Rio2 Limited
Condensed Interim Consolidated Financial Statements
(Unaudited)

Three months ended March 31, 2022 and 2021

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 March 31, 2022 and December 31, 2021
(Unaudited - Expressed in United States dollars)

	March 31, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash	$ 33,669,436	$ 21,345,286
Short term investments *(Note 5)*	46,000	46,000
Input taxes recoverable *(Note 6)*	65,224	248,738
Prepaid expenses	1,174,014	1,475,849
Total current assets	$ 34,954,674	$ 23,115,873
Input taxes recoverable *(Note 6)*	12,155,788	9,934,283
Right of use asset *(Note 7)*	984,796	491,995
Property and equipment *(Note 8)*	17,076,266	2,031,752
Exploration and evaluation assets (*Note 9)*	62,617,698	60,121,205
Total assets	$127,789,222	$ 95,695,108
LIABILITIES		
Current Liabilities		
Lease liability *(Note 7)*	$ 221,457	$ 189,799
Accounts payable and accrued liabilities	9,370,526	3,478,459
Total current liabilities	$ 9,591,983	$ 3,668,258
Deferred revenue *(Note 11)*	25,038,356	
Lease liability *(Note 7)*	717,263	295,515
Asset retirement obligation *(Note 10)*	3,724,692	3,368,322
Total liabilities	$ 39,072,294	$ 7,332,095
SHAREHOLDERS' EQUITY		
Capital stock *(Note 12)*	$ 128,189,124	$ 127,202,022
Reserves *(Note 12)*	9,496,813	9,081,203
Deficit	(51,379,035)	(48,785,350)
Accumulated other comprehensive income	2,410,026	865,138
Total equity	88,716,928	88,363,013
Total liabilities and equity	$ 127,789,222	$ 95,695,108

Nature of operations *(Note 1)*
Subsequent Events *(Note 15)*

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 three months ended March 31, 2022 and 2021
(Unaudited - Expressed in United States dollars)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Expenses		
Employment costs *(Note 13)*	$ 1,919,265	$ 1,117,768
Share based compensation *(Note 12)*	578,236	483,808
Office and miscellaneous	338,255	99,855
Professional fees	167,221	181,411
Amortization	164,001	11,550
Travel expense	72,845	7,191
Filing and transfer agent fees	68,329	59,832
Investor relations	52,886	33,664
Directors fees	36,921	41,865
Exploration costs	4,176	42,491
Loss before the following	$ 3,402,135	$ 2,079,435
Other (income) expense		
Foreign exchange (gain) loss	(926,172)	1,050,148
Accretion expense on ARO *(Note 10)*	85,103	40,798
Accretion expense on deferred revenue *(Note 11)*	38,356	-
Interest income	(5,737)	(777)
Net loss for the Period	$ 2,593,685	$ 3,169,604
Other comprehensive loss		
Exchange gain on translation of foreign operations	(1,544,888)	(919,357)
Total comprehensive loss for the period	$ 1,048,797	$ 2,250,247
Basic and Diluted Loss per Common Share	$ 0.01	$ 0.02
Weighted Average Number of Common Shares Outstanding	255,219,430	195,813,151

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, 2022 and 2021
(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, 2020	190,706,348	$ 95,768,037	$ 7,376,920	$ 897,294	$ (38,260,017)	65,782,235
Warrant exercises	8,887,256	4,562,968	-	-	-	$ 4,562,968
Share based compensation – stock options	-	-	396,670	-	-	396,670
Share based compensation – RSUs	-	-	87,138	-	-	87,138
Net loss for the period	-	-	-	-	(3,169,604)	(3,169,604)
Other comprehensive loss	-	-	-	919,357	-	919,357
Balance, as at March 31, 2021	199,593,604	$ 100,331,005	$ 7,860,728	$ 1,816,651	$ (41,429,621)	$ 68,578,764
Balance, as at December 31, 2021	254,336,483	$ 127,202,022	$ 9,081,203	$ 865,138	$ (48,785,350)	$ 88,363,013
Common shares issued for vested RSUs	266,666	162,626	(162,626)	-	-	$ -
Warrant exercises	2,081,564	824,476	-	-	-	$ 824,476
Share based compensation – stock options	-	-	501,196	-	-	$ 501,196
Share based compensation – RSUs	-	-	77,040	-	-	$ 77,040
Net loss for the period	-	-	-	-	(2,593,685)	$ (2,593,685)
Other comprehensive loss	-	-	-	1,544,888	-	$ 1,544,888
Balance, as at March 31, 2022	256,684,713	$ 128,189,124	$ 9,496,813	$ 2,410,026	$ (51,379,035)	$ 88,716,928

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, 2022 and 2021
(Expressed in United States dollars)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Operating activities		
Net loss for the period	$ (2,593,685)	$ (3,169,604)
Items not involving cash		
Stock based compensation	578,236	483,808
Amortization	220,665	11,550
Accretion of asset retirement obligation	85,103	40,798
Accretion of deferred revenue	38,356	-
Additions to right of use asset	510,142	-
Additions to lease liability	(543,050)	-
Change in non-cash components of working capital		
Input taxes recoverable	(2,037,991)	(11,428)
Prepaid expenses	301,835	(128,908)
Accounts payable and accrued liabilities	1,602,966	(1,315,850)
Cash used in operating activities	$ (1,837,423)	$ (4,089,634)
Financing activities		
Proceeds from deferred revenue *(Note 11)*	25,000,000	-
Proceeds received from exercise of share purchase warrants	824,476	4,562,968
Lease payments	(56,765)	-
Cash provided by financing activities	$ 25,767,711	$ 4,562,968
Investing activities		
Exploration and evaluation assets	(2,274,998)	(1,086,575)
Short term investments	-	785,415
Property and equipment	(11,140,908)	-
Input taxes recoverable		(90,158)
Cash used in investing activities	$ (13,415,906)	$ (391,318)
Effect of foreign exchange	1,809,768	850,277
Increase (decrease) in cash and cash equivalents	12,324,150	932,293
Cash - beginning of the period	21,345,286	2,602,977
Cash - end of the period	$ 33,669,436	$ 3,525,270

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 and its principal business activity is the exploration and development of its flagship Fenix Gold Project in Chile, as well as pursing 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 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.

2. Basis of Presentation

<u>Statement of Compliance</u>

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, 2021 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, 2021.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 4, 2022.

<u>Basis of Presentation</u>

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.

(Expressed in United States dollars, unless otherwise stated)

2. Basis of Presentation (continued)

Basis of Presentation (continued)

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, 2021.

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	
		March 31, 2022	December 31, 2021
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%
Rio2 Limited Bahamas.	Bahamas	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. The most significant estimates 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 accounting for the Precious Metals Purchase Agreement ("PMPA"), acquisition accounting versus business combination, and exploration and evaluation assets.

3. 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 March 31, 2022, the Company has cash totalling $33,669,436 (December 31, 2021 - $21,345,286), short term investments of $46,000 (December 31, 2021 - $46,000) and current liabilities of $9,591,983 (December 31, 2021 - $3,688,258). The current liabilities are accounts payable of $9,370,526 due on demand (December 31, 2021 - Accounts payable of $3,478,459 due on demand), as well as the current portion of a lease liability of $221,457 (December 31, 2021 - $189,799).

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.

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.

		March 31, 2022		**December 31, 2021**
Share capital	$	128,189,124	$	127,202,022
Reserves		9,496,813		9,081,203
	$	137,685,937	$	136,283,225

(Expressed in United States dollars, unless otherwise stated)

4. Capital Risk Management (continued)

The properties in which the Company currently has 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, 2022, the Company had $46,000 (December 31, 2021 – $46,000) invested in guaranteed investment certificates ("GIC") at a major Canadian financial institution. $46,000 is invested in a GIC that accrues interest at 0.03% and expires on December 19, 2022. Interest is accrued during the GIC term and is recorded in interest receivable.

6. Input Taxes Recoverable

Input taxes recoverable consist of the following:

	March 31, 2022	December 31, 2021
Canadian GST/HST receivable	$ 65,224	$ 248,738
Current input taxes recoverable	$ 65,224	$ 248,738
Peruvian IGV receivable	$ 515,745	$ 476,689
Chilean IVA receivable	11,640,042	9,457,594
Long term input taxes recoverable	$ 12,155,787	$ 9,934,283

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.

(Expressed in United States dollars, unless otherwise stated)

7. Leases

The Company entered into office leases that resulted in right-of-use assets and lease liabilities. The balances are as follows:

Right-of-use assets:

Balance, December 31, 2020	$	499,113
Lease additions		205,185
Amortization		(216,939)
Adjustment foreign exchange		4,636
Balance, December 31, 2021	$	491,995
Lease additions		543,050
Amortization		(56,664)
Adjustment on foreign exchange		6,415
Balance, March 31, 2022	$	984,796

Lease liabilities:

Balance, December 31, 2020	$	480,732
Payments – Office and miscellaneous		(232,264)
Recognition of liability		205,185
Accretion – Office and miscellaneous		17,829
Adjustment on foreign exchange		13,832
Balance, December 31, 2021	$	485,314
Payments – Office and miscellaneous		(60,239)
Recognition of liability		510,142
Accretion – Office and miscellaneous		6,583
Adjustment on foreign exchange		(3,080)
Balance, March 31, 2022	$	938,720
Short term portion, lease liability		221,457
Long term portion, lease liability	$	717,263

(Expressed in United States dollars, unless otherwise stated)

8. Property and Equipment

	Land	Office Equipment	Mine Equipment	Software	Total
Cost:					
Balance, December 31, 2020	$ 2,174	$ 147,367	$ 136,302	$ 216,593	$ 502,436
Additions	-	192,461	1,571,331	-	1,763,792
Balance, December 31, 2021	$ 2,174	$ 339,828	$ 1,707,633	$ 216,593	$ 2,266,228
Additions	-	-	15,208,515	-	15,208,515
Balance, March 31, 2022	$ 2,174	$ 339,828	$16,916,148	$ 216,593	$ 17,474,743
Accumulated depreciation:					
Balance, December 31, 2020	$ -	$ (33,629)	$ -	$ (124,678)	$ (158,307)
Additions	-	(42,382)	(227)	(33,560)	(76,169)
Balance, December 31, 2021	$ -	$ (76,011)	$ (227)	$ (158,238)	$ (234,476)
Additions	-	(14,328)	(141,283)	(8,390)	(164,001)
Balance, March 31, 2022	$ -	$ (90,339)	$ (141,510)	$ (166,628)	$ (398,477)
Net book value at December 31, 2021	$ 2,174	$ 263,819	$ 1,707,405	$ 58,355	$ 2,031,752
Net book value at March 31, 2022	$ 2,174	$ 249,489	$ 16,774,638	$ 49,965	$ 17,076,266

(Expressed in United States dollars, unless otherwise stated)

9. Exploration and Evaluation Assets

	Fenix Gold Project Chile	Anocarire Gold Project Chile	Total
Balance, December 31, 2020	$ 54,806,822	$ 3,697,545	$ 58,504,367
Exploration and evaluation costs additions:			
Community initiatives	139,203	-	139,203
Geological and drilling	2,627,513	-	2,627,513
Engineering studies	1,745,487	-	1,745,487
Field support	802,180	-	802,180
Option income received	-	(3,698,148)	(3,698,148)
Effect of exchange rate	-	603	603
Balance, December 31, 2021	$ 60,121,205	$ -	$ 60,121,205
Exploration and evaluation costs additions:			
Community initiatives	45,795	-	45,795
Geological and drilling	563,627	-	563,627
Engineering studies	867,087	-	867,087
Field support	1,019,984	-	1,019,984
Balance, March 31, 2022	$ 62,617,698	$ -	$ 62,617,698

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 purchase price acquisition costs, the asset retirement obligation for Lince, geological and drilling, environmental, technical consultant fees, camp, and community relations.

Anocarire Project (Chile)

There was an option payment agreement between Rio2 and Andex Minerals (“Andex”) that stated that Andex had the option of paying Rio2 $5,300,000 by December 31, 2021. On June 28, 2021, Rio2 received a payment of $300,000 from Andex Minerals. On December 22, 2021, Rio2 received a payment of $5,000,000 from Andex Minerals to complete the sale of Anocarire to Andex Minerals.

Payments under this option payment were recorded as a reduction of the exploration and evaluation asset until that balance was reduced to $nil. The residual amount of $1,601,852 was recognized as option income during the year ended December 31, 2021.

(Expressed in United States dollars, unless otherwise stated)

10. Asset Retirement Obligation

The asset retirement obligation comprises:

		March 31, 2022		December 31, 2021
Opening balance	$	3,368,322	$	3,722,041
Accretion expense		85,103		284,771
Effect of exchange rate		271,267		(638,490)
	$	3,724,692	$	3,368,322

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 $4,761,670. The majority of the work will be done in 2025 - 2026. The credit adjusted risk free rate is 1.46%, based on the Chilean Government 1 year bond rate.

11. Deferred revenue

The Company received $25,000,000 from Wheaton pursuant to the PMPA.

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 proposed 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 is expected to reduce to nil through deliveries of the Company's own production to WPMI.

The following are components of deferred revenue as at March 31, 2022:

Advances received	$25,000,000
Accretion on financing component	38,356
Deferred revenue	$25,038,356

(Expressed in United States dollars, unless otherwise stated)

12. Capital Stock

a. Share capital

The Company's authorized share capital consists of an unlimited number of common shares of which 256,684,713 were issued and outstanding as at March 31, 2022 (254,336,483 – December 31, 2021).

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 September 21, 2021.

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.

During the quarter ended March 31, 2022, 2,100,000 stock options were granted to officers of the Company. The estimated fair value associated with the stock options granted is $637,163 and it was determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at the grant CAD$0.59; an annualized volatility of 84.87%; an expected life of 5 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.50%. The options have an exercise price of CAD$0.65.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price (C$/option)
Outstanding, December 31, 2020	15,036,433	$ 0.81
Issued	4,200,000	0.65
Exercised	(33,333)	0.65
Expired or cancelled	(1,199,620)	0.92
Outstanding, December 31, 2021	18,003,480	$ 0.77
Issued	2,100,000	0.65
Expired	(1,200,060)	1.53
Outstanding, March 31, 2022	18,903,420	$ 0.71
Options exercisable, March 31, 2022	8,543,420	$ 0.79

The Black-Scholes Option Pricing Model is used to estimate the fair value of options granted. Vesting periods are over a 5-year period as follows:

	2022	2021
(i) Risk-free interest rate	1.50%	0.85%
(ii) Expected life	5 years	5 years
(iii) Expected volatility	84.87%	139%
(iv) Expected dividend yield	0%	0%
(iv) Expected forfeiture rate	0%	0%
(vi) Fair value per option	CAD$0.59	CAD$0.55

(Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

Stock options outstanding at March 31, 2022 were:

Outstanding			**Exercisable**	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price CAD$	Number of Options	Weighted average exercise price CAD$
500,025	0.07	2.25	500,025	2.25
166,675	0.16	2.56	166,675	2.56
333,350	0.42	1.66	333,350	1.66
733,370	0.99	0.82	733,370	0.82
1,840,000	1.49	0.65	1,840,000	0.65
5,380,000	2.45	0.55	3,653,333	0.55
3,650,000	3.24	0.65	1,316,667	0.65
4,200,000	4.48	0.65	-	0.65
2,100,000	4.81	0.65	-	0.65
18,903,420	3.05	0.71	8,543,420	0.79

Stock options outstanding at December 31, 2021 were:

Outstanding			**Exercisable**	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price CAD$	Number of Options	Weighted average exercise price CAD$
1,200,060	0.16	1.53	1,200,060	1.53
500,025	0.31	2.25	500,025	2.25
166,675	0.41	2.56	166,675	2.56
333,350	0.67	1.66	333,350	1.66
733,370	1.24	0.82	733,370	0.82
1,840,000	1.74	0.65	1,840,000	0.65
5,380,000	2.69	0.55	3,653,333	0.55
3,650,000	3.49	0.65	1,316,667	0.65
4,200,000	4.73	0.65	150,000	0.65
18,003,480	2.88	0.77	9,893,480	0.88

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 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.

(Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

RSU transactions are summarized as follows:

	Number of RSUs
Outstanding, December 31, 2020	500,000
Vested and settled in common shares	(183,333)
Outstanding, December 31, 2021	316,667
Vested and settled in common shares	(133,333)
Outstanding, March 31, 2022	183,334
Vested, March 31, 2022	-

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.

On June 30, 2021, 133,333 RSUs were settled via the issuance of common shares of the Company. A multiplier of 2 was awarded, therefore, a total of 266,666 common shares of the Company were issued on July 26, 2021.

On September 9, 2021, 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 9, 2021.

On January 4, 2022, 133,333 RSUs were settled. A multiplier of 2 was approved by the board of directors and therefore, 266,666 common shares were issued.

c. Warrants

Warrants outstanding as of March 31, 2022 were:

Expiry dates	Number of warrants	Conversion price
August 13, 2022	25,917,886	C$0.50

(Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

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, 2020	38,888,472	0.54
Exercised	(9,162,256)	0.65
Expired	(1,726,766)	0.65
Outstanding, December 31, 2021	27,999,450	0.50
Exercised	(2,081,564)	0.50
Outstanding, March 31, 2022	25,917,886	0.50

During the three months ended March 31, 2022, the Company received $824,476 for the exercise of 2,081,564 warrants.

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.

13. 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, 2022 and 2021 was as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Senior management employment costs	$ 282,223	$ 276,223
Directors fees	36,992	41,864
Share-based compensation	245,072	297,990
	$ 564,287	$ 616,077

14. Segmented Information

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

During the three months ended March 31, 2022 and 2021, the Company had four operating segments in 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:

(Expressed in United States dollars, unless otherwise stated)

14. Segmented Information (continued)

March 31, 2022	Canada	Bahamas	Peru	Chile	Total
Property and equipment	$ -	$ -	$ 66,974	$ 17,009,292	$ 17,076,266
Exploration and evaluation assets	-	-	-	62,617,698	62,617,698
Other assets	2,770,802	24,999,921	838,453	19,486,082	48,095,258
Total assets	$ 2,770,802	$ 24,999,921	$ 905,427	$ 99,113,072	$ 127,789,222
Lease liability	$ -	$ -	$ 938,720	$ -	$ 938,720
Accounts payable and accrued liabilities	99,518	-	229,032	9,041,976	9,370,526
Asset retirement obligation	-	-	-	3,742,692	3,724,692
Deferred revenue		25,038,356			25,038,356
Total liabilities	$ 99,518	$ 25,038,356	$ 1,167,752	$ 12,766,668	$ 39,072,294

December 31, 2021	Canada	Bahamas	Peru	Chile	Total
Property and equipment	$ -	$ -	$ 75,651	$ 1,956,100	$ 2,031,751
Exploration and evaluation assets	-	-	-	60,121,205	60,121,205
Other assets	17,035,841	-	834,687	15,671,624	33,542,152
Total assets	$ 17,035,841	$ -	$ 910,338	$ 77,748,929	$ 95,695,108
Lease liability	$ -	$ -	$485,314	$ -	$ 485,314
Accounts payable and accrued liabilities	1,007,500	-	579,234	1,891,725	3,478,459
Asset retirement obligation	-	-	-	3,368,322	3,368,322
Total liabilities	$ 1,007,500	$ -	$ 1,064,548	$ 5,260,047	$ 7,332,095

15. Subsequent Events

Subsequent to March 31, 2022, 45,000 share purchase warrants were exercised for proceeds of $17,834.