

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

---

**Date: November 27, 2019**

The following management discussion and analysis (“**MD&A**”) of the financial condition and results of the operations of Rio Silver Inc. (the “**Company**” or “**Rio Silver**”) constitutes management’s review of the factors that affected the Company’s financial and operating performance for the nine months ended September 30, 2019 and 2018. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the audited annual financial statements of the Company for the years ended December 31, 2018 and 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company’s financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards (“**IFRS**”). The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Please review the cautionary note regarding forward looking statements at the end of this MD&A. Information contained herein is presented as at September 26, 2019, unless otherwise indicated. All of the scientific and technical information has been prepared or reviewed by Jeffrey Reeder, P.Ge., and a Director of the Company. Mr. Reeder is a Qualified Person within the meaning of National Instrument 43-101.

Further information about the Company and its operation can be obtained from [www.riosilverinc.com](http://www.riosilverinc.com).

**DESCRIPTION OF BUSINESS**

Rio Silver is a Canadian-based resource company with a mandate to acquire, explore and develop precious and base metal deposits in the Americas and is currently focused on properties in Canada and Peru. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange (“**TSXV**”) under the symbol “**RYO**”.

**OVERVIEW - MINERAL EXPLORATION EXPENDITURES AND ACTIVITES**

The following table summarizes the continuity of expenditures by the Company’s on its various mineral property projects during the nine months ended September 30, 2019 and the year ended December 31, 2018:

Accumulated costs/ expenditures	Niñobamba		Total
	Peru	Gerow Lake	
Balance, December 31, 2017	3,002,840	876,633	3,879,473
Acquisition costs and annual fees	41,517	-	41,517
Expenditures	15,720	-	15,720
Balance, September 30, 2018	3,060,077	876,633	3,936,710
Expenditures	15,670	-	15,670
Balance, December 31, 2018	3,075,747	876,633	3,952,380
Expenditures	298,189	-	298,189
Balance, September 30, 2019	3,373,936	876,633	4,250,569

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

---

The following table provides details of the exploration expenditures for the nine months ended September 30, 2019 and 2018:

	<b>Property</b>	
	<b>Niñobamba</b>	<b>Gerow Lake</b>
Local office	\$ 15,720	\$ -
Geological	41,517	-
<b>Balance, September 30, 2018</b>	<b>\$ 57,237</b>	<b>\$ -</b>
Local office	\$ 9,125	\$ -
Geological	289,064	-
<b>Balance, September 30, 2019</b>	<b>\$ 298,189</b>	<b>\$ -</b>

**Niñobamba silver and gold project, Peru**

On October 24, 2016 the Company and Magellan Gold Corporation (“Magellan”) signed a Definitive Agreement (the “Agreement”) whereby Magellan had an option (the “Option”) to earn an undivided 50% interest in the Niñobamba Silver/Gold Project. Pursuant to the Agreement, in order to exercise the Option, Magellan was required to spend US\$2 million over the next 3 years, on qualifying expenditures for the further exploration of the silver/gold mineralization that was outlined at Niñobamba in earlier trenching campaigns. 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. On January 5, 2018 the Company announced that it had mutually agreed with Magellan to terminate the Agreement, effective December 31, 2017.

The Company released the results of its successful 2012 trenching program in a news release on January 14, 2013. Highlights from the trenching program at the Niñobamba main zone where the Company discovered a new gold-silver zone include; 56 metres of 1.03 g/t Au and 98.9 g/t Ag in trench TR-01 and 21.77 metres of 1.32 g/t Au and 102.46 g/t Ag in TR-04 ending in mineralization. These results show that the Niñobamba property has a strong gold component, and further exploration is required to determine the precious metal zonation, alteration patterns and widths. The trenches were cut approximately perpendicular to the mineralized structure, and the true width of mineralization cannot be determined at this time. Detailed assays and trenching results can be viewed at the Company’s website <http://www.riosilverinc.com/peru.php>. The Company has closed out the open trenches left from the 2012 program as well as fulfilling its community obligations, employing the community members. Further work is subject to the Company’s successful accessing of exploration funding.

In September 2016 the Company acquired 3 concessions from Newmont/Southern Peru Copper Corp. that adjoin to the west of the principal Niñobamba concession. In January 2017 the Company acquired by application, an additional 553 hectare concession immediately west of and adjoining to the Niñobamba property; this concession is pending title confirmation. The acquisition of the 3 concessions acquired in September 2016 included an extensive database with results and reports from a substantial exploration program which also encompassed the 553 hectares acquired by application. The Company is reviewing data that was part of the acquisition and will undertake follow up exploration work as a result of this compilation and the recommendations from this review.

Significant exploration by the previous owners was completed within the new concession that covers extensive alteration believed to be part of the same high-sulphidation silver-gold system identified on the main Niñobamba

## **Rio Silver Inc.**

### **Management's Discussion and Analysis For the nine months ended September 30, 2019**

---

zone located 6.5 kilometres to the east. Four prospective areas were identified by the previous owners of which a zone called Jorimina returned prospective precious metal results.

The Jorimina zone is situated within a collapsed caldera and the rocks are dominantly rhyolite to dacite volcanics. Gold and silver mineralization in the zone is related to north easterly striking, steeply dipping, quartz-galena-pyrite veins and veinlets. Surface work programs completed by Newmont Mining included mapping, 2114 rock samples, and induced polarization geophysics that identified a gold anomalous area of approximately 700 metres by 1000 metres and four strong chargeability anomalies coinciding with gold-silver in rock anomalies. Two of the four chargeability anomalies were defined as 680 metres by 150 metres and 700 metres by 200 metres. Highlights of the surface sampling from channel rock samples from the historic database include 17.4 metres of 3.06 grams per tonne ("g/t") Au and 200 metres of 0.26 g/t Au. The Company has not completed work to verify the results of the historical surface work and diamond drilling.

From 2009 to 2010, Newmont Mining Corp. completed thirteen diamond drill holes totaling 4377 metres at Jorimina testing the 4 chargeability anomalies and limited detailed assays are available from the mineralized drill-hole intercepts in this zone. In highlight from the historic reports available, the better intercept from those holes, show drill-hole JOR-001 returned 72.3 metres of 1.19 grams per tonne ("g/t") Au starting at 53 metre depth. The true widths of mineralization from this drilling are not yet known and the Company is reviewing the historic data in preparation for future work programs.

The Jorimina zone is located 6.5 kilometers west of the main Niñobamba mineralized zones located on the original concessions owned by the Company. Historical diamond drilling results conducted by AngloGold in 2001 on the main Niñobamba zone included DDH-2, which reported assay results of 87 g/t silver over a drilled interval of 130 metres starting from a depth of nine metres, and DDH-4, reporting 54 g/t silver over a drilled interval of 96 metres starting from 23 metres. The true widths of mineralization from this drilling are not yet known.

## **Norsemont II**

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 1,979 hectares located in the Department of La Libertad in Northern Peru, approximately 70 kilometres east of the city of Trujillo. On February 22, 2019 the Company and Norsemont mutually agreed to terminate their efforts to combine the assets of the companies as described in the earlier news release of the Company dated October 24, 2018. Following Rio Silver's due diligence review, the Company found a number of irregularities in the title documentation and other inconsistencies with respect to Norsemont's Cochavara properties in Peru. Despite the parties' efforts to correct them, as the timeframe for resolution is unknown, the parties agreed to release each other from the underlying proposal at this time. In light of the circumstances, both parties determined that it would be in the respective parties' best interests to proceed on independent courses of business. Norsemont has acknowledged the efficient due diligence efforts of the Rio Silver team and will be reimbursing the Company for direct expenses incurred on behalf of Norsemont at its Cochavara properties. The companies will remain in contact over future opportunities.

## **Gerow Lake**

The Company has continued its dialogue with the Ontario Ministry of Northern Development and Mines and the local First Nation representatives in an ongoing effort to access the properties and begin exploration work.

## **Summary**

**Rio Silver Inc.****Management's Discussion and Analysis****For the nine months ended September 30, 2019**

The Company does not presently have sufficient financial resources to complete, by itself, the exploration required to develop its properties to an advanced stage. The exploration and development of the Company's properties will therefore depend upon the Company's ability to obtain financing through private placement financing, public financing, the joint venturing of projects, or other means. There is no assurance that the Company will be successful in obtaining the required financing.

**SELECTED ANNUAL FINANCIAL INFORMATION**

The following is selected data derived from the audited consolidated financial statements of the Company at December 31, 2018, 2017 and 2016.

<b>Years Ended December 31,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Comprehensive loss for the year	290,698	310,721	304,166
Net loss per share-basic and diluted	0.01	0.01	0.01
Total assets	20,586	9,594	9,367

**SELECTED QUARTERLY INFORMATION**

The following table sets out certain financial information for the last eight quarters:

For the quarters	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Total Revenue (\$)	-	-	-	-	-	-	-	-
Comprehensive Loss for the period (\$)	312,016	63,875	69,897	82,982	40,940	99,896	66,880	52,881
	0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00

Basic and diluted loss per share is calculated based on weighted-average number of shares outstanding. Diluted loss per share is the same as basic loss per share as the stock options and warrants outstanding are anti-dilutive.

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

**DISCUSSION OF OPERATIONS**

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
<b>Expenses</b>				
Management fees (Note 4)	\$ 36,000	\$ 21,000	\$ 115,500	\$ 63,000
Exploration and evaluation expenditures (Note 8)	271,319	3,257	298,189	57,237
Professional fees	(225)	7,762	16,100	34,885
Office and administration	4,621	4,645	16,217	24,012
Shareholder information and filing fees	849	7,262	10,619	20,932
Share-based payments	-	-	-	4,567
Rental expenses	3,000	3,000	9,000	9,000
Gain on settlement of debt	-	(8,579)	(16,101)	(8,579)
Exchange (gain)/loss	(3,548)	2,593	(3,736)	2,662
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (312,016)</b>	<b>\$ (40,940)</b>	<b>\$ (445,788)</b>	<b>\$ (207,716)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>42,859,944</b>	<b>40,856,064</b>	<b>42,157,063</b>	<b>38,885,022</b>

*Nine months ended September 30, 2019 compared with nine months ended September 30, 2018*

The comprehensive loss for the nine months ended September 30, 2019 was \$445,788 (\$0.00 per share) compared to a comprehensive loss of \$207,716 (\$0.00 per share) for the same quarter in 2018. Management fees of \$115,000 (\$2018 - \$63,000) are higher than the previous period as a result of a new CEO joining the Company effective March 1, 2019. Exploration and evaluation expenditures of \$ 298,189 (\$57,237) which was due to the Company incurred more expenditures on Niñobamba Peru. Professional fees of \$16,100 (2018 - \$34,885) are lower in the current year period due to less legal fee incurred. Exploration and evaluation expenditures of \$ 298,189 (\$57,237) which was due to the Company incurred more expenditures on Niñobamba Peru. All other expenses are comparable to, or lower than, the prior year period costs.

**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2019, the Company had cash of \$14,890 (December 31, 2018 - \$2,766) and a working capital deficit of \$468,903 (December 31, 2018 – deficit of \$344,618).

On April 18, 2019, the Company settled an aggregate of \$80,503 of indebtedness through the issuance of an aggregate of 1,610,060 common shares at a deemed issuance price of \$0.05 per common share. During the period ended September 30, 2019, the Company received \$10,000 upon the issuance of a promissory note.

In June 2018 the Company completed a private placement financing consisting of 2,000,000 Units at price of \$0.05per Unit for gross proceeds to the Company of \$100,000. Each Unit consisted of one common share of the Company and one common share purchase warrant entitling the holder to acquire one common share of the Company at a price of \$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 in cash were paid in connection with the closing of the financing. Proceeds of the financing were used by the Company to pay the annual concession fees on the Niñobamba concessions, working capital purposes, and meet immediate financial obligations.

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

---

In July 2018, the Company settled an aggregate of \$42,894 of indebtedness owed to certain creditors through the issuance of an aggregate of 857,879 common shares at a deemed issuance price of \$0.05 per common share, of which 497,000 common shares were issued to a related party.

During the year ended December 31, 2018 the Company received proceeds of \$45,000 from the exercise of stock options and \$12,000 from the exercise of warrants. Subsequent to the year-end a total of 200,000 warrants were exercised for total proceeds to the Company of \$12,000.

As at September 30, 2019, the Company's long-term debt consists of \$199,060 payable to Mr. Thomas John Magee, and earned in his capacity as CEO of the Company up to July 12, 2013. Payment to Mr. Magee has been deferred until the Company's working capital position has improved (See Related Parties below). The Company is not subject to external capital requirements. Trade and other payables are short-term and non-interest bearing.

Subsequent to period ended September 30, 2019, the Company closed a non-brokered private placement for gross proceeds of \$576,000.

During the nine months ended September 30, 2019 the Company's average monthly cash burn rate, excluding exploration expenditures, share-based payments, foreign exchange and interest, was approximately \$49,532, compared to approximately \$23,080 per month for the period ended September 30, 2018. The Company expects its monthly burn rate to continue to be at a consistent level going forward due to ongoing monitoring of operating expenses. Due to a lack of available funds the Company has significantly scaled back exploration work on its Niñobamba project. The Company's future exploration programs will be a function of the Company's ability to raise additional capital.

As a junior exploration stage company, Rio Silver has traditionally relied on equity financings and warrant exercises to fund exploration programs and general working capital requirements of a publicly traded junior resource company. The Company will need additional capital in 2019 and 2020 to cover its current working capital requirements and fund further exploration work.

The Company's ability to raise additional funds and its future performance are largely tied to the health of the financial markets and investor interest in the junior resource sector. Financial markets continue to be volatile, and are likely to remain so throughout 2019 and 2020, reflecting ongoing concerns about the stability of the global economy, sovereign debt levels, global growth prospects and many other factors that might impact the Company's ability to raise additional funds.

Although the Company has been successful to date in raising capital to fund project exploration programs and meet working capital requirements, there can be no assurance that adequate or sufficient funding will be available in the future on terms that are acceptable to the Company. These circumstances indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

### **Common shares**

As at the date of this report, the Company has 54,379,944 common shares issued and outstanding.

### **Warrants**

Common share purchase warrants outstanding as at the date of this MD&A are as follows:

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Warrants Outstanding</b>	<b>Exercise Price</b>
January 19, 2017	January 19, 2020	1,050,000	\$0.06
November 7, 2019	May 7, 2021	11,600,000	\$0.07
		<b>12,650,000</b>	<b>\$ 0.07</b>

**Stock options**

Stock options outstanding as at the date of this MD&A are as follows:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Options Outstanding</b>	<b>Exercise Price</b>
May 18, 2018	May 18, 2020	150,000	\$0.05
		<b>150,000</b>	<b>\$ 0.05</b>

**OFF-BALANCE SHEET ARRANGEMENTS**

As of the date of this filing, the Company does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

**RELATED PARTY BALANCES AND TRANSACTIONS**

Related parties include the board of directors, officers, and enterprises that are controlled by these individuals as well as persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

During the nine months ended September 30, 2019 and year December 31, 2018 the Company's related parties consisted of the following officers and directors:

Edward J. Badida	Director
Steven Brunelle	Chairman and Director
Jeffrey Reeder (i)	President and Chief Executive Officer up to February 28, 2019, and Director up to November 7, 2019
Richard Mazur	Director
Christopher Verrico (ii)	President and Chief Executive Officer since March 1, 2019, and Director
Christopher Hopton	Chief Financial Officer Since June 21, 2019
Dan Hamilton	Former Chief Financial Officer up to June 20, 2019

- (i) Mr. Reeder provides services to the Company through Single Jack Research & Exploration Ltd., a private company owned by Mr. Reeder.
- (ii) Mr. Verrico provides services to the Company through Mopass Ventures Ltd., a private company owned by Mr. Verrico.
- (iii) Mr. Christopher Hopton provides services to the Company through Orcas Island Finance Ltd., a private company owned by Mr. Hopton.

- (a) Remuneration of the President and Chief Executive Officer, Chief Financial Officer, and Chairman was as follows:

<b>Nine Months ended</b>	Nine Months ended
--------------------------	-------------------

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

	<b>September 30, 2019</b>	September 30, 2018
<b>Management fees</b>		
Jeffrey Reeder	\$ 4,000	\$ 18,000
Christopher Verrico	75,000	-
Dan Hamilton	15,000	27,000
Steve Brunelle	8,000	18,000
Christopher Hopton	13,500	-
	<b>\$ 115,500</b>	<b>\$ 42,000</b>

- a) Due to related parties includes \$110,425 (December 31, 2018 - \$Nil) payable to a private company owned by the Company's current CEO and earned in his capacity as CEO since March 1, 2019; \$124,000 (December 31, 2018 - \$120,000) payable to the Company's former CFO and earned in his capacity as CFO; \$14,175 (December 31, 2018 - \$Nil) payable to a private company owned by the Company's current CFO and earned in his capacity as CFO since July, 2019; \$48,800 (December 31, 2018 - \$44,000) payable to the Company's Chairman and earned in his capacity as Chairman; and \$16,000 (December 31, 2018 - \$12,000) payable to a private company owned by the individual who was the Company's CEO up to February 28, 2019 and earned in his capacity as CEO.
- b) As at March 31, 2019, a total of \$51,932 (December 31, 2018 - \$36,438) was payable to directors and officers for 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) As at March 31, 2019, an amount of \$199,060 was payable to Mr. John Magee (December 31, 2018 - \$199,060) and earned in his capacity as CEO of the Company up to July 12, 2013. Payment to Mr. Magee has been deferred until the Company's working capital position has improved.
- d) On April 18, 2019, the Company settled an aggregate of \$80,503 of indebtedness through the issuance of an aggregate of 1,610,060 common shares at a deemed issuance price of \$0.05 per common share, of which 896,460 common shares were issued to related parties.
- e) On June 1, 2018, the Company completed a non-brokered private placement financing of 2,000,000 units for gross proceeds of \$100,000. Related parties acquired a total of 500,000 units.

**PROPOSED TRANSACTION**

The Company is pursuing a property acquisition that it hopes to gain title to in the 4th Quarter. Subject to success, such acquisition will be announced.

**SUBSEQUENT EVENTS**

Subsequent to period ended September 30, 2019, the Company closed a non-brokered private placement (the "Financing") for gross proceeds of \$576,000.

Upon the completion of the Financing, the Company issued 11,520,000 units (the "Units") at a price of \$0.05 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one additional common share of the Company at a price of \$0.07 per share until May 7, 2021, unless the closing price of the common shares of the Company is \$0.15 or higher for fifteen (15) consecutive trading days any time after the date that is four months and a day after issue, in which case the Warrants

## **Rio Silver Inc.**

### **Management's Discussion and Analysis For the nine months ended September 30, 2019**

---

will expire thirty (30) calendar days after notice to Warrant holders announcing an earlier expiry date (the "Accelerated Expiry").

The Company paid finders' fees of \$4,000 in cash and issued 80,000 finder warrants, with each such finder warrant entitling the holder thereof to acquire one common share of the Company at a price of \$0.07 per share until May 7, 2021, subject to the Accelerated Expiry.

## **DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present all material respects the financial condition, results of the operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuer and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

### ***Critical accounting estimates:***

Significant assumptions about the future, that management has made, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable that are included in the consolidated statements of financial position;
- the recoverability of exploration and evaluation expenditures incurred on the Company's property interests;
- the inputs used in accounting for share based payment transactions;
- management applied judgment in determining the functional currency of the Company as Canadian Dollars;

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

---

- management assumption of no material restoration, rehabilitation and environmental obligation based on the facts and circumstances that existed during the period; and
- management's position that there are no income tax considerations required within the consolidated financial statements.

***Critical accounting judgments:***

The categorization of financial assets and liabilities is an accounting policy that requires management to make judgments or assessments.

**CHANGES IN ACCOUNTING POLICIES**

***Adoption of New Standards***

The Company has adopted the following new standard effective January 1, 2019.

***IFRS 16 Leases***

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

There was no material impact on the Company's condensed interim consolidated financial statements upon adoption of this standard.

***Recent Accounting Pronouncements***

Certain pronouncements have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2020. Some are not applicable or do not have a significant impact to the Corporation and have been excluded from the discussion below.

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

***IFRS 10 Consolidated Financial Statements***

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

---

The adoption of these amendments will not have a material impact on the Company's consolidated financial statements.

## **CAPITAL MANAGEMENT**

The capital structure of the Company as at September 30, 2019 consists of equity attributable to common shareholders and includes share capital of \$11,371,304 (December 31, 2018 - \$11,278,801), Share subscription received in advance of \$229,000 (December 31, 2018-\$nil), warrant reserve of \$98,759 (December 31, 2018 - \$98,759), contributed surplus of \$3,163,749 (December 31, 2018 - \$3,163,749), and deficit of \$15,530,775 (December 31, 2018 - \$15,084,987).

When managing capital, the Company's objective is to ensure that the Company continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2019. The Company is not subject to externally imposed capital requirements.

## **FINANCIAL RISK FACTORS**

### *Fair value*

As at September 30, 2019, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the short-term nature of the instruments.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a reputable Canadian chartered bank, for which management believes the risk of loss to be minimal.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash available to meet liabilities when they become due and payable. As at September 30, 2019, the Company had cash of \$14,890 (December 31, 2018 - \$2,766) to settle current liabilities of \$505,548 (December 31, 2018 - \$365,204). All of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms with the exception of \$199,060 (December 31, 2018 - \$199,060) payable to an individual who was a related party at the time of the transaction, which has been deferred until the Company's working capital position has improved.

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

---

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and liquidity

*Foreign exchange risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency, including all subsidiaries, is the Canadian dollar. Some of the operational and other expenses incurred outside of Canada are paid in US dollars or Peruvian Nuevo sol. All assets and liabilities of the Company are recorded in Canadian dollars and as a result, fluctuations in the US dollar or Peruvian Nuevo sol vis-à-vis the Canadian dollar result in foreign exchange gains/losses. The Company currently has no plans for hedging its foreign currency transactions.

Account	Foreign Currency	Exposure (\$Cdn)
Cash	United States dollar	10,586
Accounts receivable	Peruvian new sol	13,486
Trade payables	Peruvian new sol	27,581

*Commodity and equity price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base and precious metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

**OUTLOOK**

The capital markets for resource companies, and particularly for those in the junior space, continue to suffer from the continued slowdown in commodity consumption making the environment for financing early stage exploration projects challenging. (See Liquidity and Capital Resources above).

Management is confident about the prospects for its principal projects and believes it is prudent to continue to move them forward, subject to adequate financing being available, through well managed and modest cost exploration programs.

See section titled "Mineral Exploration Expenditures and Activities" for the Company's plans to develop its exploration properties. There is no guarantee that the Company will discover a viable mineral deposit.

**COMMITMENTS AND CONTINGENCIES**

The Company has no contingent assets or liabilities.

Under the terms of an operating lease agreement for office space the Company has annual lease payments of \$12,000 expiring on August 30, 2019. As at September 30, 2019 there are lease payments of \$nil remaining on this lease obligation.

**RISKS AND UNCERTAINTIES**

## **Rio Silver Inc.**

### **Management's Discussion and Analysis For the nine months ended September 30, 2019**

---

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential successes lie in its ability to develop, exploit and generate revenue out of mineral deposits. Revenues, profitability and cash flow from any future mining operations involving the Company will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Company's control.

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its exploration projects, or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company, with the possible dilution or loss of such interests.

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations of metal prices, the proximity and capacity of milling facilities, mineral markets, processing reagents and equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environment protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

In addition to the risks noted above and under the "Financial Risks" section, special consideration should be given when evaluating trends, risks and uncertainties relating to the Company's business. Information concerning risks specific to the Company and its industry, which are required to be included in this MD&A are incorporated by reference to the Company's MD&A for the year ended December 31, 2018.

#### **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain statements contained in the sections "Overview - Mineral Exploration Expenditures and Activities", "Liquidity and Capital Resources" and "Outlook" of this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may also be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if and when a project is actually developed. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

**Rio Silver Inc.**  
**Management's Discussion and Analysis**  
**For the nine months ended September 30, 2019**

---

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of precious metals;
- the availability of financing for the Company's development project on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- market competition;
- the accuracy of our resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based; and/or
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity prices, access to skilled mining development and mill production personnel, results of exploration and development activities, the Company's limited experience with production and development stage mining operations, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors incorporated by reference herein. See "Risk Factors". The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, these forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.