RIO2 LIMITED
(FORMERLY PROSPECTOR RESOURCES CORP.)

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2018 and 2017

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		March 31, 2018		December 31, 2017
ASSETS				
Current Assets				
Cash and cash equivalents	$	2,880,548	$	1,337,760
Short term investments *(Note 5)*		1,800,000		4,000,000
Input taxes recoverable		157,538		188,372
Interest receivable		29,243		54,449
Prepaid expenses		52,185		77,685
Total current assets		4,919,514		5,658,266
Property and equipment *(Note 6)*		6,010		6,542
Exploration and evaluation assets (*Note 7)*		13,901		13,901
	$	4,939,425	$	5,678,709
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities *(Note 8)*		243,061		351,073
	$	243,061	$	351,073
SHAREHOLDERS' EQUITY				
Capital stock *(Note 9)*		22,064,823		22,064,823
Reserves *(Note 9)*		3,171,742		2,624,368
Deficit		(20,540,201)		(19,361,555)
		4,696,364		5,327,636
	$	4,939,425	$	5,678,709

Nature of operations and going concern uncertainty *(Note 1)*

See accompanying notes to the condensed interim consolidated financial statements

Approved by the Board of Directors and authorized for issue on May 29, 2018.

"Alexander Black"
Alexander Black, CEO, President and Director

"Klaus Zeitler"
Klaus Zeitler, Chairman and Director

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

	Three months ended March 31, 2018	Three months ended March 31, 2017
Expenses		
Share based compensation *(Note 9)*	$ 547,374	$ 117,182
Employment costs *(Note 10)*	437,088	146,195
Exploration costs *(Note 11)*	64,450	138,945
Office	60,026	14,450
Legal and accounting	35,924	157,168
Travel	20,648	111,079
Filing and transfer agent fees	15,402	57,056
Investor relations	14,250	-
Meals and entertainment	1,484	1,308
Amortization	530	46
	$ 1,197,176	$ 743,429
Other expense (income)		
Foreign exchange loss (gain)	(18,530)	2,365
Net Loss and Comprehensive Loss for the Year	$ 1,178,646	$745,794
Basic and Diluted Earnings Loss per Common Share	0.02	0.01
Weighted Average Number of Common Shares Outstanding	59,694,362	50,527,695

See accompanying notes to the condensed interim consolidated financial statements

RIO2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

	Capital Stock								
	Number of shares		Amount		Reserves		Deficit		Total shareholders' equity (deficiency)
Balance, as at December 31, 2016	44,694,362	$	14,625,411	$	714,153	$	(13,685,750)	$	1,653,814
Private placement, net of issuance costs	15,000,000		7,439,412		-		-		7,439,412
Options	-		-		90,624				90,624
Restricted Stock Units (RSUs)					26,558				26,558
Net loss for the period	-		-		-		(745,794)		(745,794)
Balance, as at March 31, 2017	59,694,362	$	22,064,823	$	831,335	$	(14,431,544)	$	8,464,614
Balance, as at December 31, 2017	59,694,362		22,064,823		2,624,368		(19,361,555)		5,327,636
Options	-		-		495,394		-		495,394
Restricted Stock Units (RSUs)	-		-		51,980		-		51,980
Net loss for the period	-		-		-		(1,178,646)		(1,178,646)
Balance, as at March 31, 2018	59,694,362	$	22,064,823	$	3,171,742	$	(20,540,201)	$	4,696,364

See accompanying notes to the condensed interim consolidated financial statements

RIO 2 LIMITED (FORMERLY PROSPECTOR RESOURCES CORP.)
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

	Three months ended March 31, 2018	Three months ended March 31, 2017
Operating activities		
Net loss for the period	$ (1,178,646)	$ (745,794)
Items not involving cash		
Share based compensation	547,374	117,182
Amortization	530	46
Change in non-cash components of working capital		
Input taxes recoverable	30,835	(7,933)
Interest receivable	25,207	-
Prepaid expenses	25,500	-
Accounts payable and accrued liabilities	(108,012)	296,141
Cash used in operating activities	(657,212)	(340,358)
Financing activities		
Net proceeds from private placement	-	7,439,410
Cash provided by financing activities	-	7,439,410
Investing activities		
Short term investments	2,200,000	-
Cash provided by (used in) investing activities	2,200,000	-
Increase in cash and cash equivalents	1,542,788	7,099,052
Cash and cash equivalents-beginning of the period	1,337,760	1,780,119
Cash and cash equivalents-end of the period	$ 2,880,548	$ 8,879,171

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. 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".

The Company's registered office is located at Suite 6000, 1 First Canadian Place, 100 King St. West, Toronto, ON, M5X 1E2.

Rio2 is building a multi-asset, multi-jurisdiction, precious metals company focused in the Americas. With projects in Peru and Nicaragua, Rio2 will continue pursuing additional strategic acquisitions to compile a portfolio of precious metals assets where it can deploy its operational excellence and responsible mining practices to create value for its shareholders.

The Company has not yet determined whether the properties it holds contain mineral reserves which are economically recoverable. The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The Company has no source of revenue. These condensed interim consolidated financial statements were prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2018, the Company had a working capital surplus of $4,676,453 (December 31, 2017 – $5,307,193). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses. The Company incurred a net and comprehensive loss for the three months ended March 31, 2018 of $1,178,646 (March 31, 2017 – net and comprehensive loss of $745,794) and negative cash flows from operations of $657,212 for the three months ended March 31, 2018 (March 31, 2017 – negative cash flows from operations of $340,358). As at March 31, 2018, the Company had an accumulated deficit of $20,540,201 (December 31, 2017 – $19,361,555). 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, predominately by the issuance of equity, 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.

(Expressed in Canadian dollars)

2. Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”). These financial statements comply with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. Certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017 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, 2017.

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, 2017, except for the following:

IFRS 9 – Financial Instruments: Classification and Measurement

The IASB issued IFRS 9, Financial Instruments, which replaced IAS 39, Financial Instrument: Recognition and Measurements, on November 12, 2009. The new standard provides guidance on the classification and measurement of financial asset and financial liabilities. In November 2013, the IASB amended IFRS 9, IAS 39 and IFRS 7, Financial Instruments: Disclosures, to include the new hedge accounting requirements. The new amendments have a mandatory effective date of January 1, 2018. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

Principles of Consolidation

Effective April 27, 2017, the Company’s name changed from Prospector Resources Corp. to Rio2 Limited by way of an amalgamation of the Company and its wholly-owned subsidiary Rio2 Limited, pursuant to which the amalgamated company was named Rio2 Limited. 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 as at	
		March 31, 2018	December 31, 2017
Rio2 S.A.C.	Peru	100%	100%
Rio2 Exploraciones S.A.C.	Peru	100%	100%
Rio2 S.A.	Nicaragua	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.

Use of Judgements

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

3. Financial Instruments

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

The Company has made the following designations of its financial instruments:

Cash and cash equivalents	Fair value through profit or loss
Short term investments	Fair value through profit or loss
Accounts payable	Other financial liabilities
Due to related parties	Other financial liabilities
Loans payable	Other financial liabilities

As at March 31, 2018, the levels in the fair value into which the Company's financial assets and liabilities are measured and recognized in the statement of financial position at fair value are categorized as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Cash	$ 2,880,548	$ -	$ -	$ 2,880,548
Short term investments	1,800,000	-	-	1,800,000
Total	$ 4,680,548	$	$ -	$ 4,680,548

3. Financial Instruments (continued)

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 and receivables. Cash is held in major financial institutions and the major components of amounts receivable are interest receivable from a major Canadian financial institution. 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. The Company has sufficient funds on hand to meet current liabilities and the expected operations for the coming year. As of March 31, 2018, the Company has cash totalling of $2,880,548 (December 31, 2017 - $1,337,760), short term investments of $1,800,000 (December 31, 2017 – $4,000,000) and current liabilities of $243,061 (December 31, 2017 - $351,073). The current liabilities are Accounts payable of $209,385 due on demand and accrued liabilities of $33,676 (December 31, 2017 - Accounts payable of $293,105 due on demand and accrued liabilities of $57,968).

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, Peruvian Soles, and Nicaraguan Cordobas 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. The Company's loans payable accrued interest at fixed rates and as such the Company was not exposed to interest rate risk in relation to its interest-bearing debt.

3. Financial Instruments (continued)

Commodity Price Risk

The value of the Company's interests in mineral properties is related to the price of tungsten and gold and the outlook for these minerals. 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.

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 $12,070 (March 31, 2017 – $8,385).

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, 2018		December 31, 2017
Share capital	$	22,064,823	$	22,064,823
Reserves		3,171,742		2,624,368
	$	25,236,565	$	24,689,191

The properties in which the Company currently have an interest are in the exploration 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, 2018, the Company had $1,800,000 (December 31, 2017 – $4,000,000) invested in a Canadian dollar denominated guaranteed investment certificate ("GIC") at a major Canadian financial institution. Interest is accrued during the GIC term and is recorded in interest receivable.

(Expressed in Canadian dollars)

6. Property and Equipment

		Office Equipment		Land		Total
Amortized cost:						
Balance, December 31, 2017	$	4,909	$	2,501	$	7,410
Additions		-		-		-
Disposals		-		-		-
Balance, March 31, 2018	$	4,909	$	2,501	$	7,410
Accumulated depreciation:						
Balance, December 31, 2017	$	(868)	$	-	$	(868)
Additions		(532)		-		(532)
Balance, March 31, 2018	$	(1,400)	$	-	$	(1,400)
Net book value at March 31, 2018	$	3,509	$	2,501	$	6,010

7. Exploration and Evaluation Assets

		Kalzas Yukon
Acquisition Costs		
Balance, December 31, 2016	$	13,901
Additions		-
Balance, December 31, 2017	$	13,901
Additions		-
Balance, March 31, 2018	$	13,901

Kalzas Property (Yukon)

Pursuant to an agreement dated August 8, 2007, the Company obtained an option to acquire a 100% interest in the Kalzas Property located in the Mayo Mining District, Yukon from Redtail Metals Corp. (“Redtail”), formerly Copper Ridge Explorations Inc. Under the agreement, the Company agreed to pay $25,000 in cash, incur $4,080,000 in expenditures on or before December 31, 2010 and issue 6,000,000 shares on earlier of completion of the feasibility study and January 1, 2014. The Company sought an extension of time for the exercise of its option from Redtail to allow time for the investigation into certain title issues. Redtail declined to grant such an extension and the Company therefore terminated the Kalzas option in January 2010.

(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets (continued)

During the year ended December 31, 2009, the Company wrote off its interest in the Kalzas property totalling $595,404 which included $141,800 in acquisition costs and $453,604 in deferred exploration costs.

In April 2012, the Company and Redtail reached an agreement whereby the Company purchased 100% interest in the Kalzas Property in consideration for 2% royalty of annual profits as defined in the Yukon Quartz Mining Act and Yukon Quartz Mining Royalty Regulation. In addition, the Company has a right to purchase from Redtail the 2% royalty of annual profits for $500,000. Further, the Company has the sole right to purchase from the former property owners one-half (1%) of the 2% net smelter returns royalty for $500,000.

In March 2013, an amended royalty agreement was signed between the Company and the former property owners. Both parties agreed the following:

- Nothing will be developed unless the First Nations Selkirk First Nation (and possibly other First Nations of the Yukon) are included in the development.

- If and when the Company puts out a news release that it wishes to proceed with putting the Property into production, the Company shall either pay the former property owner $14,000 in cash or $14,000 worth of stock based on the market price of the stock on the day of the news release being issued. Such election is to be in the sole discretion of the former property owner.

The interest was written-down to a nominal value of $1 in 2015 upon cessation of work on the property. The Company recommenced activities in respect of the property in the year ended December 31, 2016. In addition, an asset retirement obligation of $10,000 has been set up with respect to the property and has been capitalized to the asset.

8. Accounts Payable and Accrued Liabilities

		March 31, 2018		December 31, 2017
Accounts payable	$	209,385	$	293,105
Accrued liabilities		33,676		57,968
	$	243,061	$	351,073

9. Capital Stock

<u>Authorized</u>

Unlimited common shares without par value.

<u>Issued and Outstanding</u>

On February 24, 2017, the Company issued 15,000,000 common shares of the Company at a price of $0.50 per common share for aggregate gross proceeds of $7,500,000. Share issuance costs of $60,187 were paid in connection with this private placement.

(Expressed in Canadian dollars)

9. Capital Stock (continued)

At March 31, 2018, there were 59,694,362 issued and fully paid common shares (December 31, 2017 – 59,694,362).

Stock Options and RSUs

On March 1, 2017, the Company terminated its old stock option plan and adopted a new 10% rolling stock option plan and a share incentive plan, which provides for the grant of Restricted Share Units (“RSUs”).

Subsequently, on March 1, 2017, the Company issued 430,000 RSUs under the share incentive plan and 2,050,000 options under the new stock option plan. Of the 430,000 RSUs and 2,050,000 options, 330,000 RSUs and 1,300,000 options were granted to directors and officers of the Company.

On April 24, 2017, the Company issued 750,000 stock options under the new stock option plan to directors of the Company.

On May 30, 2017, the Company issued 100,000 RSUs under the share incentive plan and 250,000 stock options under the new stock option plan to an officer of the Company.

On September 1, 2017, the Company issued 250,000 RSUs under the share incentive plan and 650,000 stock options under the new stock option plan to employees of the Company.

On March 29, 2018, the Company issued 1,250,000 stock options under the new stock option plan to directors, officers and employees of the Company.

The fair value of these stock options was estimated on the date of measurement using the Black-Scholes option pricing model.

	March 1, 2017	**April 24, 2017**	**May 30, 2017**	**September 1, 2017**	**March 29, 2018**
Number of Options	2,050,000	750,000	250,000	650,000	1,250,000
Exercise price ($)	1.02	1.50	1.71	1.11	0.55
Market price ($)	1.02	1.50	1.71	1.11	0.55
Expected Volatility (%)*	123	122	116	110	125
Risk-free interest rate (%)	0.98	1.03	0.94	1.59	1.96
Expected life (years)	5.00	5.00	5.00	5.00	5.00
Expected forfeiture rate (%)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Fair value of options	1,746,034	935,806	346,220	569,840	581,303

*Based on average volatility of industry comparable junior mining companies operating in Peru and other South American and Caribbean regions

(Expressed in Canadian dollars)

9. Capital Stock (continued)

The following table summarizes the continuity of the Company's stock options at March 31, 2018:

Outstanding				Exercisable	
Exercise price $	Number of Options	Weighted average remaining contractual years	Weighted average exercise price	Number of shares	Weighted average exercise price
$1.02	2,050,000	3.9	$1.02	683,333	$ 1.02
$1.50	750,000	4.1	$1.50	-	$ -
$1.71	250,000	4.2	$1.71	-	$ -
$1.11	650,000	4.4	$1.11	-	$ -
$0.55	1,250,000	5.0	$0.55	-	$ -
	4,950,000	4.3	$1.02	683,333	$ 1.02

Each option entitles the holder to purchase one Common Share for a period of five years from the date of grant. The options 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.

The following table summarizes the continuity of the Company's RSUs at March 31, 2018:

Expiry date	Number of instruments	Number of instruments vested	Weighted average number of years to expiry
December 15, 2020	780,000	-	2.7

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. On March 13, 2018, the vesting of all RSUs were modified so that the first tranche would vest after 2018 financial results are finalized.

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.

The shareholders of the Company last approved the Share Incentive Plan and the Stock Option Plan at a meeting held on April 21, 2017.

<u>Reserves</u>

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

(Expressed in Canadian dollars)

10. 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, 2018 and 2017 was as follows:

	2018	2017
Senior management – consulting and employment costs	$ 213,998	$ 146,195
Share-based compensation	350,056	-
	$ 564,054	$ 146,195

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

(a) During the three months ended March 31, 2018, the Company incurred legal fees of $27,884 (2017 - $130,830) to a firm in which a director of the Company is a partner.

(b) On March 29, 2018, the Company issued 1,250,000 stock options. 900,000 of these stock options were granted to the directors and officers of the Company.

11. Exploration costs

The Company's exploration expenditures consist of the following for the three months ended March 31, 2018 and 2017:

				March 31, 2018	March 31, 2017
	Milpo Portfolio (Peru)	Nicaraguan Portfolio	Other Projects*	Total	Other Projects*
Technical consultants	$ -	$ -	$ 59,094	$ 59,094	$ 138,945
Geology		5,356	-	5,356	-
	$ -	$ 5,356	$ 59,094	$ 64,450	$ 138,945

*Other Projects relate to pre-exploration or project investigation of various projects.

Milpo Portfolio (Peru)

On April 10, 2017, the Company entered into an Agreement (the "Agreement") with Compañía Minera Milpo S.A.A. ("Milpo") pursuant to which it has the right and option, but not the obligation, to acquire all rights and interests in the Peruvian Portfolio. The material terms of the Agreement include the following:

- Rio2 is required to incur a total of US$5 million in exploration expenditures on the Peruvian Portfolio over a 36-month period. To date, $906,637 has been incurred by Rio2.

(Expressed in Canadian dollars)

11. Exploration costs (continued)

- To exercise the option and acquire the Peruvian Portfolio, Rio2 is required to complete the US$5 million investment within the specified time period after which it will grant Milpo a two percent net smelter return royalty over the Peruvian Portfolio.

- If the 36-month option is exercised, Rio2 will have an additional 3 years to deliver a Feasibility Study or express its decision to start a mining project.

Nicaraguan Portfolio

Rio2 applied for 10,000 hectares of exploration concessions in May 2017 in Nicaragua, as the Company ranks the country highly as a destination to do business in the mining sector in Latin America. Recognizing the mining sector's potential to boost the country's gross domestic product and economic growth, the Nicaraguan government, through the Ministry of Energy and Mines, is actively promoting investments by having established a solid legal framework and facilitating the development of mining projects in the country.

All expenses related to both Milpo and the Nicaragua Portfolio have been expensed to the income statement, in accordance with the Company's Exploration and Evaluation Assets policy.

12. Segmented Information

The Company has three operating segments in three geographic areas: the corporate office in Canada, the development of the Milpo Portfolio in Peru, and the development of the Nicaraguan Portfolio in Nicaragua. Segmented disclosure and Company-wide information is as follows:

March 31, 2018	Canada	Peru	Nicaragua	Total
Property and equipment	$ 2,501	$ -	$ 3,509	$ 6,010
Exploration and evaluation assets	13,901	-	-	13,901
Other assets	4,482,367	433,937	3,210	4,919,514
Total assets	$ 4,498,769	$ 433,937	$ 6,719	$ 4,939,425
Accounts payable and accrued liabilities	$ 167,773	$ 37,785	$ 37,503	$ 243,061
	$ 167,773	$ 37,785	$ 37,503	$ 243,061

(Expressed in Canadian dollars)

12. Segmented Information (continued)

December 31, 2017				
	Canada	Peru	Nicaragua	Total
Property and equipment	$ 2,501	$ -	$ 4,041	$ 6,542
Exploration and evaluation assets	13,901	-	-	13,901
Other assets	5,372,170	283,326	2,770	5,658,266
Total assets	$ 5,388,572	$ 283,326	$ 6,811	$ 5,678,709
Accounts payable and accrued liabilities	$ 185,594	$ 127,189	$ 38,290	$ 351,073
	$ 185,594	$ 127,189	$ 38,290	$ 351,073

For the three months ended March 31, 2018				
	Canada	Peru	Nicaragua	Total
Share based compensation	$ 547,374	$ -	$ -	$ 547,374
Employment costs	407,066	12,953	16,469	437,088
Exploration costs	59,093	-	5,357	64,450
Office	48,710	2,930	8,386	60,026
Legal and accounting	31,814	-	4,110	35,924
Travel	17,267	-	3,381	20,648
Filing and transfer agent fees	15,402	-	-	15,402
Investor relations	14,250	-	-	14,250
Meals and entertainment	161	-	1,323	1,484
Amortization	-	-	530	530
Foreign exchange loss (gain)	(46,333)	25,169	2,634	(18,530)
Net loss	$ 1,094,804	$ 41,052	$ 42,190	$1,178,646

For the three months ended March 31, 2017				
	Canada	Peru	Nicaragua	Total
Share based compensation	$ 117,182	$	$ -	$ 117,182
Exploration costs	138,945			138,945
Employment costs	146,195	-	-	146,195
Legal and accounting	157,168	-	-	157,168
Travel	111,079	-	-	111,079
Office	14,450	-	-	14,450
Amortization	46	-	-	46
Filing and transfer agent fees	57,056	-	-	57,056
Meals and entertainment	1,308	-	-	1,308
Foreign exchange loss	2,365	-	-	2,365
Net income	$ 745,794	$	$ -	$ 745,794

13. Subsequent events

The following events occurred after March 31, 2018:

(a) On May 14, 2018, Rio2 and Atacama Pacific Gold Corporation ("Atacama Pacific") entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which, subject to the approval of the shareholders of each of the Company and Atacama Pacific, the approval of the Ontario Superior Court of Justice and the satisfaction or waiver of other closing conditions customary in transactions of this nature, Rio2 and Atacama Pacific will amalgamate as a single entity by way of a plan of arrangement completed under the *Business Corporations Act* (Ontario) (the "OBCA") (the "Transaction"). The combined company will continue to operate under the name Rio2 Limited and will be managed by Rio2's existing executive team led by Alex Black as President and Chief Executive Officer.

Under the terms of the Arrangement Agreement, each Atacama Pacific shareholder will receive 0.6601 shares of the combined company for each Atacama Pacific common share held and each Rio2 shareholder will receive 0.6667 shares of the combined company for each Rio2 common share held. Upon completion of the Transaction and the Rio2 Financing (described below), the combined company will have approximately 102 million basic common shares outstanding. Approximately 42.5% of the fully-diluted in-the-money shares of the combined entity will be held by former Rio2 shareholders and 57.5% held by former Atacama Pacific shareholders.

In connection with the Transaction, the Company entered into an agreement with Clarus Securities Inc. and Raymond James Ltd. (collectively the "Underwriters"), pursuant to which the Underwriters have agreed to purchase for resale, on a bought deal private placement basis, 10,000,000 subscription receipts (the "Subscription Receipts") at a price of $1.00 per Subscription Receipt for gross proceeds to Rio2 of $10,000,000 (the "Rio2 Financing"). The closing of the Rio2 Financing is expected to take place on May 31, 2018.

(b) The Company invested $1,000,000 in a Canadian dollar denominated guaranteed investment certificate ("GIC") at a major Canadian financial institution. Interest is accrued during the GIC term and is recorded in interest receivable.