



Rio Silver Inc.
Condensed Interim Consolidated Financial Statements
For the Six Months Ended
June 30, 2023 and 2022
(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.

RIO SILVER INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	June 30, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash	\$ 204,844	\$ 11,917
Government taxes receivable	7,931	2,935
Prepaid expense	21,859	22,385
	\$ 234,634	\$ 37,237
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 641,545	\$ 563,647
Promissory note (Note 9)	-	13,248
Due to related parties (Note 6)	89,386	89,386
	730,931	666,281
Convertible debentures (Note 10)	111,217	166,467
Convertible debentures - Derivative liabilities (Note 10)	11,996	37,345
	854,143	870,093
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 7)	13,339,440	13,064,420
Share to be issued	41,000	-
Contributed surplus (Note 7)	3,992,344	3,827,364
Accumulated deficit	(17,992,294)	(17,724,640)
	(619,510)	(832,856)
	\$ 234,634	\$ 37,237

NATURE OF OPERATION (Note 1)
BASIS OF PRESENTATION AND GOING CONCERN (Note 2)
SUBSEQUENT EVENTS (Note 14)

APPROVED ON BEHALF THE BOARD:

"Chris Verrico" Director
Chris Verrico

"Edward J. Badida" Director
Edward J. Badida

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

RIO SILVER INC.
Condensed Interim Consolidated Statements of Comprehensive Loss

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Expenses				
Consulting fees	\$ 1,000	\$ 5,000	\$ 1,000	\$ 10,000
Exchange loss	50,355	(46,108)	22,390	(75,903)
Exploration and evaluation expenditures (Note 8)	6,893	79,696	10,273	162,405
Filling fees	3,575	9,300	11,257	11,809
Management fees (Note 6)	22,500	22,500	45,000	45,000
Office and administration	9,698	7,778	13,513	15,960
Professional fees	101,003	42,735	114,503	56,235
Rent	1,800	1,500	3,600	2,500
Stock based compensation	-	21,896	-	205,878
	\$ (196,824)	(144,296)	(221,536)	(433,884)
Other income				
Gain or loss on fair value of derivative liability (Note 10)	80,013	-	25,350	-
Interest expenses	(54,506)	-	(71,468)	-
	25,507		(46,118)	-
Loss for the year before income taxes	\$ (171,317)	\$ (144,296)	\$ (267,654)	\$ (433,884)
Net loss and comprehensive loss for the period	\$ (171,317)	\$ (144,296)	\$ (267,654)	\$ (433,884)
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares-basic and diluted	76,475,613	61,198,759	75,465,838	71,805,666

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RIO SILVER INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)
(Expressed in Canadian dollars, except share number)

	Issued Common Shares		Share subscription Received	Contributed Surplus	Accumulated Deficit	Total Equity (Deficit)
	Number	Amount				
		\$		\$	\$	\$
BALANCE, December 31, 2021	69,602,444	12,563,992	-	3,874,795	(17,090,607)	(651,820)
Shares issued for cash - exercise of options or warrant (Note b (ii) and (ii))	4,842,400	500,428	-	(253,309)	-	247,119
Share-based payments (Note 7d)	-	-	-	205,878	-	205,878
Net loss	-	-	-	-	(634,033)	(634,033)
BALANCE, December 31, 2022	74,444,844	13,064,420	-	3,827,364	(17,724,640)	(832,856)
Shares issued for cash (Note 9b(i))	8,800,000	275,020	-	164,980	-	440,000
Share subscription received	-	-	41,000	-	-	41,000
Net loss	-	-	-	-	(267,654)	(267,654)
BALANCE, June 30, 2023	83,244,844	13,339,440	41,000	3,992,344	(17,992,294)	(619,510)

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

RIO SILVER INC.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	June 30, 2023	June 30, 2023
	\$	\$
Operating Activities		
Net loss for the period	(267,654)	(433,884)
Items not requiring use of cash:		
Gain or loss on fair value of derivative liability	(25,349)	-
Interest accretion	49,999	-
Share-based payments	-	205,878
Changes in operating assets and liabilities:		
Accounts receivable	-	(1,997)
Government taxes receivable	(4,995)	(87)
Prepaid expenses and other assets	524	(21,341)
Trade and other payables	77,900	11,625
Cash provided (used) in operating activities	(169,575)	(239,806)
Financing Activities		
Due to related parties	-	26,170
Share subscription received in advance	481,000	-
Option and warrants exercised	-	182,380
Convertible debentures	(105,250)	-
Promissory note	(13,248)	100,000
Cash provided (used) by financing activities	362,502	308,550
Increase (Decrease) in cash	192,927	68,744
Cash, beginning of period	11,917	42,662
Cash, end of period	204,844	111,406

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Rio Silver Inc.
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Six Months ended June 30, 2023 and 2022
(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

1. NATURE OF OPERATIONS

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 Suite 1600 – 595 Burrard Street, Vancouver, BC, V7X 1L4. The Company’s principal business activity is the acquisition, evaluation and development of mineral properties in the Americas.

2. BASIS OF PRESENTATION AND GOING CONCERN

Statement of compliance

These condensed interim consolidated financial statements for the six months period ended June 30, 2023 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 2022 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 2022 annual consolidated financial statements except for the adoption of new and amended standards as set out below.

These consolidated financial statements were approved and authorized for issuance by the Audit Committee and the Board of Directors on August 29, 2023.

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 those 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 receiving fundings, 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 raised funds throughout the prior fiscal years and 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.

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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.

As at June 30, 2023, the Company had no revenues, had a working capital deficit of \$496,298 (December 31, 2022 – \$629,044), had an accumulated deficit of \$17,992,294 (December 31, 2022 - \$17,742,640) and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast 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.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Principles of consolidation

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

<u>Company</u>	<u>Location</u>	<u>Ownership</u>	<u>Principal Activity</u>
Rio Silver Exploration Ltd.	Canada	100%	Exploration 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 consolidated statements of cash flows from the effective date of acquisition. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

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.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Assets and liabilities of an entity that has a functional currency that is different from presentation currency are translated at exchange rate at the reporting date and the income and expenses are translated at the average exchange rate during the reporting period. Gains and losses resulting from translation adjustments are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders’ equity, described as accumulated comprehensive income (loss).

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Financial instruments

Financial assets

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or through profit or loss (FVTPL). Interest income is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivable that do not contain a significant financing component. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value less transaction costs that are directly attributable to their issuance, with the exception of financial liabilities

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subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method, unless they must be measured at FVTPL (such as derivatives) or if the Company elects to measure them at FVTPL. Interest, gains and losses relating to a financial liability are recognized in profit or loss. Financial liabilities measured at FVTPL are comprised of derivative liabilities. Financial liabilities measured at amortized cost are comprised of accounts payable and accrued liabilities, promissory note, convertible debentures and due to related parties.

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Offsetting

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Company has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

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.

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Convertible debentures

Upon issuance, convertible debentures are allocated between derivative liabilities and host debt on initial recognition with transaction cost attributable to the derivative liability expensed in the period. The host debt is net of attributable transaction costs. Transaction costs are allocated based on proportion to the allocation of proceeds. The derivative liability is measured at fair value through profit and loss using the Black Scholes pricing model. On initial recognition, host debt is the residual of total proceeds less the fair value of the derivative liability, net of transaction costs. The host debt is subsequently carried at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible debt. Accretion is expensed to the consolidated statement of comprehensive loss

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.

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.

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.

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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.

Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Evaluation of the Company's ability to continue as a going concern

As at June 30, 2023, the Company has working capital deficit of \$496,298 (December 31, 2022: \$629,044) and has incurred accumulated deficit of \$17,992,294 (December 31, 2022: \$17,742,640) since incorporation. The Company possesses \$204,844 (December 31, 2022: \$11,917) in cash. The continuation of the Company as a going concern is dependent upon its ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management routinely plans future activities including forecasting future cash flows. Management has reviewed their plan with the Directors and has collectively formed a judgement that the Company has adequate resources to continue as a going concern for the foreseeable future, which Management and the Directors have defined as being at least the next 12 months. In arriving at this judgment, Management has prepared the cash flow projections of the Company. Directors have reviewed this information provided by management and have considered the financial resources available to the Company. The expected cash flows have been modeled based on anticipated debt and equity funding programmed into the model and reducing over time.

Management has assessed and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Management applied significant judgement in arriving at this conclusion by considering the following:

- The amount of cash on hand as of year end;
- The ability to source new debt and equity financing to provide sufficient cash flow to continue to fund operations and other committed expenditures; and
- The ability to delay the payment for the due to related parties balance in order to manage cash flows.

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Considering the above, Management and Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Given the judgement involved, actual results may lead to a materially different outcome.

Determination of functional currency of the Company

The functional currency for each of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The determination of each entity's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires management to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency, management analyzed both the primary and secondary factors, including the currency of each entity's operating cash flow, and sources of financing.

Fair value calculation of derivative liabilities

Derivative liabilities arising from convertible debentures are determined by Black-Scholes option pricing model. Significant judgements and estimates are used in the calculation of the input variables in the Black-Scholes model, which includes: share price, risk free interest rate, expected stock price volatility, expected life, and expected dividend yield. (see Note 10).

Key sources of estimation uncertainty

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude on non-capital losses available for carry forward and of the balances in various tax pools.

Share-based payment transactions and fair value of warrants issued with common shares

The fair value of share-based payment and fair value of warrants are determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options and warrants issued with common shares.

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 are not disclosed.

4. CAPITAL MANAGEMENT

The Company considers its cash and share capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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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 interests 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 interests 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 June 30, 2023. The Company is not subject to externally imposed capital requirements.

5. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Company's overall business strategies, tolerance of risk and general risk management philosophy are determined by the directors in accordance with prevailing economic and operating conditions.

The Company has the following financial instruments as of June 30, 2023 and December 31, 2022:

		2023	2022
	Categories	\$	\$
Financial assets			
Cash	Amortized cost	204,844	11,917
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	641,545	563,647
Promissory note	Amortized cost	-	13,248
Convertible debentures – debt host	Amortized cost	111,217	166,467
Derivative liabilities	FVTPL	11,996	37,345
Due to related parties	Amortized cost	89,386	89,386

Fair value of financial instruments

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - 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

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Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash, accounts payable and accrued liabilities, promissory note and due to related parties approximate their carrying values due to the short-term nature of these instruments. The difference between the fair value and carrying amount is minimal. The fair value of the derivative liabilities was based on Level 3 inputs.

Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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 attributable to cash. Cash is held with a reputable financial institution, from which management believes the risk of credit loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 June 30, 2023, the Company had cash of \$204,844 (December 31, 2022 - \$11,917) to settle current liabilities of \$730,931 (December 31, 2022 - \$666,281) (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 except the promissory note and convertible debentures (note 10).

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 Company has net financial liabilities of approximately \$nil (2021 - \$177) that are denominated in US dollars. A 5% change in the US dollars to the Canadian dollar exchange rate would impact the Company's profit or loss by \$nil (2022 - \$9).

Commodity and equity price risk

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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. Related Party Transactions

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

	June 30, 2023	June 30, 2022
	\$	\$
Management fees	45,000	45,000
Accounting fees	27,000	27,000
Consulting fees	-	5,000
Interest expenses	35,035	-
Rent	3,600	2,500
Share-based payments	-	117,448
	110,635	196,948

The Company's related parties consist of its Directors, 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 \$91,743 (December 31, 2022 - \$40,719) payable to Company's CEO and a private company owned by the Company's CEO; \$25,625 (December 31, 2022 - \$24,302) payable to the Company's CFO. The balance has been included in accounts payable.
- (b) Due to related parties includes \$89,386 (December 31, 2022 - \$89,386) of cash advanced from current directors. These amounts are unsecured, non-interest bearing and without fixed repayment terms.
- (c) Convertible debentures include \$92,680 (December 31, 2022- \$73,903) of loan from CEO. See note 10.

7. Share Capital and Reserves

(a) Authorized

Unlimited number of voting common shares without 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.

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(b) Share transactions:

Issued: As of June 30, 2023, 83,244,844 (December 31, 2022: 74,044,844) common shares were issued and outstanding.

During the periods ended June 30, 2023 and December 31, 2022 are as follows:

- (i) On June 9, 2023, the Company completed a private placement for total gross proceeds of \$440,000. The private placement consists of 8,800,000 units at \$0.05 per. Each Unit consists of one common share of the Company and one share purchase warrant (a "Warrant"). Each Warrant entitle the holder to acquire one additional common share of the Company at a price of \$0.08 per common share. The Warrants will expire 18 months from the date of issuance unless the closing price of the common shares of the Company is \$0.15 or higher for 15 consecutive trading days any time after the date that is four months after closing, in which case the Warrants will expire thirty (30) days after notice to the Warrant holders through a news release announcing an earlier expiry date. As a result, the Company issued 880,000 common share purchase warrants valued at \$164,980. 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 629%, risk free interest rate of 4.44%, expected life of one and a half year, and a share price of \$0.03.
- (ii) During the year ended December 31, 2022, there were 3,842,400 options exercised at \$0.05 per share for gross proceeds of \$192,120, including non-cash debt settlement of \$32,370. In relation to the exercise of the stock option, previously recognized contributed surplus of \$213,438 was allocated to share capital.
- (iii) During the year ended December 31, 2022, there were 1,000,000 options exercised at \$0.055 per share for gross proceeds of \$55,000. In relation to the exercise of the stock option, previously recognized contributed surplus of \$39,871 was allocated to share capital.

(c) Warrants

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

	Number of Warrants	Weighted average exercise price	Weighted average remaining contractual life (year)
Balance at December 31, 2021	6,440,000	\$ 0.080	2.36
Balance at December 31, 2022	6,440,000	\$ 0.080	1.36
Warrants granted	8,800,000	\$ 0.080	1.45
Balance at June 30, 2023	15,240,000	\$ 0.080	1.12

The following warrants are outstanding as at June 30, 2023:

Expiry Date	Exercise Price	Number of Warrants
May 12, 2024	\$ 0.080	6,440,000
December 9, 2024	\$ 0.080	8,800,000
		15,240,000

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(d) 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.

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

*options unexercised and expired subsequent to year ended December 31, 2022.

Expiry Date	Exercise Price	Number of Options as of December 31, 2022	Granted During the year	Exercised During the year	Expired/Cancelled During the year	Number of Options as of June 30, 2023
January 29, 2023	\$0.05	1,375,000	-	-	(1,375,000)	-
January 29, 2024	\$0.05	1,200,000	-	-	-	1,200,000
March 9, 2024	\$0.06	500,000	-	-	-	500,000
February 10, 2025	\$0.06	2,450,000	-	-	-	2,450,000
December 23, 2026	\$0.05	21,500	-	-	-	21,500
	\$0.06	5,546,500	-	-	(1,375,000)	4,171,500

The weighted average contractual life remaining of all stock options as at June 30, 2023 is 1.22 years (December 31, 2022: 1.31 years). The weighted average exercise price for the exercised option is \$0.06 (December 31, 2022: \$0.05). The weighted average share price on the date of options exercised is \$nil (December 31, 2022: \$0.06).

On April 12, 2022, the Company granted 647,400 common share purchase options exercisable at \$0.05 per share to a consultant of the Company. The common share purchase options will expire on April 12, 2023. The options were vested immediately. The Company recorded a share-based payment amount of \$21,897. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 2.26%; dividend yield of 0%; expected volatility of 140%; and expected option life of 1 years.

On February 10, 2022, the Company granted 2,450,000 common share purchase options exercisable at \$0.06 per share to directors, officers, employees and consultants of the Company. The common share purchase options will expire on February 10, 2025. The options were vested immediately. The Company recorded a share-based payment amount of \$122,446. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.6%; dividend yield of 0%; expected volatility of 158%; and expected option life of 3 years.

On March 9, 2022, the Company granted 500,000 common share purchase options exercisable at \$0.06 per share to a consultant of the Company. The common share purchase options will expire on March 9, 2024. The options were vested immediately. The Company recorded a share-based payment amount of

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\$21,665. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.5%; dividend yield of 0%; expected volatility of 152%; and expected option life of 2 years.

On March 7, 2022, the Company granted 1,000,000 common share purchase options exercisable at \$0.055 per share to a consultant of the Company. The common share purchase options will expire on March 7, 2023. The options were vested immediately. The Company recorded a share-based payment amount of \$39,870. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.36%; dividend yield of 0%; expected volatility of 137%; and expected option life of 1 years.

8. Exploration and Evaluation Expenditures

Accumulated costs/ expenditures	Niñobamba	Palta Dorado	Gerow Lake	Total
	Peru	Peru		
Balance, December 31, 2021	3,311,044	334,090	876,633	4,521,767
Acquisition costs and annual fees	-	-	-	-
Expenditures	212,483	-	-	212,483
Balance, December 31, 2022	3,523,527	334,090	876,633	4,734,250
Acquisition costs and annual fees	-	-	-	-
Expenditures	10,273	-	-	10,273
Balance, June 30, 2023	3,533,800	334,090	876,633	4,744,523

On October 30, 2019, the Company closed a Transfer Agreement dated September 3, 2019, pursuant to which the Company acquired 100% rights of two mining concessions (Palta Dorado property) located in Moro district of Santa province, Ancash, Peru.

The total purchase price agreed upon by Transfer Agreement amounts to the sum of US\$250,000 which will be paid as follows:

- On the signing date, the sum of US\$100,000 will be paid as down payment (paid);
- On September 30, 2019, the sum of US\$100,000 will be paid as down payment (paid);
- On October 15, 2019, the sum of US\$50,000 will be paid(paid).

During the year ended December 31, 2020, the Company signed a Memorandum of Understanding (“MOU”) with Peruvian Metals Corp (“Peruvian Metals”) to jointly explore the Palta Dorada Au-Ag-Cu property (“Palta Dorado” or the “Property”) by initially conducting a detailed sampling and mapping program along with a bulk sampling campaign and processing the mineral at Peruvian Metals’ 80% owned Aguila Norte Processing Plant (“Aguila Norte or Plant”).

The Property is located in the Ancash Mining Department in Northern Peru and covers an area of approximately 1,200 hectares. The MOU establishes a joint effort to explore and develop the property. Any sales from metal concentrates produced from the bulk sampling activity and all operational expenses will be shared between companies. Peruvian Metals’ 80% owned Plant will charge the joint effort commercial mineral processing rates on a similar basis to its other clients for processing the bulk samples. Peruvian Metals will also have the option to earn a 50% ownership in the Property. Equal ownership will occur once Peruvian Metals has matched Rio Silver’s acquisition price of the project of USD \$250,000 by assuming all capital and exploration expenditures. Any shortfall of capital expense by Peruvian Metals will require a cash

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payment to the joint effort by December 31, 2021. As at December 31, 2021, Peruvian Metals completed its earn-in requirement by investing USD \$250,000 into the project, as result, the Company deemed to equal own Palta Dorado with Peruvian Metals.

As at December 31, 2022, Peruvian Metals has spent USD\$547,573 (2021: USD\$394,606) toward the Property and has an excess of USD\$297,573 (2021: USD\$144,606). The excess investment contribution is considered as the loan. The loan will charge a 12% interest annually on the amount of exceeding the USD \$250,000 from the proposed joint venture to be formed between the Company and Peruvian Metals and will be paid back from the cash flow of sales of concentrates or oxide gold after all operation expenses are paid. 50% of any positive cash flow will be paid to the loan and remaining 50% will be divided equally by the Company and Peruvian Metals. The Company has accrued \$Nil on this loan and interest as at June 30, 2023 because the proposed joint venture has not been formed. If the joint venture is not eventually formed, the Company is not liable for this loan and the accrued interest.

The 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.

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).

9. Promissory Note

- A. On April 17, 2019, the Company entered into a promissory note agreement with an individual where the Company borrowed \$10,000 at an interest of 12% per annum, unsecured and due on demand.
- B. During the year ended December 31, 2021, the Company entered into a promissory note where the Company borrowed \$32,370. These amounts are unsecured, non-interest bearing and without fixed repayment terms. As at December 31, 2022, the balance of promissory note has been paid in full.

	Note 9A	Note 9B	Total
	\$	\$	\$
Balance at December 31, 2021	13,248	32,370	45,618
Payment		(32,370)	(32,370)
Balance at December 31, 2022	13,248	-	13,248
Interest	1,473	-	1,473
Payment	(14,721)		(14,721)
Balance at June 30, 2023	-	-	-

10. Convertible Debentures

On December 1, 2022, the Company entered into convertible debentures agreements with the CEO and other arm's length lenders and issued convertible debentures (the "Notes") in the aggregate principal amount of \$225,250. The Notes will mature in 24 months from the date of issuance and bear interest at the rate of 18% per annum, payable quarterly, until the Notes are converted or repaid. The Notes can be converted into one common share of the Company at \$0.05 in the first 12 month from the issue date and

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\$0.10 thereafter. The Company is entitled to repay the principal amount of the Notes, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

Since the conversion features offer a variable price and a variable number of shares to settle the Notes, the conversion feature has been accounted for as a derivative liability under IFRS. Accordingly, the fair value of the conversion feature, being \$60,615 of the issuance proceeds was allocated to the derivative liability and the remaining \$164,635 was allocated to the Loan.

The fair value of the derivative liability at the date of issuance was determined using the Black Scholes option pricing model with the following assumptions: share price of \$0.035; expected life of 2 years; \$nil dividends; 123% volatility; risk-free interest rate of 3.79% and a conversion price of \$0.05 and \$0.10.

During the period ended June 30, 2023, the Company repaid 105,250 principal.

The fair value of the derivative liability at reporting date was determined to be \$11,996 using the Black Scholes option pricing model with the following assumptions: share price of \$0.03; expected life of 1.42 years; \$nil dividends; 608% volatility; risk-free interest rate of 4.54% and a conversion price of \$0.05 and \$0.10. As a result, the Company recognized a gain or loss on the revaluation of the embedded derivative of \$25,350 for the period ended June 30, 2023.

The Company amortizes the debt component of the Notes using an effective interest rate of 64.05% over the term of the Notes. For the period ended June 30, 2023, \$65,335 (2022: \$nil) in interest expense was recorded in the consolidated statement of comprehensive loss.

	Convertible debentures	Derivative liabilities	Total
	\$	\$	\$
December 31, 2021	-	-	-
Gross proceeds received in convertible debentures	164,635	60,615	225,250
Accretion and interest expense recognized during the year	1,832		1,832
Fair value adjustment to derivative liabilities	-	(23,270)	(23,270)
December 31, 2022	166,467	37,345	203,812
Accretion and interest expense recognized during the year	49,999		49,999
Fair value adjustment to derivative liabilities	-	(25,349)	(25,349)
Repayment of loan	(105,250)		(105,250)
June 30, 2023	111,216	11,996	123,212

11. Segmented Information

The Company as one reportable operating segment: mineral exploration and development in two geographic locations being Peru and Canada.

The Company's consolidated net loss by geographic locations for the periods ended June 30, 2023 and 2022 are as follows:

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	2023	2022
	\$	\$
Consolidated net loss		
Canada	234,991	390,557
Peru	32,663	43,327
	267,654	433,884

The Company's total assets by geographic locations for the years ended June 30, 2023 and December 31, 2022 are as follows:

	2023	2022
	\$	\$
Total assets		
Canada	215,077	37,060
Peru	19,557	177
	234,634	37,237

12. Subsequent Events

Subsequent to June 30, 2023, the Company granted 3,550,000 common share purchase options exercisable at \$0.05 per share to the officers and consultants of the Company. The common share purchase options will expire on July 18, 2024. The options were vested immediately.

Subsequent to June 30, 2023, the Company completed a private placement for total gross proceeds of \$79,400. The private placement consists of 1,588,000 units at \$0.05 per. Each Unit consists of one common share of the Company and one share purchase warrant (a "Warrant"). Each Warrant entitle the holder to acquire one additional common share of the Company at a price of \$0.08 per common share. The Warrants will expire 18 months from the date of issuance unless the closing price of the common shares of the Company is \$0.15 or higher for 15 consecutive trading days any time after the date that is four months after closing, in which case the Warrants will expire thirty (30) days after notice to the Warrant holders through a news release announcing an earlier expiry date.

Subsequent to June 30, 2023, the Company repaid 100,000 principal of convertible debentures.