

► **SmithWeekly:** Welcome to SmithWeekly Discussions, an occasional program we put on for our readers and followers of SmithWeekly Research. Please note this program is a private discussion and everything contained herein is for entertainment and educational purposes only. With that, we hope you enjoy the show and are in a comfortable position to enjoy the discussion. We have on Alex Black, President & CEO of Rio2 Limited. Rio2 is listed on the Toronto Venture Exchange under the symbol RIO. Mr. Black, thanks for coming on.

► **Alex:** Thanks Andrew. Yeah. Thanks for having me.

► **SmithWeekly:** So Alex tell us your story and background?

► **Alex:** Well, I guess in a nutshell as you can tell I'm from Australia originally. I've been living in Lima for nearly 18 years. I've been in the industry just shy of 40 years. I'm a mining engineer by background having done several different things in the mining space. I started off as a consultant in the industry in Western Australia back in the early 80s. So that was pretty interesting then I moved to Perth in the late 80s and started up a consulting business and did quite a bit of consulting for a lot of companies in Australia and obviously those companies that were also doing business outside of the country and at some point I decided to cross the fence. I was watching people and working for people who were doing what I do now and I did a bit of research and spent a bit of time thinking about why those people in most cases were successful and I worked out that really it all came down to being in the right place at the right time doing the right thing. So I decided to cross the fence. I did start up a private resource company in Australia with some assets in Ghana, West Africa back in the mid-90s. Then Bre-X happened and there was no more money for exploration companies anywhere in the world. I was asked by one of my fellow directors and also largest shareholder that, you know, we should look at getting an advanced project into the portfolio going at that stage. My consulting company was doing some contract work in Kazakhstan and I met somebody in Kazakhstan. I said look, do you know of any brownfields projects around and they told me there was one in Mongolia called the Bruegel project and I said, Jesus, where's Mongolia? Anyway after a little bit of research and traveling to the country, I found out that yes, there was a project and we took it on in a private company called AGR Limited which was an Australian company. We worked our way into the late 90s and unfortunately things didn't get much better in the gold space and, in fact, the resource sector went even worse towards the late 90s and then we decided to move the project on after doing feasibility study and actually it became a mine for

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I think about eight years or so. It was a successful mine for them and I think now it's in closure or has been closed. So in 2000 I decided to do something different and the only continent that I hadn't been to up until that point was South America, so I did some research about where I'd like to go to in South America and Peru came up. So I packed up my bags and came over to Peru.

The same sort of thing happened, you know, picked up some assets here in Peru. They were exploration assets. But once again as you can imagine the early 2000s things were just starting to pick up but very slowly in the resource business. In 2004 I became aware of an asset that belong to Rio Tinto called Mina Justa and anyway we participated in a bid to acquire it from Rio Tinto back in 2004 through a company that I controlled at that time called Chariot Resources, which was listed on the TSX and we won the process. We took on Mina Justa, we did a feasibility study on the project but once again ran out of gas sort of around 2010. This was after I left the company but the company was sold to a Chinese group who then sold it to a Peru group called Minsur which is a listed company. As I speak, they're currently building a one and a half billion dollar copper project. So the good thing is about all the things that I've been involved in eventually become something where my hands had been.

In 2006 when I left Chariot I decided to do something different and look for opportunities and it was just before the financial crisis and I came across a project I was made aware of a project called La Arena which belonged to lamgold at the time and La Arena was a discovery that had been acquired by lamgold I think in 2006 or 2005. So it was something that lamgold didn't want to take on so they ran a process. We participated in the process through a private company at the time and in late 2007, we were awarded the winner of the process to acquire La Arena. However, we promised to pay lamgold nearly 50 million dollars for the asset and at that point, getting to the point of putting that money together to pay lamgold, we entered the financial crisis. So we went back to lamgold said look, you know, nobody's going to give us money to give to you. Can we restructure this deal into an option earn-in where we do find the money, we put money in the ground and we pay you later, which they accepted and that was great. So we started looking for money and it was very difficult to find money. We eventually found a listed shell called Mexican Silver Mines. We did, virtually, a reverse takeover of Mexican Silver Mines where Mexican Silver Mines had 6 million dollars in the bank. We had the option to acquire La Arena and post transaction, we were a 12 million dollar company. We then proceeded as quickly as possible to build La Arena to turn it into a mine and we did that on the basis that we knew Peru. We knew how to approach the project. We had a Peruvian management team so we had good intelligence on how we were going to bring that project in production as quickly as possible and about two years later, we poured first bar of gold in May 2011. So late 2009 was when we did the deal with Mexican Silver and 2011 was when we poured gold. Obviously the gold price was going up at the time. Things were going well. You know at one point our share price peaked at \$6 remembering we started as a 12 million dollar company with a 20 cent share price. So, you know, we did pretty well in growing value, made a lot of people a lot of money, and then things came off in 2013. The gold price started to come back again and we were doing well. We were producing two hundred twenty thousand ounces a year at La Arena and then we had the opportunity to acquire another company that had an asset about 30 kilometers away from La Arena called Shahuindo, that company was called Sulliden Gold. So we took over and put the two companies together, built the value up to about 1.2 billion dollars and then we were taken over by Tahoe Resources in early 2015.

▶ **SmithWeekly:** Now we know the rest of the story.

▶ **Alex:** It's also good to be able to tell it because it shows that, you know, everything that I've been involved with, my team has been involved with, is real. We're not promoters. We're real people, we're real miners, and we know what we're looking at.

▶ **SmithWeekly:** Yes, absolutely and that's a good point to reinforce. So now you're up to something else called Rio2. Tell us just briefly because we're going to talk a little bit more later.

▶ **Alex:** Yeah really from the outset it was all about the fact that you know I wasn't ready to really retire from what I was doing with Rio Alto. So it was a matter of setting up Rio2 with a listed shell called Prospect Resources. We populated it with some money, our management put in a quite a slug of it, but we raised about nine million dollars Canadian and started to look around for projects and the idea of and the objective of Rio2 is to become a multi-asset precious metals company focused essentially in the Americas and that's what we've been doing so far for opportunities.

▶ **SmithWeekly:** Okay, you're well on your way to doing that with the project pipeline. You've already got that starting to roll out so very interesting. So give us just a little bit more on Rio2 for folks who don't know where the project is and then we'll get into it a little bit later.

▶ **Alex:** Okay once we got off the ground and we became public we probably looked at about 60 or so projects, junior companies, projects that majors wanted to sell and got involved in processes, etc. and through that process we came across a company called Atacama Pacific which had and discovered a gold project in Chile, in the Atacama region of Chile, and there was a discovery they made in 2010. So we came across Atacama Pacific and one of the one of the challenges of doing M&A in the mining space is finding somebody that wants to dance with you. So there's lots of company assets etc. out there that you think might make sense to be a part of what we're doing. Typically, you know, you got to find somebody that is willing to dance on the other side and most or just about 90% of mining deals all comes down to social issues, which is you know, what is everybody getting at the end of the day from a personal perspective after the transaction is done. It's a little sad because it does blow up things that should happen but didn't happen because of the social issues. In our case anyway, we did this deal without Atacama Pacific. I think we closed the transaction where we put the two companies together back in July of this year and Maricunga project we decided to rename Fenix, the Fenix gold project. The reason for that was that the word Maricunga is used in several iterations of company names and project names in that region so we wanted to just stay away from the association of that name. So we called the project Fenix and that's what we talk about now. The Atacama Pacific guys discovered in 2010, did three drill campaigns between 2010 and 2013 to delineate resources of about five and a half million ounces of gold in resources and did a pre-feasibility study in 2014 and defined about 3.7 million ounces in reserves according to the metrics of the pre-feasibility study. After our validation of the asset, we thought was good and it had a lot of positive characteristics, has a lot of similar characteristics to La Arena, the project that we built in Peru. It was an easy decision for us to say, okay, let's acquire the company for the asset and let's get into it.

▶ **SmithWeekly:** Very well, I appreciate the overview of what's going on there. So moving on, Alex, what is wrong with the mining business these days?

► **Alex:** A lot of people have lost patience and faith in the mining space, the resources sector in general, particular emphasis, and obviously something I know best is the gold sector of the resource industry. A lot of things have gone wrong in the gold sector, values being destroyed, and bad management has been in place in a lot of cases. Bad promotion. These things have spread through to the rest of the sector and so that accompanied by what I would call a flat gold price because if you look at the gold price, and I've got a chart on my screen right now, if you look at the gold price between, you know, 2013 and now it's relatively flat around \$1,200-1,300. So it's not as though we've been through massive gyrations over the last five years. The price has been relatively stable, but during that time all the excesses of the previous years have come to roost and a lot of companies carrying huge amounts of debt and management teams are paying themselves a lot. People don't like that, investors don't like that particularly if they're an underperforming company virtually breaking even at the current gold price which is a bit interesting because you know in our case, La Arena, we made good money at \$1200. So obviously there are assets in production now that probably shouldn't be in production. So all that put together has just worn thin on investors in the space and what's really shocking to me is, you know, and I've been in this business for nearly 40 years, but also involved in the Canadian public listed space since 2002, when I got Chariot Resources off the ground, the whole investment sector has changed and in a lot of cases funds have just disappeared. The obvious usual places of going to for money is gone. It's quite sobering because now I'm involved with a company that doesn't have any cash flow and you wonder where the hell anymore money is going to come from and it's a very difficult situation and the whole industry faces it. So the good thing is, you know, the good thing for me and my way of thinking is that if this continues which I kind of think it will for at least a little while, I'm sort of guessing through 2019, but hopefully there will be a bit of a clean out consolidation of smaller companies. That's really what needs to happen and let's see if that happens.

► **SmithWeekly:** Interesting. So you're Australian citizen. Why is it that Australia, if you look at some of the charts of some of the juniors, mid-tiers, and majors in Australia, they're up severely outperforming Canadian and North American listed equities in the space. What do you think that's attributable to?

► **Alex:** Well, you know, these guys are doing well because they're in a, you know, they're enjoying the differential of currency between the Australian dollar and U.S. dollar. Australia has become cost competitive over time because of, you know, the constraints of the industry. Australians are people that embrace technology, embrace challenge, and just get on with it. When I came to Peru and did La Arena, I remember people ask me, so how many mines you built in Peru? I said none and they said, well, how many mines have you built in your life? I said none. I said I've been involved in a number of mines but I've never built one and I said, you know what, I'm not going to build one here either and I said what I'm going to do is I'm going to put a team together and they're going to build the mine. I'm like the coach of the football team, you know, I provide the uniforms, I provide the ball, the boots and I say, okay guys run out on the field and go kick some goals. I'm not the one who builds our mines. So I think Australians fit in wherever they go whether it's Africa, whether it's South America, whether it's, you know, other places around the world and we sort of try to fit in and we mix in with culture of the country that we're doing business. We are in and we just get on with things. I'll get on with the job.

► **SmithWeekly:** Right now because you said that I've got to step out and mention that, you know, whether it's John Borshoff with Paladin going out to places in Africa that have never even mined and shipped a can of uranium, yellowcake, out of the country before. You certainly reinforce that fact that Australians can certainly be very good folks to have in this business especially and not just in the mining business but also in advancing these other economies, advancing jobs, local community advancement and so forth. What would you say to

majors, mid-tiers, and junior companies out there that are trying to form integrity and credibility. What suggestions at this point do you have for them?

► **Alex:** You know, it's all about executing and delivering. It's all about getting your hands on something, you know, whether it's an exploration project if you're an explorer, if you're a mine builder trying to find a project you can build, if you're an operator try and find a project you can operate. Just do the best you can in those circumstances with the resources you've got available to you. Put your head down, you know, and don't get greedy. I think this industry certainly in the past has been full of lots of greed, you know, and when I say that, you know, you got to try and get to a position where you own more of the company and the value of that ownership equates to many more times than the salary that you're pulling and I think that goes from ages all the way through. I think there's been some recent editorials on that about CEO ownership and management ownership of public companies. You just have to get on with it, you know, and I find that very frustrating because we're still on the lookout for opportunities because our Fenix project has a period of about three years before we get to the construction phase and the decision to construct. So what I'm trying to do with my team is we're looking for other opportunities near term production, exploration, etc., and it's really hard. It's really hard to find and that's the other thing that's happened in this industry with the lack of funding that's been around for the last few years particularly since the drop-off in gold from where it was at \$1800 to 1200. So the lack of exploration and lack of new projects comes the lack of capability to find them and then not only if you are lucky to find them. You got to find the capital to be able to develop them. So there's a lot of challenges out there.

► **SmithWeekly:** It'll be interesting to see, at these prices and with the sentiment levels that we have right now, what deals you can find in the meantime. So Alex last we checked, and I don't know exactly if we are up to date, you haven't taken a material salary from the company. So what is your view on industry compensation and those who enjoy mining shareholders instead of the dirt?

► **Alex:** Look, it's all going to be commensurate with what the company is doing and the stage in which they are. Obviously as a part of a management team, you can earn a salary, you can get paid bonuses, you get paid in stock with options or RSUs or whatever it is. I mean at the end of the day, it's all about just doing everything within the context of what your company is doing and I think that's where things have got out of kilter because, you know, particularly with the bigger guys, is that there's a lot of rumblings about the size of the G&A and salary packages that these guys have in respect to the performance of their companies. So all I can say is you just got to do it within the capacity of what your company is doing and if you do that then not too many people are going to worry about it. If you put your hands deep into the treasury of the company when it's not performing, well, then investors get pretty wary of what sort of company that might be.

► **SmithWeekly:** Sure and we've seen a lot of that recently where you have companies that are listed and they have projects that require significantly higher prices to even be able to become reasonable and yet they're nothing but a consumer of capital. A CEO or an executive of a company is raking in a seven hundred thousand dollar salary annually and there's no cash flow whatsoever. It's just laughable.

► **Alex:** Yeah and really at the end of the day, look we're all investors in a certain way, you obviously should choose not to put your money into those sorts of companies. You know when I see companies and you see recommendations to buy shares of companies, a lot of those recommendations are based on the share price. I'm not going to talk about specifics here but a company may have had a fifteen dollar share price. It's now down at five dollars and the recommendation from Alice on the street is you should buy this stock because it's rock

bottom and all that, but the reason it's probably there is because of bad management. So for me when you invest in a company, you're not buying the shares to go from, in my opinion, five to fifteen dollars. What you're doing is you're putting that money in and giving it to that management team and trusting that management team to take that share price from five to fifteen dollars. They are the ones going to steer that company. If a company has got a bad management team running it, stay away. People are taking money over and above the capacity of the company, stay away. Even if the share price of that company is rock bottom, stay away from it. There's plenty of other good things you can invest in apart from those companies because at the end of the day, once again my opinion, is you put a dollar into an investment, you're backing management and you better be sure and confident that management team is doing the right thing for all shareholders.

▶ **SmithWeekly:** Yeah, absolutely. Certainly Rio2 does align quite well with the stage of the company and what management is doing starting off.

▶ **Alex:** Right. So we really have got to hit our mark, move things along with Fenix and anything else that we do. We're all the way at the junior end of the spectrum but certainly what you're talking about I think goes more along to the more development companies / producing companies, small producers to the big bigger guys. You need to be careful and watch what happens to treasury, that's it.

▶ **SmithWeekly:** Right because at the end of the day, you know, some of these bad companies, bad management teams, the investors who give them money are just more or less supporting their lifestyle.

▶ **Alex:** Exactly, so look out.

▶ **SmithWeekly:** So let's see here, another thought as we talk, so you've spent a good amount of time in Chile and Peru. You've had to deal with various agencies and political figures. What is your take on the newly elected governor in Puno region, Peru?

▶ **Alex:** Well let's see because he just got in, that's the first thing. You know, politics here in Peru are interesting. We had a big scare, the president before last or two presidents ago, I can't remember the year, but anyway 2013 or something like that, he campaigned on leftist platform and then all of a sudden boom, he governs from the center and he didn't do anything radical. There was corruption and other things going on but that's something that Peru is dealing with right now and trying to clean up. So I think the jury's still out on that guy and he's been elected in Puno. Maybe I'm biased and I've been here 18 years and Peru has been through some pretty controversial times during the last 15 of that since Alberto Fujimori ended his presidency back in the early 2000s. I still think that Peru is probably one of the better countries in South America and Latin America to do business in the mining space. I think the opportunity to mine here is definitely positive, the system of approvals and approval process that you have to go through to build a mine, the processes that are there to monitor mining, etc. are all pretty transparent black and white. So they all work and the legal system here works pretty well too so it proves a great place. Chile, obviously, a very mature country, has been number one copper producer in the world. Its dynamics are a little bit different because it's more restrictive on the approval process EIA / permitting process in which the government's trying to improve on the bureaucratic processes involved. Overall similar sorts of laws and guidelines to building mines. Peru and Chile are great. An interesting thing with our Fenix project when we build it and when we turn it into a mine, it'll be the only gold oxide heap leach project in Chile which

blows me away because here in Peru there are a few. In Chile there are none and we will have the first one because the country is being dominated by copper and continues to be dominated by copper and lithium to certain extent now that lithium's been running hot.

► **SmithWeekly:** It's interesting because the project is very clean geologically. Then also I noticed you said it's really a when question not an if question so that is reinforcing. So aside from these two jurisdictions that we know about, you guys also have some concessions in Nicaragua. What's your plan there and are you of the opinion that the political trials there will be resolved soon?

► **Alex:** Yeah, we've been in Nicaragua over the last couple of years on a limited basis. We have one person there, a geologist, his name's Luke English. He's been in the country for many years. We've just looked around. We've got an application in place with the government for 10,000 hectares of ground in some areas that we think are pretty interesting. We've been talking to people doing business in Nicaragua seeing if there's any anything we can do together. Nicaragua, up until the recent civil unrest really was probably the shining light in Central America as far as we were concerned from a mining perspective. If you look at the countries that surround it, Guatemala pretty tough, and I know because of the Tahoe experience. Costa Rica is closed for mining. Panama tough, even though you've got Cobre de Panama being built by First Quantum. There's a moratorium against awarding mining concessions in the country and this has been in place for a few years now. So Nicaragua stood out as being a good place mining friendly. B2Gold have been very successful in Nicaragua. In fact, they started their business in Nicaragua, that was their first projects that they put together in their company. So we like Nicaragua. Now the civil unrest, you know, it's not good. We don't like what we've been hearing but it is Latin America and you know these things happen. I think there will be some sort of resolution over time, how long I'm not sure, but it's definitely going to be resolved. I think the country is not Venezuela, you know, crazy from that perspective. So I'm hopeful that it does turn around and when it does we want to be there and it's like the old adage of you know, buying low and selling high while you want to be in a country. The other people don't want to be in to take advantage of the opportunities. If I was doing business in Africa, where I'd like to be right now is Zimbabwe probably because, you know, Zimbabwe has been locked up for so long during the Mugabe time. Now, it's sort of opening up and probably it's a good place to be even though it still hasn't sorted itself out completely. But Zimbabwe is a very prospective country in Africa from a mining perspective and that's probably, you know, a very similar analogy to Nicaragua.

► **SmithWeekly:** Yeah, absolutely. It's certainly cheap and hated. I'm not going to challenge you on the Africa stuff but I tend to lean towards more of a Namibia or a Botswana but South Africa is also heading in that cheap and hated direction to where there might be opportunity in the future and maybe the DRC as well. So back to Nicaragua, you know, I've been there for some time having been there for four years in the country. The situation we all hope gets resolved soon and in a good manner. It is sad what is going on there but hopefully things will improve and people kind of figure it out. Hopefully there's not a playbook in line for a Venezuela or another one of those types. Certainly right now there's a heavy discount, you know, for example, Alex, real estate. I just recently noticed a little bit about it real estate has got about a 50% haircut so it's kind of hated at this point, illiquid, but there are some interesting deals. Iamgold is there which you are probably familiar with, B2Gold of course is there and they've continued to operate with little disruption from what I've seen. You've got Calibre doing some stuff up there in the northern part of the country.

► **Alex:** Centerra Gold too. It's perspective and up until recently it was wide open for business. So I think it will revert back to that.

▶ **SmithWeekly:** Yeah, I think so and a Honduras, a Guatemala and a El Salvador, that type is probably not too interesting at this point. Costa Rica is a joke as you know and Panama probably shut down at this point but it's interesting you mention the project there. We know an excavator operator at the project. So it's interesting some of the photos and some of the stuff he shared, all positive and a big project. So moving on, tell us about the Rio2 shareholder roster. How much do you own and what key backers do you have on the ship?

▶ **Alex:** Well, it's still early days but ourselves, management, the two largest shareholders on the board, myself and Albrecht Schneider. Albrecht was the founder of Atacama Pacific so collectively the board and management team have about 30 percent of the company. I own about just under 15% of the company today. Outside of that we've got an interesting shareholder registry because when we came across Atacama Pacific, their biggest shareholder at the time VanEck the ETF. VanEck decided to support this transaction and decided to also participate in our last financing. I think up until recently they were at a position of about 13 percent of the company. Then we have a smattering of institutional investors underneath that, just a handful probably, half a dozen, and then we have some pretty close associates that have got probably another 10 or 15% of the company. So it's fairly tight although you wouldn't know when you look at our share price. That's one thing that I always say you can't control what's going on. For whatever reason we've got some loose stock that's been coming into the market since we completed this transaction. I've got no idea where that's coming from but anyway, it is what it is. We just got to perform, keep going, do what we say we're going to do and the rest will fall into place.

▶ **SmithWeekly:** Absolutely and you know the good thing is I think here we got some strong hands and some of our readers and listeners are pretty strong hands. We've watched the company for some time, watched it where it was, watched it come down, watched it come down more, and again, watched it come down and we finally said you know what this is where we better pull the trigger and so a couple months ago we did recommend the company so it'll be interesting to see what happens. If there are some weak hands out there willing to part with their shares I think there's some picker-uppers on the other side.

▶ **Alex:** Exactly and you know that's the thing. I mean everybody, I hate it when I hear it, but everybody gets up at these conferences, you know, the CEOs that do the presentations say always significantly undervalued. Well the market is the market and I hate that comment because at the end of the day the market will value you the way the market sees you and so all you can do is make sure you don't make mistakes. Make sure you deliver what you say you're going to deliver and the rest will work its way out. That's my opinion.

▶ **SmithWeekly:** No, that's correct, you're right. Referencing back to Nicaragua there. The air gap from a eight hundred thousand dollar piece of real estate to two hundred twenty. That's the type of air gap we're talking about and quite honestly if you look at the shares of a number of these companies listed on the TSX and TSXV, you'll see something very similar has played out.

▶ **Alex:** Yes.

▶ **SmithWeekly:** So, Alex, moving on to another subject outside of Rio2, give us a name or two of a junior that you actually like and have respect for?

▶ **Alex:** Well, I don't know. Wow. I'm heavily invested in the gold space but in us, Rio2, that's what I'm interested in, in us. The reason I do that is because I'm backing us and there's so few management teams out there that I could honestly feel comfortable backing. So I've steered away from having a broad portfolio of investments. Now there are good people out there running junior companies. There's some good junior companies doing things, but can I pick one? Probably not. You guys are looking at it more from that perspective. Guys like Mark Turner at IKN, you know, looking at things and pontificating on what they see and how they see management teams but I can't really put my finger on right now that I can say, well, that's a great team. Because there are a few out there. They're not all bad in respect to what I was saying before but I just, you got me there.

▶ **SmithWeekly:** They're not all created equal and certainly we've, of course, had a tough time too at different times from 2015 till now. Everybody gets gamed in the market at some point and we're in the process of cleaning up some of ours as well.

▶ **Alex:** I think what I'd like to probably say is people like yourself, Mark Turner, Brent Cook, Joe Mazumdar, who works with Brent cook. That's who your listeners should be listening to. They have a pretty broad understanding of what's going on in the market. They tend to direct people in the right direction from the point of view of not only assets but also management. I'm probably the last one for this because you know, Rio2 is a mine building company. That's what we intend to be and so a lot of things are going on right now mainly in the exploration space and it's not really my game, exploration.

▶ **SmithWeekly:** Sure. It's interesting the different situations that exist and I'll save my comments on it because our readers and listeners already know our positions and know stuff that we've talked about in an extraordinary fashion, including Rio2 as of late. Alex, moving on to a different subject, so you watch the big market. Where are we today in your view and are we at the end of this big market cycle?

▶ **Alex:** Well, you know I'm on Twitter and I pontificate not about Rio2 but about things in general. Where we are going in gold, precious metals, is really tied to the Federal Reserve, their actions, and also the strength of the U.S. dollar. All this flip-flopping is going on and everything's pretty volatile. As you know, Trump tweets something one day and market's up and then is down and there's sideways and then you know, it's all over the place, and the dollar is relatively strong. I just think the Fed is hell-bent on what they call normalization of interest rates. I just think they have this thing in their mind that the interest rates were at zero for too long and they need to be probably somewhere in the order of two to three percent and they're going to be hell-bent on taking it. I think there's another interest rate rise in December 2018 as thinks everybody else. Some people think it's going to slow down next year. I think they'll, I'm reverting to what they indicated a few months ago, that they'll do probably another three next year and then, you know, we'll see what happens. But obviously the other thing that's going on in the background and the elephant in the room is the debt and other debts ticking up. It's probably a month or two away from hitting 22 trillion. So to me that recipe of high interest rates, huge debt, equity markets in general that are just frothy and at all-time highs. Something's going to give and it's not going to be pretty whatever happens. Should be positive for precious metals. We all think that but I think we still got a bit of sideways movement. Once again remember what I said at the beginning, you know, the gold price since 2013 has tracked pretty well around the 1200 dollar mark. So it's not bad. I've been watching this sector, particularly lithium, cobalt, you know, vanadium and all that. The highs, the lows, and the cryptos, marijuana, and everything goes through these flameouts, hot periods and it's like the biggest roller coaster I've ever seen. Well the good thing about gold, it doesn't do that, you know gold to me is a currency that's just been tracking that \$1200 mark and when something happens to the lead currency, which is the U.S. dollar, which we all

think will be to the negative then you'll see gold track up. Where's it going to go? Who knows. A track up maybe fourteen hundred and form a new base there. I got no idea because I don't have a crystal ball. I just think that, you know, we're in a good spot in precious metals and we just got to hold our ground and we'll see our time in the sun again. Hopefully the next time around is that there's some positive performances that don't scare investors away.

▶ **SmithWeekly:** Right and I think it's coming. I think it'll be there if you managed to pick up some additional ounces by the end of the year that would be helpful for anybody's portfolio at this point given what's coming down the pipe. It's difficult to manage these types of things especially from a newsletter type business, it's very difficult to consider where we're at and we're trying to do a good job of cleaning up our portfolios and slowing down going more to cash. Going more to precious metals and getting prepared for what's going to come and as well as putting on some nice long term, you know, shorts on some of these stocks that are just going to get wasted when it does come down. Spilling off a little bit back to natural resources. So folks often consider collateral damage from the big market, how do you think natural resource equities will kind of fair this time?

▶ **Alex:** Just frame that it again, when there's a market correction or with all these dynamics that are going on with the dollar and the fade, all that sort of stuff.

▶ **SmithWeekly:** So for example, if you look at what happened in 2000 with precious metals, natural resource sector, more or less 2000-2001, how that reacted as the big market came down and then compare that to 2008, it was completely different. So my thoughts are there's kind of two sides when equities get washed out, every equity gets washed out for a time, but then the argument is in 2000-2001 some of these equities, specifically in natural resources, actually did not decline very much at all.

▶ **Alex:** Yeah, I agree with you. There's typically a decline in all equities which includes resource stocks but then there's a flight to hard assets once people leave paper investments. They tend to fly into hard assets which is where you see a commodity start to be an attractive destination for investment. Then the flow on from that is companies that produce and then on from there. Resource stocks tend to be the first out to rise and I totally agree with you, I see that happening. The issue that we've had for the last, I don't know, 10 years or more is once again, I'm not a financial whiz, but you know since ETFs have been in place that's been a bit of an issue because obviously when we've had these turnarounds in commodities people can flock to either the metal itself, buy the metal, or it can buy an ETF, right, which is a basket of companies, products and whatever, so then it takes away the attraction for people to come in and invest with individual companies. This is a challenge the industry faces in the last few years and will continue to face going forward because that's probably where you see the first flight of money will come into, the metal, and then also into ETFs before it starts to flow into individual mining stocks.

▶ **SmithWeekly:** It'll be interesting to see how those ETFs hold up when things really hit the fan if you know what I mean.

▶ **Alex:** Yeah, that's a good point.

► **SmithWeekly:** To another subject so you've probably noticed that we do a little bit of, recently for the last year and a half to two years, we've done a bit of work on the situation related to uranium supply. What's your view on this mining business and do you believe the nuclear power industry has a role to play going forward on a global basis?

► **Alex:** Look I'm not a big fan. The reason is because the gestation period for a nuclear power plant is something like 10 years or so and the cost of building one is several billions of dollars. So it's not something you can turn on quickly. You have all this talk about alternative energy, you know, we have all this battery technology, stuff for powering cars, and other things but at the end of the day you get to plug that battery into the wall and on the other side of the wall is either a coal-fired power station, a hydro scheme, or something that's providing the electricity and for all those options to be replaced by nuclear it's going to take a long time irrespective of the will to do so. I just see the market as relatively small. We saw that sprint up in uranium prices what 8-10 years ago and it was what it was. It's the same as what happened with cobalt and the same of what's happened with lithium. You have these sort of times when people just think everybody's going to use his material or product, it skyrockets, and then all of a sudden boom, there's all this production that's found somewhere in China or in some corner of the earth that is going to just cater for the demands of what's required. So it's just too volatile for me. I just don't follow the space that well and because of the volatility, once again, you don't see that volatility in gold. It's relatively stable behaves like a currency right now.

► **SmithWeekly:** I'll give you a pass man because I'm asking outside your realm so to speak. For us, we have a view there's clearly, at this point, with the production cuts and the price of the mineral, that there is no doubt that there is a supply-demand issue going forward. Now in the United States, absolutely, it's highly costly and it's a long-term process. In places like China, India, Saudi Arabia, and places that Russia is pumping the market in terms of nuclear and with countries like Japan starting to restart the reactors because they're an island nation that does not have many other alternatives. With their situation regarding debt is a whole other ballgame and recently we seen the French, which are heavy nuclear, delay from 2025 weaning themselves off nuclear, now to 2035. I see that going forward, depending on seeing what happens with these small modular reactors, another technology that's being deployed by Rolls-Royce and Nuscale Power, I see that there is certainly a supply and demand problem. I do believe that nuclear has its place because you can't turn off this infrastructure and it's not going to happen anytime soon. It doesn't matter if it's in the U.S. or anywhere else this stuff cannot be turned off anytime soon because it provides a base load power that nothing else has been able to match. So for us I see in the next 5-10 years a supply-demand problem. I see a price rise and I do see equity rises. Post this cycle, I have no idea. I do believe that there are issues and depending on what happens with the technology and what other advances happen in the battery space, post 2035, who knows what's going to happen but it is interesting what has happened to the supply cuts and the different fundamentals that have just kind of occurred starting really, quite honestly, 2017. This kind of put us in a place where we really like it. As you know, these things are highly cyclical just like your other stuff whether it's talking about lithium, cobalt or whatever.

► **Alex:** My brief time outside of the gold space has been in copper, which I talked about Chariot Resources, it was the project here in Peru, and I remember back in 2000 and 2004-2005 when we bought the asset there were all these analysts making these predictions about copper demand and supply-demand curves and all that sort of thing. I watched that none of them were right so that's the thing with commodities. To me it's pretty hard to predict. The good thing about gold is that if you find a good gold project, something that's easy to get going, good infrastructure, simple metallurgy, for example, you can do it for relatively cheap. That's the benefit of the gold business, it's a

simple business. Copper's more difficult. If you look at the capex involved in turning on a copper project, typically, you know in the hundreds of millions plus but you know, if we look back at our track record with La Arena, we built the starter project for 50 million bucks. You can't do that in most other commodities. So in gold I think you have to have things working in your favor like metallurgy, infrastructure, etc., so you need a plan. It's kind of neat because then if you can get into production there are some good profits to be made if you can operate at a reasonable cost of production.

► **SmithWeekly:** Absolutely and I think that from what I've seen you guys are working that direction to where you'll have that exact scenario that you mentioned there. It'll be interesting to see what happens going forward. So besides Rio2 and the minerals which are on your project, pretty clean with only gold, is there any other minerals that you see that actually really have fundamentals going forward over the next five years? I mean a lithium or a cobalt, this stuff is pumped. Do you really see this stuff holding up?

► **Alex:** I don't because technology changes and the thing that I was made aware of recently just through doing research was this product called graphene. It is like a graphite type product and it can be made out of just about anything. It's not a rare material. Graphene is starting to be looked at from a battery technology perspective and it's supposed to be, or supposed to have, better and more efficient ways of storing energy than lithium has. It's also used in water filtration and other things so I mean what I see in that sector is just changing of technology and substitution. So right now lithium's hot, you know, lithium batteries, that's what it is. Somebody along the way is going to come up with something cheaper, lighter and lithium is going to fall to the wayside, the same with cobalts and the same, I think, with all those sorts of metals that can be substituted, replaced or whatever. A lot of people will argue that's not possible but I think that's what technology is all about. So the good thing about, I'm going to gravitate back to precious metals, gold. You can't substitute gold. Gold is gold and it has a place and really it's a nice one. Once again, I believe it's a form of currency so you don't see these same fluctuations that you see in those hot metals. I don't see it going on forever and mainly because of technology. I think these things will be substituted. People have been trying to find substitutes for copper for a long time and still haven't been very successful in doing that. If that ever happens then you know copper will fall to the wayside as well because it can be substituted.

► **SmithWeekly:** Alex, you know they say that you're able to fire up a nice supercomputer somewhere cold and turnout bitcoin. That's the equivalent of gold so it'll be...I'm just kidding.

► **Alex:** Yeah...right.

► **SmithWeekly:** We actually did have for a time in the portfolio a high-quality graphite company that we actually made some money on. I'm not sure how it's going it hasn't been doing too well recently but we did make a nice return on it. It's interesting to see how these technologies will play out. For the folks who are heavy duty on vanadium and the lithium's, etc., you'd better lock. You better get something going now. Lock in some discounts and you better lock in some contracts because I just don't see it lasting.

► **Alex:** I totally agree with you. I totally agree with you and you know I'm old enough to know the last vanadium boom which happened a lot while I was living in Australia and it was, I think, it was around the mid 90s or so and it was all based around cell phones. Okay, there's going to be a gazillion cell phones around the world and they're all going to use vanadium. So vanadium is now the thing and there were all

these projects built, as there's a couple in Australia built, but within two or three years, boom, it all was over. To me it's just these surges like a tidal wave comes and it goes.

► **SmithWeekly:** Right and you know the interesting thing is too is that most of this technology, there's iPhone's, your cars, these different products, batteries, and random stuff that you have in your house. All this stuff is coming from the ground, generally. You can grow some of it, some of them might be the sun, the rivers, some might be the wind, but the fact of the matter is this stuff is coming out of the ground. So you better step up and embrace just the fact that we're still dependent as a consumer of our modern life. We're still dependent on the stuff that comes from these projects coming out of the ground. So it's certainly interesting. Back to Rio2, give us the outlook going forward to progress community outreach, permitting, going into 2019-2020.

► **Alex:** Well it all depends on the availability of funds and we're going to need some more but basically what we intend to do, and we're drilling right now, is we're going to come up with a revised resource estimate at the end of Q1 2019. The idea of that is that we believe there were inadequacy of drilling, in the starter pit area where we want to start operations, was not as good as we wanted it and also we feel that there were high grade structures in that area that weren't adequately picked up. So we're busily drilling those and you'll start to see a flow of information on that shortly. Once that's finished then we intend to do a little bit more metallurgy test work. There's been quite a lot of work done in the past. We're going to do our engineering work and we're going to try and come up with a feasibility study. The project had a PFS completed in 2014. So we're going to do a feasibility study, which is going to have our signature on it from the point of view of what we think we're going to be able to build at Fenix and that should be ready, hopefully, at the beginning to the end of Q3 or beginning of Q4 of 2019. Once that's in place then we'll be filing and preparing the EIA for approval which will go into place during 2020-2021. You have the EIA and then the permitting process so we're hoping that we're going to get to a point where we have all our permissions in place to make a construction decision for 2022 so there's still three years of time that we need to go through now. That's what I was talking about before, what we continue to do even though you know we are firmly focused on this asset we're looking at other opportunities. We continue to talk to other companies. We're continually looking at projects that belong to bigger companies that they may not want. We get included in processes although being in a process is not much fun. You'd rather try and come to terms with a company without having to go into a process. Anyway we do get invited to processes and we continue to look and because of our track record, background, you know, we do even though things are tough. We do have the ability to find money for the right opportunity so we just got to keep heading in that direction but we're a junior company so we're going to go through some bumps, but it comes with the space.

► **SmithWeekly:** Right, so why should investors look at Rio2 right now? What would you say to those considering getting on board with Rio2?

► **Alex:** Well, I think the most important thing as we discussed earlier it's all about backing management to create wealth not only for shareholders but for themselves and as you know we've got significant skin in the game. We're not doing this because we're going to own a nice fat salary. We're doing this because we are shareholders and significant shareholders at that. So really if you become a shareholder of Rio2 at this time, you join us in our in our voyage of trying to build a sizable precious metals company. It's all about being in the right place at the right time. I'm convinced of that with a little bit of luck for a team like ours with the track record that we have not only technically but also in the capital markets, from an investor perspective and from a lender perspective, we've got all the ingredients. We just got to find

the right projects to do that. Now Fenix is a part of the jigsaw puzzle. It's not the be all and end all. It will be a mine. I'm convinced of it. In fact, by hook or by crook, we're going to build a mine at Fenix. I'm telling you that now. We're looking at other things too so join us on the journey if that's what you want to do. We're very transparent. We're an open book from a management perspective. Anybody can come visit me in my office if they're in Peru or they can come call me or talk to me at anytime and I'm happy to talk to them. So we're an open book and I think that's all we can do and hopefully just because of that we attract people to our story.

▶ **SmithWeekly:** Well, Alex, I think you nailed it. I think folks should really take a hard look at the company at these stages and at these prices. I think it's a good place to get started. Alex, it's been fun and we appreciate you coming on. Take care.

▶ **Alex:** Yeah no thanks for the time. I've rambled on a bit on some of these points but keep the faith. I think precious metals is the place to be over the next two to three years. Once we have this washout that's coming happen and it, who knows, it could go longer than that. So, you know, stay the course keep the faith and let's all hope we do well from an investment perspective in whatever we are invested in.

For more information about Alex Black and Rio2 Limited, visit:

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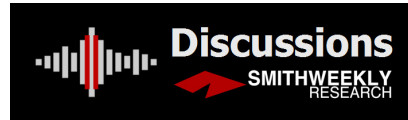


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