

Research Note

Rio2 – Q3 Update; Production Still Suffering from Weather, Q4 Recovery Expected

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

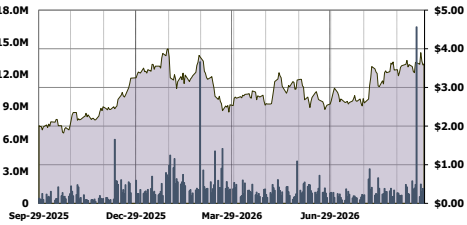
Rio2 Limited	**RIO:TSX**
Rating	BUY
Target Price	C$5.75
Return to Target	59%

Market Data	
Share Price	C$3.61
Average Daily TSX Volume (K)	2900.4
FD ITM Shares (M)	567.0
Market Cap ($M)	$1,401.3
Cash & Marketable Securities ($M)	$49.7
Debt ($M)	$122.9
Enterprise Value ($M)	$1,474.6

FYE Dec 31	**2025A**	**2026E**	**2027E**
Revenue ($M)	$0.0	$396.6	$675.0
EBITDA ($M)	($14.5)	$219.1	$449.1
Operating CF ($M)	$87.7	$96.7	$311.5
Net Income ($M)	($13.6)	$120.4	$255.5

Valuation			
P/NAV			0.7x
	2025A	**2026E**	**2027E**
EV/EBITDA	N/A	6.7x	3.3x
EV/CF	N/A	15.3x	4.7x

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 provided a Q3 operations update at Fenix, where two major winter storms and three additional single-day snowfall events, driven by a super El Niño, halted mining for extended periods during the quarter.
- Based on the monthly figures provided, we estimate Q3 production of ~8.8Koz (roughly flat QoQ), with the Company projecting ~17.0Koz in Q4. Commercial production remains on track for Q4.
- RIO also started surface drilling at Condestable, outlined six new district targets, and was added to the MVIS Global Junior Gold Miners Index.

This morning, Rio2 (RIO:TSX, RIOFF:OTC) provided an operations update on its Fenix Gold Mine in Chile, outlining the impact of the series of severe winter storms during Q3. Based on the monthly production figures in today's update (actual through July, projected for August and September), we estimate Fenix produced ~8.8Koz of gold in Q3 (roughly flat QoQ), and the Company is projecting ~17.0Koz of gold in Q4. As such, we have lowered our Fenix estimates to reflect the update (Q3/26E 8.8Koz and Q4/26E 17.0Koz, prev. 17.9Koz and 23.7Koz), while the Company continues to target commercial production in Q4. In addition, over the past two weeks, RIO released a company-wide exploration update across Condestable, Fenix, and Kalzas, and was added to the MVIS Global Junior Gold Miners Index. **We are maintaining our BUY rating and target price of C$5.75/share on Rio2.**

Fenix, which is in the ramp-up stage of its first year of production, experienced two major winter storms during the quarter (which was previously disclosed to investors), characterized by heavy snowfall and high winds. The first storm (July 17th to 24th) forced a full suspension of mining activities, with personnel evacuated from site and no material moved for roughly a week, followed by several days of reduced ore placement as the site recovered. The second storm (August 10th to 22nd) was more severe, halting mining entirely for ~11 days, with ore stacking not resuming until the 24th. Following the August storm, the site also experienced three additional significant single-day snowfall events (see page 2 below for a visual of the impact). During these events, operations were safely suspended and personnel evacuated, while the leach pad, process plant, and power generation facilities continued operating at reduced capacity.

Encouragingly, the data shows that when uninterrupted, Fenix is capable of performing at the targeted rate. On days without weather disruptions, total tonnes moved regularly reached 30-40Kt, and ore placed on the pad frequently approached or exceeded the targeted 20Ktpd (see Figure 2 below). Looking ahead, the Company noted that weather conditions have begun to improve gradually, although long-range forecasts indicate that unseasonal snowfall may continue through December. Site management is implementing several initiatives to recover production losses, and assuming minimal weather disruptions, the Company is projecting production of ~4.0Koz, ~6.0Koz, and ~7.0Koz in October, November, and December, respectively (~17.0Koz in Q4). This implies 2026 production of ~40Koz, below the original 60-65Koz guidance that was withdrawn in August.

Our Take

The impact from the winter storms was larger than we initially anticipated. However, it does not appear to point to any underlying operational issues at Fenix, with production rates on days without weather disruptions demonstrating that the operation can reach targeted throughput as the ramp-up continues. We also view RIO's disclosure around the weather impacts on production and updating Q4 projections as a positive. Notably, December's projected production of 7.0Koz represents an annualized run rate of 84Koz, approaching production rates we expect in 2027.

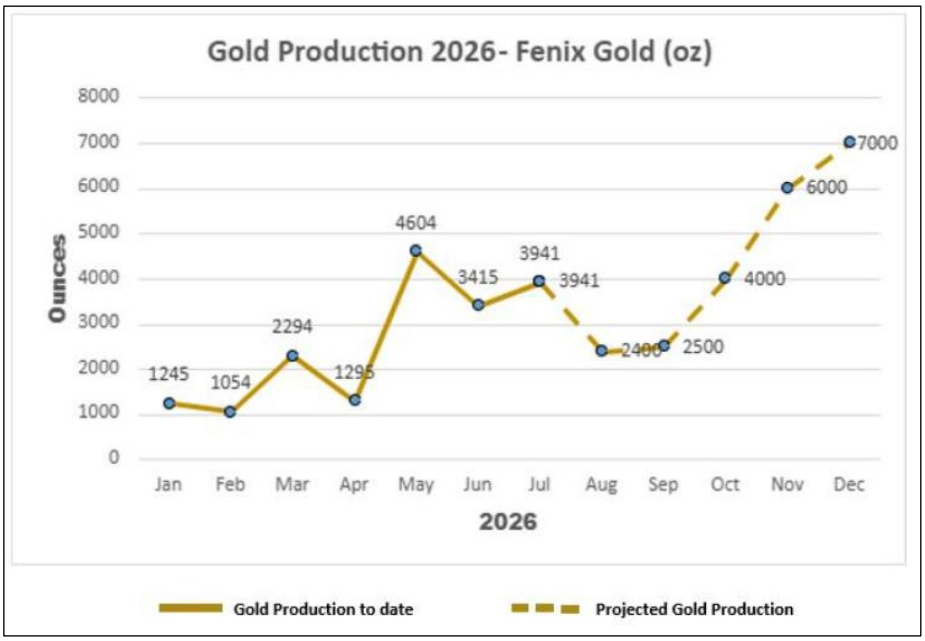


Figure 1: Fenix Monthly Gold Production – Actual & Projected (Source: Company Documents)

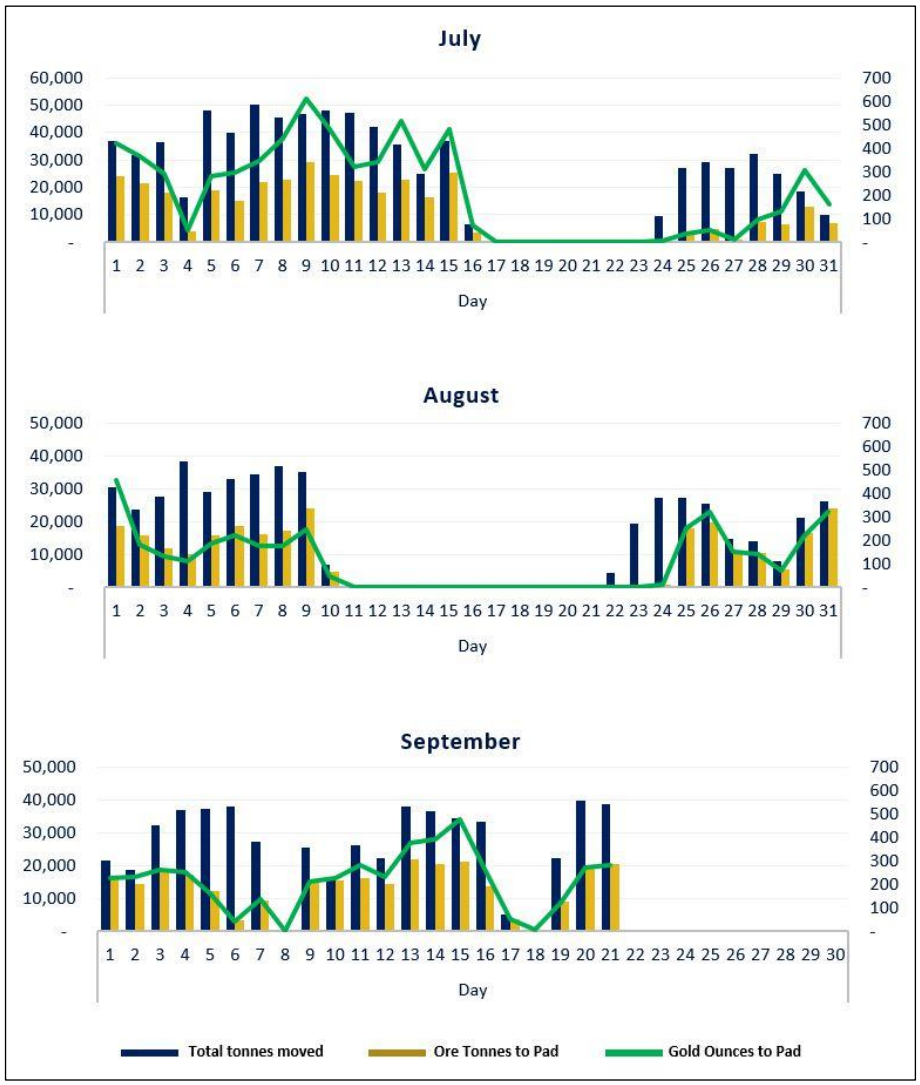


Figure 2: Fenix Daily Mining Performance Q3/26 (Source: Company Documents)

Company-Wide Exploration Update

Condestable – Surface Drilling Commences & Six District Targets Identified

On September 22nd, RIO announced the start of a first-phase surface drilling program and district-scale exploration activities at Condestable. This follows the completion of a geological mapping campaign covering a 3km by 1.2km NE-trending corridor between Condestable, Raúl, and Vinchos, which has strengthened the correlation between surface and underground geology. Mineralization occurs within brecciated mantos 1-10m thick, as well as veins ranging from centimetres to >3m wide, with drill holes designed to intercept both styles at high angles. Using 80m section spacing, the program is split into two phases:

- **Phase 1**: 85 drill holes (16,750m) from 69 platforms with existing access, all within the permitted environmental footprint. Drilling began the week of September 21st.
- **Phase 2**: 72 drill holes (17,120m) from 62 new platforms requiring 8,622m of access roads and additional environmental authorization, with an anticipated permitting timeline of ~6 months.

RIO also completed a 57,740ha geophysical survey (3,522 line-km at 200m spacing) covering 40,694ha of Condestable's 46,290ha of mineral rights. The survey highlighted an isolated, high-intensity magnetic anomaly corresponding to the Condestable-Raúl system at the intersection of major structural trends, and the repeating NW and NE structural framework points to additional favourable target zones across the district. Integration with geological and geochemical data has outlined six priority targets: 1) Cerro Pacay, 2) Cerro Perico, 3) Loma de Vinchos, 4) San Marcos, 5) Condestable 10, and 6) Punta Colorada, each of which will undergo follow-up prospecting.

We view this as a meaningful step, as it represents the first systematic district-scale exploration across the Condestable land package. Combined with the ongoing 46,480m underground program, the ~34km surface program supports further resource growth beyond the current 14-year mine life, along with the potential for near-surface, open-pit amenable material. With the MEIA approved in August, a FID on the 10Ktpd expansion remains on track for H2/26.

Fenix – Drilling Paused Until Summer; MRE Update Moved to December 2027

At Fenix, RIO suspended the 2026 drill program due to adverse weather, worker safety considerations, and contractor standby costs. A total of 43 holes (14,669m; 3,905m diamond and 10,764m RC) were completed, representing ~67% of the planned 21,880m, with the remainder to resume in January 2027 during Chile's summer season. The program is focused on upgrading resources beneath the reserve pit and up to 100m below the current resource shell, with hole design guided by an AI-generated probabilistic model. 60% of samples have been assayed, and full results are expected within the next two months. With RIO planning to expand the scope of drilling in 2027, the updated MRE is now expected in December 2027 (previously Q4/26). While this pushes out a catalyst, we believe a larger dataset will make for a more robust update ahead of the expansion feasibility study.

Kalzas – Permit Received; Scout Drilling Planned for 2027

At the 100%-owned Kalzas Tungsten Project in Yukon (read more in our Q2 note here), RIO received its Class 1 exploration permit, completed the site reclamation program, and completed 1:5,000-scale mapping that confirms an intrusion-related tungsten system, with wolframite and scheelite as the principal tungsten minerals. Results from an airborne magnetic survey are pending. RIO plans an initial 2,000m scout core drilling program at the start of the 2027 field season, with an all-in budget of US$1.5M. Notably, following the initial drilling, RIO will decide whether Kalzas remains a core asset or is spun out into a separate company funded independently. We like this optionality, as it provides a path to surfacing value for the asset without diverting capital from Fenix and Condestable.

Other Updates

Inclusion in MVIS Global Junior Gold Miners Index

On September 14th, RIO announced that it had been added to the MVIS Global Junior Gold Miners Index, effective September 18th. The index serves as the benchmark for the VanEck Junior Gold Miners ETF (GDXJ), one of the largest gold equity ETFs. We view this positively, as the inclusion should bring passive buying, improved trading liquidity, and increased visibility with global investors, building on RIO's graduation to the TSX last year.

Catalysts

- Fenix Commercial Production – Q4/26
- 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 toward commercial production in Q4/26.
- While the weather has slowed the ramp-up in 2026, Fenix has shown it can achieve its targeted mining rates when uninterrupted, setting up a step change in production and cashflow in 2027.
- 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$3.61
Rating	BUY
Target Price	C$5.75
Upside	59%
Market Cap ($M)	$1401.3
Cash ($M)	$49.7
Debt ($M)	$122.9
EV ($M)	$1474.6

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)	$4,500
Silver Price ($/oz)	$75.00
Copper Price ($/lb)	$6.00

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	8.8	17.0	**39.6**	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	25.1	34.1	**102.6**	45.3	45.3	44.9	44.9	**180.3**	**174.8**
Sales ($M)	**0.0**	65.9	105.3	93.5	132.0	**396.6**	169.4	169.4	168.1	168.1	**675.0**	**612.5**
EBITDA ($M)	**(14.5)**	41.0	76.2	39.5	62.4	**219.1**	112.9	112.9	111.7	111.7	**449.1**	**386.8**
Operating Cash Flow ($M)	**87.7**	22.8	0.3	28.0	45.5	**96.7**	78.2	78.2	77.5	77.5	**311.5**	**268.3**
Net Income ($M)	**(13.6)**	22.5	47.1	17.5	33.3	**120.4**	64.2	64.2	63.6	63.6	**255.5**	**213.3**

Figure 3: Tear Sheet

Estimate Revisions

	Q3/26E		Q4/26E		2026E		2027E	
	New	Previous	New	Previous	New	Previous	New	Previous
Fenix - Gold Produced (Koz)	**8.8**	17.9	**17.0**	23.7	**39.6**	55.3	**110.5**	110.5
Condestable - CuEq Produced (Mlb)	**14.0**	14.0	**14.8**	14.8	**52.0**	52.0	**59.8**	59.8
Total AuEq Ounces Produced (Koz)	**25.1**	34.1	**34.1**	40.8	**102.6**	118.3	**180.3**	180.3
Sales ($M)	**$93.5**	$130.9	**$132.0**	$160.3	**$396.6**	$462.4	**$675.0**	$675.0
EBITDA ($M)	**$39.5**	$57.7	**$62.4**	$77.7	**$219.1**	$252.5	**$449.1**	$449.1
OCF ($M)	**$28.0**	$41.6	**$45.5**	$57.0	**$96.7**	$121.7	**$311.5**	$311.5
Net Income ($M)	**$17.5**	$29.7	**$33.3**	$43.8	**$120.4**	$143.1	**$255.5**	$255.5

Figure 4: Estimate Revisions

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