Rio Silver Inc.
Audited Consolidated Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

The accompanying audited annual consolidated financial statements of Rio Silver Inc. [the "Company"] are the responsibility of the management and Board of Directors of the Company.

The audited annual consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the audited annual consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the audited annual consolidated financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the audited annual consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibility. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the audited annual consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited annual consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) *“Chris Verrico”*
Chris Verrico
President and Chief Executive Officer

(signed) *“Daniel Hamilton”*
Daniel Hamilton
Chief Financial Officer

Toronto, Canada
April 24, 2019

Independent Auditor's Report

To the Shareholders of Rio Silver Inc.:

Opinion

We have audited the consolidated financial statements of Rio Silver Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company had a working capital deficit of $344,618 and an accumulated deficit of $15,084,987 as at December 31, 2018. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 24, 2019 — Licensed Public Accountants

MNP

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

	December 31, 2018 $	December 31, 2017 $
ASSETS		
Current assets		
Cash	**2,766**	3,802
Accounts receivable	**13,855**	-
Government taxes recoverable (Note 7)	**2,512**	4,400
Prepaid expenses and other assets	**1,453**	1,392
	20,586	9,594
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	**152,766**	109,296
Due to related parties (Note 8)	**212,438**	344,970
Total current liabilities	**365,204**	454,266
Long-term liability (Note 9)	**199,060**	-
Shareholders' Equity (Deficiency)		
Share capital (Note 10)	**11,278,801**	11,087,529
Warrants (Note 10)	**98,759**	70,087
Contributed surplus	**3,163,749**	3,192,001
Accumulated deficit	**(15,084,987)**	(14,794,289)
	(543,678)	(444,672)
	20,586	9,594

GOING CONCERN (Note 2)

COMMITMENT (Note 14)

SUBSEQUENT EVENTS (Note 16)

Approved on behalf of the Board: ***"Chris Verrico"*** ***"Edward J. Badida"***

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

Rio Silver Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Years ended December 30, 2018 $	2017 $
Expenses		
Management fees (Note 8)	**84,000**	84,000
Exploration and evaluation expenditures (Note 12)	**72,907**	31,623
Professional fees	**60,000**	55,082
Office and administration	**41,034**	42,867
Shareholder information and filing fees	**21,300**	19,113
Rent	**12,000**	12,000
Foreign exchange loss	**3,469**	1,538
Gain on settlement of debt (Note 10 (b) (vi))	**(8,579)**	-
Share-based payments (Note 11)	**4,567**	64,051
Interest expense	**-**	447
Comprehensive Loss	**290,698**	310,721
Comprehensive loss per share, basic and diluted	**$ 0.01**	$ 0.01
Weighted average number of common shares, basic and diluted	**39,479,540**	35,574,609

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

Rio Silver Inc.

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Share Capital					
	Number of shares	Amount $	Warrants $	Contributed Surplus $	Deficit $	Total $
Balance, December 31, 2016	29,349,002	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
Shares issued for cash - exercise of options	700,000	58,100	-	(23,100)	-	35,000
Share issuance costs	-	(4,003)	-	-	-	(4,003)
Share-based payments	-	-	-	64,051	-	64,051
Comprehensive loss	-	-	-	-	(310,721)	(310,721)
Balance, December 31, 2017	37,092,005	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	-	-	-	-	(290,698)	(290,698)
Balance, December 31, 2018	41,049,884	11,278,801	98,759	3,163,749	(15,084,987)	(543,678)

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

Rio Silver Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended December 31,	
	2018	2017
	$	$
OPERATING ACTIVITIES		
Comprehensive loss	**(290,698)**	(310,721)
Items not affecting cash:		
Gain on settlement of debt	**(8,579)**	-
Share-based payments	**4,567**	64,051
Interest payable on promissory notes	**-**	447
Changes in non cash working capital items:		
Accounts receivable	**(13,855)**	-
Government taxes recoverable	**1,888**	569
Prepaid expenses & other assets	**(61)**	45
Trade and other payables	**43,470**	(7,269)
Due to related parties	**109,422**	(23,558)
Promissory notes and interest payable	**-**	(17,053)
Cash used in operating activities	**(153,846)**	(293,489)
FINANCING ACTIVITIES		
Shares and warrants issued for cash	**100,000**	75,000
Shares issued for cash - exercise of options	**45,000**	35,000
Issue costs	**(4,190)**	(4,003)
Shares issued for cash - exercise of warrants	**12,000**	188,333
Cash generated by financing activities	**152,810**	294,330
Increase (decrease) in cash during the year	**(1,036)**	841
Cash, beginning of year	**3,802**	2,961
Cash, end of year	**2,766**	3,802
Non-cash items		
Shares issued on settlement of debt	**34,315**	244,774

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

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. 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 business of mining and exploration involves a high degree of risk and there can be no assurances that the Company’s exploration programs will result in profitable mining operations. Until it is determined that a property contains mineral reserves or resources that can be economically mined, it is classified as an exploration property. The Company’s continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, and making the required payments pursuant to mineral property option agreements.

The Company has raised funds throughout the prior fiscal years and has utilized these funds for working capital and capital expenditures requirements. 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 the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

These 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. 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 consolidated financial statements. Accordingly, these 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.

At December 31, 2018, the Company had no revenues, had a working capital deficit of $344,618 (December 31, 2017 – working capital deficit of $444,672), had not achieved profitable operations, had an accumulated deficit of $15,084,987 (December 31, 2017 - $14,794,289) and expects to incur further losses in the development of its business, all of which casts significant 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.

3. Summary of Significant Accounting Policies

a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the years ended December 31, 2018 and 2017.

These consolidated financial statements were approved by the Board of Directors for issue on April 24, 2019.

b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Basis of Consolidation

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

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

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

d) Functional currency and foreign operation

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per IAS 21 – Foreign exchange and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The parent and subsidiaries' functional currency is the Canadian dollar for operations in both Peru and Canada. The consolidated financial statements are presented in Canadian dollars, which is the parent and subsidiaries' presentation currency.

3. Summary of Significant Accounting Policies (continued)

e) Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Financial assets:

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at fair value through profit or loss (“FVTPL”)

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss.

Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest". The Company’s cash and accounts receivable are classified as financial assets measured at amortized cost.

Financial liabilities:

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company’s trade and other payables, due to related parties and long-term liability do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

3. Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

Financial liabilities recorded fair value through profit or loss ("FVTPL")

Financial liabilities are classified as fair value through profit or loss if they fall into one of the five exemptions detailed above.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Long-term liabilities	Other financial liabilities	Amortized cost

f) Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include property option payments and other property acquisition and preservation costs and exploration and evaluation activities. The Company records property option payments and government assistance received on account of exploration and evaluation activities on a net basis against expenditures.

g) Share-based payment transactions

The fair value of share options granted to Directors, Officers, employees, and consultants is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Share-based payments incorporates an expected forfeiture rate.

3. Summary of Significant Accounting Policies (continued)

h) Fair value of the warrants issued with common shares

Proceeds from unit placements are allocated between common shares and warrants issued using the residual method. The proceeds are first attributed to the warrants according to the fair market value at the time of issuance with the residual amount allocated to the common shares. The Company uses the Black-Scholes pricing model to determine the fair value of the warrants issued.

i) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

j) Loss per share and comprehensive loss per share

Loss per share is based on the weighted average number of common shares outstanding for the year. In a year when the Company reports a loss and comprehensive loss, the effect of potential issuances of shares under options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive loss per share are the same.

k) Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period.

Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain for the valuation of warrants and options. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Summary of Significant Accounting Policies (continued)

l) Recent accounting pronouncements 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 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 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 is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company has determined that the implementation of this standard will not have a material impact on its consolidated financial statements.

4. Capital Management

The capital structure of the Company consists of equity attributable to common shareholders and includes share capital of $11,278,801 (December 31, 2017 - $11,087,529), warrants of $98,759 (December 31, 2017 - $70,087), contributed surplus of $3,163,749 (December 31, 2017 - $3,192,001), and deficit of $15,084,987 (December 31, 2017 - $14,794,289).

When managing capital, the Company's objective is to ensure continuance 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 (see note 2). 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 year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

5. Financial Instruments Risk Factors

Fair value

As at December 31, 2018, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the short-term or demand nature of the instruments.

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

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash. Cash is held with a reputable Canadian chartered bank, from which management believes the risk of credit 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 December 31, 2018, the Company had cash of $2,766 (December 31, 2017 - $3,802) to settle current liabilities of $365,204 (December 31, 2017 - $454,266) (see note 2). 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, 2017 - $199,060) payable to a related party (Note 9). This amount is not expected to be paid until the Company's working capital position has improved.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as, foreign currencies and commodity and equity prices.

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, and that of all its 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. The following foreign denominated amounts are included in the consolidated statements of financial position at December 31, 2018:

Account	Foreign Currency	Exposure ($Cdn)
Cash	United States dollar	1,140
Accounts receivable	Peruvian Nuevo Sol	13,856
Trade payables	Peruvian Nuevo Sol	24,877

5. Financial Instruments Risk Factors (continued)

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.

6. Categories of Financial Instruments

The Company's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash	FVTPL
Accounts receivable	Amortized Cost

Financial liabilities:	**Classification:**
Trade and other payables	Amortized Cost
Due to related parties	Amortized Cost
Long-term liability	Amortized Cost

As of December 31, 2018 and December 31, 2017, the Company's sole financial instrument carried at fair value, being cash, was recorded at level 1 in the fair value hierarchy.

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities, amounts payable for financing activities and payroll liabilities.

7. Government Taxes Recoverable

Government taxes recoverable consists 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 December 31, 2018, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables.

(Expressed in Canadian dollars unless otherwise noted)

8. 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:

	Year ended December 31,	
	2018	2017
	$	$
Management fees	**84,000**	84,000

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 year:

(a) Due to related parties includes $12,000 (December 31, 2017 - $20,000) payable to a private company owned by the Company's current CEO and earned in his capacity as CEO; $120,000 (December 31, 2017 - $84,000) payable to the Company's current CFO and earned in his capacity as CFO; and $44,000 (December 31, 2017 - $20,000) payable to the Company's Chairman and earned in his capacity as Chairman.

(b) Due to related parties includes $36,438 (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) 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 10(b)(v)). Related parties acquired a total of 500,000 units.

9. Long-term liability

Long-term liability consists of $199,060 (December 31, 2017 - $199,060) payable to the Company's former CEO and earned in his capacity as CEO of the Company up to July 12, 2013. Payment to the Company's former CEO has been deferred until the Company's working capital position has improved.

10. 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.

(Expressed in Canadian dollars unless otherwise noted)

10. Share Capital and Reserves (continued)

(b) Common Shares Issued and Outstanding

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

	Number of shares	Issue Price $	Amount $
Balance, December 31, 2016	29,349,002		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
Exercise of options (iv)	700,000	0.050	58,100
Balance, December 31, 2017	37,092,005		11,087,529
Share issuance (v)	2,000,000	0.050	100,000
Share issuance costs (v)			(4,190)
Allocation to warrant reserve (v)			(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 (vii)			2,607
Exercise of options (viii)	900,000	0.050	45,000
Allocation from contributed surplus			32,819
Balance, December 31, 2018	41,049,884		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 10(c)).

(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.

(Expressed in Canadian dollars unless otherwise noted)

10. Share Capital and Reserves (continued)

(b) Common Shares Issued and Outstanding (continued)

(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 10(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. The Company recorded a gain on settlement of debt of $8,579 in the consolidated statement of comprehensive loss for the year ended December 31, 2018.

(vii) During the year ended December 31, 2018, there were 200,000 warrants exercised at $0.06 per share for gross proceeds of $12,000.

(viii) During the year ended December 31, 2018, there were 900,000 options exercised at $0.05 per share for gross proceeds of $45,000.

(c) Warrants

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

	Year ended December 31, 2018		Year ended December 31, 2017	
	Number	**Weighted average exercise price ($)**	**Number**	Weighted average exercise price ($)
Balance, beginning of the 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 the year	**4,550,000**	**0.057**	2,750,000	0.055

(Expressed in Canadian dollars unless otherwise noted)

10. Share Capital and Reserves (continued)

(c) Warrants (continued)

The following warrants are outstanding as at December 31, 2018:

Expiry Date	Number of warrants outstanding	Exercise price ($)	Weighted average remaining contractual life (years)
June 1, 2019	1,800,000	0.060	0.42
August 23, 2019	1,500,000	0.050	0.64
January 19, 2020	1,250,000	0.060	1.05
	4,550,000	0.057	0.67

During the year ended December 31, 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.

11. 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 December 31, 2018, the Company had 3,554,988 stock options available for issuance (December 31, 2017 – 1,849,201).

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

	Year ended December 31, 2018		Year ended December 31, 2017	
	Number	**Weighted average exercise price ($)**	Number	Weighted average exercise price ($)
Options outstanding, beginning of the year	**1,860,000**	**0.29**	1,220,000	0.29
Granted	**150,000**	**0.05**	1,700,000	0.05
Exercised	**(900,000)**	**0.05**	(700,000)	0.05
Expired	**(560,000)**	**0.09**	(360,000)	0.50
Options outstanding, end of the year	**550,000**	**0.05**	1,860,000	0.29
Options exercisable, end of the year	**550,000**	**0.05**	1,860,000	0.29

(Expressed in Canadian dollars unless otherwise noted)

11. Stock options (continued)

The following table summarizes information about the common stock options outstanding and exercisable at December 31, 2018:

Expiry Date	Number Outstanding	Exercise Price ($)	Number of options exercisable	Weighted Average Remaining Contractual Life (years)
August 9, 2019	400,000	0.05	400,000	0.61
May 18, 2020	150,000	0.05	150,000	1.38
	550,000	0.05	550,000	0.82

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:

	2018	2017
Risk-free interest rate	**1.9%**	1%
Expected life (years)	**2.0**	2.0
Expected volatility	**119%**	164%
Expected rate of forfeiture	**nil**	nil
Expected dividend yield	**nil**	nil

12. 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, Peru	Gerow Lake	Total
Balance, December 31, 2016	$ 2,971,217	$ 876,633	$ 3,847,850
Expenditures	31,623	-	31,623
Balance, December 31, 2017	$ 3,002,840	$ 876,633	$ 3,879,473
Acquisition costs and annual fees	41,517	-	41,517
Expenditures	31,390	-	31,390
Balance, December 31, 2018	$ 3,075,747	$ 876,633	$ 3,952,380

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 10). Effective December 31, 2017, the Company and Magellan mutually agreed to terminate the Agreement.

(Expressed in Canadian dollars unless otherwise noted)

12. Exploration and Evaluation Expenditures (continued)

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 ("NSR"). 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% NSR applicable to 40% of the revenue generated from 14 of the 36 mineral claims (the Company having the right to purchase 1% of the NSR for $1,000,000) and, a 2% NSR on 100% of the claims (the Company having the right to purchase the NSR for $200,000).

On October 24, 2018, the Company signed a non-binding Letter of Intent ("LOI") to acquire Norsemont II Resources Corp. ("Norsemont"), a private Ontario based company that holds a 100% interest in the Cochavara Silver-Lead-Zinc project in Northern Peru. Subsequent to December 31, 2018 the Company terminated its agreement with Norsemont (see Note 16).

13. Segmented Information

	Year ended December 31 2018 $	Year ended December 31 2017 $
Consolidated net loss (income)		
Canada	**217,791**	279,098
Peru	**72,907**	31,623
	290,698	310,721

	December 31, 2018 $	December 31, 2017 $
Identifiable assets		
Canada	**4,137**	9,388
Peru	**16,449**	206
	20,586	9,594

14. Commitment

Operating lease

The Company is party to an operating lease agreement for office space with annual lease payments of approximately $8,000, expiring on August 31, 2019.

(Expressed in Canadian dollars unless otherwise noted)

15. Income Taxes

Income tax expense

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 – 26.5%) to the effective tax rate is as follows:

	2018	2017
	$	$
Net Loss before recovery of income taxes	**(290,698)**	(310,721)
Expected income tax recovery	**(77,190)**	(82,340)
Difference in foreign tax rates	**-**	(600)
Tax rate changes and other adjustments	**1,450**	45,650
Permanent differences	**3,470**	(17,510)
Prior period true-up	**(141,980)**	-
Items recorded through equity	**7,980**	-
Change in tax benefits not recognized	**206,270**	54,800
Income tax expense (recovery) expense	**-**	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
	$	$
Mineral properties	**5,897,290**	5,903,310
Non-capital losses carried forward	**4,314,200**	3,590,317
Unpaid amounts	**375,060**	323,060
Share issuance costs	**6,990**	6,460

Peruvian losses of approximately $2,214,000 may be carried forward indefinitely but may only be applied against 50% of taxable income in each subsequent year. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

(Expressed in Canadian dollars unless otherwise noted)

15. Income Taxes (continued)

The Company's Canadian non-capital income tax losses expire as follows:

	Total $
2025	**178,040**
2026	**373,170**
2027	**266,650**
2028	**313,880**
2030	**57,070**
2031	**219,120**
2032	**46,250**
2035	**220,660**
2036	**251,750**
2037	**21,090**
2038	**152,140**
	2,099,800

16. Subsequent Events

Effective February 20, 2019, the Company and Norsemont mutually agreed to terminate their efforts to combine the assets of the companies.

Subsequent to the year-end a total of 200,000 warrants were exercised for total proceeds to the Company of $12,000.

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 non-arm's length creditors.