



**Rio Silver Inc.**  
**Condensed Interim Consolidated Financial Statements**  
**For the Six-Month Period Ended**  
**June 30, 2017**  
**(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  
August 9<sup>th</sup>, 2017

**Rio Silver Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**

*(unaudited, expressed in Canadian Dollars)*

As at

	June 30, 2017 \$	December 31, 2016 \$
<b>ASSETS</b>		
Current assets		
Cash	9,118	2,961
Government taxes recoverable	8,442	4,969
Prepaid expenses and other assets	3,437	1,437
	<b>20,997</b>	<b>9,367</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Trade and other payables	88,210	256,886
Promissory notes and interest payable (Note 3 & 4)	-	16,606
Due to related parties (Note 4)	311,887	472,981
	<b>400,097</b>	<b>746,473</b>
Shareholders' Equity (Deficiency)		
Share capital (Note 5)	11,042,810	10,499,486
Warrants (Note 5)	56,706	95,926
Contributed surplus	3,042,050	3,151,050
Accumulated deficit	(14,520,666)	(14,483,568)
	<b>(379,100)</b>	<b>(737,106)</b>
	<b>20,997</b>	<b>9,367</b>

**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		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
			\$	\$
<b>Expenses</b>				
Management fees	21,000	21,000	42,000	36,000
Professional fees	18,095	6,195	38,067	10,695
Exploration and evaluation expenditures (recovery) (Note 7)	1,056	11,037	19,812	11,375
Office and administration	11,986	7,133	22,089	14,249
Shareholder relations and filing fees	3,977	4,607	15,876	10,522
Rent	3,000	4,500	6,000	9,000
Interest expense	-	257	447	481
Share-based payments (Note 6)	-	-	-	75,000
Foreign exchange loss (gain)	140	(260)	1,807	(1,030)
<b>Comprehensive Loss</b>	<b>59,254</b>	<b>54,469</b>	<b>146,098</b>	<b>166,292</b>
<b>Comprehensive loss per share, basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares</b>	<b>36,392,006</b>	<b>25,852,667</b>	<b>34,793,573</b>	<b>25,767,502</b>

*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 Shareholder's Deficiency**

*(unaudited, expressed in Canadian Dollars)*

	Share Capital		Warrants \$	Contributed Surplus \$	Deficit \$	Total \$
	Number of shares	Amount \$				
<b>Balance December 31, 2015</b>	25,682,337	10,289,753	88,000	3,134,989	(14,179,402)	(666,660)
Share-based payments	-	-	-	-	-	-
Share-issued for cash - exercise of w arrants	333,333	24,000	(7,333)	-	-	16,667
Shares issued for cash - exercise of options	700,000	70,000	-	-	-	70,000
Comprehensive loss	-	-	-	-	(166,292)	(166,292)
<b>Balance June 30, 2016</b>	26,715,670	10,383,753	80,667	3,134,989	(14,345,694)	(746,285)
Share-based payments	-	-	-	40,153	-	40,153
Share issued for cash	1,500,000	39,208	35,792	-	-	75,000
Share-issued for cash - exercise of w arrants	933,333	80,532	(20,533)	-	-	59,999
Shares issued for cash - exercise of options	200,000	(908)	-	(24,092)	-	(25,000)
Share issuance costs	-	(3,099)	-	-	-	(3,099)
Comprehensive loss	-	-	-	-	(137,874)	(137,874)
<b>Balance December 31, 2016</b>	29,349,003	10,499,486	95,926	3,151,050	(14,483,568)	(737,106)
Share issued for cash	1,250,000	49,777	25,223	-	-	75,000
Share-issued for cash - exercise of w arrants	2,733,334	252,776	(64,443)	-	-	188,333
Share issued for debt settlement	3,059,669	244,774	-	-	-	244,774
Share issuance costs	-	(4,003)	-	-	-	(4,003)
Value of options expired	-	-	-	(109,000)	109,000	-
Comprehensive loss	-	-	-	-	(146,098)	(146,098)
<b>Balance June 30, 2017</b>	36,392,006	11,042,810	56,706	3,042,050	(14,520,666)	(379,100)

*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		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
			\$	\$
<b>OPERATING ACTIVITIES</b>				
Comprehensive loss	(59,254)	(54,469)	(146,098)	(166,292)
Items not affecting cash:				
Share issued as settlement for trade debt	-		244,774	-
Share-based payments	-	-	-	75,000
Interest payable on promissory notes	-	257	-	481
Changes in non cash working capital items:				
Government taxes recoverable	17,621	2,021	(3,473)	(467)
Prepaid expenses & other assets	36	26	(2,000)	(52)
Trade and other payables	(3,251)	10,522	(168,676)	22,869
Due to related parties	23,728	21,903	(161,094)	37,803
<b>Cash used in operating activities</b>	<b>(21,120)</b>	<b>(19,740)</b>	<b>(236,567)</b>	<b>(30,658)</b>
<b>FINANCING ACTIVITIES</b>				
Promissory notes (reimbursed) received	-	8,333	(16,606)	8,333
Shares and warrants issued for cash	-	-	75,000	-
Shares issued for cash - exercise of warrants	-	16,667	188,333	16,667
Shares issued for cash - exercise of options	-	35,000	-	35,000
Issue cost	(2,855)	-	(4,003)	-
<b>Cash generated by financing activities</b>	<b>(2,855)</b>	<b>60,000</b>	<b>242,724</b>	<b>60,000</b>
<b>Increase (decrease) in cash during the period</b>	<b>(23,975)</b>	<b>40,260</b>	<b>6,157</b>	<b>29,342</b>
<b>Cash, beginning of period</b>	<b>33,093</b>	<b>486</b>	<b>2,961</b>	<b>11,404</b>
<b>Cash, end of period</b>	<b>9,118</b>	<b>40,746</b>	<b>9,118</b>	<b>40,746</b>

*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**  
**Six Months Ended June 30, 2017**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

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**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 603, 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 six month period ended June 30, 2017 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 2016 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 2016 annual consolidated financial statements.

These unaudited condensed interim consolidated financial statements for the six months ended June 30, 2017 were reviewed by the Audit Committee and approved and authorized for issued by the Board of Directors on August 9, 2017.

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 June 30, 2017, the Company had no revenues, had a working capital deficit of \$379,100(December 31, 2016 – working capital deficit of \$737,106) had not achieved profitable operations, had accumulated deficit of \$14,520,666 (December 31, 2016 - \$14,483,578) 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**  
**Six Months Ended June 30, 2017**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

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**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 the composition of the Company. The results of the subsidiaries are included in the condensed interim consolidated statements of comprehensive loss from the effective date of acquisition. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

c) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements have been issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods ending after these financial statements. Some are not applicable or do not have a significant impact to the Company and have been excluded from the discussion below.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements will or may have an effect on the Company's future results and financial position:

*IFRS 9 Financial Instruments*

IFRS 9 was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.



**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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*(unaudited, expressed in Canadian dollars unless otherwise noted)*

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

c) Standards, Amendments and Interpretations Not Yet Effective (continued)

*IFRS 16 Leases*

IFRS 16 replaces IAS 17, Leases was released in January 2017. This standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Adoption of IFRS16 is mandatory and will be effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

d) Significant Accounting Judgements and Estimates

Areas of critical accounting estimates and judgements that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are disclosed in Note 5 of the Company's consolidated financial statement as at and for the year ended December 31, 2016.

**3. Promissory notes and interest payable**

As at June 30, 2017 the Company had promissory notes payable outstanding of \$Nil (December 31, 2016 - \$13,333). The promissory notes were due on demand and bore interest at an annual rate of 18%. As at June 30, 2017 there was an interest payable balance of \$Nil (December 31, 2016 - \$3,273).

A total of \$17,052 in principal and interest payable was settled as part of a shares for debt settlement completed by the Company on March 16, 2017. (Note 5(b)(vi)).

**4. 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:

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Management fees	<b>42,000</b>	36,000
	<b>42,000</b>	36,000

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 \$199,060 (December 31, 2016 - \$199,060) payable to the Company's former CEO earned in his capacity as CEO of the Company up to July 12, 2013 and \$Nil (December 31, 2016 - \$11,250) payable to a private company owned by the individual

**Rio Silver Inc.**  
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*(unaudited, expressed in Canadian dollars unless otherwise noted)*

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**4. Related Party Transactions and Key Management Remuneration (continued)**

who was the Company's CFO up to July 31, 2013 and earned in his capacity as CFO up to July 31, 2013. Payment to the former CEO has been deferred until the Company's working capital position has improved.

- (b) Due to related parties includes \$8,000 (December 31, 2016 - \$36,000) payable to a private company owned by the Company's current CEO, and earned in his capacity as CEO; and \$75,000 (December 31, 2016 - \$72,390) payable to the Company's current CFO, and earned in his capacity as CFO; and \$8,000 (December 31, 2016 - \$18,000) payable to the Company's Chairman and earned in his capacity as Chairman.
- (c) Due to related parties includes \$21,827 (December 31, 2016 - \$58,940) payable to current directors and officers for services provided 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) Due to related parties includes \$NIL (December 31, 2016 - \$59,757) payable to a legal firm of which a partner of the firm was a director of the Company at the time of the transactions.
- (e) During the six months ended June 30, 2017 the Company repaid, by way of shares for debt settlement, promissory notes of \$8,333 (2016 - \$Nil) and accrued interest of \$1,087 (2016 - \$Nil). As at June 30, 2017 the promissory notes balance and interest outstanding for related parties was \$Nil (December 31, 2016 - \$9,122).

**5. Share Capital and Reserves**

**(a) Authorized**

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

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.

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2017**

(unaudited, expressed in Canadian dollars unless otherwise noted)

**5. Share Capital and Reserves (continued)**

**(b) Common Shares**

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

	Number of shares	Issue Price \$	Amount \$
<b>Balance December 31, 2015</b>	25,682,337		10,289,753
Exercise of warrants (i)	333,333	0.05	16,667
Exercise of options (ii)	700,000	0.05	35,000
<b>Balance June 30, 2016</b>	26,715,670		10,341,420
Exercise of warrants (i)	400,000	0.05	20,000
Exercise of warrants (i)	533,333	0.075	40,000
Allocation from warrants reserve			27,866
Exercise of options (ii)	200,000	0.05	10,000
Allocation from contributed surplus			24,092
Share issuance (iii)	1,500,000	0.026	39,207
Share issuance costs			(3,099)
<b>Balance December 31, 2016</b>	29,349,003		10,499,486
Share issuance (iv)	1,250,000	0.060	49,777
Share issuance costs			(2,273)
Exercise of warrants (v)	2,066,667	0.075	155,000
Exercise of warrants (v)	666,667	0.050	33,333
Allocation from warrants reserve			64,443
Share issuance for debt settlement (vi)	3,059,669	0.080	244,774
<b>Balance June 30, 2017</b>	36,392,006		11,044,540

- (i) In June 2016 there were 333,333 warrants exercised at \$0.05 per share for gross proceeds of \$16,667. In September 2016 there were 400,000 warrants exercised at \$0.05 per share for gross proceeds of \$20,000, and 533,333 warrants exercised at \$0.075 for gross proceeds of \$40,000.
- (ii) In June 2016 there were 700,000 options exercised at \$0.05 per share for gross proceeds of \$35,000. In September 2016 there were 200,000 options exercised at \$0.05 per share for gross proceeds of \$10,000.
- (iii) On August 23, 2016 the Company completed a non-brokered private placement financing of 1,500,000 units at \$0.05 per unit for gross proceeds of \$75,000. Each unit consisted of one common share of the Company and one common share purchase warrant exercisable at \$0.05 until February 23, 2018. (Note 7)
- (iv) On January 19, 2017 the Company completed the second financing of a non-brokered private placement financing of 1,250,000 units at \$0.06 per unit for gross proceeds of \$75,000. Each unit consisted of

**Rio Silver Inc.**  
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*(unaudited, expressed in Canadian dollars unless otherwise noted)*

**5. Share Capital and Reserves (continued)**

**(b) Common Shares (continued)**

one common share of the Company and one common share purchase warrant exercisable at \$0.06 until July 18, 2018. (Note 7)

- (v) In January 2017 there were 2,066,667 warrants exercised at \$0.075 per share for gross proceeds of \$155,000, and 666,667 warrants exercised at \$0.05 per share for gross proceeds of \$33,333.
- (vi) On March 3, 2017 the Company settled an aggregate of \$244,774 in indebtedness owed to certain arm's length and non-arm's length creditors through the issuance of an aggregate of 3,059,669 common shares at a deemed issuance price of \$0.08 per common share of which 1,305,663 common shares were issued to non-arm's length creditors.

**(c) Warrants**

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

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Balance, beginning of period	4,233,334	0.070	4,000,000	0.075
Granted	1,250,000	0.060	1,500,000	0.050
Exercised	(2,066,667)	0.075	(1,266,666)	0.061
Exercised	(666,667)	0.050	-	-
Balance, end of period	2,750,000	0.055	4,233,334	0.070

The following warrants are outstanding as at June 30, 2017:

Expiry Date	Number of warrants outstanding	Exercise price (\$)	Weighted average remaining contractual life (years)
February 23, 2018	1,500,000	0.050	0.65
July 19, 2018	1,250,000	0.060	1.00
	2,750,000	0.055	0.81

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2017**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

**6. Stock Options**

The Company has adopted an incentive stock option plan for employees, consultants, officers and directors. 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 \$0.05.

As at June 30, 2017, the Company had 2,779,200 stock options available for issuance (December 31, 2016 – 1,714,900).

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

	Six Months ended June 30, 2017		Year ended December 31, 2016	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Options outstanding, beginning of period	1,220,000	0.29	620,000	0.52
Granted	-		1,500,000	0.05
Exercised	-		(900,000)	0.05
Expired	(360,000)	0.50	-	-
Options outstanding, end of period	860,000	0.20	1,220,000	0.29
Options exercisable, end of period	860,000	0.20	1,220,000	0.29

The following table summarizes information about the common stock options outstanding and exercisable at June 30, 2017:

Expiry Date	Number Outstanding	Exercise Price (\$)	Number of options exercisable	Weighted Average Remaining Contractual Life (years)
January 25, 2018	600,000	0.05	600,000	0.57
February 04, 2018	200,000	0.50	200,000	0.60
June 26, 2019	60,000	0.25	60,000	1.29
	860,000	0.17	860,000	0.63

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2017**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

**6. Stock Options (continued)**

On January 26, 2016 the Company granted a total of 1,500,000 options to directors, officers and employees at an exercise price of \$0.05 per share, expiring on January 25, 2018.

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

	<b>2017</b>	2016
Risk-free interest rate	-	1%
Expected life (years)	-	3.0
Expected volatility	-	218%
Expected rate of forfeiture	-	nil
Expected dividend yield	-	nil

**7. Exploration and Evaluation Expenditures**

Accumulated costs/expenditures	Niñobamba,		Total
	Peru	Gerow Lake	
<b>Balance, December 31, 2015</b>	\$ 2,937,423	\$ 876,633	\$ 3,814,056
Acquisition costs and annual fees	\$ 10,447	\$ -	\$ 10,447
Expenditures	928	-	928
<b>Balance, June 30, 2016</b>	\$ 2,948,798	\$ 876,633	\$ 3,825,431
Acquisition costs and annual fees	\$ 15,234	\$ -	\$ 15,234
Expenditures	7,185	-	7,185
<b>Balance, December 31, 2016</b>	\$ 2,971,217	\$ 876,633	\$ 3,847,850
Expenditures	19,812	-	19,812
<b>Balance, June 30, 2017</b>	\$ 2,991,029	\$ 876,633	\$ 3,867,662

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.

On October 24, 2016 the Company and Magellan Gold Corporation ("Magellan") signed a Definitive Agreement (the "Agreement") whereby Magellan has an option (the "Option") to earn an undivided 50% interest in the Niñobamba Project (the "Project"). Pursuant to the Agreement, in order to exercise the Option, Magellan must spend US\$2 million over the next 3 years on qualifying exploration expenditures. Additionally, Magellan was obligated to subscribe for two Rio Silver Private Placement Unit financings of \$75,000 each. The first Private Placement Financing closed on August 23, 2016 and the second Private Placement Financing closed on January 19, 2017 (see Note 5).

On September 8, 2016 the Company acquired 3 concessions (2,200 additional hectares) that adjoin to the west of the main Niñobamba concession. In January 2017 the Company acquired by application an additional 553 hectare concession immediately west of and adjoining to the main Niñobamba concession. These additional concessions form a part of the Project and are subject to the Agreement.

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**Six Months Ended June 30, 2017**

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**7. Exploration and Evaluation Expenditures (continued)**

The Gerow Lake property is a base metal project located in northwestern Ontario. The Company has a 100% interest subject to a 2.5% net smelter royalty applicable to 40% of the revenue generated from 14 of the 36 mineral claims (the Company having the right to purchase 1% of the royalty for \$1,000,000) and, a 2% net smelter royalty on 100% of the claims (the Company having the right to purchase the royalty for \$200,000).

**8. Commitment**

Operating lease

The Company is party to an operating lease agreement for office space with annual lease payments of \$12,000, expiring on January 31, 2018. As at June 30, 2017 there are lease payments of \$7,000 remaining on this lease obligation.