

“Amended”



Rio2 Limited
Condensed Interim Consolidated Financial Statements
(Unaudited – Expressed in Canadian dollars)

For the three and nine months ended September 30, 2020 and 2019

RIO2 LIMITED
Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2020 and December 31, 2019
(Unaudited - Expressed in Canadian dollars)

	September 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	\$ 2,914,336	\$ 5,410,836
Short term investments (Note 6)	7,061,141	14,060,407
Interest receivable	-	93,301
Input taxes recoverable (Note 7)	8,092	7,071
Prepaid expenses	500,774	117,791
Right of use asset (Note 8)	250,176	-
Total current assets	\$ 10,734,519	19,689,406
Input taxes recoverable (Note 7)	10,449,979	10,475,986
Property and equipment (Note 9)	302,185	236,746
Right of use asset (Note 8)	385,295	-
Exploration and evaluation assets (Note 10)	73,317,748	63,652,290
	\$ 95,189,726	\$ 94,054,428
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	\$ 574,277	\$ 3,870,208
Lease liability (Note 8)	240,723	-
Total current liabilities	\$ 815,000	\$ 3,870,208
Lease liability (Note 8)	371,345	-
Asset retirement obligation (Note 12)	4,366,471	-
	\$ 5,552,816	\$ 3,870,208
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	\$ 125,580,451	119,966,686
Reserves (Note 13)	9,223,150	8,242,121
Deficit	(45,166,691)	(38,024,587)
	89,636,910	90,184,220
	\$ 95,189,726	\$ 94,054,428

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 and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Expenses				
Employment costs (Note 14)	\$ 1,237,991	\$ 1,060,238	\$ 3,470,692	\$ 3,484,493
Share based compensation (Note 13)	610,565	392,883	1,759,009	1,227,299
Office and miscellaneous	246,622	32,714	579,987	291,970
Professional fees	238,185	75,124	570,701	590,548
Filing and transfer agent fees	86,865	16,292	154,358	82,955
Directors' fees	68,249	55,250	163,499	55,250
Investor relations	65,084	23,567	341,034	83,896
Exploration costs	30,904	125,712	134,464	181,129
Travel	1,317	(67,104)	76,585	119,176
Amortization	816	9,722	55,924	48,959
	\$ 2,586,598	\$ 1,724,398	\$ 7,306,253	\$ 6,165,675
Other expense (income)				
Foreign exchange loss (gain)	(182,294)	701,197	(53,027)	734,438
Interest income	(14,226)	(44,685)	(111,122)	(44,685)
Net Loss and Comprehensive Loss for the Period	\$ 2,390,078	\$ 2,380,910	\$ 7,142,104	\$ 6,855,428
Basic and Diluted Loss per Common Share	0.01	0.02	0.04	0.05
Weighted Average Number of Common Shares Outstanding	187,585,024	150,872,151	183,640,874	125,821,764

See accompanying notes to the condensed interim consolidated financial statements

RIO2 LIMITED**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****For the nine months ended September 30, 2020 and 2019****(Unaudited - Expressed in Canadian dollars)**

	Capital Stock				Total shareholders' equity (deficiency)
	Number of shares	Amount	Reserves	Deficit	
Balance, as at December 31, 2018	103,022,073	89,426,543	6,959,468	(27,632,055)	68,753,956
Private placements, net of share issuance costs	77,717,391	29,934,199	-	-	29,934,199
Stock options exercised	42,906	34,130	(21,258)	-	12,872
Share based compensation – stock options			1,087,808		1,087,808
Share based compensation - RSUs	-	-	139,491	-	139,491
Net loss for the period	-	-	-	(6,855,428)	(6,855,428)
Balance, as at September 30, 2019	180,782,370	\$ 119,394,872	\$ 8,165,509	\$ (34,487,483)	\$ 93,072,898
Balance, as at December 31, 2019	181,431,278	\$ 119,966,686	\$ 8,242,121	\$ (38,024,587)	\$ 90,184,220
Common shares issued for vested RSUs	424,474	327,567	(327,567)	-	-
Stock options exercised	958,130	950,858	(450,413)	-	500,445
Share purchase warrants exercised	7,356,419	4,335,340	-	-	4,335,340
Share based compensation – stock options	-	-	1,691,029	-	1,691,029
Share based compensation - RSUs	-	-	67,980	-	67,980
Net loss for the period	-	-	-	(7,142,104)	(7,142,104)
Balance, as at September 30, 2020	190,170,301	\$ 125,580,451	\$ 9,223,150	\$ (45,166,691)	\$ 89,636,910

See accompanying notes to the condensed interim consolidated financial statements

RIO 2 LIMITED
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Operating activities		
Net loss for the period	\$ (7,142,104)	\$ (6,855,428)
Items not involving cash		
Share based compensation	1,759,009	1,227,299
Amortization	55,924	54,022
Change in non-cash components of working capital		
Input taxes recoverable	(1,021)	(184,834)
Interest receivable	93,301	(42,815)
Prepaid expenses	(375,789)	16,184
Change in estimate of lease liabilities	(23,403)	-
Accounts payable and accrued liabilities	(3,339,139)	(1,652,147)
Cash used in operating activities	\$ (8,973,222)	\$ (7,437,719)
Financing activities		
Net proceeds from private placement	-	29,934,199
Proceeds received from exercise of stock options	500,445	12,872
Proceeds received from exercise of share purchase warrants	4,335,340	-
Cash provided by financing activities	\$ 4,835,785	\$ 29,947,071
Investing activities		
Exploration and evaluation assets	(5,501,658)	(2,489,475)
Short term investments	6,999,266	(19,000,000)
Property and equipment	(77,821)	(5,064)
Cash acquired in Lince acquisition (Note 5)	33,187	-
Input taxes recoverable	99,680	-
Cash provided by (used in) investing activities	\$ 1,552,654	\$ (21,494,539)
Effect of foreign exchange	\$ 88,283	\$ -
Increase (decrease) in cash and cash equivalents	(2,496,500)	1,014,813
Cash and cash equivalents - beginning of the period	5,410,836	1,101,566
Cash and cash equivalents - end of the period	\$ 2,914,336	\$ 2,116,379

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

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 September 30, 2020, the Company had a working capital surplus of \$9,919,519 (December 31, 2019 – \$15,819,198). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses.

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

1. Nature of Operations and Going Concern (continued)

The Company incurred a net and comprehensive loss for the nine months ended September 30, 2020 of \$8,973,222 (nine months ended September 30, 2019 – \$6,855,428) and negative cash flows from operations of \$4,570,735 for the nine months ended September 30, 2020 (September 30, 2019 – \$7,437,719). As at September 30, 2020, the Company had an accumulated deficit of \$45,166,691 (December 31, 2019 – \$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 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 PresentationStatement 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 April 8, 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.

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:

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

2. Basis of Presentation (continued)

Name	Location	Ownership by the Company	
		September 30, 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%
Lince S.A.	Chile	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 and Risk Management

The Company's financial instruments consist of cash, short term investments, interest receivable and accounts payable and accrued liabilities. 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.

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

3. Financial Instruments and Risk Management (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 September 30, 2020, the Company has cash totalling \$2,914,336 (December 31, 2019 - \$5,410,836), short term investments of \$7,061,141 (December 31, 2019 - \$14,060,407) and current liabilities of \$574,277 (December 31, 2019 - \$3,870,208). The current liabilities are accounts payable of \$564,277 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), as well as a lease liability of \$240,723 (December 31, 2019 - \$nil).

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.

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

3. Financial Instruments and Risk Management (continued)*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, 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.

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 \$10,803 (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.

	September 30, 2020		December 31, 2019	
Share capital	\$	125,580,451	\$	119,966,686
Reserves		9,223,150		8,242,121
	\$	134,803,601	\$	128,208,807

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.

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

5. Lince Acquisition

On April 15, 2020, Rio2 announced that it 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 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 preliminary purchase price has been determined and allocated as follows:

Purchase price:		
Cash paid	\$	2,083,062
	\$	<u>2,083,062</u>
Purchase price allocation:		
Cash	\$	33,187
Prepaid expenses		7,193
Chilean IVA receivable		73,673
Property, plant and equipment		43,542
Exploration and evaluation asset (Fenix)		6,246,863
Accounts payable		(53,209)
Asset retirement obligation		<u>(4,268,187)</u>
Net assets acquired	\$	<u>2,083,062</u>

6. Short Term Investments

As at September 30, 2020, the Company had \$7,061,141 (December 31, 2019 – \$14,060,407) invested in Canadian dollar denominated guaranteed investment certificates ("GIC") at a major Canadian financial institution. \$7,000,000 was invested in a GIC that accrues interest at the Canada Prime Rate less 2.2% and expires on August 13, 2021. \$46,000 USD was invested in a GIC that accrues interest at 0.2% and expired on December 17, 2020. Upon expiry, the \$46,000 USD was reinvested and expires on December 17, 2021. Interest is accrued during the GIC term and is recorded in interest receivable.

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

7. Input Taxes Recoverable

Input taxes recoverable consist of the following:

	September 30, 2020	December 31, 2019
Canadian GST/HST receivable	\$ 8,092	\$ 7,071
Current input taxes recoverable	\$ 8,092	\$ 7,071
Peruvian IGV receivable	\$ 515,562	\$ 405,776
Chilean IVA receivable	9,934,417	10,070,210
Long term input taxes recoverable	\$ 10,449,979	\$ 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.

8. 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:

	-
Balances, December 31, 2019	-
Lease additions	823,103
Amortization	(187,632)
Balance, September 30, 2020	635,471
Short term portion, right-of-use assets	(250,176)
Balance, September 30, 2020	385,295

Lease liabilities:

	-
Balance, December 31, 2019, Leases	-
Recognition of liability	823,103
Payments – Office and miscellaneous	(238,062)
Accretion – Office and miscellaneous	27,026
Balance, September 30, 2020	612,067
Short term portion, lease liability	(240,723)
Balance, September 30, 2020	371,345

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)****9. Property and Equipment**

	Mine Equipment	Land	Office Equipment	Software	Total
Cost:					
Balance, December 31, 2019	-		74,884	263,161	338,045
Additions	70,298	2,892	26,460	18,362	118,012
Balance, September 30, 2020	70,298	2,892	101,343	281,524	456,057
Accumulated depreciation:					
Balance, December 31, 2019	-	-	(17,969)	(83,330)	(101,299)
Additions	-	-	(18,464)	(34,109)	(52,573)
Balance, September 30, 2020	-	-	(36,433)	(117,439)	(153,872)
Net book value at December 31, 2019	-	-	56,915	179,831	236,746
Net book value at September 30, 2020	70,298	2,892	64,910	164,085	302,185

10. Exploration and Evaluation Assets

	Fenix Gold Project Chile	Anocarire Gold Project Chile	Total
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	9,538,975	-	9,538,975
Effect of exchange rate	-	126,483	126,483
Balance, September 30, 2020	\$ 68,003,605	\$ 5,314,143	\$ 73,317,748

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, acquisition of Lince and the asset retirement obligation for Lince (note 5).

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. During the year ended December 31, 2019, a payment of \$600,000 USD was received.

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

10. Exploration and Evaluation Assets

On December 14, 2020, the option payment was revised so that An dex Minerals may pay Rio2 \$5 million USD by December 31, 2021. In addition, Rio2 received \$300,000 USD in December 2020 from An dex Minerals.

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

11. Accounts Payable and Accrued Liabilities

		September 30, 2020		December 31, 2019
Accounts payable	\$	564,277	\$	3,860,208
Accrued liabilities		10,000		10,000
	\$	574,277	\$	3,870,208

12. Asset Retirement Obligation

The asset retirement obligation comprises:

		September 30, 2020		December 31, 2019
Balance, acquired (note 5)	\$	4,268,187	\$	-
Effect of exchange rate		98,284		-
	\$	4,366,471	\$	-

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 converts to \$5,358,572. The majority of the work will be done in 2025 – 2026. The credit adjusted risk free rate is 1.46%.

13. 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 share 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.

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

13. Capital Stock (continued)

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 190,170,301 were issued and outstanding as at September 30, 2020 (December 31, 2019 – 181,431,278).

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. 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	3,850,000	0.65
Exercised	(958,130)	0.52
Expired or cancelled	(1,358,462)	0.77
Outstanding, September 30, 2020	15,366,482	\$ 0.80
Options exercisable, September 30, 2020	7,272,026	\$ 1.01

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)****13. Capital Stock (continued)**

Stock options outstanding at September 30, 2020 were:

Outstanding			Exercisable	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price	Number of Options	Weighted average exercise price
330,049	0.18	\$0.30	330,049	\$0.30
542,932	0.46	\$0.76	542,932	\$0.76
445,566	0.82	\$0.91	445,566	\$0.91
1,366,735	1.42	\$1.53	1,366,735	\$1.53
500,025	1.56	\$2.25	500,025	\$2.25
166,675	1.66	\$2.56	166,675	\$2.56
333,350	1.92	\$1.66	333,350	\$1.66
777,817	2.49	\$0.82	533,360	\$0.82
1,873,333	2.99	\$0.65	1,260,000	\$0.65
5,380,000	3.95	\$0.55	1,793,333	\$0.55
3,650,000	4.74	\$0.65	-	\$0.65
15,366,482	3.28	\$0.80	7,272,026	\$1.01

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
Vested and settled in common shares	(212,237)
Outstanding, September 30, 2020	100,000
Vested, September 30, 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.

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.

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

13. Capital Stock (continued)

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.

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 September 30, 2020 were:

Expiry dates	Number of warrants	Conversion price
February 28, 2021	8,356,656	\$0.65
March 13, 2021	2,479,866	\$0.65
August 13, 2022	28,274,450	\$0.50
	39,110,972	

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.

14. 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 nine months ended September 30, 2020 and 2019 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Senior management – consulting and employment costs	\$ 341,910	\$ 430,558	\$ 1,025,731	\$ 1,146,014
Share-based compensation	335,031	233,370	1,053,107	624,675
Directors' fees	68,249	55,250	163,499	55,250
	\$ 745,190	\$ 719,178	\$ 2,242,337	\$ 1,825,939

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

14. Related Party Transactions (continued)

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

- (a) During the three months ended September 30, 2020, the Company incurred legal fees of \$14,454 (2019 - \$97,902) to a firm in which a former director (who ceased being a director on May 28, 2019) of the Company was a partner. During the nine months ended September 30, 2020, the Company incurred legal fees of \$33,178 (2019 - \$210,211) to a firm in which a former director of the Company is a partner.
- (b) During the three months ended September 30, 2020, the Company incurred management fees of \$25,000 (2019 - \$75,185) to a company owned by a director of Rio2. During the nine months ended September 30, 2020, the Company incurred management fees of \$174,775 (2019 - \$224,733) to a firm in which a director of the Company is the owner.

15. Segmented Information

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

During the three and nine months ended September 30, 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:

September 30, 2020

	Canada	Chile	Peru	Total
Property and equipment	\$ -	\$ 122,951	\$ 179,234	\$ 302,185
Exploration and evaluation assets	-	73,317,748	-	73,317,748
Other assets	7,785,942	12,017,423	1,766,428	21,569,793
Total assets	\$ 7,785,942	\$ 85,458,122	\$ 1,945,662	\$ 95,189,726
Accounts payable and accrued liabilities	\$ 105,619	\$ 68,593	\$ 400,065	\$ 574,277
Lease liability	-	-	612,068	612,068
Asset retirement obligation	-	4,366,471	-	4,366,471
	\$ 105,619	\$ 4,435,064	\$ 1,012,133	\$ 5,552,816

RIO2 LIMITED**Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - Expressed in Canadian dollars)**

15. Segmented Information (continued)

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
Total assets	\$16,839,408	\$ 75,989,029	\$ 1,225,991	\$ 94,054,428
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

16. Subsequent Events

Subsequent to September 30, 2020:

- The Company received \$94,064 from the exercise of 313,547 stock options.
- The Company received \$5,684,416 from the exercise of 8,745,256 warrants.
- 1,726,766 warrants with an exercise price of \$0.65 expired.