



**Rio Silver Inc.**  
**Condensed Interim Consolidated Financial Statements**  
**For the Nine Month Periods Ended**  
**September 30, 2018 and 2017**  
**(Expressed in Canadian dollars)**

**Rio Silver Inc.**  
**Condensed Interim Consolidated Statements of Financial Position (Unaudited)**  
*(Expressed in Canadian Dollars)*  
As at

	2018	2017
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	6,225	3,802
Government taxes recoverable (Note 3)	3,803	4,400
Prepaid expenses and other assets	1,515	1,392
	<b>11,543</b>	<b>9,594</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Trade and other payables	118,179	109,296
Due to related parties (Note 4)	354,060	344,970
	<b>472,239</b>	<b>454,266</b>
Shareholders' Equity (Deficiency)		
Share capital (Note 5)	11,278,801	11,087,529
Warrants (Note 5)	98,759	70,087
Contributed surplus	3,163,749	3,192,001
Accumulated deficit	<b>(15,002,005)</b>	<b>(14,794,289)</b>
	<b>(460,696)</b>	<b>(444,672)</b>
	<b>11,543</b>	<b>9,594</b>

**GOING CONCERN** (Note 2)

**COMMITMENT** (Note 8)

**SUBSEQUENT EVENTS** (Note 9)

Approved on behalf of the Board: “Jeffrey Reeder”                      “Edward J. Badida”

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

**Rio Silver Inc.**  
**Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)**  
*(Expressed in Canadian Dollars)*

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
			\$	\$
<b>Expenses</b>				
Exploration and evaluation expenditures (Note 7)	3,257	3,942	57,237	23,754
Management fees (Note 4)	21,000	21,000	63,000	63,000
Professional fees	7,762	7,250	34,885	45,317
Office and administration	4,645	9,509	24,012	31,598
Shareholder information and filing fees	7,262	2,667	20,932	18,543
Rent	3,000	3,000	9,000	9,000
Foreign exchange loss	2,593	323	2,662	2,130
Gain on settlement of debt (Note 5 (b) (vi))	(8,579)	-	(8,579)	-
Share-based payments (Note 6)	-	64,051	4,567	64,051
Interest expense	-	-	-	447
<b>Comprehensive Loss</b>	<b>40,940</b>	<b>111,742</b>	<b>207,716</b>	<b>257,840</b>
<b>Comprehensive loss per share, basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares</b>	<b>40,856,064</b>	<b>36,392,006</b>	<b>38,885,022</b>	<b>35,332,239</b>

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

**Rio Silver Inc.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency (Unaudited)**

*(Expressed in Canadian Dollars)*

	Share Capital			Contributed Surplus \$	Deficit \$	Total \$
	Number of shares	Amount \$	Warrants \$			
<b>Balance, December 31, 2016</b>	29,349,003	10,499,486	95,926	3,151,050	(14,483,568)	(737,106)
Shares issued for cash	1,250,000	40,705	34,295	-	-	75,000
Shares-issued for cash - exercise of warrants	2,733,334	248,467	(60,134)	-	-	188,333
Shares issued for debt settlement	3,059,669	244,774	-	-	-	244,774
Share issuance costs	-	(4,003)	-	-	-	(4,003)
Share-based payments	-	-	-	64,051	-	64,051
Comprehensive loss	-	-	-	-	(257,840)	(257,840)
<b>Balance, September 30, 2017</b>	36,392,006	11,029,429	70,087	3,215,101	(14,741,408)	(426,791)
Shares issued for cash - exercise of options	700,000	58,100	-	(23,100)	-	35,000
Comprehensive loss	-	-	-	-	(52,881)	(52,881)
<b>Balance, December 31, 2017</b>	37,092,006	11,087,529	70,087	3,192,001	(14,794,289)	(444,672)
Shares issued for cash	2,000,000	68,721	31,279	-	-	100,000
Share issuance costs	-	(4,190)	-	-	-	(4,190)
Shares-issued for cash - exercise of warrants	200,000	14,607	(2,607)	-	-	12,000
Shares issued for debt settlement	857,879	34,315	-	-	-	34,315
Shares issued for cash - exercise of options	900,000	77,819	-	(32,819)	-	45,000
Share-based payments	-	-	-	4,567	-	4,567
Comprehensive loss	-	-	-	-	(207,716)	(207,716)
<b>Balance, September 30, 2018</b>	41,049,885	11,278,801	98,759	3,163,749	(15,002,005)	(460,696)

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

**Rio Silver Inc.**

**Condensed Interim Consolidated Statements of Cash Flows (Unaudited)**

*(Expressed in Canadian Dollars)*

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Comprehensive loss	(40,940)	(111,742)	(207,716)	(257,840)
Items not affecting cash:				
Gain on settlement of debt	(8,579)	-	(8,579)	244,774
Share-based payments	-	64,051	4,567	64,051
Changes in non cash working capital items:				
Government taxes recoverable	2,791	3,682	597	209
Prepaid expenses & other assets	433	(1,800)	(123)	(3,800)
Trade and other payables	9,403	1,000	8,883	(167,676)
Due to related parties	21,000	41,000	51,984	(120,094)
<b>Cash used in operating activities</b>	<b>(15,892)</b>	<b>(3,809)</b>	<b>(150,387)</b>	<b>(240,376)</b>
<b>FINANCING ACTIVITIES</b>				
Shares and warrants issued for cash	-	-	100,000	75,000
Shares issued for cash - exercise of options	-	-	45,000	-
Issue costs	-	-	(4,190)	(4,003)
Shares issued for cash - exercise of warrants	12,000	-	12,000	188,333
Promissory notes reimbursed	-	-	-	(16,606)
<b>Cash generated by financing activities</b>	<b>12,000</b>	<b>-</b>	<b>152,810</b>	<b>242,724</b>
<b>Increase (decrease) in cash during the period</b>	<b>(3,892)</b>	<b>(3,809)</b>	<b>2,423</b>	<b>2,348</b>
<b>Cash, beginning of period</b>	<b>10,117</b>	<b>9,118</b>	<b>3,802</b>	<b>2,961</b>
<b>Cash, end of period</b>	<b>6,225</b>	<b>5,309</b>	<b>6,225</b>	<b>5,309</b>
<b>Non-cash items</b>				
Shares issued on settlement of debt	34,315	-	34,315	-

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**Nine Months ended September 30, 2018**

*(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 (TSXV) 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 nine month period ended September 30, 2018 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 2017 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 2017 annual consolidated financial statements.

These condensed interim consolidated financial statements for the nine months ended September 30, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2018.

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 September 30, 2018, the Company had no revenues, had a working capital deficit of \$460,696 (December 31, 2017 – working capital deficit of \$444,672) had not achieved profitable operations, had accumulated deficit of \$15,002,005 (December 31, 2017 - \$14,749,289) 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 (Unaudited)**  
**Nine Months ended September 30, 2018**

*(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 condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated financial statements.

b) Basis of Consolidation

The condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated financial statements will or may have an effect on the Company's future results and financial position:

*IFRS 16 Leases*

IFRS 16 was issued by the IASB in January 2016 and will replace IAS 17, Leases. 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.

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**Nine Months ended September 30, 2018**

*(Expressed in Canadian dollars unless otherwise noted)*

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

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 3 of the Company's consolidated financial statement as at and for the year ended December 31, 2017.

**3. Government Taxes Recoverable**

Government taxes recoverable consist of HST recoverable. The HST recoverable is based on quarterly submissions to provincial and federal governments and an amount is accrued for the last quarter for HST that has been paid and is refundable.

At September 30, 2018, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables.

**4. Related Party Transactions, Balances, 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>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Management fees	<b>21,000</b>	21,000	<b>63,000</b>	63,000
	<b>21,000</b>	21,000	<b>63,000</b>	63,000

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 and balances during the period:

- (a) Due to related parties includes \$6,000 (December 31, 2017 - \$20,000) payable to a private company owned by the Company's current CEO and earned in his capacity as CEO; \$111,000 (December 31, 2016 - \$84,000) payable to the Company's current CFO and earned in his capacity as CFO; and \$38,000 (December 31, 2016 - \$20,000) payable to the Company's Chairman and earned in his capacity as Chairman.
- (b) Due to related parties includes \$Nil (December 31, 2017 - \$21,910) payable to current directors and officers and a former officer 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.
- (c) Due to related parties includes \$199,060 (December 31, 2017 - \$199,060) payable to the Company's former Co-Chairman earned in his capacity as CEO of the Company up to July 12, 2013. Payment to the Company's former Co-Chairman has been deferred until the Company's working capital position has improved.



**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**Nine Months ended September 30, 2018**

*(Expressed in Canadian dollars unless otherwise noted)*

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

- (d) On June 1, 2018, the Company completed a non-brokered private placement financing of 2,000,000 units for gross proceeds of \$100,000 (Note 5(b)(v)). Related parties acquired a total of 500,000 units.

**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.

**(b) Common Shares Issued and Outstanding**

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, 2016</b>	29,349,003		10,499,486
Share issuance (i)	1,250,000	0.060	75,000
Allocation to warrant reserve			(34,295)
Share issuance costs			(4,003)
Exercise of warrants (ii)	2,066,667	0.075	155,000
Exercise of warrants (ii)	666,667	0.050	33,333
Allocation from warrant reserve			60,134
Share issuance for debt settlement (iii)	3,059,669	0.080	244,774
<b>Balance, September 30, 2017</b>	36,392,006		11,029,429
Exercise of options (iv)	700,000	0.050	58,100
<b>Balance, December 31, 2017</b>	37,092,006		11,087,529
Share issuance (v)	2,000,000	0.050	100,000
Share issuance costs			(4,190)
Allocation to warrant reserve			(31,279)
Share issuance for debt settlement (vi)	857,879	0.040	34,315
Exercise of warrants (vii)	200,000	0.060	12,000
Allocation from warrant reserve			2,607
Exercise of options (viii)	900,000	0.050	45,000
Allocation from contributed surplus			32,819
<b>Balance, September 30, 2018</b>	41,049,885		11,278,801

- (i) On January 19, 2017, the Company completed 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 one common share of the Company and one common share purchase warrant exercisable at \$0.06 until July 18, 2018. (Note 5(c)).

## Rio Silver Inc.

### Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) Nine Months ended September 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

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

##### (b) Common Shares Issued and Outstanding (continued)

- (ii) 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.
- (iii) On March 16, 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.
- (iv) In December 2017, there were 700,000 options exercised at \$0.05 per share for gross proceeds of \$35,000.
- (v) On June 1, 2018, the Company completed a non-brokered private placement financing (the "Financing") of 2,000,000 units at \$0.05 per unit for gross proceeds of \$100,000. Each unit consisted of one common share of the Company and one common share purchase warrant exercisable at \$0.06 until June 1, 2019 unless the closing price of the common shares of the Company is \$0.10 or higher for twenty (20) consecutive trading days any time after October 2, 2018, in which case the warrants will expire thirty (30) days after notice to warrant holders announcing an earlier expiry date. Finder's fees of \$2,800 were paid in connection with the financing. As a result of the Financing the Company issued 2,000,000 common share purchase warrants (valued at \$31,279) with an exercise price of \$0.06. The fair value of the common share purchase warrants issued in the Financing was estimated using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0%, expected volatility 134%, risk free interest rate of 1.8%, expected life of one year, and a share price of \$0.06 (Note 5(c)).
- (vi) On July 4, 2018, the Company issued 857,859 common shares with a fair value of \$34,315 on settlement of debt amounting to \$42,894. A total of 497,000 of the foregoing common shares were issued to an officer and a director of the Company for a settlement amount of \$24,860. Accordingly the Company recorded a gain on settlement of debt of \$8,579 in the condensed interim consolidated statement of comprehensive loss for the nine months ended September 30, 2018.
- (vii) During the nine months ended September 2018, there were 200,000 warrants exercised at \$0.06 per share for gross proceeds of \$12,000.
- (viii) During the nine months ended September 2018, there were 900,000 options exercised at \$0.05 per share for gross proceeds of \$45,000.

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**Nine Months ended September 30, 2018**  
*(Expressed in Canadian dollars unless otherwise noted)*

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

**(c) Warrants**

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

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Balance, beginning of year	2,750,000	0.055	4,233,334	0.070
Granted	2,000,000	0.060	1,250,000	0.060
Exercised	(200,000)	0.060	(2,066,667)	0.075
Exercised	-	-	(666,667)	0.050
Balance, end of period	4,550,000	0.057	2,750,000	0.055

The following warrants are outstanding as at September 30, 2018:

Expiry Date	Number of warrants outstanding	Exercise price (\$)	Weighted average remaining contractual life (years)
June 1, 2019	1,800,000	0.060	0.67
August 23, 2019	1,500,000	0.050	0.90
January 19, 2020	1,250,000	0.060	1.30
	4,550,000	0.057	0.92

During the nine months ended September 30, 2018, the Company extended the expiry dates of 1,500,000 warrants from February 23, 2018 to August 23, 2019, and 1,250,000 warrants from July 19, 2018 to January 19, 2020.

**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 September 30, 2018, the Company had 3,394,988 stock options available for issuance (December 31, 2017 – 1,849,201).

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**Nine Months ended September 30, 2018**

*(Expressed in Canadian dollars unless otherwise noted)*

**6. Stock Options (continued)**

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

	<b>Nine months ended September 30, 2018</b>		<b>Year ended December 31, 2017</b>	
	<b>Number</b>	<b>Weighted average exercise price (\$)</b>	<b>Number</b>	<b>Weighted average exercise price (\$)</b>
Options outstanding, beginning of the period	<b>1,860,000</b>	<b>0.29</b>	1,220,000	0.29
Granted	<b>150,000</b>	<b>0.05</b>	1,700,000	0.05
Exercised	<b>(900,000)</b>	<b>0.05</b>	(700,000)	0.05
Expired	<b>(400,000)</b>	<b>0.50</b>	(360,000)	0.50
Options outstanding, end of the period	<b>710,000</b>	<b>0.07</b>	1,860,000	0.29
Options exercisable, end of the period	<b>710,000</b>	<b>0.07</b>	1,860,000	0.29

The following table summarizes information about the common stock options outstanding and exercisable at September 30, 2018:

<b>Expiry Date</b>	<b>Number Outstanding</b>	<b>Exercise Price (\$)</b>	<b>Number of options exercisable</b>	<b>Weighted Average Remaining Contractual Life (years)</b>
<b>June 26, 2019</b>	60,000	0.25	60,000	0.74
<b>August 9, 2019</b>	500,000	0.05	500,000	0.86
<b>May 18, 2020</b>	150,000	0.05	150,000	1.63
	<b>710,000</b>	<b>0.07</b>	<b>710,000</b>	<b>1.01</b>

The grant date fair value of \$4,567 (2017 - \$64,051) of the options granted was estimated using the Black-Scholes option pricing model using the following estimates:

	<b>2018</b>	2017
Risk-free interest rate	<b>1.9%</b>	1%
Expected life (years)	<b>2.0</b>	2.0
Expected volatility	<b>169%</b>	164%
Expected rate of forfeiture	<b>nil</b>	nil
Expected dividend yield	<b>nil</b>	nil

## Rio Silver Inc.

### Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) Nine Months ended September 30, 2018

(Expressed in Canadian dollars unless otherwise noted)

#### 7. Exploration and Evaluation Expenditures

The principal Niñobamba concession 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.

Accumulated costs/expenditures	Niñobamba,		Total
	Peru	Gerow Lake	
<b>Balance, December 31, 2016</b>	\$ 2,971,217	\$ 876,633	\$ 3,847,850
Expenditures	23,754	-	23,754
<b>Balance, September 30, 2017</b>	\$ 2,994,971	\$ 876,633	\$ 3,871,604
Expenditures	7,869	-	7,869
<b>Balance, December 31, 2017</b>	\$ 3,002,840	\$ 876,633	\$ 3,879,473
Acquisition costs and annual fees	41,517	-	41,517
Expenditures	15,720	-	15,720
<b>Balance, September 30, 2018</b>	\$ 3,060,077	\$ 876,633	\$ 3,936,710

On October 24, 2016, the Company and Magellan Gold Corporation ("Magellan") signed a Definitive Agreement (the "Agreement") whereby Magellan acquired an option (the "Option") to earn an undivided 50% interest in the Niñobamba Project. Pursuant to the Agreement, in order to exercise the Option, Magellan was required to spend US\$2 million over the following 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). Effective December 31, 2017, the Company and Magellan mutually agreed to terminate the Agreement.

On September 8, 2016, the Company acquired 3 concessions (2,200 additional hectares) that adjoin to the west of the principal Niñobamba concession and are subject to a 2% net smelter royalty. In January 2017, the Company acquired by application an additional 553 hectare concession immediately west of and adjoining to the Niñobamba property.

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 approximately \$12,000, expiring on April 30, 2019.

## **Rio Silver Inc.**

### **Notes to the Condensed Interim Consolidated Financial Statements (Unaudited) Nine Months ended September 30, 2018**

*(Expressed in Canadian dollars unless otherwise noted)*

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#### **9. Subsequent Events**

Effective October 24, 2018, the Company signed a non-binding letter of intent with Norsemont II Resources Corp. ("Norsemont"), a private Ontario based company. Norsemont owns a 100% interest in the Cochavara Silver-Lead-Zinc Project ("Cochavara") in Northern Peru. Cochavara consists of two concessions totalling 1979 hectares located in the Department of La Libertad in Northern Peru.

Subject to regulatory and all other necessary approvals, Rio Silver will acquire all the issued and outstanding securities of Norsemont such that Norsemont shareholders will hold, upon closing, 50% of the shares of Rio Silver on a non-diluted basis. The calculation for the share exchange will include any shares for debt completed by Rio Silver, but exclude any private placement share issuances, prior to closing.

Rio Silver has 41,049,885 common shares issued and outstanding. In connection with the transaction, Rio Silver intends to conduct up to \$500,000 in private placements and shares for debt settlements, at a price of \$0.05 per share. The final terms of the private placements remain to be determined, and may include warrants issued in accordance with the policies of the TSXV. Upon completion of the proposed transaction, Rio Silver will provide the ongoing management team for the Company and the Board will be reconstituted with 2 members from each of the respective companies.

The transaction remains subject to due diligence, the entering into of a definitive agreement, the receipt of all necessary approvals, and each party having less than \$200,000 in liabilities, in addition to other terms and conditions that are customary for a transaction of this nature. Under the rules of the TSXV, shareholder approval for the creation of a control person will be necessary, and Rio Silver will use its best efforts to cause its insiders to enter into "lock-up" agreements in support of the transaction.