chile, Rio2 Limited continues to pursue additional strategic acquisitions where it can deploy its operational excellence and responsible mining practices to build a multi-asset, multi-jurisdiction, precious metals company focused in the Americas.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company’s current or future exploration programs will result in profitable mining operations. The Company has no source of revenue. These consolidated financial statements were prepared on a “going concern” basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2020, the Company had a working capital surplus of \$13,961,981 (December 31, 2019 – \$15,819,198). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**1. Nature of Operations and Going Concern (continued)**

The Company incurred a net and comprehensive loss for the three months ended March 31, 2020 of \$2,067,471 (three months ended March 31, 2019 – \$2,302,221) and negative cash flows from operations of \$3,165,467 for the three months ended March 31, 2020 (March 31, 2019 – \$1,653,209). As at March 31, 2020, the Company had an accumulated deficit of \$40,092,058 (December 31, 2018 – \$38,024,587). The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and in the meantime, to obtain the necessary financing to repay its liabilities when they become due. External financing will be sought to finance the operations of the Company and enable the Company to continue its efforts towards the exploration and development of its mineral properties. This condition, along with other matters set forth above, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

**2. Basis of Presentation**Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". Certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019 and the accompanying notes included in those financial statements. For a full description of accounting policies, refer to the audited annual consolidated financial statements of the Company for the year ended December 31, 2019.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 19, 2020.

Basis of Presentation

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

The accounting policies applied in the preparation of these Unaudited Condensed Interim Consolidated Financial Statements are consistent with those applied and disclosed in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2019.

Principles of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:



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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**2. Basis of Presentation (continued)**

Name	Location	Ownership by the Company	
		March 31, 2020	December 31, 2019
Fenix Gold Limitada	Chile	100%	100%
Rio2 S.A.C.	Peru	100%	100%
Rio2 Exploraciones S.A.C.	Peru	100%	100%

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

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amount of the Company's assets, liabilities, expenses, and related disclosures. Assumptions and estimates are based on historical experience, expectations, current trends, and other factors that management believes to be relevant at the time at which the Company's financial statements are prepared.

Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates, and judgements in order to ensure that the financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustments.

Use of Judgements

The preparation of financial statements in accordance with IFRS requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assumptions of going concern and functional currency, as well as the determination of whether deferred tax assets are likely to be realized.

**3. Financial Instruments**

The Company's financial instruments consist of cash, short term investments, interest 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.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**3. Financial Instruments (continued)***Credit Risk*

Credit risk is the risk that a party to the Company's financial assets will fail to discharge its obligation causing the Company financial loss. The Company's exposure to credit risk is in its cash and receivables. Cash is held in major financial institutions. Accordingly, the Company believes it has no significant credit risk.

*Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. As of March 31, 2020, the Company has cash totalling \$2,731,707 (December 31, 2019 - \$5,410,836), short term investments of \$12,060,407 (December 31, 2019 - \$14,060,407) and current liabilities of \$1,142,233 (December 31, 2019 - \$3,870,208). The current liabilities are accounts payable of \$1,132,233 due on demand, as well as an additional accrued liability of \$10,000 with an unknown date of settling the obligation (December 31, 2019 - Accounts payable of \$3,860,208 due on demand and accrued liabilities of \$10,000).

The Company has no formal credit facilities at this time and given the Company's current stage of development, it is not expected that such credit facilities would be available to the Company.

*Market Risk*

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

*Foreign Currency Risk*

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

*Interest Rate Risk*

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

*Commodity Price Risk*

The value of the Company's interests in mineral properties is related to the price of gold and the outlook for this mineral. Mineral prices have historically fluctuated widely and are impacted by numerous factors outside of the Company's control, including, but not limited to: industrial and retail demand, forward sales by producers and speculators, level of worldwide production, short-term changes in supply and demand because of speculators, hedging activities, and certain other factors. The Company is not actively managing its commodity risk.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**3. Financial Instruments (continued)***Sensitivity Analysis*

The Company has accounts payable which are denominated in United States Dollars. A 10% change in the foreign exchange rate would impact comprehensive loss for the period by \$106,775 (December 31, 2019 – \$437,877).

**4. Capital Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests and to maintain flexible capital structure for its projects for the benefit of its stakeholders. There have been no changes in the Company's objectives for managing capital or in what it considers capital from the prior year. In the management of capital, the Company includes the following components of shareholders' equity.

		<b>March 31, 2020</b>		<b>December 31, 2019</b>
Share capital	\$	119,966,686	\$	119,966,686
Reserves		8,846,445		8,242,121
	\$	128,813,131	\$	128,208,807

The properties in which the Company currently have an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out any planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. To maintain or adjust the capital structure, the Company may be required to issue new shares or debt or acquire or dispose of assets. The Company will continue to assess new properties and seek to acquire additional properties, if it feels there is sufficient geological or economic potential, and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements. The Company's overall capital management strategy remains unchanged from the prior year.

**5. Short Term Investments**

As at March 31, 2020, the Company had \$12,060,407 (December 31, 2019 – \$14,060,407) invested in a Canadian dollar denominated guaranteed investment certificate ("GIC") at a major Canadian financial institution. \$12,000,000 is invested in a GIC that accrues interest at 1.75% and expires on August 13, 2020. \$46,000 USD is invested in a GIC that accrues interest at 0.2% and expires on December 17, 2020. Interest is accrued during the GIC term and is recorded in interest receivable.

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**6. Input Taxes Recoverable**

Input taxes recoverable consist of the following:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Canadian GST/HST receivable	\$ 8,453	\$ 7,071
Current input taxes recoverable	\$ 8,453	\$ 7,071
Peruvian IGV receivable	\$ 498,370	\$ 405,776
Chilean IVA receivable	8,906,113	10,070,210
Long term input taxes recoverable	\$ 9,404,483	\$ 10,475,986

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

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

**7. Property and Equipment**

	<b>Office Equipment</b>	<b>Software</b>	<b>Total</b>
<b>Cost:</b>			
Balance, December 31, 2019	74,884	263,161	338,045
Additions	23,159	0	23,159
Balance, March 31, 2020	98,043	263,161	361,204
<b>Accumulated depreciation:</b>			
Balance, December 31, 2019	(17,969)	(83,330)	(101,299)
Additions	(538)	(47,550)	(48,088)
Balance, March 31, 2020	(18,507)	(130,880)	(149,387)
Net book value at December 31, 2019	56,915	179,831	236,746
Net book value at March 31, 2020	79,536	132,281	211,817

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**8. Exploration and Evaluation Assets**

	<b>Fenix Gold Project Chile</b>	<b>Anocarire Gold Project Chile</b>	<b>Total</b>
Balance, December 31, 2018	\$53,089,535	\$ 6,250,166	\$ 59,339,701
Additions	5,375,095		5,375,095
Option income received	-	(796,140)	(796,140)
Effect of exchange rate		(266,366)	(266,366)
Balance, December 31, 2019	\$58,464,630	\$ 5,187,660	\$ 63,652,290
Additions	1,039,067	-	1,039,067
Effect of exchange rate	-	451,435	451,435
Balance, March 31, 2020	59,503,697	5,639,095	65,142,792

Fenix Gold Project (Chile)

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

Anocarire Project (Chile)

On July 24, 2018, the Company acquired the Anocarire Gold Project. Upon acquisition, the value of \$6,317,160 was assigned to Anocarire based on the \$4.8 million USD option payment that may be paid to Rio2 by Andex Minerals, a company controlled by a former director of Atacama Pacific. During the year ended December 31, 2018, a payment of \$200,000 USD was received. On September 27, 2019 the option payment was revised to receive a payment of \$600,000 USD on October 31, 2019 and an additional payment of \$5,000,000 USD on June 30, 2020. During the year ended December 31, 2019, a payment of \$600,000 USD was received. Payments under this agreement are being recorded as a reduction of the exploration and evaluation asset.

**9. Accounts Payable and Accrued Liabilities**

		<b>March 31, 2020</b>		<b>December 31, 2019</b>
Accounts payable	\$	1,132,233	\$	3,860,208
Accrued liabilities		10,000		10,000
	\$	1,142,233	\$	3,870,208

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**10. Capital Stock**

## a. Share capital

During February and March 2019, the Company completed a non-brokered private placement via two tranches. The Company issued a total of 15,217,391 units at \$0.46 per unit for aggregate gross proceeds of \$7,000,000. Each unit consists of one common share and one whole common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common shares at a price of \$0.65 per Common Share for a period of two years following the issuance of the Warrant. Share issuance costs of \$342,152 were paid in connection with this private placement.

On August 13, 2019, Rio2 completed a bought deal. The Company issued 62,500,000 units of the Company at a price of \$0.40 per unit for aggregate gross proceeds of \$25,000,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one Common Share at an exercise price of \$0.50 for a period of 36 months following the closing of the Offering. Share issuance costs of \$1,742,101 were paid in connection with the bought deal.

Authorized share capital consists of an unlimited number of common shares of which 181,431,278 were issued and outstanding as at March 31, 2020 (181,431,278 – December 31, 2019).

## b. Share-based payments

The Company's stock option plan and its share incentive plan authorizes the directors to grant stock options and Restricted Share Units ("RSUs") to executive officers, directors, employees and consultants enabling them to acquire from treasury up to that number of shares equal to 10 per cent of the issued and outstanding common shares of the Company. The shareholders of the Company last approved the Stock Option Plan at a meeting held on May 28, 2019.

The number and exercise price of options granted is determined by the directors, subject to regulatory approval, if required. Options may be granted for a maximum term of 10 years and vest as determined by the board of directors. The Black-Scholes Option Pricing Model is used to estimate the fair value of options granted. Vesting periods are over a 3-year period.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price (\$/option)
Outstanding, December 31, 2019	13,833,074	\$ 0.82
Issued	-	-
Exercised	-	-
Expired or cancelled	-	-
Outstanding, March 31, 2020	13,833,074	0.82
Options exercisable, March 31, 2020	6,378,229	\$ 1.04

**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)****10. Capital Stock (continued)**

Stock options outstanding at March 31, 2020 were:

Outstanding			Exercisable	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price	Number of Options	Weighted average exercise price
1,683,255	0.32	\$0.72	1,683,255	\$0.72
330,049	0.68	\$0.30	330,049	\$0.30
542,932	0.96	\$0.76	542,932	\$0.76
445,566	1.78	\$0.91	445,566	\$0.91
1,366,735	1.92	\$1.53	1,366,735	\$1.53
500,025	2.07	\$2.25	333,350	\$2.25
166,675	2.16	\$2.56	111,117	\$2.56
366,685	2.42	\$1.66	244,457	\$1.66
811,152	2.99	\$0.82	540,768	\$0.82
1,940,000	3.49	\$0.65	780,000	\$0.65
5,680,000	4.45	\$0.55	-	\$0.55
13,833,074	3.00	\$0.83	6,378,229	\$1.04

Each option entitles the holder to purchase one Common Share for a period of five years from the date of grant. The options granted by Rio2 vest 1/3 equally over a three-year period. The options assumed from Atacama Pacific, if not already vested, vested in full on July 24, 2018. The grant of the RSUs and options are subject to the terms of the Share Incentive Plan and the Stock Option Plan respectively, and final regulatory approval and if applicable, shareholder approval.

RSU transactions are summarized as follows:

	Number of RSUs
Outstanding, December 31, 2019	312,237
Issued	-
Vested and settled in common shares	-
Outstanding, March 31, 2020	312,237
Vested, March 31, 2020	-

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

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

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**10. Capital Stock (continued)**

## c. Warrants

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

On August 13, 2019, as part of the bought deal of 62,500,000 units, the Company issued 31,250,000 warrants with an exercise price of \$0.50, which will expire on August 13, 2022.

Warrants outstanding as of March 31, 2020 were:

Expiry dates	Number of warrants	Conversion price
February 28, 2021	12,623,525	\$0.65
March 13, 2021	2,593,866	\$0.65
August 13, 2022	31,250,000	\$0.50
	46,467,391	

## d. Reserves

Reserves recognizes share-based compensation expense until such time that the stock options and RSUs are exercised, at which time the corresponding amount will be transferred to share capital.

**11. Related Party Transactions**

Key management consists of the Board of Directors and senior management. Senior management is defined as the President & CEO, and Executive Vice Presidents. Key management compensation for the three months ended March 31, 2020 and 2019 was as follows:

	2020	2019
Senior management – consulting and employment costs	\$ 339,587	\$ 178,558
Directors fees	56,201	-
Share-based compensation	396,217	263,635
	\$ 792,005	\$ 442,193

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

- During the three months ended March 31, 2020, the Company incurred legal fees of \$4,146 (2019 - \$69,726) from a firm in which a former director (who ceased being a director on May 28, 2019) of the Company is a partner.
- During the three months ended March 31, 2020, the Company incurred management fees of \$75,000 (2019 - \$49,888) from a company in which a director of the Company is the owner.



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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)**

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**12. Segmented Information**

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

During the quarter ended March 31, 2020, the Company had three operating segments in three geographic areas: the corporate office in Canada, development of the Fenix Gold Project in Chile, the support of the Fenix Gold Project in Peru. Segmented disclosure of the Company's assets and liabilities is as follows:

	March 31, 2020			
	Canada	Chile	Peru	Total
Property and equipment	\$ -	\$ 28,855	\$ 182,962	\$ 211,817
Exploration and evaluation assets	-	65,142,792		65,142,792
Other assets	13,591,935	9,530,195	1,386,567	24,508,697
<b>Total assets</b>	<b>\$ 13,591,935</b>	<b>\$ 74,701,842</b>	<b>\$ 1,569,529</b>	<b>\$ 89,863,306</b>
Accounts payable and accrued liabilities	\$ 110,456	\$ 643,644	\$ 388,133	\$ 1,142,233
	\$ 110,456	\$ 643,644	\$ 388,133	\$ 1,142,233

	December 31, 2019			
	Canada	Chile	Peru	Total
Property and equipment	\$ -	\$ 22,232	\$ 214,514	236,746
Exploration and evaluation assets	-	63,652,290	-	63,652,290
Other assets	16,839,408	12,314,507	1,011,477	30,165,392
<b>Total assets</b>	<b>\$16,839,408</b>	<b>\$ 75,989,029</b>	<b>\$ 1,225,991</b>	<b>94,054,428</b>
Accounts payable and accrued liabilities	\$ 239,808	\$ 3,170,903	\$ 459,497	3,870,208
	\$ 239,808	\$ 3,170,903	\$ 459,497	3,870,208

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**RIO2 LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2020 and 2019****(Expressed in Canadian dollars)**

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**13. Subsequent Events**

- a. Subsequent to March 31, 2020, Rio2 announced that it had completed the strategic acquisition of Compañía Minera Paso San Francisco S.A. ("MPSF"). MPSF owns strategic mining infrastructure and facilities located adjacent to Rio2's Fenix Gold Project in Chile.

MPSF was acquired by Rio2 for USD \$1.5 million from Inversiones Alxar S.A. ("Alxar"), a subsidiary of Empresas Copec S.A., a large Chilean industrial conglomerate. The acquisition of MPSF brings several strategic benefits to Rio2 and its optimization plans for the development of its nearby Fenix Gold Project, currently guided to commence construction in Q4 2021.

- b. Subsequent to March 31, 2020, 51,700 warrants with an exercise price of \$0.50 were exercised for proceeds of \$25,850.