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Research Note

Rio2 – Q3 Results Reflect Weather Challenges at Fenix; Condestable Remained Steady

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

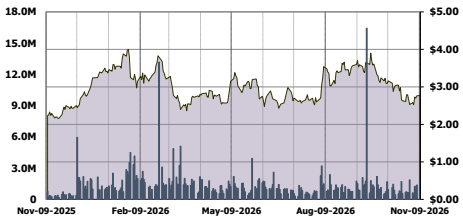
Rio2 Limited	**RIO:TSX**
Rating	BUY
Target Price	C$5.75
Return to Target	103%

Market Data	
Share Price	C$2.84
Average Daily TSX Volume (K)	939.7
FD ITM Shares (M)	562.6
Market Cap ($M)	$1,103.6
Cash & Marketable Securities ($M)	$26.8
Debt ($M)	$68.2
Enterprise Value ($M)	$1,144.9

FYE Dec 31	**2025A**	**2026E**	**2027E**
Revenue ($M)	$0.0	$412.2	$651.4
EBITDA ($M)	($14.5)	$172.4	$425.5
Operating CF ($M)	$87.7	$87.1	$294.3
Net Income ($M)	($13.6)	$70.7	$238.4

Valuation			
P/NAV			0.5x
	2025A	**2026E**	**2027E**
EV/EBITDA	N/A	6.6x	2.7x
EV/CF	N/A	13.1x	3.9x

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 reported its Q3/26 production and financial results outlining consolidated production of 12.3Koz Au, 95.3Koz Ag, and 9.6Mlb Cu.
- RIO disclosed extreme weather impacts on Fenix's ramp up at the end of September, so there are no surprises in this morning's results.
- Condestable continued to deliver consistent production, and adjusted financials came in slightly ahead of our expectations.
- RIO will host a webinar on November 12th at 11AM ET to discuss this morning's results and outlook.

This morning, Rio2 (RIO:TSX, RIOFF:OTC) reported its Q3/26 production and financial results with consolidated production of 12.3Koz Au, 95.3Koz Ag, and 9.6Mlb Cu. RIO had already reported significant weather-related challenges in the quarter at Fenix, and results are largely as expected. The operation remains on track for commercial production this quarter. Through the ramp-up, Condestable is proving to be a steady contributor to RIO's production profile, delivering another quarter of consistent production. Overall, financials were slightly ahead of our expectations after adjusting out a sizable fair value loss. **We are maintaining our BUY rating and target price of C$5.75/share on Rio2.**

Storms set back Fenix ramp-up. As previously disclosed in RIO's September operations update (read here), extreme weather driven by a super El Niño significantly impacted the quarter, and production was expected to be roughly flat QoQ. Q3 gold production of 8.5Koz was broadly in line with our expectation of 8.8Koz, declining modestly from 9.1Koz in Q2 (-6%). The revised monthly projections released in September implied ~17Koz in Q4 for ~40Koz in 2026, and RIO has reiterated expectations for Fenix to ramp up to 20Ktpd and achieve commercial production in Q4. Q3 cash costs declined QoQ from $2,701/oz to $2,370/oz, compared to our forecast of $2,155/oz. Similarly, AISC declined from $2,872/oz in Q2 to $2,615/oz.

Steady performance at Condestable. The operation mined ~700Kt of ore at average grades of 0.72% Cu, 0.23 g/t Au, and 5.27 g/t Ag. ~686Kt processed was modestly below our 720Kt forecast (-5%), and copper recoveries of 88.8% remained marginally below expectations due to mining oxide ore at shallow depths, resulting in copper production of 9.6Mlb vs. our 10.5Mlb forecast (-8%); albeit, increasing QoQ from 9.3Mlb (+3%). Mining is migrating to deeper levels as the expanded haulage fleet is deployed. We were forecasting lower QoQ gold grades of 0.15 g/t, which remained roughly flat from 0.24 g/t in Q2, and was further bolstered by gold recoveries of 77.0% ahead of budget, resulting in gold production of 3.8Koz vs. our 2.8Koz estimate (+36%). Silver production contributed 93.9Koz vs. our 80.3Koz forecast (+17%). Q3's cash costs and AISC of $2.62/lb and $3.40/lb modestly increased from $2.34/lb and $3.10/lb in Q2.

Financial Highlights

- Q3 revenue of $115.4M increased +10% QoQ from $105.3M in Q2 and came in ahead of our $93.5M forecast by +23%.
- Income from mining operations was $43.8M vs. $39.2M in Q2 (+12% QoQ) and our estimate of $37.5M.
- Q3 EBITDA of ($1.8M) vs. $76.2M in Q2 and our forecast of $39.5M reflects a $41.1M fair value loss on stream obligations. This resulted from updating Condestable's forecast for the planned expansion to 10Ktpd and extended mine life to 2041. Adjusted EBITDA of $50.0M beat our expectations.
- Q3's net income of ($28.2M) reflects the fair value loss. Adjusted net income of $22.4M beat our $17.5M forecast and $17.1M in Q2.

	Q3/26A	Atrium Est.	Variance	Q2/26A	QoQ
Fenix					
Gold Produced (Koz)	**8.5**	8.8	-4%	9.1	-6%
Cash Cost ($/oz)	**$2,370**	$2,155	+10%	$2,701	-12%
AISC ($/oz)	**$2,615**	$2,309	+13%	$2,872	-9%
Condestable					
Copper Production (Klb)	**9,603**	10,470	-8%	9,297	+3%
Gold Production (Koz)	**3.8**	2.8	+36%	4.5	-14%
Silver Production (Koz)	**93.9**	80.3	+17%	74.4	+26%
Cash Cost ($/lb)	**$2.62**	$1.34	+96%	$2.34	+12%
AISC ($/lb)	**$3.40**	$1.62	+110%	$3.10	+10%
Financials					
Sales ($M)	**$115.4**	$93.5	+23%	$105.3	+10%
EBITDA ($M)	**($1.8)**	$39.5	-104%	$76.2	-102%
OCF (pre-WC) ($M)	**$30.6**	$28.0	+9%	$31.8	-4%
Net Income ($M)	**($28.2)**	$17.5	-261%	$47.1	-160%

Figure 1: Q3/26 Financial & Operational Summary (Source: Company Documents)

Our Take

As discussed above, the challenges Fenix faced were all previously disclosed, and Q3 results were in line with the projections RIO provided toward the end of September. We are encouraged that the operations team has remained resilient in addressing ramp-up constraints through the weather-related challenges, and commercial production remains on track for Q4. RIO ended the quarter with cash and equivalents of $26.8M, effectively managing the balance sheet as Fenix nears full capacity.

Condestable's consistent production following the Company's acquisition in Q1 continues to provide stability during the ramp up at Fenix. Q3 marked another quarter of steady production, and we will be watching for updates regarding the ongoing ramp up on Thursday's webinar and over the coming quarters. As displayed in Figure 1, unadjusted earnings were impacted by the $41.1M fair value loss on stream obligations at Condestable. This was a function of RIO updating production forecasts for the expansion to 10Ktpd, and extended mine life reported in June (read our note here). Adjusted out, earnings came in ahead of expectations.

Catalysts

- Fenix Commercial Production – Q4/26
- Fenix Phase 2 Expansion Study – Q4/26
- Condestable Ore Sorting & Expansion Plans – 2026/2027

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$2.84
Rating	BUY
Target Price	C$5.75
Upside	103%
Market Cap ($M)	$1,103.6
Cash ($M)	$26.8
Debt ($M)	$68.2
EV ($M)	$1,144.9

Capital Structure	
Basic Shares Outstanding (M)	549.6
RSUs (M)	1.9
Options (M)	12.5
FD Shares (M)	564.0
FD ITM Shares (M)	562.6

Commodity Price Assumptions	
Gold Price ($/oz)	$4,250
Silver Price ($/oz)	$60.00
Copper Price ($/lb)	$6.50

Financial Estimates	2025A	Q1/26A	Q2/26A	Q3/26A	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	2028E
Fenix - Gold Produced (Koz)	**0.0**	4.6	9.1	8.5	17.0	**39.3**	27.6	27.6	27.6	27.6	**110.5**	**105.3**
Condestable - CuEq Produced (Mlb)	**0.0**	9.7	13.5	13.0	14.8	**51.0**	15.1	15.1	14.8	14.8	**59.7**	**58.9**
Total AuEq Ounces Produced (Koz)	**0.0**	16.3	27.1	28.2	34.2	**105.8**	45.2	45.2	44.9	44.9	**180.1**	**174.6**
Sales ($M)	**0.0**	65.9	105.3	115.4	125.7	**412.2**	163.5	163.5	162.2	162.2	**651.4**	**612.2**
EBITDA ($M)	**(14.5)**	41.0	76.2	(1.8)	57.0	**172.4**	107.0	107.0	105.8	105.8	**425.5**	**386.5**
Operating Cash Flow ($M)	**87.7**	22.8	0.3	22.5	41.5	**87.1**	73.9	73.9	73.2	73.2	**294.3**	**268.1**
Net Income ($M)	**(13.6)**	22.5	47.1	(28.2)	29.3	**70.7**	59.9	59.9	59.3	59.3	**238.4**	**213.2**

Figure 2: Tear Sheet

Estimate Revisions

	Q4/26E		2026E		2027E	
	New	Previous	New	Previous	New	Previous
Fenix - Gold Produced (Koz)	**17.0**	17.0	**39.3**	39.6	**110.5**	110.5
Condestable - CuEq Produced (Mlb)	**14.8**	14.8	**51.0**	52.0	**59.7**	59.8
Total AuEq Ounces Produced (Koz)	**34.2**	34.1	**105.8**	102.6	**180.1**	180.3
Sales ($M)	**$125.7**	$132.0	**$412.2**	$396.6	**$651.4**	$675.0
EBITDA ($M)	**$57.0**	$62.4	**$172.4**	$219.1	**$425.5**	$449.1
OCF ($M)	**$41.5**	$45.5	**$87.1**	$96.7	**$294.3**	$311.5
Net Income ($M)	**$29.3**	$33.3	**$70.7**	$120.4	**$238.4**	$255.5

Figure 3: Estimate Revisions

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