Rio2 Limited
Condensed Interim Consolidated Financial Statements
(Unaudited)

Three months ended March 31, 2024 and 2023

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, 2024 and December 31, 2023
(Unaudited - Expressed in United States dollars, unless otherwise stated)

	March 31, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash	$ 2,564,304	$ 4,550,420
Short-term investments *(Note 5)*	46,000	46,000
Accounts receivable	79,844	-
Input taxes recoverable *(Note 6)*	8,219	12,644
Prepaid expenses	239,039	284,963
Total current assets	$ 2,937,406	$ 4,894,027
Input taxes recoverable *(Note 6)*	9,675,812	10,574,638
Right of use asset *(Note 7)*	406,451	454,263
Property and equipment *(Note 8)*	28,925,889	29,233,068
Exploration and evaluation assets *(Note 9)*	63,939,709	63,261,989
Total assets	$ 105,885,267	$ 108,417,985
LIABILITIES		
Current Liabilities		
Lease liability *(Note 7)*	$ 148,618	$ 151,330
Accounts payable and accrued liabilities	362,443	482,481
Total current liabilities	$ 511,061	$ 633,811
Deferred revenue *(Note 11)*	31,598,461	30,303,109
Lease liability *(Note 7)*	268,998	314,002
Asset retirement obligation *(Note 10)*	3,644,334	3,956,262
Total liabilities	$ 36,022,854	$ 35,207,184
SHAREHOLDERS' EQUITY		
Capital stock *(Note 12)*	$ 128,924,279	$ 128,812,302
Reserves *(Note 12)*	11,847,185	11,610,014
Deficit	(64,644,935)	(63,444,523)
Accumulated other comprehensive income	(6,264,116)	(3,766,992)
Total equity	$ 69,862,413	$ 73,210,801
Total liabilities and equity	$ 105,885,267	$ 108,417,985

Nature of operations and going concern *(Note 1)*
Subsequent events *(Note 15)*

See accompanying notes to the condensed interim consolidated financial statements

"Alexander Black"
Alexander Black, Executive Chairman

"Klaus Zeitler"
Klaus Zeitler, Lead Director

RIO2 LIMITED
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2024 and 2023
(Unaudited - Expressed in United States dollars, unless otherwise stated)

	Three months ended March 31, 2024	Three months ended March 31, 2023
Expenses		
Employment costs *(Note 13)*	$ 708,116	$ 653,587
Amortization	307,481	599,538
Share-based compensation *(Note 12)*	277,794	325,473
Office and miscellaneous	170,742	250,305
Professional fees	103,731	109,297
Directors fees	39,480	39,369
Filing and transfer agent fees	28,029	21,797
Advisory fees	47,000	15,094
Travel expense	14,248	11,603
Investor relations	14,692	3,416
Exploration costs	5,842	-
Loss before the following	$ 1,717,155	$ 2,029,479
Other (income) expense		
Accretion expense on Deferred Revenue (*Note 11*)	821,920	737,399
Penalty on PMPA *(Note 11)*	473,432	-
Accretion expense on ARO *(Note 10)*	84,399	53,299
Foreign exchange gain	(1,697,552)	(1,104,221)
Camp rental income	(153,005)	(149,287)
Interest income	(45,937)	(19,720)
Loss for the period	$ 1,200,412	$ 1,546,949
Other comprehensive loss		
Exchange loss (gain) on translation of foreign operations	2,497,124	(120,664)
Total comprehensive loss for the period	$ 3,697,536	$ 1,426,285
Basic and Diluted Loss per Common Share	$ 0.01	$ 0.01
Weighted Average Number of Common Shares Outstanding	259,555,949	257,621,761

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, 2024 and 2023
(Unaudited - Expressed in United States dollars, unless otherwise stated)

	Capital Stock					
	Number of shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total shareholders' equity (deficiency)
Balance, as at December 31, 2022	257,560,649	$ 128,530,321	$ 10,609,506	$ (6,220,438)	$ (51,088,811)	$ 81,830,578
Common shares issued for vested RSUs	83,334	50,890	(50,890)	-	-	$ -
Share-based compensation – stock options	-	-	313,100	-	-	$ 313,100
Share-based compensation – RSUs	-	-	12,374	-	-	$ 12,374
Net loss for the period	-	-	-	-	(1,546,949)	$ (1,546,949)
Other comprehensive loss	-	-	-	120,664	-	$ 120,664
Balance, as at March 31, 2023	257,643,983	$ 128,581,211	$ 10,884,090	$ 6,099,774	$ (52,635,760)	$ 80,729,767
Balance, as at December 31, 2023	259,232,306	$ 128,812,302	$ 11,610,014	$ (3,766,992)	$ (63,444,523)	$ 73,210,801
Common shares issued for vested RSUs	83,334	40,623	(40,623)	-	-	$ -
Common shares issued for shares for services	253,273	71,354				71,354
Share-based compensation – stock options	-	-	265,900	-	-	$ 265,900
Share-based compensation – RSUs	-	-	11,894	-	-	$ 11,894
Net loss for the period	-	-	-	-	(1,200,412)	$ (1,200,412)
Other comprehensive loss	-	-	-	(2,497,124)	-	$ (2,497,124)
Balance, as at March 31, 2024	259,568,913	$ 128,924,279	$ 11,847,185	$ (6,264,116)	$ (64,644,935)	$ 69,862,413

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, 2024 and 2023
(Unaudited - Expressed in United States dollars)

	Three months ended March 31, 2024	Three months ended March 31, 2023
Operating activities		
Net loss for the year	$ (1,200,412)	$ (1,546,949)
Items not involving cash		
Stock based compensation	277,794	325,474
Common shares issued for services	71,354	-
Amortization	344,601	652,580
Accretion of asset retirement obligation	84,399	53,299
Accretion of deferred revenue	821,920	737,399
Penalty on PMPA	473,432	-
Accretion of lease liability	2,720	4,681
Change in non-cash components of working capital		
Input taxes recoverable	903,251	(72,287)
Prepaid expenses	45,924	63,224
Accounts receivable	(79,844)	188,946
Accounts payable and accrued liabilities	(206,114)	(1,067,839)
Cash provided by (used in) operating activities	$ 1,539,025	$ (661,472)
Financing activities		
Lease payments	(39,478)	(56,388)
Cash used in financing activities	$ (39,478)	$ (56,388)
Investing activities		
Exploration and evaluation assets	(591,644)	(405,292)
Property and equipment	(302)	(42,768)
Cash used in investing activities	$ (591,946)	$ (448,060)
Effect of foreign exchange	(2,893,717)	463,135
Increase (decrease) in cash and cash equivalents	(1,986,116)	(702,785)
Cash - beginning of the year	4,550,420	4,679,667
Cash - end of the year	$ 2,564,304	$ 3,976,882

See accompanying notes to the condensed interim consolidated financial statements

1. Nature of Operations and Going Concern

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

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.

The business of exploring for minerals and mine development 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 March 31, 2024, the Company had a working capital surplus of $2,426,345 (December 31, 2023 – $4,260,216). The Company does not currently hold any revenue-generating properties and therefore continues to incur losses.

The Company incurred a net loss for the three months ended March 31, 2024 of $1,200,412 (three months ended March 31, 2023 – $1,546,949) and cash generated by operations of $1,539,026 for the three months ended March 31, 2023 (three months ended March 31, 2023 – negative cash flows from operations of $661,472). As at March 31, 2024, the Company had an accumulated deficit of $64,644,935 (December 31, 2023 – $52,635,760). 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 pay 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. These conditions, 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. There can be no assurance that steps management is taking will be successful. 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 and such adjustments could be material.

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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

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

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 30, 2024.

Material accounting policies

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as Rio2's most recent annual financial statements.

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, unless otherwise stated.

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, 2024	December 31, 2023
Fenix Gold Limitada	Chile	100%	100%
Lince S.A.	Chile	100%	100%
Rio2 S.A.C.	Peru	100%	100%
Rio2 Exploraciones S.A.C.	Peru	100%	100%
Rio2 Limited Bahamas	Bahamas	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 estimates applied to the Company's financial statements include the asset retirement obligation, 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") as a gold prepaid sale arrangement and exploration and evaluation assets.

3. Financial Instruments and Risk Management

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

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

Credit Risk

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

3. Financial Instruments and Risk Management (continued)

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, 2024, the Company has cash totalling $2,564,345 (December 31, 2023 - $4,550,420), short-term investments of $46,000 (December 31, 2023 - $46,000) and current liabilities of $511,061 (December 31, 2023 - $633,811). The current liabilities are accounts payable and accrued liabilities of $362,443 due on demand (December 31, 2023 - $482,481), as well as the current portion of a lease liability of $148,618 (December 31, 2023 - $151,330).

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

Interest Rate Risk

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

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.

(Unaudited - Expressed in United States dollars, unless otherwise stated)

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 a 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, 2024		December 31, 2023
Share capital	$	128,924,279	$	128,812,302
Reserves		11,847,185		11,610,014
	$	140,771,464	$	140,422,316

The properties in which the Company currently has an interest in 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, 2024, the Company had $46,000 (December 31, 2023 – $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 2% and expires on December 27, 2024. 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, 2024	December 31, 2023
Canadian GST/HST receivable	$ 8,219	$ 12,644
Current input taxes recoverable	$ 8,219	$ 12,644
Peruvian IGV receivable	$ 414,607	$ 386,052
Chilean IVA receivable	9,261,205	10,188,586
Long-term input taxes recoverable	$ 9,675,812	$ 10,574,638

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

(Unaudited - Expressed in United States dollars, unless otherwise stated)

6. Input Taxes Recoverable (continued)

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

7. Right of use asset and lease liability

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, 2022	$	703,501
Extinguishment of leases – right of use asset		(92,879)
Amortization		(169,796)
Adjustment on foreign exchange		13,437
Balance, December 31, 2023	$	454,263
Amortization		(37,120)
Adjustment on foreign exchange		(10,692)
Balance, March 31, 2024	$	406,451

Lease liabilities:

Balance, December 31, 2022	$	713,401
Extinguishment of leases – lease liability		(95,780)
Payments – Office and miscellaneous		(180,550)
Accretion – Office and miscellaneous		14,511
Adjustment on foreign exchange		13,750
Balance, December 31, 2023	$	465,332
Payments – Office and miscellaneous		(39,478)
Accretion – Office and miscellaneous		2,720
Adjustment on foreign exchange		(10,958)
Balance, March 31, 2024	$	417,616
Short-term portion, lease liability		148,618
Long-term portion, lease liability	$	268,998

(Unaudited - Expressed in United States dollars, unless otherwise stated)

8. Property and Equipment

	Land	Office Equipment	Mine Equipment	Software	Total
Cost:					
Balance, December 31, 2022	$ 2,174	$ 385,405	$ 29,521,387	$ 216,593	$ 30,125,559
Additions, including reclassification from exploration and evaluation assets	-	66,248	3,423,555	-	3,489,803
Balance, December 31, 2023	$ 2,174	$451,653	$32,944,942	$216,593	$33,615,362
Additions	-	-	302	-	302
Balance, March 31, 2024	$ 2,174	$ 451,653	$ 32,945,244	$ 216,593	$ 33,615,664
Accumulated depreciation:					
Balance, December 31, 2022	$ -	$ (264,234)	$ (2,061,872)	$ (191,798)	$ (2,517,904)
Additions	-	(93,490)	(1,750,601)	(20,299)	(1,864,390)
Balance, December 31, 2023	$ -	$ (357,724)	$ (3,812,473)	$ (212,097)	$ (4,382,294)
Additions	-	(8,873)	(298,608)	-	(307,481)
Balance, March 31, 2024	$ -	$ (366,597)	$ (4,111,081)	$ (212,097)	$ (4,689,775)
Net book value at December 31, 2023	$ 2,174	$ 93,929	$ 29,132,469	$ 4,496	$ 29,233,068
Net book value at March 31, 2024	$ 2,174	$ 85,056	$ 28,834,163	$ 4,496	$ 28,925,889

9. Exploration and Evaluation Assets

	Fenix Gold Project Chile
Balance, December 31, 2022	$ 64,773,833
Community initiatives	57,991
Geological and drilling	1,029
Engineering studies	276,973
Field support	912,023
Reclassification to property and equipment	(2,759,860)
Balance, December 31, 2023	$ 63,261,989
Community initiatives	32,062
Geological and drilling	95,763
Engineering studies	108,623
Field support	441,272
Balance, March 31, 2024	$ 63,939,709

(Unaudited - Expressed in United States dollars, unless otherwise stated)

9. Exploration and Evaluation Assets (continued)

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 *(Note 10)*, geological and drilling, environmental, technical consultant fees, camp, and community relations.

10. Asset Retirement Obligation

The asset retirement obligation comprises:

		March 31, 2024		December 31, 2023
Opening balance	$	3,956,262	$	3,830,028
Accretion expense		84,399		249,856
Effect of exchange rate		(396,327)		(123,622)
	$	3,644,334	$	3,956,262

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

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

11. Deferred revenue

On March 25, 2022, the Company received $25,000,000 from Wheaton Precious Metals International Ltd. ("WPMI" or "Wheaton") pursuant to the PMPA on Rio2's Fenix Gold Project in Chile (the "Gold Stream").

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

(Unaudited - Expressed in United States dollars, unless otherwise stated)

11. Deferred revenue (continued)

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

Pursuant to the PMPA, Rio2 had 24 months after the initial tranche was received to begin selling ounces of gold to WPMI, or otherwise would incur a delay payment. The first sale should have occurred on March 25, 2024 (24 months after the initial tranche of $25,000,000 was received on March 25, 2022). Rio2 has elected to defer any delivery of the delay payment contemplated by the PMPA. The monthly amount of delay payment that is recognized is 435 ounces of gold, multiplied by the amount of the advanced deposit ($25 million) received by Rio2, divided by $50 million. This results in Rio2 recognizing a penalty on the PMPA of 217.5 ounces of gold per month, beginning on March 25, 2024. The penalty is calculated using the closing gold market price on the day that the penalty is incurred, and is added to the deferred revenue balance.

The following are components of deferred revenue as at March 31, 2024:

		March 31, 2024		**December 31, 2023**
Opening balance	$	30,303,109	$	27,186,914
Accretion on financing component		821,920		2,186,914
Penalty on WMPI contract		473,432		-
	$	31,598,461	$	30,303,109

12. Capital Stock

a. Share capital

The Company's authorized share capital consists of an unlimited number of common shares of which 259,568,913 were issued and outstanding as at March 31, 2024 (259,232,306 – December 31, 2023).

During the three months ended March 31, 2024, the Company issued 253,273 common shares in accordance with shares for services agreements it had entered into with directors of Rio2 on January 5, 2023. (This issuance is related to services provided in 2023.)

During the year ended December 31, 2023, the Company issued 1,588,323 common shares in accordance with shares for services agreements it had entered into with directors of Rio2 on January 5, 2023.

(Unaudited - Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

The common shares were issued quarterly and are subject to a four-month and one-day hold period commencing upon the date of issuance. The deemed price per common share issued is no less than the volume-weighted average closing price of Rio2's common shares on the last three trading days of each quarter, provided that in any event, the price will not be lower than the discount permitted under applicable TSX Venture Exchange policies. The total value of the security-based compensation that Rio2 was eligible to issue relating to services provided in 2023 was C$750,000.

b. Share-based payments

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

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

During the three months ended March 31, 2024, no stock options were granted.

During the year ended December 31, 2023, 7,150,000 stock options were granted to directors, officers, employees and consultants of the Company. The estimated fair value associated with the stock options granted is $899,235. The options have an exercise price of C$0.30.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price (C$/option)
Outstanding, December 31, 2022	17,803,370	$ 0.63
Issued	7,150,000	0.30
Expired	(2,573,370)	0.70
Forfeited	(450,000)	$ 0.30
Outstanding, December 31, 2023	21,930,000	$ 0.52
Issued	-	-
Expired	-	-
Forfeited	-	$ -
Outstanding, March 31, 2024	21,930,000	$ 0.52
Options exercisable, March 31, 2024	15,463,333	$ 0.56

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

(Unaudited - Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

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

Stock options outstanding at March 31, 2024 were:

Outstanding			Exercisable	
Number of Options	Weighted average remaining contractual years	Weighted average exercise price C$	Number of Options	Weighted average exercise price C$
5,380,000	0.44	0.55	5,380,000	0.55
3,650,000	1.24	0.65	3,650,000	0.65
4,100,000	2.48	0.65	2,733,333	0.65
2,100,000	2.78	0.65	1,400,000	0.65
6,700,000	3.78	0.30	2,300,000	0.30
21,930,000	2.20	0.52	15,463,333	0.56

Stock options outstanding at December 31, 2023 were:

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

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

Share-based compensation relating to stock options for the three months ended March 31, 2024 was $265,900 (three months ended March 31, 2023 - $313,100).

RSU transactions are summarized as follows:

(Unaudited - Expressed in United States dollars, unless otherwise stated)

12. Capital Stock (continued)

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

*As at December 31, 2023, 41,667 outstanding RSUs were vested, but not settled until the quarter ended March 31, 2024.

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 practice of settling in cash.

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

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

Share-based compensation relating to RSUs for the three months ended March 31, 2024 was $11,894 (three months ended March 31, 2023 - $12,374).

c. 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, 2024, and 2023 was as follows:

(Unaudited - Expressed in United States dollars, unless otherwise stated)

13. Related Party Transactions

	Three months ended March 31, 2024	Three months ended March 31, 2023
Senior management – employment and termination costs	$ 211,185	$ 216,366
Directors fees	39,480	39,369
Share-based compensation	86,603	112,238
	$ 337,268	$ 367,973

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, 2024 and 2023, 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:

				March 31, 2024	
	Canada	Bahamas	Peru	Chile	Total
Property and equipment	$ -	$ -	$ 4,602	$ 28,921,287	$ 28,925,889
Exploration and evaluation assets	-	-	-	63,939,709	63,939,709
Other assets	1,197,259	98,708	515,645	11,208,057	13,019,670
Total assets	$ 1,197,259	$ 98,708	$ 520,247	$ 104,069,053	$ 105,885,268
Lease liability	$ -	$ -	$ 417,616	$ -	$ 417,616
Accounts payable and accrued liabilities	120,963	-	93,518	147,962	362,443
Asset retirement obligation	-	-	-	3,644,334	3,644,334
Deferred revenue	-	31,598,461	-	-	31,598,461
Total liabilities	$ 120,963	$ 31,598,461	$ 511,134	$ 43,792,296	$ 36,022,854

(Unaudited - Expressed in United States dollars, unless otherwise stated)

14. Segmented Information (continued)

					December 31, 2023
	Canada	Bahamas	Peru	Chile	Total
Property and equipment	$ -	$ -	$ 5,854	$29,277,213	$29,233,068
Exploration and evaluation assets	-	-	-	63,261,989	63,261,989
Other assets	1,580,879	98,878	601,957	13,641,215	15,922,929
Total assets	$ 1,580,879	$ 98,878	$ 607,811	$106,130,417	$108,417,986
Lease liability	$ -	$ -	$465,332	$ -	$465,332
Accounts payable and accrued liabilities	222,098	-	173,161	87,222	482,481
Asset retirement obligation	-	-	-	3,956,262	3,956,262
Deferred revenue	-	30,303,109	-	-	30,303,109
Total liabilities	$ 222,098	$ 30,303,109	$ 638,493	$4,043,484	$35,207,184

15. Subsequent Events

Subsequent to March 31, 2024:

a. On April 17, 2024, Rio2 announced the closing of a private placement. 59,030,000 common shares of the Company at a price of C$0.39 were issued for gross proceeds of C$23,021,700.

b. On May 16, 2024, Rio2 announced that it held its Annual General Meeting of Shareholders ("AGM") on May 15, 2024. At the AGM, shareholders approved and ratified the 2023 Rio2 Stock Option Plan and approved amendments to the Company's Share Incentive Plan. At the AGM, disinterested shareholders approved security-based compensation to non-arm's length parties.