



Rio Silver Inc.
Condensed Interim Consolidated Financial Statements
For the Three Month Period Ended
March 31, 2018
(Expressed in Canadian dollars)

Notice to Shareholders of Rio Silver Inc.

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

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

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

Toronto, Canada
May 18th, 2018

Rio Silver Inc.
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at

	March 31, 2018 \$	December 31, 2017 \$
ASSETS		
Current assets		
Cash	641	3,802
Government taxes recoverable (Note 3)	5,110	4,400
Prepaid expenses and other assets	2,378	1,392
	8,129	9,594
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	120,919	109,296
Due to related parties (Note 4)	363,762	344,970
	484,681	454,266
Shareholders' Equity (Deficiency)		
Share capital (Note 5)	11,147,812	11,087,529
Warrants (Note 5)	70,087	70,087
Contributed surplus	3,166,718	3,192,001
Accumulated deficit	(14,861,169)	(14,794,289)
	(476,552)	(444,672)
	8,129	9,594

GOING CONCERN (Note 2)

COMMITMENT (Note 8)

SUBSEQUENT EVENTS (Note 9)

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

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

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

	Three months ended	
	March 31,	
	2018	2017
	\$	\$
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Expenses		
Management fees (Note 4)	21,000	21,000
Exploration and evaluation expense (Note 7)	12,156	18,756
Office and administration	11,744	10,103
Shareholder information and filing fees	12,971	11,899
Professional fees	6,250	19,972
Rent	3,000	3,000
Interest expense	-	447
Foreign exchange (gain) loss	(241)	1,667
Comprehensive Loss	66,880	86,844
Comprehensive loss per share, basic and diluted	0.00	0.00
Weighted average number of common shares	37,277,561	33,177,381

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			Contributed Surplus \$	Deficit \$	Total \$
	Number of shares	Amount \$	Warrants \$			
Balance, December 31, 2016	29,349,003	10,499,486	95,926	3,151,050	(14,483,568)	(737,106)
Shares issued for cash	1,250,000	40,705	34,295	-	-	75,000
Shares-issued for cash - exercise of warrants	2,733,334	248,467	(60,134)	-	-	188,333
Shares issued for settlement of debt	3,059,669	244,774	-	-	-	244,774
Share issuance costs	-	(4,003)	-	-	-	(4,003)
Comprehensive loss	-	-	-	-	(86,844)	(86,844)
Balance, March 31, 2017	36,392,006	11,029,429	70,087	3,151,050	(14,570,412)	(319,846)
Shares issued for cash	-	-	-	-	-	-
Shares-issued for cash - exercise of warrants	-	-	-	-	-	-
Shares issued for cash - exercise of options	700,000	58,100	-	(23,100)	-	35,000
Share-based payments	-	-	-	64,051	-	64,051
Comprehensive loss	-	-	-	-	(223,877)	(223,877)
Balance, December 31, 2017	37,092,006	11,087,529	70,087	3,192,001	(14,794,289)	(444,672)
Shares issued for cash - exercise of options	700,000	60,283	-	(25,283)	-	35,000
Comprehensive loss	-	-	-	-	(66,880)	(66,880)
Balance, March 31, 2018	37,792,006	11,147,812	70,087	3,166,718	(14,861,169)	(476,552)

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

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

	Three months ended March 31,	
	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Comprehensive loss	(66,880)	(86,844)
Items not affecting cash:		
Shares issued as settlement for debt	-	228,168
Changes in non cash working capital items:		
Government taxes recoverable	(710)	(21,094)
Prepaid expenses & other assets	(986)	(2,036)
Trade and other payable	11,623	(165,425)
Promissory notes and interest payable	-	-
Due to related parties	18,792	(184,822)
Cash used in operating activities	(38,161)	(232,053)
FINANCING ACTIVITIES		
Shares issued for cash - exercise of options	35,000	-
Shares issued for cash - exercise of warrants	-	188,333
Shares and warrants issued for cash	-	75,000
Issue costs	-	(1,148)
Cash generated by financing activities	35,000	262,185
Increase (Decrease) in cash during the year	(3,161)	30,132
Cash, beginning of year	3,802	2,961
Cash, end of period	641	33,093

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

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

1. Reporting entity

Rio Silver Inc. (the “Company” or “Rio Silver”) is listed on the TSX Venture Exchange under the symbol “RYO”. It is incorporated in Canada under the Canada Business Corporations Act. The Company’s corporate office and principal place of business is 40 University Avenue, Suite 603, Toronto, Canada M5J 1T1. The Company’s principal business activity is the acquisition, evaluation and development of mineral properties in the Americas.

2. Basis of Preparation and Summary of Significant Accounting Policies

These condensed interim consolidated financial statements for the three month period ended March 31, 2018 have been prepared in accordance with IAS34 Interim Financial Reporting.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s 2016 annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s 2017 annual consolidated financial statements.

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 were reviewed by the Audit Committee and approved and authorized for issued by the Board of Directors on May 18, 2018.

a) Going Concern

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

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

At March 31, 2018, the Company had no revenues, had a working capital deficit of \$476,552 (December 31, 2017 – working capital deficit of \$444,672) had not achieved profitable operations, had accumulated deficit of \$14,861,189 (December 31, 2017 - \$14,749,289) and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company’s ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

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

a) Going Concern (continued)

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

b) Basis of Consolidation

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

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

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

c) Standards, Amendments and Interpretations Not Yet Effective

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

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

IFRS 16 Leases

IFRS 16 was issued by the IASB in January 2016 and will replace IAS 17, Leases. This standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Adoption of IFRS16 is mandatory and will be effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

d) Significant Accounting Judgements and Estimates

Areas of critical accounting estimates and judgements that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are disclosed in Note 3 of the Company's consolidated financial statement as at and for the year ended December 31, 2017.

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

3. Government Taxes Recoverable

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

At March 31, 2018, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables.

4. Related Party Transactions, Balances, and Key Management Remuneration

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

	Three months ended March 31,	
	2017	2016
	\$	\$
Management fees	21,000	21,000
	21,000	21,000

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 \$26,000 (December 31, 2017 - \$20,000) payable to a private company owned by the Company's current CEO and earned in his capacity as CEO; \$93,000 (December 31, 2016 - \$84,000) payable to the Company's current CFO and earned in his capacity as CFO; and \$26,000 (December 31, 2016 - \$20,000) payable to the Company's Chairman and earned in his capacity as Chairman.
- (b) Due to related parties includes \$19,702 (December 31, 2017 - \$21,910) payable to current directors and officers and a former officer for services provided and reimbursable expenses incurred on behalf of the Company in the normal course of business. These amounts are unsecured, non-interest bearing and without fixed repayment terms.
- (c) Due to related parties includes \$199,060 (December 31, 2016 - \$199,060) payable to the Company's former Co-Chairman earned in his capacity as CEO of the Company up to July 12, 2013. Payment to the Company's former Co-Chairman has been deferred until the Company's working capital position has improved.

5. Share Capital and Reserves

(a) Authorized

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

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

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

5. 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	29,349,003		10,499,486
Share issuance (i)	1,250,000	0.060	75,000
Allocation to warrant reserve			(34,295)
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
Share issuance costs	-		(4,003)
Balance, March 31, 2017	36,392,006		11,029,429
Exercise of options (iv)	700,000	0.050	58,100
Balance, December 31, 2017	37,092,006		11,087,529
Exercise of options (v)	700,000	0.050	60,283
Balance, March 31, 2018	37,792,006		11,147,812

- (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.
- (v) In January 2018 there were 100,000 options exercised at \$0.05 per share for gross proceeds of \$5,000, and in March 2018 there were 600,000 options exercised at \$0.05 per share for gross proceeds of \$30,000.

Rio Silver Inc.
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Three Months ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

5. Share Capital and Reserves (continued)

(c) Warrants

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

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

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

Expiry Date	Number of warrants outstanding	Exercise price (\$)	Weighted average remaining contractual life (years)
August 23, 2019	1,500,000	0.050	1.40
January 19, 2020	1,250,000	0.060	1.81
	2,750,000	0.055	1.58

During the three months ended March 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.

6. Stock Options

The Company has adopted an incentive stock option plan for employees, consultants, officers and directors. The number of common shares reserved for issue under the stock option plan may not exceed 10% of the number of issued and outstanding common shares of the Company at any given time. The term of options granted under the stock option plan may not exceed ten years from the date of the grant. The Board of Directors will determine the vesting period within the exercisable term and options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than ¼ of such options vesting in any 3-month period. The option exercise price, also determined by the Board of Directors of the Company, may not be less than the lower of: the market price for the common shares at the grant date and \$0.05.

As at March 31, 2018, the Company had 2,949,200 stock options available for issuance (December 31, 2016 – 1,714,900).

Rio Silver Inc.
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Three Months ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

6. Stock Options (continued)

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

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Options outstanding, beginning of year	1,860,000	0.29	1,220,000	0.29
Granted	-	0.05	1,700,000	0.05
Exercised	(700,000)	0.05	(700,000)	0.05
Expired	(400,000)	0.50	(360,000)	0.50
Options outstanding, end of year	760,000	0.07	1,860,000	0.29
Options exercisable, end of year	760,000	0.07	1,860,000	0.29

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

Expiry Date	Number Outstanding	Exercise Price (\$)	Number of options exercisable	Weighted Average Remaining Contractual Life (years)
June 26, 2019	60,000	0.25	60,000	1.24
August 9, 2019	700,000	0.05	1,300,000	1.39
	760,000	0.07	1,360,000	1.38

7. Exploration and Evaluation Expenditures

The principal Niñobamba concession is located in the Department of Ayacucho, Peru and is owned 100% by the Company's wholly owned Peruvian subsidiary, Minera Rio Plata S.A.C., and is not subject to any royalties or exploration expenditures commitments.

Accumulated costs/expenditures	Niñobamba,		Total
	Peru	Gerow Lake	
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	3,984	-	3,984
Expenditures	8,172	-	8,172
Balance, March 31, 2018	\$ 3,014,996	\$ 876,633	\$ 3,891,629

Rio Silver Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months ended March 31, 2018

(Expressed in Canadian dollars unless otherwise noted)

7. Exploration and Evaluation Expenditures (continued)

On October 24, 2016, the Company and Magellan Gold Corporation (“Magellan”) signed a Definitive Agreement (the “Agreement”) whereby Magellan has an option (the “Option”) to earn an undivided 50% interest in the Niñobamba Project (the “Project”). Pursuant to the Agreement, in order to exercise the Option, Magellan must spend US\$2 million over the next 3 years on qualifying exploration expenditures. Additionally, Magellan is 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.

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

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

8. Commitment

Operating lease

The Company is party to an operating lease agreement for office space with annual lease payments of approximately \$12,000, expiring on April 30, 2019.

9. Subsequent Events

No material subsequent events have occurred since March 31, 2018.