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Research Flash

Rio2 – MEIA Received at Condestable; FID Anticipated in H2

Rating	Target Price
BUY	**C$5.75**
Unchanged	*Unchanged*

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Disseminated on Behalf of Rio2 Limited

All figures in USD unless otherwise stated

Rio2 Limited	**RIO:TSX**
Rating	BUY
Target Price	C$5.75
Return to Target	69%

Market Data	
Share Price	C$3.41
Average Daily TSX Volume (K)	1160.8
FD ITM Shares (M)	567.0
Market Cap ($M)	$1,349.6
Cash & Marketable Securities ($M)	$49.7
Debt ($M)	$122.9
Enterprise Value ($M)	$1,422.8

FYE Dec 31	**2025A**	**2026E**	**2027E**
Revenue ($M)	$0.0	$462.4	$675.0
EBITDA ($M)	($14.5)	$252.5	$449.1
Operating CF ($M)	$87.7	$121.7	$311.5
Net Income ($M)	($13.6)	$143.1	$255.5

Valuation			
P/NAV			0.6x
	2025A	**2026E**	**2027E**
EV/EBITDA	N/A	5.6x	3.2x
EV/CF	N/A	11.7x	4.6x

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents

Rio2 is a diversified precious metals and copper producer focused on building and operating mines with a management team that has proven technical skills as well as a successful capital markets track record. The Company is currently producing gold at its Fenix Gold heap leach mine in Chile and copper/gold/silver at its recently acquired Condestable underground mine in Peru.

What you need to know:

- RIO received approval of its Modified Environmental Impact Study (MEIA) at Condestable on August 21st, concluding a 14-month process.
- The approval permits an increase in throughput to 10Ktpd from the current 8.4Ktpd and extends the environmentally approved mine life by a further decade.
- It also authorizes a dry-stack tailings facility with initial permitted capacity of ~43Mt, designed for staged expansions to 170Mt.
- Engineering studies are underway with a FID targeted in H2/26, while exploration continues to support an expanded operation.

This morning, Rio2 (RIO:TSX, RIOFF:OTC) announced that the Company received approval for its Modification of the Environmental Impact Study (MEIA) at Condestable on August 21st, which is in line with expectations for a Q3 approval. This concludes a 14-month extensive process and enables numerous key operational optimizations including a regulatory path for an expansion to 10Ktpd, dry-stack tailings, and mine life extension. **We are maintaining our BUY rating and target price of C$5.75/share on Rio2.**

Now that Rio2 has integrated Condestable into the portfolio following its acquisition in January, the focus is turning to expansion and optimization to maximize the full potential of the operation. The Company released an updated technical report for Condestable in June (read our note here) outlining a base case mine plan through 2039 at its current ~8.4Ktpd, while highlighting upside from increasing throughput to 10-12Ktpd, which would be supported by further resource expansion. This MEIA provides the environmental approval necessary to advance the expansion to 10Ktpd. On last week's conference call, management indicated approval in the third quarter (now received) positions the Company to commence a potential ramp-up in H2/28, which will require modifications to the crushing, milling, and flotation circuit.

In addition, the modification authorizes RIO's plans for a dry-stack tailings facility, referred to as Tailings Storage Facility #6. The facility is initially permitted to a capacity of ~43Mt, and the design allows for staged expansions to 170Mt, supporting further mine life extension. In tandem with the ongoing commissioning of the tailings filtration plant, the Company remains committed to low-risk tailings management. The third key component of the MEIA is mine life extension, and Condestable is now environmentally approved for a further decade, derisking the operation.

Next steps. With the permit in hand, attention turns to engineering studies for both the processing plant and the mine (currently underway with third-party consultants), along with the final investment decision during the back half of this year. Separately, the ore sorting pilot program targeting low-grade stockpiles and waste dumps is scheduled to commence in Q4/26. In the meantime, commissioning of the tailings filtration plant continues and analysis of the recently completed surface geophysical survey covering the entire Condestable land package is underway. Exploration carries on from both underground and surface to expand resources and reserves.

In our view, the approval largely de-risks an expansion to 10Ktpd+ at Condestable. We will be watching for a FID before year-end to commence construction, providing upside to our valuation, which currently assumes steady state at ~8.4Ktpd.

Catalysts

- Fenix Ramp Up to 20Ktpd – Q3/26
- Fenix Phase Two Expansion Study – Q4/26
- Condestable Ore Sorting & Expansion Plans – 2026

Why We Like Rio2

- Rio2 achieved first gold at its 100%-owned Fenix Gold Mine in January, delivering construction on time and on budget and marking a major derisking event as the Company moves into steady-state operations through 2026.
- Fenix is ramping toward 20Ktpd expected in 2026, providing clear visibility into near-term operating performance and supporting a re-rating as production scales.
- The acquisition of the Condestable underground copper mine in Peru materially transforms Rio2 into a multi-asset producer, adding immediate cashflow, extending mine life visibility, and reducing single-asset risk at an attractive ~2x EBITDA entry valuation.

Tear Sheet

Market Data	
Ticker	RIO:TSX
Stock Price	C$3.41
Rating	BUY
Target Price	C$5.75
Upside	69%
Market Cap ($M)	$1349.8
Cash ($M)	$49.7
Debt ($M)	$122.9
EV ($M)	$1423.0

Capital Structure	
Basic Shares Outstanding (M)	548.6
RSUs (M)	2.0
Options (M)	16.3
FD Shares (M)	567.0
FD ITM Shares (M)	567.0

Commodity Price Assumptions	
Gold Price ($/oz)	$4,506
Silver Price ($/oz)	$70.95
Copper Price ($/lb)	$6.07

Financial Estimates	**2025A**	Q1/26A	Q2/26A	Q3/26E	Q4/26E	**2026E**	Q1/27E	Q2/27E	Q3/27E	Q4/27E	**2027E**	**2028E**
Fenix - Gold Produced (Koz)	**0.0**	4.6	9.1	17.9	23.7	**55.3**	27.6	27.6	27.6	27.6	**110.5**	**105.3**
Condestable - CuEq Produced (Mlb)	**0.0**	9.7	13.5	14.0	14.8	**52.0**	15.1	15.1	14.8	14.8	**59.8**	**59.0**
Total AuEq Ounces Produced (Koz)	**0.0**	16.3	27.1	34.1	40.8	**118.3**	45.3	45.3	44.9	44.9	**180.3**	**174.8**
Sales ($M)	**0.0**	65.9	105.3	130.9	160.3	**462.4**	169.4	169.4	168.1	168.1	**675.0**	**612.5**
EBITDA ($M)	**(14.5)**	41.0	76.2	57.7	77.7	**252.5**	112.9	112.9	111.7	111.7	**449.1**	**386.8**
Operating Cash Flow ($M)	**87.7**	22.8	0.3	41.6	57.0	**121.7**	78.2	78.2	77.5	77.5	**311.5**	**268.3**
Net Income ($M)	**(13.6)**	22.5	47.1	29.7	43.8	**143.1**	64.2	64.2	63.6	63.6	**255.5**	**213.3**

Figure 1: Tear Sheet

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