



Rio Silver Inc.
Condensed Interim Consolidated Financial Statements
For the Three-Month Period Ended
March 31, 2014
(unaudited)
(Expressed in Canadian dollars)

Notice to Shareholders of Rio Silver Inc.

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), we report that the accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

(signed) "*Jeffery Reeder*"
Jeffery Reeder
President and Chief Executive Officer

(signed) "*Daniel Hamilton*"
Daniel Hamilton
Chief Financial Officer

Toronto, Canada
May 29th, 2014

Rio Silver Inc.
Condensed Interim Consolidated Statements of Financial Position

(unaudited, expressed in Canadian Dollars)

As at

	March 31, 2014	December 31,
	\$	2013 \$
ASSETS		
Current assets		
Cash	13,369	7,991
Government taxes recoverable	101,902	115,439
Prepaid expenses and other assets	2,786	4,652
	118,057	128,082
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables (Note 8)	739,859	776,965
Promissory notes and interest payable (Note 7)	25,044	-
Due to related parties (Note 8)	250,834	235,834
	1,015,737	1,012,799
Shareholders' Equity (Deficiency)		
Share capital (Note 4)	9,900,990	9,892,990
Warrants (Note 4)	-	92,000
Contributed surplus	2,989,858	2,897,858
Accumulated deficit	(13,788,528)	(13,767,565)
	(897,680)	(884,717)
	118,057	128,082

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 8)

Approved on behalf of the Board: **“Jeffrey Reeder”**

“Edward J. Badida”

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements

Rio Silver Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
(unaudited, expressed in Canadian Dollars)

	Three months ended	
	March 31,	
	2014	2013
	\$	\$
Expenses		
Exploration and evaluation expenditures (recovery) (Note 3)	(57,031)	347,306
Management fees and wages (Note 7)	21,000	44,848
Transfer agent and filing fees	8,579	6,962
Professional fees	27,712	10,901
Investor relations	14,925	10,036
Rent	4,500	12,000
Office and administration	4,817	13,122
Share-based payments (Note 7)	-	51,000
Foreign exchange gain	(3,584)	-
Loss before the following	20,918	496,175
Interest expense	44	-
Comprehensive Loss	20,962	496,175
Comprehensive loss per share, basic and diluted	\$ 0.00	\$ 0.01
Weighted average number of common shares	60,953,405	59,502,139

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements

Rio Silver Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited, expressed in Canadian Dollars)

	Share Capital		Warrants	Contributed Surplus	Deficit	Total
	Number of shares	Amount \$				
Balance December 31, 2012	57,921,738	9,747,207	712,000	2,134,858	(12,532,903)	61,162
Share issued for cash	2,646,111	238,150	-	-	-	238,150
Issuance of w arrants	-	(91,000)	91,000	-	-	-
Share issuance costs	-	(10,860)	-	-	-	(10,860)
Issuance of finders' w arrants	-	(1,000)	1,000	-	-	-
Share-based payments	-	-	-	51,000	-	51,000
Comprehensive loss	-	-	-	-	(496,175)	(496,175)
Balance March 31, 2013	60,567,849	9,882,497	804,000	2,185,858	(13,029,078)	(156,723)
Share issued on acquisition of mineral property	150,000	12,000	-	-	-	12,000
Share issuance costs	-	(1,507)	-	-	-	(1,507)
Warrant expiry	-	-	(712,000)	712,000	-	-
Comprehensive loss	-	-	-	-	(738,488)	(738,488)
Balance December 31, 2013	60,717,849	9,892,990	92,000	2,897,858	(13,767,566)	(884,718)
Share issued on acquisition of mineral property	400,000	8,000	-	-	-	8,000
Warrant expiry	-	-	(92,000)	92,000	-	-
Comprehensive loss	-	-	-	-	(20,962)	(20,962)
Balance March 31, 2014	61,117,849	9,900,990	-	2,989,858	(13,788,528)	(897,680)

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements

Rio Silver Inc.
Condensed Interim Consolidated Statements of Cash Flows
(unaudited, expressed in Canadian Dollars)

	Three months ended March 31,	
	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Comprehensive loss	(20,962)	(496,175)
Items not affecting cash:		
Shares issued on acquisition of mineral properties	8,000	
Share-based payments	-	51,000
Changes in non cash working capital items:		
Government taxes recoverable	13,536	74,412
Prepaid expenses & other assets	1,866	8,311
Trade and other payable	(37,062)	(35,362)
Due to related parties	15,000	56,250
Cash generated by (used in) operating activities	(19,622)	(341,564)
FINANCING ACTIVITIES		
Promissory notes	25,000	-
Shares and warrants issued for cash	-	227,290
Cash generated by financing activities	25,000	227,290
Increase(decrease) in cash during the period	5,378	(114,274)
Cash, beginning of period	7,991	217,868
Cash, end of period	13,369	103,594

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2014

(unaudited, expressed in Canadian dollars unless otherwise noted)

1. Reporting entity

Rio Silver Inc. (the "Company" or "Rio Silver") is listed on the TSX Venture Exchange under the symbol "RYO". It is incorporated in Canada under the Canada Business Corporations Act. The Company's corporate office and principal place of business is 40 University Avenue, Suite 606, Toronto, Canada M5J 1T1. The Company's principal business activity is the acquisition, evaluation and development of mineral properties in the Americas.

2. Basis of Preparation and Summary of Significant Accounting Policies

These condensed interim consolidated financial statements for the three month period ended March 31, 2014 have been prepared in accordance with IAS34 Interim Financial Reporting.

These condensed interim consolidated financial statements should be read in conjunction with the Company's 2013 annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's 2013 annual consolidated financial statements.

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014 were reviewed by the Audit Committee and approved and authorized for issued by the Board of Directors on May 29, 2014.

a) Going Concern

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable mineral deposits. The recoverability of amounts shown as mineral exploration properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

The Company will periodically be required to raise funds to continue operations by funding its working capital and capital expenditure requirements and, although it has been successful in the past, there can be no assurance it will be able to do so in the future on terms satisfactory to the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as on the business performance of the Company. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

At March 31, 2014, the Company had no revenues, had a working capital deficit of \$897,680 (December 31, 2013 – working capital deficit of \$884,717) had not achieved profitable operations, had accumulated deficit of \$13,788,528 (December 31, 2013 - \$13,767,565) and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2014

(unaudited, expressed in Canadian dollars unless otherwise noted)

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

a) Going Concern (Continued)

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

b) Basis of Consolidation

The financial statements of the Company consolidate the accounts of the following companies:

<u>Company</u>	<u>Location</u>	<u>Ownership</u>	<u>Principal Activity</u>
Rio Silver Inc.	Canada		Parent company
Rio Silver Exploration Ltd	Canada	100%	Holding company
Minera Rio Plata S.A.C.	Peru	100%	Exploration company

There were no changes during the current interim period to composition of the Company. The results of the subsidiaries are included in the condensed interim consolidated statement of comprehensive income from the effective date of acquisition. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

3. Exploration and evaluation expenditures

Accumulated costs/expenditures	Niñobamba, Peru	KAN	Gerow Lake	Total
Balance December 31, 2012	2,495,540	2,172,856	814,496	5,482,892
Acquisition costs		9,406	-	9,406
Expenditures	321,470	16,430	-	337,900
Balance March 31, 2013	2,817,010	2,198,692	814,496	5,830,198
Acquisition costs and annual fees	14,040	48,938		62,978
Expenditures	120,114	275,076	30,749	425,939
Property option payments	(112,276)			(112,276)
Québec mining tax credit		(96,494)		(96,494)
Balance December 31, 2013	2,838,888	2,426,212	845,245	6,110,345
Acquisition costs and annual fees	-	52,520	-	52,520
Expenditures	27,455	29,344	-	56,799
Property option payments	(16,350)	-	-	(16,350)
Proceeds on sale of KAN	-	(150,000)	-	(150,000)
Balance March 31, 2014	2,849,993	2,358,076	845,245	6,053,314

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2014

(unaudited, expressed in Canadian dollars unless otherwise noted)

3. Exploration and evaluation expenditures (continued)

Niñobamba and non-core Peruvian properties

The Niñobamba property is located in the Department of Ayacucho, Peru and is owned 100% by the Company's wholly owned Peruvian subsidiary, Minera Rio Plata S.A.C., and is not subject to any royalties or exploration expenditures commitments. In December 2013 the Company entered into an option agreement whereby the optionee can earn a 100% interest in various non-core Peruvian property concessions for total cash consideration of US\$90,000, payable as follows:

US\$ 10,000 on December 23, 2013 (received \$10,636 CAD)

US\$ 15,000 on January 10, 2014 (received \$16,350 CAD)

US\$ 5,000 on June 10, 2014

US\$ 10,000 on December 10, 2014

US\$ 10,000 on July 10, 2015

US\$ 15,000 on December 10, 2015

US\$ 25,000 on July 10, 2016

In April 2013, the Company entered into a non-binding letter of intent ("LOI") whereby the counterparty could acquire up to a 51% interest in Minera Rio Plata S.A.C., which holds title to the Ninobamba mining concessions, by completing exploration expenditures and financial commitments totaling US \$25 million over a five year period. On signing of the LOI, Rio Silver received a US\$100,000 non-refundable payment. The LOI was terminated by the parties prior to the exchange of any further consideration.

KAN Project, Quebec

On February 6, 2014 the Company completed an agreement with Virginia Mines Inc. ("Virginia"), Altius Resources Inc. ("Altius"), a wholly-owned subsidiary of Altius Minerals Corporation and Les Resources Tectonic Inc. ("Tectonic") to acquire Rio Silver's KAN Project.

Rio Silver transferred 100% interest in the Project in consideration for (i) the issuance by Virginia of 3,571 of its common shares to Rio Silver at a deemed price of \$14.00 per share (the "**Virginia Shares**"); (ii) a cash payment equal to \$25,000 paid by Virginia; (iii) a cash payment equal to \$75,000 paid by Altius; (iv) the issuance by Rio Silver of 400,000 common shares to Tectonic (the "**Rio Silver Shares**"); and (v) a cash payment of \$40,000 paid by Rio Silver to Tectonic.

The Rio Silver Shares issued to Tectonic and cash payment paid by Rio Silver were required under the option agreement (the "**Option Agreement**") between Rio Silver and Tectonic dated March 2, 2011, pursuant to which Rio Silver had the option to acquire from Tectonic 209 of the mining claims forming part of the KAN property.

As a result of the transaction, Rio Silver is wholly released and forever discharged from the observance and performance of its covenants and agreements in and under the Option Agreement.

4. Share Capital and Reserves

(a) Authorized

Unlimited number of voting common shares without nominal or par value.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2014

(unaudited, expressed in Canadian dollars unless otherwise noted)

4. Share Capital and Reserves (Continued)

Unlimited number of non-voting preferred shares issuable in a series. The directors may determine the number of shares of each series and fix the designation, privileges, rights, restrictions and conditions attaching to each series subject to the filing of Articles of Amendment.

(b) Common Shares

The following is a summary of the changes in common share capital during the period:

	Number of shares	Issue Price \$	Amount \$
Balance December 31, 2012	57,921,738		9,747,207
Share issuance (i) (ii)	2,646,111	0.09	238,150
Proceeds of issuances allocated to warrants issued	-	-	(91,000)
Share issue costs	-	-	(12,367)
Value attributed to finders' warrants issued	-	-	(1,000)
Issued on acquisition of mineral properties (iii)	150,000	0.08	12,000
Balance December 31, 2013	60,717,849		9,892,990
Issued on acquisition of mineral properties (iv)	400,000	0.02	8,000
Balance March 31, 2014	61,117,849		9,900,990

- (i) On February 4, 2013, the Company completed the second tranche of a non-flow through private placement consisting of 2,346,111 units (the "Units") at \$0.09 per Unit for gross proceeds of \$211,150. Each Unit consisted of one common share of the Company and one common share purchase warrant exercisable at \$0.12 per share until February 4, 2014. The Company paid finders' fee comprised of \$1,000 and 38,100 broker warrants which entitles the holder to purchase a non-flow through common share at \$0.12 until February 4, 2014.
- (ii) On February 15, 2013, the Company completed the last tranche of a non-flow through private placement consisting of 300,000 units (the "Units") at \$0.09 per Unit for gross proceeds of \$27,000. Each Unit consisted of one common share of the Company and one common share purchase warrant exercisable at \$0.12 per share until February 15, 2014.
- (iii) On April 5, 2013 the Company issued 150,000 common shares pursuant to its option agreement to acquire the KAN property.
- (iv) On February 6, 2014, the Company issued 400,000 common shares pursuant to its option agreement to acquire the KAN property (see note 3).

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2014

(unaudited, expressed in Canadian dollars unless otherwise noted)

4. Share Capital and Reserves (Continued)

(c) Warrants

The following is a summary of the changes in warrants during the period:

	Three Months ended March 31, 2014		Year ended December 31, 2013	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Balance, beginning of year	2,684,211	0.12	14,831,136	0.20
Granted - warrants	-	-	2,646,111	0.12
Granted - broker warrants	-	-	38,100	0.12
Expired	(2,684,211)	0.12	(14,831,136)	0.20
Balance, end of period	-	-	2,684,211	0.12

5. Stock Options

The Company adopted an incentive stock option plan for employees, consultants, officers and directors on April 17, 2009. The number of common shares reserved for issue under the stock option plan may not exceed 10% of the number of issued and outstanding common shares of the Company at any given time. The term of options granted under the stock option plan may not exceed ten years from the date of the grant. The board of directors will determine the vesting period within the exercisable term and options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than ¼ of such options vesting in any 3-month period. The option exercise price, also determined by the board of directors of the Company, may not be less than the lower of: the market price for the common shares at the grant date and \$0.10.

As at March 31, 2014, the Company had 3,111,785 stock options available for issuance (December 31, 2013 – 2,571,785).

A summary of changes in common stock options outstanding is presented below:

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2014

(unaudited, expressed in Canadian dollars unless otherwise noted)

5. Stock Options (Continued)

	Three months ended March 31, 2014		Year ended December 31, 2013	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Options outstanding, beginning of year	3,500,000	0.11	4,100,000	0.17
Granted	-	-	1,000,000	0.10
Expired	(500,000)	0.10	(1,600,000)	0.25
Options outstanding, end of period	3,000,000	0.11	3,500,000	0.11
Options exercisable, end of period	3,000,000	0.11	3,500,000	0.11

The following table summarizes information about the common stock options outstanding and exercisable at March 31, 2014:

Expiry Date	Number Outstanding	Exercise Price (\$)	Number of options exercisable	Weighted Average Remaining Contractual Life (years)
February 23, 2016	200,000	0.25	200,000	1.77
June 26, 2017	1,800,000	0.10	1,800,000	3.25
February 4, 2018	1,000,000	0.10	1,000,000	3.83
	3,000,000	0.11	3,000,000	3.33

On February 4, 2013, the Company granted 1,000,000 options to a director of the Company at a price of \$0.10 per share. The fair value of these options at the date of grant was \$51,000.

The grant date fair value of the options granted was estimated using the Black-Sholes option pricing model, using the following weighted average assumptions:

	<u>2013</u>
Risk-free interest rate	1.1%
Expected life (years)	2.0
Expected volatility	138%
Expected rate of forfeiture	nil
Expected dividend yield	nil

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2014

(unaudited, expressed in Canadian dollars unless otherwise noted)

6. Segmented Information

	Three months ended March 31, 2014	Year ended December 31, 2013
	\$	\$
Consolidated net loss		
Canada	9,813	883,897
Peru	11,105	350,765
	20,918	1,234,662

	March 31, 2014	December 31, 2013
	\$	\$
Identifiable assets		
Canada	117,989	125,967
Peru	68	2,115
	118,057	128,082

7. Promissory notes and interest payable

The Company issued \$25,000 in unsecured promissory notes bearing interest at an annual rate of 18% and repayable on demand. As at March 31, 2014, interest of \$44 was payable on the promissory notes.

8. Related Party Transactions and Key Management Remuneration

The Company defines key management as its Board of Directors, President and Chief Executive Officer and Chief Financial Officer.

Remuneration of key management personnel:

	Three months ended March 31,	
	2014	2013
	\$	\$
Salaries, consulting fees and other short term benefits	15,000	68,750
Share-based payments	-	51,000
	15,000	119,750

The Company's related parties consist of its Directors, President and Chief Executive Officer and Chief Financial Officer. The following is a summary of the Company's related party transactions during the period:

- (a) Due to related parties includes \$200,000 (December 31, 2013 - \$200,000) payable to the Company's Chairman earned in his capacity as CEO of the Company up to July 12, 2013 and \$31,250 (December 31, 2013 - \$31,250) payable to a private company owned by the individual

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2014

(unaudited, expressed in Canadian dollars unless otherwise noted)

who was the Company's CFO up to July 12, 2013 and earned in his capacity as CFO up to July 12, 2013.

8. Related Party Transactions and Key Management Remuneration (Continued)

- (b) Due to related parties includes \$18,000 (December 31, 2013 - \$12,000) payable to a private company owned by the Company's current CEO, all of which has been earned in his capacity as CEO since July 12, 2013 and \$27,000 (December 31, 2013 - \$18,000) payable to the Company's current CFO and earned since July 12, 2013.
- (c) Trade and other payables includes \$50,380 (December 31, 2013 - \$39,415) payable to current directors and officers for advances and reimbursable expenses incurred on behalf of the Company in the normal course of business. These amounts are unsecured, non-interest bearing and without fixed repayment terms.
- (d) Trade and other payables include \$59,042 (December 31, 2013 - \$59,042) payable to a legal firm of which a director is a partner.
- (e) Promissory notes and interest payable includes \$15,000 payable to a party related to a director.

9. Commitments and Contingencies

Operating lease

The Company is party to an operating lease agreement for office space with annual lease payments of approximately \$18,000, expiring on July 30, 2016.