Rio2 Limited
Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Presented in thousands of United States dollars

Independent auditor's report

To the Shareholders of Rio2 Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Rio2 Limited and its subsidiaries (together, the Company) as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accounting for deferred revenue *Refer to note 2 – Basis of presentation and critical estimates and judgments and note 11 – Deferred revenue to the consolidated financial statements.* On March 25, 2022, the Company received $25 million from Wheaton Precious Metals International Ltd. (Wheaton) pursuant to the Precious Metals Purchase Agreement (PMPA) for future delivery of gold production from the Fenix Gold Mine. The Company has accounted for the advances received through the PMPA in accordance with IFRS 15 – Revenue from Contracts with Customers (IFRS 15), whereby the advances have been recognized as deferred revenue. Pursuant to the PMPA, the Company had 24 months from receipt of the first tranche to begin delivering ounces of gold to Wheaton or otherwise would incur a Delay Payment calculated in terms of Delay Ounces. During the year, the Company and Wheaton also agreed to an amendment to the PMPA (Amended Gold Stream). Under the Amended Gold Stream, the Company and Wheaton have agreed to adjust the commencement date for the calculation of Delay Ounces to waive those already accrued or that would have accrued until the end of 2026, and to increase the ongoing payments for delivered gold ounces to 20% of the spot gold price (up from 18% previously) until the value of gold delivered less the ongoing payments equals the upfront consideration. In assessing the accounting for the Amended Gold Stream, management was required to make	Our approach to addressing the matter included the following procedures, among others: • Evaluated the judgment exercised by management in determining the accounting treatment for the Amended Gold Stream, including determining whether the contract continued to meet the ‘own use’ exemption under IFRS 9, which included the following: – Read the executed agreement to determine whether all key facts were properly incorporated into management’s assessment. – Analyzed relevant accounting standards, including various aspects of IFRS Accounting Standards and guidance. – Obtained evidence to support management’s assessment that the construction of the mine can be completed by discussing with senior/project management the status of mine construction and progress made to date and by considering (i) the Fenix Gold Mine feasibility study; (ii) estimated costs to complete construction and available funding; and (iii) board reporting on construction project status. – Used the work of management’s experts in performing the procedures to evaluate whether the delivery of gold from the Fenix Gold Mine is sufficient to settle the Amended Gold Stream. As a basis for using this work, the competence, capabilities and objectivity of management’s experts were evaluated, the

Key audit matter	How our audit addressed the key audit matter
judgments in determining whether amendments to the agreement were accounted for under IFRS 15 and if the Amended Gold Stream continued to meet the criteria of the 'own use' exemption in IFRS 9 – Financial Instruments (IFRS 9). The 'own use' exemption under IFRS 9 applies to contracts that are entered into and continue to be held for the delivery of a non-financial item. In determining the applicability of the 'own use' exemption in accordance with the provisions of IFRS 9, the Company evaluated whether it had the ability and intent to settle the streaming arrangements through the delivery of gold from the Fenix Gold Mine. Management determined that there are sufficient recoverable resources and reserves at the Fenix Gold Mine and it is expected that the Fenix Gold Mine would be successfully constructed and operated to settle the contract through the delivery of gold. Management relies on geological experts to develop estimates of recoverable mineral reserves and resources, metallurgical recovery estimates and future production volume (management's experts). We considered this a key audit matter due to (i) the judgments by management, including the use of management's experts, when applying the 'own use' exemption and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures to assess the accounting treatment for the Amended Gold Stream.	work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings. • Evaluated the adequacy of related financial statements disclosures.

Emphasis of matter – revised comparative information

We draw attention to note 18 to the consolidated financial statements, which explains that certain the comparative information presented for the year ended December 31, 2024 has been revised.

Our opinion is not modified in respect of this matter.

Other matter – revised comparative information

The consolidated financial statements of the Company for the year ended December 31, 2023, excluding the adjustments that were applied to revise the comparative information, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 28, 2024.

As part of our audit of the consolidated financial statements for the year ended December 31, 2024, we also audited the adjustments applied to revise certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to revise the comparative information, we were not engaged to audit, review or apply any procedures to the consolidated financial statements for the year ended December 31, 2023. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Melanie Matthews.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 31, 2025

RIO2 LIMITED
Consolidated Statements of Financial Position
As at December 31, 2024 and December 31, 2023
(Expressed in thousands of United States dollars)

		December 31, 2024		December 31, 2023
ASSETS				
Current Assets				
Cash and cash equivalents *(Note 5)*	$	45,009	$	4,596
Input taxes recoverable *(Note 6)*		72		13
Prepaid expenses and other		324		285
Total current assets		45,405		4,894
Input taxes recoverable *(Note 6)*		12,011		10,575
Right of use assets		278		454
Deposits and other		4,500		-
Deferred transaction costs *(Note 11)*		3,250		-
Mineral property, plant and equipment *(Note 7, 18)*		108,359		92,495
Total assets	$	173,803	$	108,418
LIABILITIES				
Current Liabilities				
Lease liability	$	143	$	151
Accounts payable and accrued liabilities *(Note 8)*		9,518		484
Total current liabilities		9,661		635
Deferred revenue *(Note 11)*		34,001		30,303
Lease liability		146		314
Asset retirement obligation *(Note 9)*		4,881		3,956
Total liabilities	$	48,689	$	35,208
SHAREHOLDERS' EQUITY				
Capital stock *(Note 12)*	$	192,754	$	128,812
Reserves *(Note 12)*		10,358		11,610
Deficit		(63,466)		(63,445)
Accumulated other comprehensive loss		(14,532)		(3,767)
Total shareholders’ equity	$	125,114	$	73,210
Total liabilities and shareholders’ equity	$	173,803	$	108,418

Commitments *(Note 13)*
Subsequent events (*Note 19)*

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

“Alexander Black”	*“Klaus Zeitler”*
Alexander Black, Executive Chairman	**Klaus Zeitler, Lead Director**

RIO2 LIMITED
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2024 and 2023
(Expressed in thousands of United States dollars, except shares and per share amounts)

		2024		2023
Expenses				
Employment costs	$	4,959	$	2,642
Office and administration		1,060		642
Professional fees		954		762
Share-based compensation *(Note 12)*		572		1,052
Advisory fees		425		260
Directors fees		151		143
Travel		151		56
Investor relations		145		45
Filing and transfer agent fees		139		94
Depreciation		96		1,864
Exploration costs		81		156
Loss before the following		8,733		7,716
Other (income) expense				
Foreign exchange (gain) loss		(9,870)		2,074
Interest income		(659)		(245)
Camp rental income		(605)		(571)
Gain on disposition of equipment		(408)		-
Accretion expense on deferred revenue (*Note 11*)		2,597		3,116
Accretion expense on asset retirement obligation *(Note 9)*		220		250
Loss before income taxes	$	8	$	12,340
Income taxes *(Note 15)*		13		16
Loss for the year	$	21	$	12,356
Other comprehensive loss				
Exchange loss (gain) on translation of foreign operations		10,765		(2,453)
Total comprehensive loss for the year	$	10,785	$	9,902
Basic and Diluted Loss per Common Share		$0.00		$0.05
Weighted Average Number of Common Shares Outstanding		320,011,973		258,481,497

See accompanying notes to the consolidated financial statements.

RIO2 LIMITED
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2024 and 2023
(Expressed in thousands of United States dollars, except for shares)

	Capital Stock					
	Number of shares	Amount	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, as at December 31, 2022	257,560,649	$ 128,530	$ 10,610	$ (6,220)	$ (51,089)	$ 81,831
Common shares issued for vested RSUs	83,334	51	(51)	-	-	-
Common shares issued as payment for services	1,588,323	231	-	-	-	231
Share-based compensation – stock options	-	-	1,029	-	-	1,029
Share-based compensation – RSUs	-	-	22	-	-	22
Loss for the year	-	-	-	-	(12,356)	(12,356)
Other comprehensive income	-	-	-	2,453	-	2,453
Balance, as at December 31, 2023	259,232,306	$ 128,812	$ 11,610	$ (3,767)	$ (63,445)	$ 73,210
Capital stock issued, net of share issuance costs	164,030,018	61,294	-	-	-	61,294
Common shares issued on exercise of stock options	2,769,753	2,535	(1,783)	-	-	752
Common shares issued for vested RSUs	83,334	41	(41)	-	-	-
Common shares issued as payment for services	253,273	72	-	-	-	72
Share-based compensation – stock options	-	-	559	-	-	559
Share-based compensation – RSUs	-	-	13	-	-	13
Loss for the year	-	-	-	-	(21)	(21)
Other comprehensive loss	-	-	-	(10,765)	-	(10,765)
Balance, as at December 31, 2024	426,368,684	$ 192,754	$ 10,358	$ (14,532)	$ (63,466)	$ 125,114

See accompanying notes to the consolidated financial statements.

RIO2 LIMITED
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(Expressed in thousands of United States dollars)

		2024		2023
				(Revised – Note 18)
Operating activities				
Loss for the year	$	(21)	$	(12,356)
Items not involving cash				
Share-based compensation		572		1,052
Common shares issued for services		72		231
Depreciation		242		2,034
Accretion of asset retirement obligation and lease liability		229		265
Accretion of deferred revenue (*Note 11*)		2,597		3,116
Lease extinguishment – right of use asset and lease liability		-		(3)
Gain on disposition of equipment		(408)		-
Foreign exchange (gain) loss (*Note 18*)		(10,721)		2,323
Deferred transaction costs (*Note 11*)		(3,250)		-
Change in non-cash components of working capital				
Input taxes recoverable		(1,496)		6,001
Prepaid expenses and other		82		126
Accounts receivable		(121)		251
Accounts payable and accrued liabilities		195		(1,048)
Cash provided by (used in) operating activities	$	(12,028)	$	1,992
Financing activities				
Capital stock issued on the exercise of stock options		752		-
Capital stock on common share issuance		65,751		-
Capital stock issuance costs		(4,457)		-
Lease payments		(155)		(181)
Cash provided by (used in) financing activities	$	61,891	$	(181)
Investing activities				
Deposits and other		(4,500)		-
Purchases of mineral property, plant and equipment		(4,466)		(1,948)
Cash used in investing activities	$	(8,966)	$	(1,948)
Effect of foreign exchange on cash and cash equivalents		(484)		7
Increase (decrease) in cash and cash equivalents		40,413		(130)
Cash and cash equivalents, beginning of the year		4,596		4,726
Cash and cash equivalents, end of the year	$	45,009	$	4,596

Supplemental cash flow information *(Note 16)*

See accompanying notes to the consolidated financial statements.

1. Nature of Operations

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

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 5100, Bay Adelaide – West Tower, 333 Bay St., Toronto, Ontario, M5H 2R2 and its head office is located at Suite 1500, 701 West Georgia Street, Vancouver, BC, V7Y 1C6.

2. Basis of Presentation and Critical Estimates and Judgements

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on March 31, 2025.

(b) Basis of Presentation and Consolidation

These financial statements have been prepared on a 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 consolidated financial statements are presented in thousands of United States dollars, unless otherwise stated.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Subsidiaries are entities over which the Company has control. Control exists when the Company has power over an investee, has exposure, or rights, to variable returns from its involvement with an investee, and has the ability to use its power over the investee to affect the amount of the Company's returns. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases. The Company's subsidiaries, all of which are wholly-owned, are as follows:

Name	Location
Fenix Gold Limitada	Chile
Lince S.A.	Chile
Rio2 S.A.C.	Peru
Rio2 Exploraciones S.A.C.	Peru
Rio2 Bahamas Limited	Bahamas

2. Basis of Presentation and Critical Estimates and Judgements (continued)

(b) Basis of Presentation and Consolidation (continued)

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

(c) Critical Estimates and Judgments

The preparation of these consolidated financial statements 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 judgments in order to ensure that the financial statements are presented fairly and in accordance with IFRS Accounting Standards.

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. Management has made the following critical judgments and estimates:

Asset retirement obligation

The process of determining a value for the closure and reclamation provision is subject to estimates and assumptions, particularly when sufficient information required for a more precise estimate is still being gathered. Significant estimates include the amount and timing of closure and reclamation costs and the discount rate used. The provision for closure and reclamation reflects management's best estimate using information available on the date of approval of these consolidated financial statements.

Mineral resource estimate

The life of the Fenix Gold Mine is determined from the ore reserves that are available to be extracted at the end of each reporting period. The Company initially estimates the ore reserve available based on the findings of qualified, independent, mining professionals. These estimates are updated from time to time as additional technical and economic information becomes available. Factors that impact the computation of reserves available include the geological data on the size, depth and shape of the ore body, the prevailing and expected market price for the underlying metals to be extracted and the expected costs to extract and process the mined material. Changes in the mineable ore reserve available may impact the carrying value of mine property, exploration and evaluation properties, plant and equipment, site closure and reclamation provision and changes in the recognition of deferred tax amounts in addition to changes in the recognition of depreciation and depletion.

2. Basis of Presentation and Critical Estimates and Judgements (continued)

(c) Critical Estimates and Judgments (continued)

Determination of commercial viability and technical feasibility of the Fenix Gold Mine

The application of the Company’s accounting policies for exploration and evaluation assets and mineral property development costs requires judgment to determine when technical feasibility and commercial viability of the Fenix Gold Mine was demonstrable. The Company considered the positive NI 43-101 compliant Feasibility Study and the receipt of key sectorial permits received and concluded that commercial viability and technical feasibility of the Fenix Gold Mine had been confirmed on September 30, 2024. At this point, the related exploration and evaluation asset was reclassified to mineral property and tested for impairment. The Company determined no impairment existed.

Gold prepaid sale arrangements

The Company has entered into gold prepaid sale arrangements whereby the Company receives consideration for physical delivery of gold in the future. The accounting for the Company’s streaming arrangements described in Notes 10 and 11 required judgment and estimates in determining the accounting treatment, which is accounted for as Deferred Revenue in accordance with the principles set out in IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). As the Company's obligation under these streaming arrangements will be satisfied through deliveries of a non-financial item (i.e. deliveries of gold ounces), it was determined to be entered into and continued to be held for the purpose of the delivery of a non-financial item in accordance with the Company's expected sale or usage requirements.

The 'own use' exemption under IFRS 9 applies to contracts that are entered into and continue to be held for the delivery of a non-financial item. In determining the applicability of the 'own use' exemption in accordance with the provisions of IFRS 9, the Company evaluated whether it had the ability and intent to settle the streaming arrangements through the delivery of gold from the Fenix Gold Mine. Management determined that there are sufficient recoverable reserves and resources at Fenix Gold Mine and it is expected that the mine and processing plant would be successfully constructed and operated to settle the contract through delivery of gold from the Fenix Gold Mine.

The amendment to the Company’s streaming arrangement described in *Note 11*, including the flexible prepayment options to accelerate the timing of deliveries, are a single contract that amends the previous stream. The contract modification adds distinct goods and services (additional delivery obligations) that are not priced based on stand-alone selling prices i.e., the contract modification also affects both the price and other terms related to obligations under the previous contract. As such, the amendment is not treated as a separate contract from the original stream under IFRS 15. The remaining ounces to be delivered are distinct from those already transferred (i.e., none) and, as such, IFRS 15 is applicable to the modified contract.

The Company relies on the expertise of geological experts to develop estimates of recoverable mineral reserves and resources, metallurgical recovery estimates and future production volumes. The Company also makes estimates of future expected gold prices.

2. Basis of Presentation and Critical Estimates and Judgements (continued)

(c) Critical Estimates and Judgments (continued)

Mineral property interests

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company’s assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. Management assesses whether any indication of impairment exists at the end of each reporting period. Judgment is required in assessing whether certain factors would be considered an indicator of impairment. We consider both internal and external information to determine whether there is an indicator of impairment and, accordingly, whether impairment testing is required. The information we consider in assessing whether there is an indicator of impairment includes, but is not limited to, significant decreases in future gold prices, increases in future capital and operating cost estimates, decreases in estimated mineral reserves and resources, and increases in the discount rate. No impairment indicators were identified by management as of December 31, 2024.

Although the Company has taken steps to ensure the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of such properties, these procedures may not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

3. Material Accounting Policies

Cash and cash equivalents

Cash and cash equivalents consist of cash held at banking institutions and highly liquid investments that are readily convertible to known amounts of cash with a term to maturity at the date of purchase of 90 days or less which are subject to an insignificant risk of change in value.

Mineral Property, Plant, and Equipment

Exploration and Evaluation Assets

Prior to establishing commercial viability and technical feasibility of a project, the Company accounts for mineral property interests in accordance with IFRS 6 – Exploration for and Evaluation of Mineral Resources (“IFRS 6”). The acquisition costs of mineral properties are capitalized as exploration and evaluation interests and include cash or shares paid, liabilities assumed, and associated legal costs paid to acquire the interest, whether by option, purchase, staking or otherwise. Exploration expenditures are costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Prospecting and initial exploration costs to define and delineate a mineral deposit that has no demonstrable reserves are expensed.

3. Material Accounting Policies (continued)

Mineral Property, Plant, and Equipment (continued)

Exploration and Evaluation Assets (continued)

The carrying values of capitalized amounts are reviewed annually, or when there are indications of potential impairment.

Exploration and evaluation expenditures are expensed until it is probable that future economic benefits will flow to the Company. The following criteria is used to assess the economic recoverability and probability of future economic benefits:

- Viability: A Mineral Reserve, as defined by NI 43-101, has been established that demonstrates a positive financial return, and/or where there is a history of conversion to Mineral Reserves at operating mines; and
- Authorizations: Necessary permits, access to critical resources, and environmental programs exist or are reasonably attainable.

Once future economic benefits are expected, further exploration and evaluation expenditures are capitalized at cost and recognized as exploration and evaluation assets. Capitalized costs are considered to be tangible assets as they form part of the underlying mineral property.

Mineral Property Development Costs

Once the technical feasibility and commercial viability of the Fenix Gold Mine was established, the property was no longer in the exploration and evaluation phase and is now considered to be a mineral property under development. From that time, following an assessment for impairment, costs incurred directly related to mine development and construction are capitalized as development costs.

Mineral properties under development are carried at cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale.

Upon the project being ready for its intended use, development costs will be transferred to producing properties and will be amortized using the units of production method using proven and probable reserves. Depletion will be determined each period using gold equivalent ounces mined over the property's estimated recoverable reserves.

Property, Plant, and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation. The cost includes the original purchase price or construction cost of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is based on cost and is calculated on a straight-line basis over the estimated economic life of the asset. Right of use assets and leasehold improvements are depreciated over the life of the lease term. Other assets, which include computer software, computer equipment, office furniture and office equipment, are depreciated over their estimated economic life, which ranges from 2 to 10 years.

3. Material Accounting Policies (continued)

Mineral Property, Plant, and Equipment (continued)

Property, Plant, and Equipment (continued)

Assets under construction are not depreciated until available for their intended use. Non-depreciable property, such as land, is recorded at historical cost, less any impairment charges.

The Company conducts a review of residual values, useful lives, and depreciation methods annually and when events and circumstances indicate such a review should be made. Any changes in estimates that arise from this review are accounted for prospectively. An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset until the asset is substantially complete and ready for its intended use. All other borrowing costs are expensed in the period in which they are incurred.

Asset Retirement Obligations

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that a reimbursement will be received and the amount receivable can be measured reliably.

Share Issuance Costs

Share issue costs, which include commissions, professional fees, and regulatory fees, are charged directly to share capital.

Share-based Payments

The Company uses a fair value-based method of accounting for stock options to employees, including directors and non-employees. The fair value is determined using the Black-Scholes Option Pricing Model on the date of grant, with assumptions for risk-free interest rate, volatility, expected forfeiture and life of the options. The cost is measured at the date of grant and each tranche is recognized on a graded-vesting basis over the applicable vesting period as an increase in share-based payments expense and the reserves account. On the exercise of the stock options, the proceeds received by the Company, together with the respective amount from reserves, are credited to share capital.

3. Material Accounting Policies (continued)

Restricted Share Units ("RSUs")

The Company uses a fair value-based method of accounting for RSUs which expects settlement to be on an equity basis. The fair value of equity settled awards are measured with market related inputs as of the date of the grant. The cost is recorded over the vesting period of the award to the same expense category of the award recipient's compensation costs and the corresponding entry is recorded in equity.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. Material Accounting Policies (continued)

Income Taxes (continued)

Deferred Income Tax (continued)

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss per Share

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions including the exercise of options and warrants that would be anti-dilutive. For the periods presented, the calculation of the diluted loss per share proved to be anti-dilutive. Accordingly, there is no difference in the amounts presented for the basic and diluted loss per share.

Unit Offering

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

Revenue Recognition

Revenue relating to the sale of metals is recognized at the point the customer obtains control of the product and when the Company has satisfied its performance obligations.

Deferred revenue arises from upfront payments received by the Company in consideration for future commitments to deliver an amount of gold equivalent to a percentage of the gold produced from its Fenix Gold Mine (Note 11). As gold deliveries are made, the Company will recognize a portion of the deferred revenue as revenue, calculated on a per unit basis using the total number of gold ounces expected to be delivered over the life of the mine.

The contract liability is recognized as deferred revenue and is accounted for within the scope of IFRS 15. The upfront payments are treated as a contract liability for the future delivery of a quantity of gold ounces, with each ounce representing a separate performance obligation. The movement of deferred revenue includes components such as the initial deposit, amortization of the deposit into revenue, accretion expense on the financing component, and cumulative catch-up adjustments.

3. Material Accounting Policies (continued)

The Company identified significant financing components related to its streaming agreement resulting from a difference in the timing of the up-front consideration received and delivery of the gold ounces. Accretion on deferred revenue is recognized in the statement of loss and other comprehensive loss, or in mineral properties, plant and equipment if directly attributable to the acquisition, construction and development of a qualifying asset.

The interest rate used to calculate accretion is based on the rate implicit in the streaming agreement at the date of inception, or when there are modifications to the agreement which affect the time and changes of consideration or performance obligations.

The transaction price for the streaming agreement is comprised of the advance payments received plus a percentage of the prevailing metal price for each ounce delivered. The consideration to be received is considered variable, subject to changes in the total estimated gold ounces to be delivered and gold prices.

To determine the amount of deferred revenue that is to be recognized as revenue each time that the Company makes deliveries under the streaming agreement, the Company will make estimates with respect to future production of the life of mine, mineral reserves and the future gold price. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized once Fenix Gold Mine is operating.

At each annual reporting period management estimates the cumulative amount of the deferred revenue obligation that has been satisfied and recognized as revenue. Changes to variable consideration are accounted for prospectively as a cumulative catch-up and are recorded in revenue.

Gold sales revenue recognized in relation to the streaming arrangement will comprise two principal elements:

- the non-cash amortization of the deferred revenue balance, and
- the ongoing cash payments received from the customer.

Deferred Transaction Costs

Transaction costs relating to the Amended Gold Stream are capitalized as a “deferred transaction cost” in non-current assets. Upon commencement of production, the capitalized transaction costs will be expensed on units of production sold basis.

3. Material Accounting Policies (continued)

Financial Instruments

Financial Assets

Financial assets are classified and measured at fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") and amortized cost. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. Measurement and classification of financial assets are dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset (i.e. whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both).

Financial Assets at Amortized Cost

The Company measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI"). This is referred to as the SPPI test.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost include:

- cash and cash equivalents; and
- interest receivable.

Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. An embedded derivative will often make a financial asset fail the SPPI test, thereby requiring the instrument to be measured at FVTPL in its entirety.

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the Company has transferred substantially all the risks and rewards of ownership. On derecognition, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial Liabilities

The Company classifies its financial liabilities into one of two categories. The Company's accounting policy for each category is as follows:

3. Material Accounting Policies (continued)

Financial Instruments (continued)

Fair Value Through Profit or Loss

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Loss and Comprehensive Loss.

Other Financial Liabilities

This category includes accounts payable and accrued liabilities, all of which are measured at amortized cost.

Functional Currency

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

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

Application of new and revised accounting standards

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Under existing requirements, a liability is current if an unconditional right to defer settlement of the liability for at least twelve months after the reporting period does not exist. With the introduction of the two amendments to IAS 1 in 2024, for a liability to be classified as non-current, a company must have the right to defer settlement of the liability for at least twelve months after the reporting period. The right must have substance and exist at the end of the reporting period, and the classification of the liability must be unaffected by the likelihood that the company will exercise that right. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted and have been applied with no material impact on the Company in the current reporting period.

3. Material Accounting Policies (continued)

Accounting standards issued but not yet applied

Presentation and Disclosure in Financial Statements (IFRS 18)

IFRS 18 has been issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, mainly the income statement, where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statement. The standard is effective for financial statements beginning on January 1, 2027, including interim financial statements and requires retrospective application. The Company is currently assessing the impact of this amendment.

There are no other standards or amendments or interpretations to existing standards issued but not yet effective that are expected to have a material impact on the Company.

4. Financial Instruments and Risk Management

The Company's financial instruments consist of cash and cash equivalents 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 and cash equivalents. Cash and cash equivalents is on deposit with major financial institutions with the majority of cash and cash equivalents being held with one major Canadian bank. The Company has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal.

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 at December 31, 2024, the Company has cash and cash equivalents totalling $45,009 (December 31, 2023 - $4,596) and current liabilities of $9,661 (December 31, 2023 - $635). The current liabilities are accounts payable and accrued liabilities of $9,518 due on demand (December 31, 2023 - $484), as well as the current portion of lease liability of $143 (December 31, 2023 - $151). For further details on commitments, please refer to note 13.

The Company believes its cash and cash equivalents at December 31, 2024 of $45,009, combined with the deposit payment of $25.0 million received subsequent to December 31, 2024 (*Note 19*) and the funds secured via the Company's mine construction facilities (*Note 10*), is sufficient to settle its commitments through the next twelve months.

4. Financial Instruments and Risk Management (continued)

Market Risk

Market risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk and interest rate risk.

Foreign Currency Risk

Foreign currency 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, 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 and cash equivalents held in a bank account.

Foreign Exchange Sensitivity

The Company has accounts payable which are denominated in Canadian Dollars, Chilean Pesos and Peruvian Soles. A 10% change in the foreign exchange rates would impact the loss for the year by $389.

5. Cash and Cash Equivalents

Cash and cash equivalents include cash and cash equivalents in bank accounts as follows:

	December 31, 2024	December 31, 2023
Cash:		
United States dollars	$ 34,824	$ 1,516
Canadian dollars	9,487	125
Chilean Peso	638	2,772
Peruvian Nuevo Sol	14	137
	$ 44,963	$ 4,550
Cash equivalents:		
United States dollars	46	46
	$ 45,009	$ 4,596

(Expressed in United States dollars, except for shares, unless otherwise stated)

6. Input Taxes Recoverable

		December 31, 2024		December 31, 2023
Canadian GST/HST receivable	$	72	$	13
Current input taxes recoverable	$	72	$	13
Peruvian IGV receivable	$	531	$	386
Chilean IVA receivable		11,480		10,189
Non-current input taxes recoverable	$	12,011	$	10,575

The Peruvian Impuesto General a las Ventas (“IGV”) receivable consists of input taxes recoverable for expenses incurred in Peru for the Fenix Gold Mine. The Chilean Impuesto al Valor Agregado (“IVA”) relates to the Fenix Gold Mine. The actual timing of receipt is uncertain as these taxes are typically refundable only upon the commencement of commercial operations.

(Expressed in United States dollars, except for shares, unless otherwise stated)

7. Mineral Property, Plant, and Equipment

	Mineral Property[1]	Exploration & Evaluation Assets[2]	Assets Under Construction	Mine Equipment	Other Property & Equipment	Total
Cost:						
Balance, December 31, 2022	$ -	$ 64,774	$ -	$ 29,521	$ 604	$ 94,899
Additions	-	1,248	-	664	67	1,979
Transfers[3]	-	(2,760)	-	2,760	-	-
Balance, December 31, 2023	-	63,262	-	32,945	671	96,878
Additions[4]	2,421	2,075	1,506	8,907	642	15,551
Dispositions	-	-	-	(420)	(202)	(622)
Transfers[4]	65,337	(65,337)	-	-	-	-
Balance, December 31, 2024	$ 67,758	$ -	$ 1,506	$ 41,432	$ 1,111	$ 111,807
Accumulated depreciation:						
Balance, December 31, 2022	$ -	$ -	$ -	$ (2,062)	$ (456)	$ (2,518)
Additions	-	-	-	(1,751)	(114)	(1,865)
Balance, December 31, 2023	-	-	-	(3,813)	(570)	(4,383)
Additions	-	-	-	(62)	(34)	(96)
Dispositions	-	-	-	834	197	1,031
Balance, December 31, 2024	$ -	$ -	$ -	$ (3,041)	$ (407)	$ (3,448)
Carrying amounts at December 31, 2023	$ -	$ 63,262	$ -	$ 29,132	$ 101	$ 92,495
Carrying amounts at December 31, 2024	**$ 67,758**	**$ -**	$ 1,506	**$ 38,391**	**$ 704**	**$ 108,359**

(1) Mineral property consists solely of the Fenix Gold Mine located in Chile.
(2) Exploration and evaluation assets relate to the Fenix Gold Mine.
(3) During the year ended December 31, 2023, Fenix Gold Limitada, a subsidiary of Rio2 Limited, reallocated $2,760 from Exploration and Evaluation assets to Mineral Property, Plant and Equipment. The reason for this reallocation was so that Fenix Gold Limitada could apply for an IVA refund on certain items previously capitalized to Exploration and Evaluation Assets.
(4) The total cumulative exploration and evaluation asset costs, up to and including September 30, 2024 (achievement of the development stage), of $65,337 were transferred to mineral property. Total exploration and evaluation asset additions during 2024 were $2,075, all of which were incurred up to September 30, 2024.

On September 30, 2024, the Company received the last of the sectorial permits it required to begin construction at its Fenix Gold Mine (the "permits"). The permits received were the final governmental authorization required to enable the start of the construction phase and subsequent operation of the Fenix Gold mine.

The receipt of the permits also allowed the Company to complete arranging its mine construction financing package in October 2024. Please refer to *Note 10*.

(Expressed in United States dollars, except for shares, unless otherwise stated)

7. Mineral Property, Plant, and Equipment (continued)

With the receipt of the permits, it is management's position that the technical feasibility and commercial viability of the Fenix Gold Mine had been demonstrated effective September 30, 2024. Accordingly, the Fenix Gold Mine transitioned from exploration and evaluation assets under IFRS 6 to mineral properties under IAS 16 and the Company began to capitalize development costs. Mineral properties are not depleted until the related assets are ready for their intended use.

At the time of the transition from exploration and evaluation to mineral property, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of the Fenix Gold Mine to its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal ("FVLCD") and value in use. The Company estimated the recoverable amount based on the FVLCD method using discounted cash flows. The significant assumptions that impact the resulting fair value include future gold prices, exchange rates, capital cost estimates, operating cost estimates, estimated reserves and resources and the discount rate. Upon completion of the impairment test, the Company concluded there was no impairment.

8. Accounts Payable and Accrued Liabilities

		December 31, 2024		December 31, 2023
Accounts payable	$	8,768	$	254
Accrued liabilities		750		230
	$	9,518	$	484

9. Asset Retirement Obligation

The asset retirement obligation is comprised of:

		December 31, 2024		December 31, 2023
Opening balance	$	3,956	$	3,830
Changes in estimate		1,143		-
Accretion expense		220		250
Effect of changes in foreign exchange rates		(438)		(124)
	$	4,881	$	3,956

On April 15, 2020, Rio2 acquired 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 mining infrastructure and facilities located adjacent to Rio2's Fenix Gold Mine in Chile. 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. In 2024, an updated reclamation and closure plan for Lince was submitted and remained under review by the Chilean government as at December 31, 2024. The updated plan indicates an undiscounted obligation of 162,931.

9. Asset Retirement Obligation (continued)

Chilean Unidad de Fomento (UF), which is equivalent to $6,309 as at December 31, 2024. The majority of the work is expected to be performed in 2034. The discount rate used to calculate the present value is 2.60%, based on the Chilean government's 10-year UF bond rate.

10. Mine Construction Facilities

On October 21, 2024, the Company entered into a mine construction financing package for the construction of the Fenix Gold Mine. The financing package with Wheaton Precious Metals International Ltd. ("WPMI" or "Wheaton") (the "Wheaton Financing") consists of (i) a US$100 million flexible prepay arrangement (the "Flexible Prepay Arrangement"), (ii) a US$20 million contingent cost overrun facility in the form of a standby loan facility (the "Standby Loan Facility") and (iii) a C$5 million private placement of common shares.

The Standby Loan Facility consists of US$20 million available following drawdown of the Flexible Prepay Arrangement and the satisfaction of certain conditions, including compliance with a working capital test, capital expenditure thresholds and the satisfaction of the conditions precedent under the Amended Gold Stream. The Standby Loan Facility bears interest at 3-month Term SOFR plus 9.50% per annum, a standby fee of 1.50% per annum, and has a maturity of four years from the first drawdown. As of December 31, 2024 the Standby Loan Facility had not been drawn as the facility will be available to be drawn only after all the advance deposits under the PMPA totalling $150 million have been advanced by Wheaton.

11. Deferred Revenue

On March 25, 2022, the Company received $25.0 million from Wheaton, pursuant to the Precious Metals Purchase Agreement ("PMPA") entered into on November 15, 2021, for its Fenix Gold Mine in Chile (the "Gold Stream"). The Company recorded the advance of $25 million received under the PMPA as deferred revenue in accordance with its accounting policies (*Note 3*).

Pursuant to the PMPA, Wheaton would purchase 6.0% of the gold production until 90,000 ounces of gold have been delivered to Wheaton and 4.0% of the gold production until 140,000 ounces of gold cumulatively have been delivered to Wheaton, after which the stream would decrease to 3.5% of the gold production for the life of mine. Under the Gold Stream, Wheaton would pay total cash consideration of $50.0 million, of which $25.0 million was paid at closing in March 2022, with the remaining $25.0 million payable upon the satisfaction of conditions, including the receipt of the Environmental Impact Assessment approval for the Fenix Gold Mine. In addition, Wheaton would 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 equaled the $50.0 million upfront consideration, at which time the production payment would increase to 22% of the spot gold price.

The conditions necessary to receive the second deposit payment are positive working capital test, minimum capital expenditures test, certification of status, delivery of the Fenix Gold Mine development plan, construction and development of the mine must have commenced and be continuing, EIA approval, maintain an environmental and social management plan.

Pursuant to the PMPA, Rio2 had 24 months from receipt of the first tranche to begin delivering ounces of gold to Wheaton, or otherwise would incur a Delay Payment calculated in terms of Delay Ounces. The Delay Ounces are equal to 217.50 ounces of gold per month commencing March 25, 2024 (24 months after receipt of $25.0 million). Rio2 elected to defer any delivery of the Delay Ounces as permitted under the PMPA.

11. Deferred Revenue (continued)

Within the scope of IFRS 15, the Company estimated the total Delay Ounce balance that it would expect to deliver to Wheaton to satisfy the Delay Payment based on the Company's expected start of production. The Company's estimate of Delay Ounce balance was included in the deferred revenue accounting model, which resulted in a change to the implied rate from 11% to 11.25% effective March 25, 2024.

Concurrently with the Mine Construction Facilities described in Note 10, the Company and Wheaton also agreed to an amendment (the "Amended Gold Stream") to the PMPA that was entered into on November 15, 2021.

Under the Amended Gold Stream, the Company and Wheaton have agreed to adjust the commencement date for the calculation of Delay Ounces to waive those already accrued or that would have accrued until the end of 2026, and to increase the ongoing payments for delivered gold ounces to 20% of the spot gold price (up from 18% previously) until the value of gold delivered less the ongoing payments equals the upfront consideration.

As part of the Mine Construction Facilities, the Flexible Prepay Arrangement consists of US$100 million across two equal tranches in exchange for gold deliveries totaling 95,000 ounces of gold between 2026 and 2032, to be delivered on the following schedule: 8,000 ounces in 2026, 14,000 ounces in 2027, 15,000 ounces in each year from 2028 through 2031 and 13,000 ounces in 2032. There is a fixed monthly delivery schedule with the ability to overdeliver or underdeliver. Once the 95,000 ounces have been delivered, the Flexible Prepay Arrangement terminates.

The Company is to receive payments from Wheaton for all gold ounces delivered equal to 20% of the spot gold price, subject to a downward price adjustment if the market price of gold is less than US$1,900 per ounce. The Company has the option for early repayment of the Flexible Prepay Arrangement without penalty during a two-year period in 2028 and 2029 by delivering 95,000 ounces less any previously delivered ounces. The Flexible Prepay Arrangement shares in the same security as the Gold Stream, the Company must provide a guarantee to Wheaton for the payment and performance of all PMPA obligations, and it also grants security interests over all its assets, subject to prior encumbrances.

The remaining deposits in the amount of US$25 million under the Gold Stream and $100 million under the Flexible Prepay Arrangement are expected to be received during the course of 2025 and 2026 to fund the Company's mine construction expenditures.

A rate of 11%, based on the rate inherent in the Gold Stream, has been used to calculate the accretion of the financing component up to March 2024.

A rate of 11.25% has been used to calculate the accretion of the financing component from March 2024 (when the Delay Payment was first recognized) and up to the date of the Amended Gold Stream in October 2024.

Subsequent to the Amended Gold Stream, a rate of 13.68%, based on the rate inherent in the Amended Gold Stream, has been used to calculate the accretion of the financing component.

(Expressed in United States dollars, except for shares, unless otherwise stated)

11. Deferred Revenue (continued)

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

		December 31, 2024		December 31, 2023
Opening balance	$	30,303	$	27,187
Accretion on financing component[(1)]		3,698		3,116
	$	34,001	$	30,303

(1) Accretion included $2,597 (2023 - $3,116) incurred prior to the development stage, which was expensed in the consolidated statement of loss and comprehensive loss, and $1,101 (2023 - $0) capitalized to mineral property, plant, and equipment commencing Q4 2024.

The Company incurred transaction costs of $3,250 related to the execution of the Amended Gold Stream. These costs were recorded as deferred transaction costs in the consolidated statement of financial position. Upon commencement of production, they will be expensed on units of production sold basis.

12. Capital Stock

a. Share capital

The Company's authorized share capital consists of an unlimited number of common shares of which 426,368,684 were issued and outstanding as at December 31, 2024 (259,232,306 – December 31, 2023).

Share transactions during the year ended December 31, 2024

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 with a fair value of $41 were issued.

On January 5, 2024, the Company issued 253,273 common shares with a fair value of $72 in accordance with shares for services agreements it had entered into with directors of Rio2.

On April 17, 2024, the Company issued 59,030,000 common shares in a private placement. The shares were issued at a price of C$0.39 for gross proceeds of C$23.0 million. There were share issuance costs of C$1.4 million, for net proceeds of C$21.6 million. Translated to US dollars at the time of the transaction, the net proceeds of the private placement were $15.6 million.

On October 29, 2024, the Company closed its private placement of 7,692,308 common shares to Wheaton at a price of C$0.65 per share for gross proceeds of C$5.0 million, equivalent to US$3.6 million.

On October 29, 2024, the Company closed a public offering of 97,307,710 common shares at a price of C$0.65 per share for gross proceeds of C$63.2 million, equivalent to US$45.5 million.

During 2024, a total of 5,480,000 stock options were exercised at a weighted average exercise price of C$0.55 per share. This resulted in the total issuance of 2,769,753 common shares with a total value of $2,535 as certain option exercises were done on a net basis. Accordingly, the Company reallocated from reserves to capital stock.

(Expressed in United States dollars, except for shares, unless otherwise stated)

12. Capital Stock (continued)

a. Share capital (continued)

Subsequent to December 31, 2024, the Company issued additional common shares. Please refer to *Note 19* - *Subsequent events*

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 Amended Plan on May 15, 2024. 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. On May 15, 2024, shareholders also approved an Amended Share Incentive 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.

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
Exercised[(1)]	(5,480,000)	$ 0.55
Outstanding, December 31, 2024	16,450,000	$ 0.51
Options exercisable, December 31, 2024	11,350,000	$ 0.58

(1) During 2024, the weighted average market value of the Company's shares at the dates of exercise was C$0.68.

During the year ended December 31, 2024, no stock options were granted.

(Expressed in United States dollars, except for shares, unless otherwise stated)

12. Capital Stock (continued)

b. Share-based payments (continued)

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:

	2024	2023
(i) Risk-free interest rate	-	3.13%
(ii) Expected life	-	5 years
(iii) Expected volatility [(1)]	-	91.56%
(iv) Expected dividend yield	-	0%
(iv) Expected forfeiture rate	-	0%

(1) The Company calculates expected volatility based on the historical volatility, from the date of grant, of the Company's share price over a term equal to the expected life of the options granted.

Stock options outstanding at December 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$
3,650,000	0.49	0.65	3,650,000	0.65
4,100,000	1.73	0.65	4,100,000	0.65
2,100,000	2.03	0.65	1,400,000	0.65
6,600,000	3.03	0.30	2,200,000	0.30
16,450,000	2.01	0.51	11,350,000	0.58

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 year ended December 31, 2024 was $572 (year ended December 31, 2023 - $1,029).

RSU transactions are summarized as follows:

	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, December 31, 2024	-

(Expressed in United States dollars, except for shares, unless otherwise stated)

12. Capital Stock (continued)

b. Share-based payments (continued)

The RSUs were originally termed with a vesting schedule of 1/3 equally over a three-year period, and 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 Company, at its sole discretion, had the option to settle these RSUs in equity instruments or cash. The Company's expectation was to settle the RSUs in equity instruments.

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 year ended December 31, 2024 was $12 (year ended December 31, 2023 - $22).

c. Reserves

Share-based compensation expenses are recognized within reserves until such time that the stock options and RSUs are exercised, at which time the corresponding amount will be transferred to share capital.

13. Commitments

The Company enters into contracts that give rise to commitments in the normal course of business. The following table summarizes the remaining contractual maturities of the Company's financial liabilities, operating and capital commitments, shown in contractual undiscounted cash flows, at December 31, 2024:

	Within 1 year	2 to 5 years	Over 5 years	Total
Lease commitments	$ 168	$ 168	$ -	$ 336
Asset retirement obligation	-	-	6,309	6,309
Water supply contract	118	2,523	8,199	10,840
Capital expenditure commitments	54,222	-	-	54,222
	$ 54,508	$ 2,691	$ 14,508	$ 71,707

(Expressed in United States dollars, except for shares, unless otherwise stated)

14. Related Party Transactions

Key management consists of the Board of Directors and senior management. Senior management is defined as the Executive Chairman, the President & CEO, and the Executive Vice President, CFO & Corporate Secretary. Key management compensation for the years ended December 31, 2024, and 2023 was as follows:

		December 31, 2024		December 31, 2023
Senior management employment costs	$	2,008	$	874
Directors fees		151		143
Share-based compensation		190		383
	$	2,349	$	1,400

As of December 31, 2024, included in accounts payable and accrued liabilities was $nil (December 31, 2023 - $30) due to related parties.

15. Income Taxes

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax due to the following:

		December 31, 2024		December 31, 2023
Income (loss) for the year before income taxes	$	(8)	$	(12,340)
Statutory tax rate		27%		27%
Recovery of income taxes computed at statutory rates		(2)		(3,332)
Non-deductible expenditures		1,220		293
Impact of share issuance costs		(1,220)		-
Differing effective tax rate on loss in foreign jurisdiction		706		839
Unrecognized deferred tax assets		(1,370)		(3,696)
Impact of foreign exchange and other		679		5,912
Total income tax expense	$	13	$	16

(Expressed in United States dollars, except for shares, unless otherwise stated)

15. Income Taxes (continued)

The approximate tax effect of each item that gives rise to the Company's deferred tax assets and liabilities as at December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Deferred income tax assets		
Non-capital losses	$ 1,439	$ 604
	$ 1,439	$ 604
Deferred income tax liabilities		
Mineral property, plant, and equipment	$ (1,364)	$ (480)
Other	(75)	(124)
	$ (1,439)	$ (604)
Net deferred income tax liability	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	December 31, 2024	Expiry Dates
Non-capital losses	$ 80,318	*2037-2044*
Mineral property, plant, and equipment	6,696	*no expiry*
Financing fees	3,717	*2045 - 2048*
Other	1,988	*no expiry*
Total	$ 92,719	

As at December 31, 2024, the Company has non-capital loss carry forwards in Canada aggregating $19,964 which expire over the period between 2037 and 2044, available to offset future taxable income in Canada.

As at December 31, 2024, the Company has non-capital loss carry forwards in Chile aggregating $60,811 which do not expire, available to offset future taxable income in Chile.

As at December 31, 2024, the Company has non-capital loss carry forwards in Peru aggregating $2,275 which do not expire, available to offset future taxable income in Peru.

(Expressed in United States dollars, except for shares, unless otherwise stated)

16. Supplemental Cash Flow

The following table summarizes supplemental information to the statement of cash flows for the years ended December 31, 2024 and 2023:

		December 31, 2024		December 31, 2023
Non-cash investing activities:				
Capitalized to mineral property, plant, and equipment				
Accounts payable and accrued liabilities	$	8,872	$	30
Asset retirement obligation		(1,143)		-
Accretion on financing component of deferred revenue		(1,101)		-
	$	6,628	$	30

17. Segmented Information

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

During the year ended December 31, 2024 and 2023, the Company's reportable segment included four geographic areas: the corporate office in Canada, the financing of the Fenix Gold Mine in the Bahamas, the technical and other support of the Fenix Gold Mine in Peru, and the development of the Fenix Gold Mine in Chile. Segmented disclosure of the Company's assets and liabilities is as follows:

As at December 31, 2024

		Canada		Bahamas		Peru		Chile		Total
Mineral property, plant and equipment	$	169	$	1,101	$	17	$	107,072	$	108,359
Other assets		47,447		98		1,062		16,837		65,444
Total assets	$	47,616	$	1,199	$	1,079	$	123,909	$	173,803
Lease liability	$	-	$	-	$	289	$	-	$	289
Accounts payable and accrued liabilities		441		-		331		8,746		9,518
Asset retirement obligation		-		-		-		4,881		4,881
Deferred revenue		-		34,001		-		-		34,001
Total liabilities	$	441	$	34,001	$	620	$	13,627	$	48,689

(Expressed in United States dollars, except for shares, unless otherwise stated)

17. Segmented Information (continued)

As at December 31, 2023

	Canada	Bahamas	Peru	Chile	Total
Mineral property, plant and equipment	$ -	$ -	$ 6	$ 92,489	$ 92,495
Other assets	1,581	99	602	13,641	15,923
Total assets	$ 1,581	$ 99	$ 608	$ 106,130	$ 108,418
Lease liability	$ -	$ -	$ 465	$ -	$ 465
Accounts payable and accrued liabilities	223	-	173	88	484
Asset retirement obligation	-	-	-	3,956	3,956
Deferred revenue	-	30,303	-	-	30,303
Total liabilities	$ 223	$ 30,303	$ 638	$ 4,044	$ 35,208

18. Comparative Figures

To align with the presentation adopted in the current year, the comparative figures in the cash flow statement have been revised to reclassify $2,323 relating to unrealized foreign exchange losses to operating activities from effect of foreign exchange as these amounts did not relate to the impact of exchange rate changes on cash and cash equivalents denominated in currencies other than the reporting currency of the Company.

With the transition from exploration and evaluation assets under IFRS 6 to mineral properties under IAS 16 (note 8) in 2024, the comparative figures have been revised to include exploration and evaluation assets in mineral property, plant, and equipment.

19. Subsequent events

Subsequent to December 31, 2024, the following events occurred.

a. Subsequent to December 31, 2024 and up to the filing date of these financial statements, a total of 250,000 stock options were exercised at exercise prices ranging from C$0.30 to C$0.55 per share.

b. Subsequent to Dec 31, 2024, a total of 6,310,000 stock options were issued. These options have an exercise price of C$0.70 and vest 1/3 equally over a three-year period.

c. On March 24, 2025, the Company received a second deposit payment of $25.0 million from Wheaton in connection with the Amended Gold Stream (*Note 11*).