Rio2 Limited
Condensed Interim Consolidated Financial Statements
(Unaudited)

Three and six months ended June 30, 2021 and 2020

Presented in United States dollars

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 June 30, 2021, December 31, 2020 and January 1, 2020
(Unaudited - Expressed in United States dollars)

	June 30, 2021	December 31, 2020 (restated, notes 3 and 14)	January 1, 2020 (restated, notes 3 and 14)
ASSETS			
Current Assets			
Cash	$ 1,409,698	$ 2,602,977	$ 4,166,027
Short term investments *(Note 7)*	46,000	831,415	10,825,691
Interest receivable	-	-	71,836
Input taxes recoverable *(Note 8)*	13,504	6,452	5,444
Right of use asset	223,830	218,002	-
Prepaid expenses	314,591	190,049	90,692
Total current assets	$ 2,007,623	$ 3,848,895	$ 15,159,690
Input taxes recoverable *(Note 8)*	9,620,309	9,186,013	8,065,896
Right of use asset	209,875	281,111	-
Property and equipment	391,026	344,129	182,281
Exploration and evaluation assets (*Note 9)*	60,833,438	58,504,367	48,996,951
Total assets	$ 73,062,271	$ 72,164,515	$ 72,404,818
LIABILITIES			
Current Liabilities			
Lease liability	$ 215,347	$ 209,739	$ -
Accounts payable and accrued liabilities	1,874,897	2,179,508	2,979,834
Total current liabilities	$ 2,090,244	$ 2,389,247	$ 2,979,834
Lease liability	190,242	270,993	-
Asset retirement obligation *(Note 10)*	3,680,151	3,722,041	-
Total liabilities	$ 5,960,637	$ 6,382,281	$ 2,979,834
SHAREHOLDERS' EQUITY			
Capital stock *(Note 11)*	$ 100,510,793	$ 95,768,037	$ 91,279,671
Reserves *(Note 11)*	8,347,582	7,376,920	6,383,274
Deficit	(44,879,093)	(38,260,017)	(29,321,559)
Accumulated other comprehensive income	3,122,352	897,294	1,083,598
Total equity	67,101,634	65,782,234	69,424,984
Total liabilities and equity	$ 73,062,271	$ 72,164,515	$ 72,404,818

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 Loss and Comprehensive Loss
For the six months ended June 30, 2021 and 2020
(Unaudited - Expressed in United States dollars)

	Three months ended June 30		Six months ended June 30	
	2021	**2020**	**2021**	**2020**
Expenses				
Employment costs *(Note 12)*	$ 1,233,456	$ 873,050	$ 2,351,224	$ 1,635,559
Share based compensation *(Note 11)*	486,854	391,948	970,662	841,289
Office and miscellaneous	225,001	116,705	324,856	244,204
Directors' fees	76,818	27,987	118,683	69,775
Professional fees	73,642	170,046	255,053	243,584
Exploration costs	61,392	67,442	103,883	75,863
Filing and transfer agent fees	34,592	7,575	94,426	49,442
Investor relations	29,714	116,547	63,379	202,146
Travel	14,578	21,935	21,769	55,137
Amortization	16,771	4,614	28,322	40,369
	$ 2,252,818	$ 1,797,849	$ 4,332,257	$ 3,457,368
Other expense (income)				
Foreign exchange loss	1,156,559	174,296	2,206,708	94,694
Accretion expense	40,106	-	80,904	-
Interest income	(16)	(28,318)	(793)	(70,981)
Net loss for the period	$ 3,449,467	$ 1,943,827	$ 6,619,076	$ 3,481,081
Other comprehensive loss				
Exchange loss (gain) on translation of foreign operations	(1,305,702)	(1,154,246)	(2,225,058)	1,305,343
Total comprehensive loss for the period	$ 2,143,765	$ 789,581	$ 4,394,018	$ 4,786,424
Basic and diluted loss per common share	0.02	0.01	0.03	0.02
Weighted average number of common shares outstanding	199,633,659	181,862,978	198,787,585	181,647,128

See accompanying notes to the condensed interim consolidated financial statements

RIO2 LIMITED
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2021 and 2020
(Unaudited - Expressed in United States dollars)

	Capital Stock					
	Number of shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total shareholders' equity (deficiency)
Balance, as at December 31, 2019 (restated, note 3)	181,431,278	$ 91,279,671	$ 6,383,274	$ 1,083,598	$ (29,321,559)	$ 69,424,984
Common shares issued for RSUs	324,474	220,912	(220,912)	-	-	-
Stock options exercised	495,075	297,914	(189,113)	-	-	108,801
Share purchase warrants exercised	126,700	46,406	-	-	-	46,406
Share based compensation – stock options	-	-	799,491	-	-	799,491
Share based compensation - RSUs	-	-	41,797	-	-	41,797
Net loss for the period	-	-	-	-	(3,481,081)	(3,481,081)
Other comprehensive loss	-	-	-	(1,305,343)	-	(1,305,343)
Balance, as at June 30, 2020	182,377,527	$ 91,844,903	$ 6,814,537	$ (221,745)	$ (32,802,640)	$ 65,635,055
Balance, as at December 31, 2020 (restated, note 3)	190,706,348	$ 95,768,037	$ 7,376,920	$ 897,294	$ (38,260,017)	$ 65,782,234
Warrant exercises	9,162,256	4,742,756	-	-	-	$ 4,742,756
Share based compensation – stock options	-	-	792,750	-	-	792,750
Share based compensation – RSUs	-	-	177,912	-	-	177,912
Net loss for the period	-	-	-	-	(6,619,076)	(6,619,076)
Other comprehensive gain	-	-	-	2,225,058	-	2,225,058
Balance, as at June 30, 2021	199,868,604	$ 100,510,793	$ 8,347,582	$ 3,122,352	$ (44,879,093)	$ 67,101,634

See accompanying notes to the condensed interim consolidated financial statements

RIO 2 LIMITED
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2021 and 2020
(Expressed in United States dollars)

	Six months ended June 30, 2021	Six months ended June 30, 2020
Operating activities		
Net loss for the period	$ (6,619,076)	$ (3,481,081)
Items not involving cash		
Stock based compensation	970,662	449,341
Amortization	28,321	40,369
Accretion expense	80,904	-
Change in non-cash components of working capital		
Input taxes recoverable	(7,052)	781,779
Interest receivable	-	11,276
Prepaid expenses	(124,542)	(61,251)
Accounts payable and accrued liabilities	(304,613)	(2,427,722)
Cash used in operating activities	$ (5,975,396)	$ (4,687,289)
Financing activities		
Proceeds received from exercise of share purchase warrants	4,742,756	46,407
Proceeds received from exercise of stock options	-	108,799
Cash provided by financing activities	$ 4,742,756	$ 155,206
Investing activities		
Exploration and evaluation assets	(2,627,859)	(858,755)
Net assets acquired – Lince acquisition	-	(1,304,586)
Short term investments	785,415	5,619,607
Property and equipment	(72,034)	(12,373)
Input taxes recoverable	(434,296)	-
Cash (used in) provided by investing activities	$ (2,348,774)	$ 3,407,893
Effect of foreign exchange	2,388,135	(1,067,559)
Increase (decrease) in cash and cash equivalents	(1,193,280)	(2,191,749)
Cash - beginning of the period	2,602,977	4,166,027
Cash - end of the period	$ 1,409,698	$ 1,974,278

1. Nature of Operations and Going Concern

Rio2 Limited is the parent company of a consolidated group. Rio2 is incorporated under the laws of the province of Ontario and its principle business activity is the exploration and development of its flagship Fenix Gold Project in Chile, as well as pursuing additional strategic acquisitions where it can deploy its operational excellence and responsible mining practices to build a multi-asset, multi-jurisdiction, precious metals company.

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.

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 at The Marine Building, 1000-355 Burrard Street, Vancouver, BC, V6C 2G8.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The Company has no source of revenue. These condensed interim consolidated financial statements were prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of June 30, 2021, the Company had a working capital deficiency of $82,621 (December 31, 2020 – working capital surplus of $1,459,648). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses.

The Company incurred a net loss for the six months ended June 30, 2021 of $6,619,076 (six months ended June 30, 2020 – net loss of $3,449,467) and negative cash flows from operations of $5,975,396 for the six months ended June 30, 2021 (June 30, 2020 – negative cash flows from operations of $4,687,289). As at June 30, 2021, the Company had an accumulated deficit of $44,879,093 (December 31, 2020 – accumulated deficit of $38,260,017). 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 condensed interim consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

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, 2020 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, 2020.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 13, 2021.

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.

These condensed interim consolidated financial statements are presented in United States dollars.

The accounting policies applied in 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, 2020.

Principles of Consolidation

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

Name	Location	Ownership by the Company	
		June 30, 2021	December 31, 2020
Fenix Gold Limitada	Chile	100%	100%
Rio2 S.A.C.	Peru	100%	100%
Rio2 Exploraciones S.A.C.	Peru	100%	100%
Lince S.A.	Chile	100%	100%

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

2. Basis of Presentation (continued)

Use of Estimates

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

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

Critical accounting estimates are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustments. The most significant judgements applying to the Company's financial statements include share-based payment transactions and mineral resource estimate. Key judgements include the timing commencement of commercial production which in turn impacts the realization of input tax inputs.

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 acquisition accounting versus business combination, as well as exploration and evaluation assets.

3. Change of Presentation Currency

As a result of the continued advancement of the Fenix Gold Project, the Company decided to change its presentation currency from Canadian dollars to United States dollars effective January 1, 2021. The change in the financial statement presentation currency is considered an accounting policy change and has been accounted for retrospectively. The balance sheets for each period presented have been translated from the related subsidiary's functional currency to the new US dollar presentation currency at the rate of exchange prevailing at the respective balance sheet date except for equity items, which have been translated at accumulated historical rates from the related subsidiary's date of incorporation. The statements of income and comprehensive income were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of transactions.

(Expressed in United States dollars, unless otherwise stated)

3. Change in Presentation Currency (continued)

During the year ended December 31, 2020, the translation of the Company's subsidiaries that had a United States dollar into the Company's presentation currency of the Canadian dollar gave rise to a translation adjustment which was recorded in Foreign Currency Translation Reserve, a separate component of shareholders' equity. With the retrospective application of the change in presentation currency from the Canadian dollar to the US dollar, the Foreign Currency Translation Reserve related to the translation of US dollar functional currency subsidiaries was eliminated. However, with the retrospective application of the change in presentation currency to the US dollar, the Company's corporate office, which has a Canadian dollar functional currency, resulted in an Accumulated Other Comprehensive Income ("AOCI") balance.

(a) Adjustment to previously reported financial information due to change in presentation currency

For comparative purposes, the consolidated balance sheets as at December 31, 2020 and January 1, 2020 include adjustments to reflect the change in the presentation currency to the US dollar, which is a change in accounting policy. The exchange rates used to translate the amounts previously reported into US dollars at December 31, 2020 were 1.2732 CAD/USD, and at January 1, 2020 were 1.2988 CAD/USD. Refer to note 14(a) for the effects of the translation.

For comparative purposes, the consolidated statement of loss and comprehensive loss for the six months ended June 30, 2020 includes adjustments to reflect the change in the presentation currency to the US dollar, which is a change in accounting policy. The exchange rates used to translate the amounts previously reported into US dollars for the six months ended June 30, 2020 were 1.3651 CAD/USD, which were the average exchange rates for the period. Refer to note 14(b) for the effects of the translation.

(b) Functional currency

The functional currencies of the Company and its subsidiaries, all of which are wholly owned, remained unchanged and were as follows for periods presented.

Name	Functional Currency
Rio2 Limited	Canadian dollar
Fenix Gold Limitada	United States Dollars
Rio2 S.A.C.	United States Dollars
Rio2 Exploraciones S.A.C.	United States Dollars
Lince S.A.	United States Dollars

4. Financial Instruments and Risk Management

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.

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. 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 June 30, 2021, the Company has cash totalling $1,409,698 (December 31, 2020 - $2,602,977), short term investments of $46,000 (December 31, 2020 - $831,415) and current liabilities of $2,090,244 (December 31, 2020 - $2,389,246). The current liabilities are accounts payable of $1,874,897 due on demand (December 31, 2020 - accounts payable of $2,179,508 due on demand), as well as the current portion of a lease liability of $215,347 (December 31, 2020 - $209,739).

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 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.

(Expressed in United States dollars, unless otherwise stated)

4. Financial Instruments and Risk Management (continued)

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.

Other Risks

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to constitute a pandemic. The spread of COVID-19 has severely impacted economies around the globe. In many countries, including Canada, Chile and Peru, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, maintaining minimum distances between people, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in significant unemployment and an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening of certain sectors. Governments and central banks have responded with monetary and fiscal interventions designed to stabilize economic conditions. To date, the Company's operations have not been materially negatively affected by these events, apart from increasing costs, in particular around health and safety and housing field-staff. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration of the impact, the severity of the consequences, nor the impact, if any, on the financial position and results of the Company for future periods.

5. Capital Risk Management

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

		June 30, 2021		December 31, 2020
Share capital	$	100,510,793	$	95,768,037
Reserves		8,347,582		7,376,920
	$	108,858,375	$	103,144,957

(Expressed in United States dollars, unless otherwise stated)

5. Capital Risk Management (continued)

The properties in which the Company currently has an interest are in the exploration and development 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.

6. Lince Acquisition

On April 15, 2020, Rio2 announced that it completed the strategic acquisition of Compañía Minera Paso San Francisco S.A. ("MPSF"). MPSF owned strategic mining infrastructure and facilities located adjacent to Rio2's Fenix Gold Project in Chile.

MPSF was acquired by Rio2 for $1.5 million cash from Inversiones Alxar S.A. ("Alxar"), a subsidiary of Empresas Copec S.A., a large Chilean industrial conglomerate. Subsequent to the acquisition of MPSF, the name of MPSF was changed to Lince S.A. ("Lince").

The Company accounted for the transaction as an asset acquisition as Lince does not constitute a business. The purchase price was allocated to the assets acquired and liabilities assumed based on their relative fair values on the closing date. The purchase price allocation is a result of management's best estimates and assumption after taking into account all relevant information available.

The final purchase price has been determined and allocated as follows:

Purchase price:		
Cash paid	$	1,500,000
	$	1,500,000
Purchase price allocation:		
Cash	$	23,650
Prepaid expenses		5,107
Chilean IVA receivable		52,302
Property, plant and equipment		30,911
Exploration and evaluation asset		4,455,896
Accounts payable		(37,774)
Mine closure obligation		(3,030,092)
Net assets acquired	$	1,500,000

7. Short Term Investments

As at June 30, 2021, the Company had $46,000 (December 31, 2020 – $831,415) invested in guaranteed investment certificates ("GIC") at a major Canadian financial institution. $46,000 is invested in a GIC that accrues interest at 0.2% and expires on December 19, 2021. Interest is accrued during the GIC term and is recorded in interest receivable.

(Expressed in United States dollars, unless otherwise stated)

8. Input Taxes Recoverable

Input taxes recoverable consist of the following:

	June 30, 2021	December 31, 2020
Canadian GST/HST receivable	$ 13,504	$ 6,452
Current input taxes recoverable	$ 13,504	$ 6,452
Peruvian IGV receivable	$ 428,452	$ 337,990
Chilean IVA receivable	9,191,857	8,848,023
Long term input taxes recoverable	$ 9,620,309	$ 9,186,013

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.

9. Exploration and Evaluation Assets

	Fenix Gold Project Chile	Anocarire Gold Project Chile	Total
Balance, December 31, 2019	$ 45,002,756	$ 3,994,195	$ 48,996,951
Additions	10,449,356	-	10,449,356
Option income received	-	(288,198)	(288,198)
Effect of exchange rate	-	(8,452)	(8,452)
Accumulated foreign exchange on translation	(645,290)	-	(645,290)
Balance, December 31, 2020	$ 54,806,822	$ 3,697,545	$ 58,504,367
Additions	2,628,468	-	2,628,468
Option income received	-	(300,000)	(300,000)
Effect of exchange rate	-	603	603
Balance, June 30, 2021	$ 57,435,290	$ 3,398,148	$ 60,833,438

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 include drilling, technical consultant fees, equipment rentals, the acquisition of Lince in 2020 and the Asset Retirement for Lince (note 6).

(Expressed in United States dollars, unless otherwise stated)

9. Exploration and Evaluation Assets (continued)

Anocarire Project (Chile)

On July 24, 2018, the Company acquired the Anocarire Gold Project, a $4.8 million option payment that may be paid to Rio2 by Andex Minerals. During the year ended December 31, 2018, a payment of $200,000 was received. During the year ended December 31, 2019, a payment of $600,000 was received. During the year ended December 31, 2020, a payment of $300,000 was received.

On December 14, 2020, the option payment was revised so that Andex Minerals may pay Rio2 $5.3 million by December 31, 2021. On June 28, 2021, Rio2 received a payment of $300,000 from Andex Minerals.

Payments under this option payment are being recorded as a reduction of the exploration and evaluation asset.

10. Asset Retirement Obligation

The asset retirement obligation comprises:

		June 30, 2021		December 31, 2020
Opening balance	$	3,722,041	$	-
Balance acquired (note 6)		-		3,030,092
Accretion expense		80,904		-
Effect of exchange rate		(122,794)		691,949
	$	3,680,151	$	3,722,041

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 translates to $6,061,567. The majority of the work will be done in 2025 - 2026. The credit adjusted risk free rate is 0.48%, based on the Chilean Government 1 year bond rate.

11. Capital Stock

a. Share capital

The Company's authorized share capital consists of an unlimited number of common shares of which 199,868,604 were issued and outstanding as at June 30, 2021 (190,706,348 – December 31, 2020).

(Expressed in United States dollars, unless otherwise stated)

11. Capital Stock (continued)

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 June 25, 2020.

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.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price (C$/option)	
Outstanding, December 31, 2019	13,833,074	C$[1]	0.82
Issued	3,850,000		0.65
Exercised	(1,271,677)		0.47
Expired or cancelled	(1,374,964)		0.77
Outstanding, December 31, 2020	15,036,433	C$	0.81
Expired	(542,932)		0.76
Options outstanding, June 30, 2021	14,493,501	C$	0.81
Options exercisable, June 30, 2021	7,860,168	C$	1.00

1) C$ = Canadian dollars

Stock options outstanding at June 30, 2021 were:

Outstanding			**Exercisable**	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price	Number of Options	Weighted average exercise price
445,566	0.08	C$ 0.91	445,566	C$ 0.91
1,366,735	0.67	1.53	1,366,735	1.53
500,025	0.82	2.25	500,025	2.25
166,675	0.92	2.56	166,675	2.56
333,350	1.17	1.66	333,350	1.66
777,817	1.75	0.82	777,817	0.82
1,873,333	2.24	0.65	1,260,000	0.65
5,380,000	3.20	0.55	1,793,333	0.55
3,650,000	3.99	0.65	1,216,667	0.65
14,493,501	2.71	C$ 0.81	7,860,168	C$ 1.00

(Expressed in United States dollars, unless otherwise stated)

11. Capital Stock (continued)

Stock options outstanding at December 31, 2020 were:

Outstanding			Exercisable	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price	Number of Options	Weighted average exercise price
542,932	0.21	C$ 0.76	542,932	C$ 0.76
445,566	0.58	0.91	445,566	0.91
1,366,735	1.16	1.53	1,366,735	1.53
500,025	1.31	2.25	500,025	2.25
166,675	1.41	2.56	166,675	2.56
333,350	1.67	1.66	333,350	1.66
777,817	2.24	0.82	533,360	0.82
1,873,333	2.74	0.65	1,260,000	0.65
5,380,000	3.69	0.55	1,793,333	0.55
3,650,000	4.49	0.65	-	0.65
15,036,433	3.10	C$ 0.81	6,941,976	C$ 1.05

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	400,000
Vested and settled in common shares	(212,237)
Cancelled	-
Outstanding, December 31, 2020	500,000
Issued	-
Vested and settled in common shares	-
Cancelled	-
Outstanding, June 30, 2021	500,000
Vested, June 30, 2021	133,333

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 that vested and were settled in common shares during the year ended December 31, 2020 were awarded a multiplier of 2 by the Company’s Board of Directors.

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

(Expressed in United States dollars, unless otherwise stated)

11. Capital Stock (continued)

On April 23, 2020, 162,237 RSUs were settled via the issuance of common shares of the Company. A multiplier of 2 was awarded, therefore, a total of 324,474 common shares of the Company were issued on April 23, 2020.

On September 11, 2020, 50,000 RSUs were settled via the issuance of common shares of the Company. A multiplier of 2 was awarded, therefore, a total of 100,000 common shares of the Company were issued on September 11, 2020.

On December 31, 2020, 400,000 RSUs were granted to Executive Officers of the Company. The RSUs will vest one-third on June 30, 2021, one-third on December 31, 2021, one-sixth on December 31, 2022, and one-sixth on December 31, 2023

c. Warrants

Warrants outstanding as of June 30, 2021 were:

Expiry dates	Number of warrants	Conversion price
August 13, 2022	27,999,450	C$0.50

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2019	46,467,391	C$ 0.55
Exercised	(7,578,919)	0.59
Outstanding, December 31, 2020	38,888,472	C$ 0.54
Exercised	(9,162,256)	0.65
Expired	(1,726,766)	0.65
Outstanding, June 30, 2021	27,999,450	C$ 0.50

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.

(Expressed in United States dollars, unless otherwise stated)

12. Related Party Transactions

Key management consists of the Board of Directors and senior management. Senior management is defined as the President & CEO, and Executive Vice Presidents. Key management compensation for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30, 2021	2020	Six months ended June 30, 2021	2020
Senior management – consulting and employment costs	$ 276,413	$ 252,503	$ 552,636	$ 505,000
Directors fees	118,683	27,987	76,818	69,775
Share-based compensation	294,373	231,420	592,363	526,024
	$ 689,469	$ 551,910	$ 1,221,817	$ 1,100,799

In addition to the compensation for directors and officers, the Company incurred management fees during the three months ended June 30, 2021 of $nil (three months ended June 30, 2020 - $53,951) and during the six months ended June 30, 2021 of $nil (six months ended June 30, 2020 - $109,717) from SBX Asesorias E Inversiones Limitada, a company owned by Albrecht Schneider, who is a director of Rio2.

13. Segmented Information

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

During the six months ended June 30, 2021 and 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:

June 30, 2021	Canada	Peru	Chile	Total
Property and equipment	$ -	$ 93,652	$ 297,374	$ 391,026
Exploration and evaluation assets	-	-	60,833,438	60,833,438
Other assets	1,078,753	618,856	10,142,198	11,837,807
Total assets	$ 1,078,753	$ 710,508	$ 71,273,010	$ 73,062,271
Lease liability	$ -	$ 405,589	$ -	$ 405,589
Accounts payable and accrued liabilities	114,821	271,660	1,488,416	$ 1,874,897
Asset retirement obligation	-	-	3,680,151	3,680,151
Total liabilities	$ 114,821	$ 677,247	$ 5,168,567	$ 5,960,637

(Expressed in United States dollars, unless otherwise stated)

13. Segmented Information (continued)

				December 31, 2020
	Canada	Peru	Chile	Total
Property and equipment	$ -	$ 113,856	$ 230,272	$ 344,128
Exploration and evaluation assets	-	-	58,504,367	58,504,367
Other assets	2,495,350	955,935	9,864,735	13,316,020
Total assets	$ 2,495,350	$ 1,069,791	$ 68,599,374	$ 72,164,515
Lease liability	$ -	$ 480,731	$ -	$ 480,731
Accounts payable and accrued liabilities	$ 280,631	$ 213,755	$ 1,685,122	$ 2,179,508
Asset retirement obligation	-	-	3,722,041	3,722,041
Total liabilities	$ 280,631	$ 694,486	$ 5,407,162	$ 6,382,280

14. Effect of the Change in Presentation Currency

The effects of the change in presentation currency discussed in note 3 above were as follows.

a) Effect on the consolidated balance sheets as at December 31, 2020 and January 1, 2020:

(Expressed in United States dollars, unless otherwise stated)

14. Effect of the Change in Presentation Currency (continued)

	December 31, 2020		January 1, 2020	
	USD	**CAD**	**USD**	**CAD**
ASSETS				
Current Assets				
Cash	US$ 2,602,977	C$ 3,314,110	US$ 4,166,027	C$ 5,410,836
Short term investments	831,415	1,058,558	10,825,691	14,060,407
Interest receivable	-	-	71,836	93,301
Input taxes recoverable	6,452	8,215	5,444	7,071
Right of use asset	218,002	277,560	-	-
Prepaid expenses	190,049	241,971	90,692	117,791
Total current assets	US$ 3,848,895	C$ 4,900,414	US$15,159,690	C$ 19,689,406
Input taxes recoverable	9,186,013	11,695,632	8,065,896	10,475,986
Right of use asset	281,111	357,911	-	-
Property and equipment	344,129	438,145	182,281	236,746
Exploration and evaluation assets	58,504,367	76,315,898	48,996,951	63,652,290
Total assets	US$ 72,164,515	C$ 93,708,000	US$ 72,404,818	C$ 94,054,428
LIABILITIES				
Current Liabilities				
Lease liability	US$ 209,738	267,039	US$ -	C$ -
Accounts payable and accrued liabilities	2,179,508	2,774,950	2,979,834	3,870,208
Total current liabilities	US$ 2,389,246	C$ 3,041,989	US$ 2,979,834	C$ 3,870,208
Lease liability	270,993	345,028	-	-
Asset retirement obligation	3,722,041	4,738,902	-	-
Total liabilities	US$ 6,382,280	C$ 8,125,919	US$ 2,979,834	C$ 3,870,208
SHAREHOLDERS' EQUITY				
Capital stock	US$ 95,768,037	C$125,987,829	US$ 91,279,671	C$119,966,686
Reserves	7,376,920	9,575,097	6,383,274	8,242,121
Deficit	(38,260,017)	(50,015,528)	(29,321,559)	(38,024,587)
Accumulated other comprehensive income	897,294	34,683	1,083,598	-
Total equity	65,782,235	85,582,081	69,424,984	90,184,220
Total liabilities and equity	US$ 72,164,515	C$ 93,708,000	US$ 72,404,818	C $94,054,428

b) Effect on the consolidated statement of loss and comprehensive loss for the six months ended June 30, 2020:

(Expressed in United States dollars, unless otherwise stated)

14. Effect of the Change in Presentation Currency (continued)

	Six months ended June 30, 2021	
	USD	**CAD**
Expenses		
Employment costs	US$ 1,635,559	C$ 2,232,701
Share based compensation	841,289	1,148,444
Professional fees	243,584	332,516
Office and miscellaneous	244,204	333,363
Filing and transfer agent fees	202,146	275,950
Investor relations	75,863	103,560
Exploration costs	69,775	95,250
Directors fees	55,137	75,267
Amortization	49,442	67,493
Travel expense	40,369	55,108
Loss before the following	US$ 3,457,368	C$ 4,719,652
Other (income) expense		
Foreign exchange loss	94,694	129,267
Interest income	(70,981)	(96,896)
Net loss for the Period	US$ 3,481,081	C$ 4,752,023
Other comprehensive loss		
Exchange loss on translation of foreign operations	1,305,343	-
Total comprehensive loss for the period	US$ 4,786,424	C$ 4,752,023
Basic and Diluted Loss per Common Share	US$ 0.02	C$ 0.03
Weighted Average Number of Common Shares Outstanding	181,647,128	181,647,128

15. Subsequent events

The following events occurred subsequent to June 30, 2021:

a) 33,333 stock options were issued for proceeds of $17,375.

b) 133,333 RSUs were settled by the issuance of common shares. A multiplier of 2 was awarded and 266,666 common shares were issued.

c) On July 20, 2021, Rio2 announced a non-binding term sheet with Wheaton Precious Metals International Ltd. ("WPMI" or "Wheaton" for a $50 million Gold Purchase Agreement ("Gold Stream"). Upon entering into the Gold Stream, WPMI will purchase refined gold equal to 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 proposed Gold Stream, WPMI will pay total cash consideration of US$50 million, US$25 million of which is payable upon closing, subject to conditions including the completion of the Offering, with the remaining US$25 million payable subject to certain conditions, including the receipt of the EIA approval for the Mine. In addition, WPMI 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 US$50 million, at which point the production payment will increase to 22% of the spot gold price.

   Entering into the Gold Stream remains subject to, among other matters, the final negotiation and completion of definitive documentation, including the Gold Purchase Agreement.

d) On July 20, 2021, Rio2 announced that BNP Paribas was appointed the mandated lead arranger for a senior project debt facility of $50-$60 million. Proceeds of the Senior Project Debt Facility will be used to fund the construction and commissioning of the Mine and available by way of cash advances in US dollars, and for potential cost overruns. The Senior Project Debt Facility is expected to have a principal grace period in line with construction and ramp-up period and a tailored amortization profile designed to match projected cash flows from the Mine. The closing of the Senior Project Debt Facility remains subject to a number of customary conditions including the completion of satisfactory due diligence, the receipt of credit approvals and the negotiation of definitive documentation.

e) On August 10, 2021, Rio2 announced that it closed the underwritten public offering of common shares of Rio2 and the private placement of common shares to Wheaton, previously announced for combined gross proceeds of C$35,144,122.

   A total of 44,275,000 common shares were issued through the underwritten public offering of common shares upon the exercise of the over-allotment option in full, for gross aggregate proceeds of C$28,778,750. The price per common share was C$0.65.

   A total of 9,792,880 common shares were issued to Wheaton for gross proceeds of C$6,365,372 (approximately $5 million). The private placement was completed on a non-brokered basis. The price per common share was C$0.65.