REGULUS RESOURCES INC

(the "Company")

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed 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 interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Regulus Resources Inc.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
As at

| | December 31, 2017 | September 30, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash (Note 4) | $ 6,169,687 | $ 6,815,719 |
| Receivables (Note 5) | 57,074 | 59,094 |
| Prepaid expenses (Note 6) | 36,011 | 47,325 |
| | 6,262,772 | 6,922,138 |
| **Long-term investment** (Note 9) | 683,000 | 850,000 |
| **Equipment** (Note 7) | 152,021 | 154,864 |
| **Exploration and evaluation assets** (Note 8) | 27,060,103 | 23,664,855 |
| | $ 34,157,896 | $ 31,591,857 |
| **LIABILITIES AND EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 10) | $ 1,952,208 | $ 2,289,877 |
| Due to related parties (Note 13) | 13,193 | 28,133 |
| | 1,965,401 | 2,318,010 |
| **Decommissioning liability (Note 11)** | 394,670 | 356,356 |
| | 2,360,071 | 2,674,366 |
| **Equity** | | |
| Capital stock (Note 12) | 96,628,365 | 92,896,977 |
| Accumulated other comprehensive loss | (7,097,163) | (6,708,360) |
| Share compensation reserve (Note 12) | 8,513,773 | 8,394,225 |
| Deficit | (66,247,150) | (65,665,351) |
| | 31,797,825 | 28,917,491 |
| | $ 34,157,896 | $ 31,591,857 |

**Nature and continuance of operations** (Note 1)
**Commitments** (Note 17)
**Subsequent events** (Note 18)

**Approved by the Board:**

**Director:**

*"John Black"*

John Black

**Director and Chairman of the Audit Committee:**

*"Anthony Hawkshaw"*

Anthony Hawkshaw

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

**Regulus Resources Inc.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

| | | 3 months ended December 31, 2017 | | 3 months ended December 31, 2016 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Accounting and audit | $ | 50,965 | $ | 57,900 |
| Amortization (Note 7) | | 8,340 | | 10,778 |
| Bank charges and interest | | 7,310 | | 9,259 |
| Consulting fees | | 19,885 | | 26,232 |
| Fees and taxes (Note 18) | | 4,338 | | 51 |
| Insurance | | 11,544 | | 22,928 |
| Interest expense (Note 11) | | 7,267 | | 9,909 |
| Investor relations and shareholder information | | 24,595 | | 15,255 |
| Legal (Note 13) | | 53,988 | | 136,927 |
| Management fees (Note 13) | | 196,527 | | 135,207 |
| Office and administration | | 31,401 | | 75,528 |
| Rent | | 45,625 | | 49,245 |
| Share-based compensation (Note 12, 13) | | 119,548 | | 659,003 |
| Telephone | | 4,916 | | 7,130 |
| Transfer agent and listing fees | | 4,908 | | 3,064 |
| Travel | | 29,181 | | 24,128 |
| Wages and benefits | | 8,229 | | 1,942 |
| | | (628,567) | | (1,244,486) |
| **OTHER ITEMS** | | | | |
| Gain on foreign exchange | | 265,178 | | 34,699 |
| Write-off of exploration and evaluation assets (Note 8) | | - | | (37,068) |
| Recovery (write-off) of prepaid expenses (Note 6) | | 46,514 | | (34,100) |
| Write-off of receivables (Note 5) | | (286,526) | | (178,228) |
| Interest income | | 21,602 | | 22,623 |
| **LOSS FOR THE PERIOD** | | (581,799) | | (1,436,560) |
| **Items that may be reclassified subsequently to profit and loss:** | | | | |
| Change in fair market value of long-term investment | | (167,000) | | 41,500 |
| **Items that will not be reclassified subsequently to profit and loss:** | | | | |
| Translation adjustment | | (221,803) | | 275,317 |
| **Comprehensive loss for the period** | $ | (970,602) | $ | (1,119,743) |
| **Loss per common share – basic and diluted** | $ | (0.01) | $ | (0.02) |
| **Weighted average number of common shares outstanding** | | **72,817,699** | | **68,527,149** |

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

**Regulus Resources Inc.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
For the Three Months Ended December 31

| | Number of Shares | | Capital Stock | | Accumulated Other Comprehensive Loss | | Share Compensation Reserve | | Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, September 30, 2016 | 68,368,083 | $ | 92,469,042 | $ | (6,141,133) | $ | 6,721,383 | $ | (62,172,836) | $ | 30,876,456 |
| Shares issued on exercise of options | 225,000 | | 157,500 | | - | | (56,250) | | - | | 101,250 |
| Share issuance costs | - | | (10,127) | | - | | - | | - | | (10,127) |
| Share-based compensation | - | | - | | - | | 659,003 | | - | | 659,003 |
| Fair value adjustment to long-term investment | - | | - | | 41,500 | | - | | - | | 41,500 |
| Foreign exchange adjustment | - | | - | | 275,317 | | - | | - | | 275,317 |
| Loss for the period | - | | - | | - | | - | | (1,436,560) | | (1,436,560) |
| Balance, December 31, 2016 | 68,593,083 | $ | 92,616,415 | $ | (5,824,316) | $ | 7,324,136 | $ | (63,609,396) | $ | 30,506,839 |
| Balance, September 30, 2017 | 68,888,667 | $ | 92,896,977 | $ | (6,708,360) | $ | 8,394,225 | $ | (65,665,351) | $ | 28,917,491 |
| Shares issued on exercise of warrants | 5,330,555 | | 3,731,388 | | - | | - | | - | | 3,731,388 |
| Share-based compensation | - | | - | | - | | 119,548 | | - | | 119,548 |
| Fair value adjustment to long-term investment | - - | | - | | (167,000) | | - | | - | | (167,000) |
| Foreign exchange adjustment | - | | - | | (221,803) | | - | | - | | (221,803) |
| Loss for the period | - | | - | | - | | - | | (581,799) | | (581,799) |
| Balance, December 31, 2017 | 74,219,222 | $ | 96,628,365 | $ | (7,097,163) | $ | 8,513,773 | $ | (66,247,150) | $ | 31,797,825 |

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

**Regulus Resources Inc.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
For the Three Months Ended December 31

| | 2017 | 2016 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net loss for the period | $ (581,799) | $ (1,436,560) |
| Items not affecting cash: | | |
| Amortization | 8,340 | 10,778 |
| Interest expense | 7,267 | 9,909 |
| Share-based compensation | 119,548 | 659,003 |
| Write-off of exploration and evaluation assets | - | 37,068 |
| Write-off (recovery) of prepaid expenses | (46,514) | 34,100 |
| Write-off of receivables | 286,526 | 178,228 |
| Changes in non-cash working capital items: | | |
| Receivables | (284,441) | (174,848) |
| Prepaid expenses | 57,983 | (31,049) |
| Accounts payable and accrued liabilities | (415,908) | 131,489 |
| Due to related parties | (14,940) | (205,903) |
| Net cash provided by (used in) operating activities | (863,938) | (787,785) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from exercise of stock options | - | 101,250 |
| Proceeds from exercise of warrants | 3,731,388 | - |
| Share issuance costs | - | (10,127) |
| Net cash provided by financing activities | 3,731,388 | 91,123 |
| **Cash Flows from Investing Activities** | | |
| Acquisition of equipment | (1,964) | (25,510) |
| Exploration and evaluation assets and decommissioning liability | (3,159,627) | (616,811) |
| Net cash used in investing activities | (3,161,591) | (642,321) |
| **Effect of foreign exchange on cash** | (351,891) | (335,517) |
| **Change in cash for the period** | (646,032) | (1,674,500) |
| **Cash, beginning of period** | 6,815,719 | 14,425,974 |
| **Cash, end of period** | $ 6,169,687 | $ 12,751,474 |

Supplemental disclosures with respect to cash flows (Note 14)

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Regulus Resources Inc. ("Regulus" or the "Company") is a mineral exploration company formed on December 16, 2010, with a portfolio of properties located in Peru, Argentina, Chile, the USA, and Canada.

As at December 31, 2017, the Company had working capital of $4,297,371. Management believes that the Company has sufficient working capital to maintain its operations and its activities for the next fiscal year.

These interim condensed consolidated financial statements were authorized by the audit committee and by the board of directors of the Company on March 1, 2018.

## 2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual consolidated financial statements.

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements. They should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended September 30, 2017, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these interim condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

<u>Judgments</u>

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements:

*Functional currencies*

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates. The functional currency of each entity is disclosed below under "Foreign Exchange".

*Impairment of exploration and evaluation assets*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations. Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, and consideration of whether the period for which the Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

## 2. BASIS OF PREPARATION (cont'd…)

Estimates

Significant estimates, made by management, about the future and other sources of estimation uncertainty at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

*Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or disposition of the mineral properties. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could affect management's assessment of the overall viability of its properties or to the likelihood of generating future cash flows necessary to recover the carrying value of the Company's exploration and evaluation assets.

To the extent that any of management's assumptions change there could be a significant effect on the Company's future financial position, operating results and cash flows.

*Fair value of stock options and warrants*

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant effect on the Company's future operating results or on other components of shareholders' equity.

*Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development or commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets and deferred income tax provisions or recoveries could be affected.

*Decommissioning costs*

Upon retirement of the Company's exploration and evaluation assets decommissioning costs will be incurred by the Company. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. The liability, the related asset and the corresponding expense are affected by estimates with respect to the costs and timing of decommissioning.

Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 13). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

## 2. BASIS OF PREPARATION (cont'd…)

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and is determined for each entity within the Company. The functional currency for the entities within the Company are: the Canadian dollar (the Company), the Argentine peso ("A-Peso") (Regulus Argentina S.A. and Minera El Toro S.A.), and the United States dollar ("U.S.$") (Pachamama (Bermuda) Ltd, Argex Mining Samenta Ltd and Argex Cerro Gordo Ltd., Southern Legacy Minerals Inc., Southern Legacy Peru S.A.C., KoriAnta S.A.C., Anta Norte S.A.C., Maria Eugenia 2 Mina Volare de Cajamarca S.A.C., SMRL El Sinchao de Cajamara, Rita Margot de Cajamara S.A.C., Minas del Sinchao S.A., and Minera Southern Legacy Chile Limitada).

The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the entities' functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of an entity that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statements of operations and comprehensive loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at September 30, 2017. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2017.

**Recent accounting pronouncements**

Accounting standards, amendments and interpretations not yet effective:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2018 or later periods. The following new standards, amendments and interpretations that have not been early adopted in these interim condensed consolidated financial statements are not expected to have a material effect on the Company's future results and financial position:

- IFRS 9, Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories -- amortized cost and fair value. IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.

- IFRS 15, Revenue Recognition - Revenue from Contracts with Customers establishes the principles that an entity shall apply to financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption has not yet been determined.

Expressed in Canadian Dollars

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's interim condensed consolidated financial statements.

## 4. CASH

| | December 31, 2017 | September 30, 2017 |
|---|---|---|
| Cash on deposit | $ 6,169,687 | $ 6,815,719 |

## 5. RECEIVABLES

The Company's receivables arise from various tax credits receivable from the Canadian, Peruvian and Argentinean government taxation authorities and advances. These are broken down as follows:

| | December 31, 2017 | September 30, 2017 |
|---|---|---|
| Tax credits and advances receivable | $ 57,074 | $ 59,094 |

During the period ended December 31, 2017, the Company wrote-off $286,526 (2016 - $178,228) of receivables to profit and loss. These receivables primarily related to Value Added Taxes in South America for which recoverability is uncertain.

## 6. PREPAID EXPENSES

The prepaid expenses for the Company are broken down as follows:

| | December 31, 2017 | September 30, 2017 |
|---|---|---|
| Prepaid expenses | $ 36,011 | $ 47,325 |

During the period ended December 31, 2017, the Company recovered $46,514 (2016 – wrote off $34,100) of prepaid expenses to profit and loss. These prepaid expenses primarily relate to tax balances paid in advance in South America.

Expressed in Canadian Dollars

## 7. EQUIPMENT

| | Vehicles | Office Furnishings | Equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, September 30, 2016 | $ 8,534 | $ 55,692 | $ 58,975 | $ 123,201 |
| Additions | - | 3,607 | 124,863 | 128,470 |
| Foreign exchange movement | (1,246) | (8,133) | (8,613) | (17,992) |
| Balance, September 30, 2017 | $ 7,288 | $ 51,166 | $ 175,225 | $ 233,679 |
| Additions | - | - | 1,964 | 1,964 |
| Foreign exchange movement | 115 | 808 | 2,765 | 3,688 |
| Balance, December 31, 2017 | $ 7,403 | $ 51,974 | $ 179,954 | $ 239,331 |
| **Accumulated amortization** | | | | |
| Balance, September 30, 2016 | $ 6,626 | $ 15,323 | $ 30,622 | $ 52,571 |
| Amortization | 715 | 3,713 | 26,302 | 30,730 |
| Foreign exchange movement | (565) | (1,307) | (2,614) | (4,486) |
| Balance, September 30, 2017 | $ 6,776 | $ 17,729 | $ 54,310 | $ 78,815 |
| Amortization | 157 | 913 | 7,270 | 8,340 |
| Foreign exchange movement | 13 | 35 | 107 | 155 |
| Balance, December 31, 2017 | $ 6,946 | $ 18,677 | $ 61,687 | $ 87,310 |
| **Carrying amounts** | | | | |
| As at September 30, 2016 | $ 1,908 | $ 40,369 | $ 28,353 | $ 70,630 |
| As at September 30, 2017 | $ 512 | $ 33,437 | $ 120,915 | $ 154,864 |
| As at December 31, 2017 | $ 457 | $ 33,297 | $ 118,267 | $ 152,021 |

## 8. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, title to its property is in good standing.

Expressed in Canadian Dollars

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

The exploration and evaluation assets in which the Company has an interest are located in Argentina, Peru, Chile, the U.S. and Canada and the Company is therefore relying on title opinions by legal counsel who are basing such opinions on the laws of Argentina, Peru, Chile, the U.S. and Canada.

| | December 31, 2017 | September 30, 2017 |
|---|---|---|
| **Other Argentina properties** | $ 181,601 | $ 168,419 |
| **Rio Grande, Argentina** | $ 790,716 | $ 682,735 |
| **AntaKori property, Peru** | $ 25,003,014 | $ 21,796,140 |
| **Golden Brew property, Nevada, USA** | $ 1,084,772 | $ 1,017,561 |
| | $ 27,060,103 | $ 23,664,855 |

| | Rio Grande, Argentina | Other, Argentina | Golden Brew, Nevada USA | AntaKori, Peru | Puchuldiza, Chile | Total |
|---|---|---|---|---|---|---|
| Balance, September 30, 2016 | $ 309,264 | $ 172,153 | $ 298,301 | $ 17,837,203 | $ - | $ 18,616,921 |
| Additions: | | | | | | |
| Administrative services | 25,769 | 292 | 12,925 | 115,741 | - | 154,727 |
| Change in estimates related to decommissioning liability | (73,079) | (57,337) | - | 19,162 | - | (111,254) |
| Field operations | 43,356 | 40,668 | 610,726 | 2,665,829 | - | 3,360,579 |
| Labour | 356,516 | - | - | 833,442 | - | 1,189,958 |
| Property payments | - | - | 45,328 | 151,655 | - | 196,983 |
| Recoveries | (55,368) | - | - | - | - | (55,368) |
| Taxes and licences | 24,301 | 73,257 | - | - | - | 97,558 |
| Third party services | 158,036 | 66 | 50,281 | 577,095 | - | 785,478 |
| | 479,531 | 56,946 | 719,260 | 4,362,924 | - | 5,618,661 |
| Foreign exchange movement | (106,060) | (60,680) | - | (403,987) | - | (570,727) |
| Balance, September 30, 2017 | $ 682,735 | $ 168,419 | $ 1,017,561 | $ 21,796,140 | $ - | $ 23,664,855 |
| Additions: | | | | | | |
| Administrative services | 2,971 | - | 1,205 | 32,767 | - | 36,943 |
| Change in estimates related to decommissioning liability | - | 5,696 | - | - | - | 5,696 |
| Field operations | 1,177 | - | 53,346 | 2,655,098 | - | 2,709,621 |
| Labour | 95,388 | - | - | 175,086 | - | 270,474 |
| Property payments | - | - | 2,314 | - | - | 2,314 |
| Recoveries | (1,890) | - | - | - | - | (1,890) |
| Taxes and licences | 21,565 | 33,473 | - | - | - | 55,038 |
| Third party services | 41,280 | 1,078 | 10,346 | 147,727 | - | 200,431 |
| | 160,491 | 40,247 | 67,211 | 3,010,678 | - | 3,278,627 |
| Foreign exchange movement | (52,510) | (27,065) | - | 196,196 | - | 116,621 |
| Balance, December 31, 2017 | $ 790,716 | $ 181,601 | $ 1,084,772 | $ 25,003,014 | $ - | $ 27,060,103 |

**8. EXPLORATION AND EVALUATION ASSETS** (cont'd…)

**AntaKori Project, Peru**

The Company has acquired an option to earn an interest in the AntaKori project through the following option agreements executed by its Peruvian subsidiary, Southern Legacy Peru S.A.C. ("Regulus Peru"):

(a) An option agreement was executed in December 2011 with certain members of the Santolalla family, providing a right to acquire 86.8% of the capital stock of Minas del Sinchao S.A., which owns 50% of the capital stock of SMRL Rita Margot de Cajamarca. SMRL Rita Margot de Cajamarca owns three mining rights and has a 50% interest in SMRL Maria Eugenia 2 Mina Volare de Cajamarca which owns an additional mining right that comprises a portion of the AntaKori project. The agreement also provides for a 1% net smelter return royalty for the Santolalla family which is subject to a US$4.5 million buy-out option. Payments made to date are US$3,038,000 with no payments remaining;

(b) A second option agreement dated November 2013 provides the right to acquire an additional 7.7% interest in Minas del Sinchao S.A, which increases the Company's right to acquire an interest in Minas del Sinchao S.A. up to 94.5% of its capital stock. Payments made to date are US$233,926 with no payments remaining;

(c) Two option and usufruct agreements dated March 2012 were executed whereby two owners of a combined 12.5% ownership of SMRL Rita Margot De Cajamarca granted in favor of Regulus Peru a usufruct right over their 12.5% ownership of the entity. With the usufruct over the vendors' shares, Regulus Peru has an option to acquire 62.5% of the SMRL Rita Margot De Cajamarca capital stock. Each of these option and usufruct agreements provide the owners a net smelter royalty of 0.1875%. Payments made to date are US$877,000 with no payments remaining;

(d) Six option and usufruct agreements were executed in December 2012, whereby 30 owners of a combined 62.5% ownership of SMRL El Sinchao De Cajamarca ("El Sinchao") granted in favour of SLM Peru a usufruct right over their 62.5% ownership of the entity with the payment terms set out in the table below. El Sinchao owns 100% of three mining concessions that compose a portion of the AntaKori project. With the usufruct over the vendors' shares, Regulus Peru has an option to acquire 62.5% of El Sinchao capital stock. No smelter royalties or back-in rights exist as part of this option agreement. Payments made to date are US$1,173,558 with no payments remaining;

(e) Two option and usufruct agreements were executed in March 2013, whereby four owners of a combined 20.63% ownership of El Sinchao granted in favour of Regulus Peru a usufruct right over their 20.63% ownership of the entity. With the usufruct over the vendors' shares, Regulus Peru increased to 83.13% the total of El Sinchao's capital stock it has options to acquire. These option agreements do not contain smelter royalties or back-in rights clauses. Payments made to date are US$386,381 with no payments remaining;

(f) An option and usufruct agreement were executed in September 2014, whereby Regulus Peru purchased 25% of the outstanding shares of Rita Margot de Cajamarca for a total of US$1,750,000. Payments made to date are US$1,750,000 with no payments remaining.

Expressed in Canadian Dollars

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

**AntaKori Project, Peru** (cont'd…)

A summary of the payments made and due under the option agreements described above is outlined below:

| Payment Due Date | | Amount (US$) |
|---|---|---|
| Paid during the year ended September 30, 2012 | $ | 580,000 |
| Paid during the year ended September 30, 2013 | | 1,159,170 |
| Paid during the year ending September 30, 2014 | | 1,923,769 |
| December 31, 2014 (paid) | | 510,000 |
| March 4, 2015 (paid) | | 350,000 |
| June 30, 2015 (paid) | | 540,000 |
| September 4, 2015 (paid) | | 350,000 |
| September 6, 2015 (paid) | | 50,000 |
| September 15, 2015 (paid) | | 50,000 |
| December 31, 2015 (paid) | | 550,000 |
| March 4, 2016 (paid) | | 351,197 |
| June 30, 2016 (paid) | | 583,926 |
| September 4, 2016 (paid) | | 350,000 |
| September 6, 2016 (paid) | | 37,000 |
| September 15, 2016 (paid) | | 37,000 |
| December 31, 2016 (paid) | | 38,000 |
| Total | $ | 7,460,062 |

The AntaKori property is in good standing with regard to its option payments.

During the year ended September 30, 2016, the Company announced that its wholly owned Peruvian subsidiary, Southern Legacy Peru S.A.C, ("Regulus Peru"), had entered into binding Memorandum of Understanding agreements ("MOU's") with Compañía Minera Coimolache S.A. ("Coimolache") and Compañía Minera Colquirrumi S.A. ("Colquirrumi"), companies that hold mineral concessions immediately adjacent to, and inter-fingering with, Regulus Peru's AntaKori copper-gold project in northern Peru. These agreements will allow for mutual access, mutual rights of expansion and collaborative exploration of the project area, providing benefit to all three parties. The MOU agreements are to be superceded by more comprehensive definitive agreements. During the year ended September 30, 2017, the Company finalized the execution of a definitive agreement with Coimolache and Colquirrumi, based on the previously executed MOU's with the terms of the agreements remaining effectively the same.

**Rio Grande, Argentina**

The Company holds a 100% interest in the Rio Grande property in Salta Province, Argentina.

**Puchuldiza Property, Chile**

The Company holds a 100% interest in the Puchuldiza Property. The Company is required to pay a royalty of 1.5% of the net smelter return from commercial production up to a cumulative total of US$5,000,000.

During the period ended December 31, 2017, the Company wrote off the capitalized cost of $Nil (2016 - $37,068) associated with the Puchuldiza property as a result of management not planning any significant work on the property in the near future.

Expressed in Canadian Dollars

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

### Golden Brew, Nevada, USA

On February 14, 2014, the Company signed an agreement with Highway 50 Gold Corp. ("Highway 50") whereby Highway 50 granted Regulus an option (the "Option") to earn a 50% interest in Highway 50's Golden Brew property. In order to exercise the Option, the Company must spend US$5,000,000 on exploration expenditures on the project over 5 years. Upon earn-in the parties will form a joint venture on a 50/50 basis. The transaction was considered to be non-arms length under the rules of the TSX Venture Exchange by virtue of the fact that two of the directors of Regulus, John Leask and Gordon Leask, are also directors of Highway 50. This transaction was unanimously approved by the three other Regulus Board members, all of whom are independent of Highway 50, with John Leask and Gordon Leask both abstaining. Subsequent to the period ended December 31, 2017, the Company amended and paid the annual option payment from US$50,000 to US$30,000.

In addition to the AntaKori, Rio Grande, Puchuldiza, and Golden Brew properties, the Company holds a 100% interest in the Aguas Calientes, El Camino, Catua, Oscuro and La Frontera properties in Argentina and the Fireweed property in British Columbia, Canada.

## 9. LONG-TERM INVESTMENT

Long-term investment is comprised of holdings in publicly traded securities as follows:

| | | Fair Value | | Cost |
|---|---|---|---|---|
| Balance as at September 30, 2016 | $ | 371,000 | $ | 740,000 |
| Fair market value adjustments | | 479,000 | | - |
| Balance as at September 30, 2017 | $ | 850,000 | $ | 740,000 |
| Fair market value adjustments | | (167,000) | | - |
| Balance as at December 31, 2017 | $ | 683,000 | $ | 740,000 |

The Company also holds 2,000,000 share purchase warrants exercisable in the capital of Highway 50 Gold Corp. which were extended to February 28, 2018 at a price of $0.60. These warrants have a fair value of $Nil at December 31, 2017.

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are as follows:

| | | December 31, 2017 | | September 30, 2017 |
|---|---|---|---|---|
| Trade payables | $ | 1,952,208 | $ | 2,289,877 |

All accounts payables and accrued liabilities for the Company fall due within the next 12 months.

Expressed in Canadian Dollars

## 11. DECOMMISSIONING LIABILITY

Although the ultimate amount of the decommissioning liability is uncertain, the best estimate of these obligations is based on information currently available. Significant closure activities include land rehabilitation, demolition of buildings and other costs. The following table presents the aggregate carrying amount of the obligation associated with the retirement of the mineral property interests.

| | | December 31, 2017 | | September 30, 2017 |
|---|---|---|---|---|
| Asset retirement obligation – beginning of year | $ | 356,356 | $ | 1,331,929 |
| Remediation performed | | - | | (865,821) |
| Change in estimates | | 5,696 | | (111,254) |
| Interest expense | | 7,267 | | 39,636 |
| Foreign exchange movement | | 25,351 | | (38,134) |
| Asset retirement obligation – end of year/period | $ | 394,670 | $ | 356,356 |

The total amount of estimated undiscounted cash flows required to settled the Company's estimated obligation is $533,832 as at December 31, 2017 (September 30, 2017 - $519,794), which has been discounted using a credit adjusted rate of 10% and an inflation rate of 2%. The present value of the decommissioning liabilities may be subject to change based on management's estimates, changes in remediation technology or changes to applicable laws and regulations. The decommissioning liability relates to the Company's Argentinean properties. The decommissioning liability is expected to be settled at various dates which are currently expected to extend up to 2022.

## 12. CAPITAL STOCK AND SHARE COMPENSATION RESERVE

**Authorized**: unlimited common shares without par value. All issued shares are fully paid.

**Treasury shares**: recorded at cost.

During the period ended December 31, 2017, the Company received proceeds of $3,731,388 from the exercise of 5,330,555 warrants at a price of $0.70 per warrant.

During the year ended September 30, 2017, the Company received proceeds of $101,250 from the exercise of 225,000 options at a price of $0.45 per option and received proceeds of $270,435 from the exercise of 295,584 warrants at an average price of $0.91 per warrant.

### Stock Options

The Company has a stock option plan ("the Plan") for directors, officers, employees and consultants of the Company and its subsidiaries. The number of common shares subject to the stock options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company. The Plan provides for a maximum term of five years for stock options and sets the most favorable vesting terms as one-third of the total stock options granted on the day of the grant and on each of the first and second anniversaries of the date of grant. As at December 31, 2017, the Company had options outstanding to purchase 6,438,334 common shares, subject to early expiry under certain conditions and subject to specified vesting periods.

Expressed in Canadian Dollars

## 12. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd…)

The following table summarized movements in stock options outstanding for the period ended December 31, 2017:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance, September 30, 2016 | 6,618,334 | $ 0.78 |
| Options exercised | (225,000) | $ 0.45 |
| Balance, September 30, 2017 | 6,393,334 | $ 0.81 |
| Options granted | 100,000 | $ 1.84 |
| Options expired/forfeited | (55,000) | $ 0.55 |
| Balance, December 31, 2017 | 6,438,334 | $ 0.81 |
| Number of options currently exercisable | 5,288,334 | $ 0.81 |

The following table summarizes information about stock options outstanding at December 31, 2017:

| Exercise Price | Number Outstanding | Number Exercisable | Expiry Date |
|---|---|---|---|
| $ 0.45 | 4,238,334 | 4,238,334 | December 13, 2019 |
| $ 1.50 | 2,100,000 | 1,050,000 | September 2, 2021 |
| $ 1.84 | 100,000 | - | December 28, 2022 |
| | 6,438,334 | 5,288,334 | |

**Warrants**

The following table summarizes movements in warrants outstanding.

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, September 30, 2016 | 11,536,790 | $ 1.17 |
| Warrants exercised | (295,584) | $ 0.91 |
| Balance, September 30, 2017 | 11,241,206 | $ 1.17 |
| Warrants exercised | (5,330,555) | $ 0.70 |
| Balance, December 31, 2017 | 5,910,651 | $ 1.60 |

Expressed in Canadian Dollars

## 12. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd…)

The following table summarizes information about warrants outstanding at December 31, 2017:

| Exercise Price | Number Outstanding | Expiry Date |
|---|---|---|
| $ 1.60 | 5,910,651 | January 27, 2020* |

*7,500 warrants exercised subsequently

**Share-based compensation**

The Company recognizes compensation expense for all stock options and warrants granted using the fair value based method of accounting. During the period ended December 31, 2017, the Company recognized $119,548 (2016 - $659,003) in share-based compensation expense with respect to options vested during the period.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended December 31, 2017:

| | 2017 | 2016 |
|---|---|---|
| Risk-free interest rate | - | - |
| Expected life of grant | - | - |
| Volatility | - | - |
| Dividend | - | - |
| Weighted average fair value per option | - | - |

## 13. RELATED PARTY TRANSACTIONS

The interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the following table:

| Name of Subsidiary | Country of Incorporation | Proportion of Ownership Interest | Principal Activity |
|---|---|---|---|
| Southern Legacy Minerals Inc. | USA | 100% | Holding company |
| Southern Legacy Peru S.A.C. | Peru | 100% | Mineral exploration |
| KoriAnta S.A.C. | Peru | 100% | Holding company |
| SMRL El Sinchao de Cajamara | Peru | 83.13% | Holding company |
| Maria Eugenia 2 Mina Volare de Cajamarca S.A.C. | Peru | 93.75% | Holding company |
| Minas del Sinchao S.A. | Peru | 94.50% | Holding company |
| Rita Margot de Cajamarco S.A.C. | Peru | 87.50% | Holding company |
| Anta Norte S.A.C. | Peru | 99.90% | Mineral exploration |
| Minera Southern Legacy Chile Limitada | Chile | 100% | Mineral exploration |
| Pachamama (Bermuda) Ltd. | Bermuda | 100% | Holding company |
| Argex Mining Samenta Ltd. | Barbados | 100% | Holding company |
| Argex Cerro Gordo Ltd. | Barbados | 100% | Holding company |
| Regulus Argentina S.A. | Argentina | 100% | Mineral exploration |
| Minera El Toro S.A. | Argentina | 100% | Mineral exploration |

**13. RELATED PARTY TRANSACTIONS** (cont'd…)

During the period ended December 31, 2017, the Company entered into the following transactions with key management personnel and related parties.

a) Double Black Diamond Resources LLC. ("DBD Resources") is a private company controlled by Mr. John Black, CEO and a director of the Company. For the period ended December 31, 2017, DBD Resources was paid $64,010 (2016 - $40,356). Management services paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2017, the Company owed $Nil (September 30, 2017 – $Nil) to DBD Resources and $Nil (September 30, 2017 – $27,377) to Mr. John Black for the expenses incurred in the normal course of the business.

b) For the period ended December 31, 2017, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $56,007 in consulting fees (2016 – $41,995) and $Nil as a bonus (2016 - $Nil). Consulting fees and bonus paid or accrued to Mr. Pickmann are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was paid or accrued $45,532 (2016 - $59,533) for legal services. Legal fees paid to Mr. Pickmann's law firm are classified as legal expenses in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2017, the Company owed $13,193 (September 30, 2017 – $756) to the law firm at which Mr. Pickmann was a partner.

c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the period ended December 31, 2017, Unicus was paid $12,500 (2016 – $12,500). Management services paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2017, the Company owed $Nil (September 30, 2017 – $Nil) to Unicus.

d) The Rock Doctor Limitada ("Rock Doctor") is a private company controlled by Mr. Kevin Heather, Chief Geological Officer of the Company. For the period ended December 31, 2017, Rock Doctor was paid $64,010 (2016 – $40,356). Amounts paid to Rock Doctor are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2017, the Company owed $Nil (September 30, 2017 – $Nil) to Rock Doctor.

Key Management Personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Expressed in Canadian Dollars

## 13. RELATED PARTY TRANSACTIONS (cont'd…)

The remuneration of directors and other members of key management personnel during the periods ended December 31, 2017 and 2016 are as follows:

| | Fees and Bonus | Share-based Benefits | Total |
|---|---|---|---|
| Three months ended December 31, 2017 | | | |
| Chief Executive Officer | $ 64,010 | $ 11,358 | $ 75,368 |
| Chief Operating Officer | 56,007 | 11,358 | 67,365 |
| Chief Financial Officer | 12,500 | 11,358 | 23,858 |
| Chief Geological Officer | 64,010 | 11,358 | 75,368 |
| Non-executive directors | - | 22,717 | 22,717 |
| | $ 196,527 | $ 68,149 | $ 264,676 |
| Three months ended December 31, 2016 | | | |
| Chief Executive Officer | $ 40,356 | $ 62,613 | $ 102,969 |
| Chief Operating Officer | 41,995 | 62,613 | 104,608 |
| Chief Financial Officer | 12,500 | 62,613 | 75,113 |
| Chief Geological Officer | 40,356 | 62,613 | 102,969 |
| Non-executive directors | - | 125,226 | 125,226 |
| | $ 135,207 | $ 375,678 | $ 510,885 |

Amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

## 14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Other than disclosed elsewhere in these interim condensed consolidated financial statements, the significant non-cash transactions for the periods ended December 31, 2017 and 2016 included:

a) $113,304 (2016 - $107,780) in accounts payable and accrued liabilities related to exploration and evaluation assets.

b) $Nil (2016 - $56,250) transferred to share capital on exercise of Nil stock options (2016 – 225,000).

| For the three months ended December 31 | 2017 | 2016 |
|---|---|---|
| Cash paid for income taxes | $ - | $ - |
| Cash paid for interest | $ - | $ - |

## 15. SEGMENTED INFORMATION

The Company operates under one segment, that being the exploration and development of exploration and evaluation assets. Geographical information is as follows:

Expressed in Canadian Dollars

## 15. SEGMENTED INFORMATION (cont'd…)

| | Total Assets | Equipment | Exploration and Evaluation Assets | Other Assets |
|---|---|---|---|---|
| December 31, 2017 | | | | |
| Canada | $ 6,026,320 | $ - | $ - | $ 6,026,320 |
| Argentina | 1,084,075 | 2,245 | 972,317 | 109,513 |
| Peru | 25,940,580 | 149,776 | 25,003,014 | 787,790 |
| Chile | 22,149 | - | - | 22,149 |
| United States | 1,084,772 | - | 1,084,772 | - |
| | $ 34,157,896 | $ 152,021 | $ 27,060,103 | $ 6,945,772 |

| | Total Assets | Equipment | Exploration and Evaluation Assets | Other Assets |
|---|---|---|---|---|
| September 30, 2017 | | | | |
| Canada | $ 7,254,217 | $ - | $ - | $ 7,254,217 |
| Argentina | 1,187,933 | 2,809 | 851,154 | 333,970 |
| Peru | 22,110,974 | 152,055 | 21,796,140 | 162,779 |
| Chile | 21,172 | - | - | 21,172 |
| United States | 1,017,561 | - | 1,017,561 | - |
| | $ 31,591,857 | $ 154,864 | $ 23,664,855 | $ 7,772,138 |

| | 2017 | 2016 |
|---|---|---|
| Loss for the three months ended December 31 | | |
| Canada | $ 341,627 | $ 303,127 |
| Bermuda | 8,032 | 11,211 |
| Peru | 126,838 | 952,826 |
| Chile | - | 61,918 |
| Argentina | 105,302 | 107,478 |
| | $ 581,799 | $ 1,436,560 |

## 16. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximate carrying value, which is the amount recorded on the interim condensed consolidated statements of financial position. The Company's other financial instruments, cash, and long-term investments, under the fair value hierarchy, are based on level one quoted prices in active markets for identical assets or liabilities.

## 16. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd…)

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at large Canadian financial institutions in interest-bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of tax credits due from the governments of Canada, Peru, Argentina and Chile. As such, the Company does not believe it is subject to significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash balance of $6,169,687 to settle current liabilities of $1,965,401. Management believes that it has sufficient funds to meet its current liabilities as they become due.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

   The Company has cash balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates.

b) Foreign currency risk

   The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US$, the A-Peso, the Chilean peso ("C-Peso") and the Peruvian nuevo sol ("PEN"). A 10% fluctuation in the US$, A-Peso, C-Peso and PEN against the Canadian dollar would affect accumulated other comprehensive loss for the period by approximately $393,000.

c) Price risk

   The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required resulting in proceeds, which approximate the carrying amount of these investments. A 10% fluctuation in market prices would affect comprehensive income (loss) by approximately $68,000.

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity.

Expressed in Canadian Dollars

## 16. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd…)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

## 17. COMMITMENTS

The Company has entered into lease agreements for its premises in Peru. The annual lease commitments are as follows:

| | | Peru |
|---|---|---|
| 2018 | $ | 79,816 |
| 2019 | | 31,480 |
| | $ | 111,296 |

## 18. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company:

a) Received proceeds of $12,000 from the exercise of 7,500 warrants at $1.60 per warrant.

# Management's Discussion and Analysis

# For the Three Months Ended December 31, 2017

## General

The following Management Discussion and Analysis ("MD&A") of Regulus Resources Inc. (the "Company" or "Regulus") has been prepared by management, in accordance with the requirements of National Instrument 51-102 ("NI 51-102") as of March 1, 2018 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended December 31, 2017 and 2016 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The following should be read in conjunction with the audited annual consolidated financial statements for the year ended September 30, 2017 and all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.regulusresources.com.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting currency of the Company, unless specifically noted.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

## Description of Business and Overview

Regulus was formed in December 2010 in connection with the sale of Antares Minerals Inc. to First Quantum Minerals Ltd. The Antares team responsible for the discovery of the Haquira porphyry copper deposit, which led to the sale of Antares, is seeking to build on that experience and make another major discovery. Regulus was initially established to continue exploration at the 100% held Rio Grande Au-Cu-Mo porphyry project in northern Argentina. The Company put the Rio Grande project on hold in 2012 in response to challenging market conditions and began pursuing opportunities for new mineral projects with good potential for significant discoveries. In September 2014, the Company completed a merger with Southern Legacy Minerals Inc. ("Southern Legacy"). The primary objective of the merger was to acquire the AntaKori Cu-Au-Ag project in northern Peru, which is now the flagship project for Regulus. The AntaKori project is located near several large-scale gold and copper mines and deposits and has an initial NI 43-101 inferred resource of 294.8 million tonnes with a copper grade of 0.48% and a gold grade of 0.36 grams per tonne. Management is confident that further work will expand the current deposit to a size that will be of interest to major mining companies.

## Mineral Property Review

*This review has been prepared by John Black, CEO and Director of the Company. The scientific and technical data contained in the section pertaining to the AntaKori and Rio Grande projects has been reviewed and approved by Dr. Stewart D. Redwood, BSc (Hons), PhD, FIMMM, FGS, Chief Geologist AntaKori Project, and a qualified person (QP) under the definitions of National Instrument 43-101. The scientific and technical data contained in the section pertaining to the Golden Brew project has been reviewed and approved by Gordon Leask, P.Eng., a director of Regulus, who serves as a qualified person (QP) under the definitions of National Instrument 43-101.*

### *AntaKori Project*

The flagship project for Regulus is the AntaKori Cu-Au-Ag project located in northern Peru. This project has a 43-101 inferred resource of 294.8 million tonnes grading 0.48% Cu and 0.36 g/t Au (please refer to Southern Legacy Minerals news release of July 3, 2012 and Table 1 below). The resource, based on 17,952 m of drilling, is only reported for the portion of the mineralized system that is owned or controlled by Regulus, and is open for expansion in several directions.

| Table 1. AntaKori Cu-Au-Ag Project Summary of 43-101 Resources | | | | | | | |
|---|---|---|---|---|---|---|---|
| Resource Type | Inferred Category | | | | | | |
| | Tonnes millions | Au (g/t) | Cu (%) | Ag (g/t) | Au (M ozs) | Cu (B lbs) | Ag (M ozs) |
| In-Pit | 125.4 | 0.25 | 0.28 | 6.6 | 1.0 | 0.8 | 26.6 |
| Underground | 169.4 | 0.44 | 0.63 | 12.8 | 2.4 | 2.4 | 69.6 |
| Total | 294.8 | 0.36 | 0.48 | 10.2 | 3.4 | 3.1 | 93.3 |

Notes: i) Estimates were calculated using Inverse Distance Squared method
ii) Estimates were calculated within a Whittle Pit and limited to Southern Legacy Peru's property mineral tenure
iii) In-pit cut-off grade of 0.2% Cu equivalent
iv) Underground resources assume Block Caving at 0.5% Cu equivalent cut-off
v) Metal prices utilized for estimate were US$1,500/oz Au, US$25/oz Ag and US$3.50/lb Cu

The Company owns, or has the right to acquire controlling interests in, a project located in Peru (the AntaKori Property), a project located in Chile (the Puchuldiza Property), a project located in Argentina (the Rio Grande Property) and the right to acquire an interest in a project located in Nevada (the Golden Brew Property). The Company also holds several other early stage prospects in northwestern Argentina and Canada.

***AntaKori Overview***

The AntaKori project is located in northern Peru and hosts a large Cu-Au-Ag skarn system with associated breccias and porphyry-style mineralization developed in sedimentary and intrusive rocks, and an overprint of epithermal, high-sulphidation mineralization in the overlying volcanic rocks. A 43-101 technical report entitled "Technical Report – Southern Legacy Minerals Inc., - AntaKori Project, Peru dated July 2, 2012 and prepared by Scott E. Wilson, C.P.G. was filed on SEDAR and can be viewed at www.sedar.com under the profile "Southern Legacy Minerals Inc.". The 43-101 technical report reports an inferred resource of 294.8 million tonnes grading 0.48% Cu, 0.36 g/t Au and 10.16 g/t Ag (see Table 1 above and refer to the Southern Legacy Minerals news release of July 3, 2012). The resource is based on only 17,952 m of drilling, is only reported for the portion of the mineralized system that is owned or controlled by the Company, and is open for expansion in several directions.

The AntaKori Cu-Au-Ag project is located 60 km north of the city of Cajamarca in the Hualgayoc District, northern Peru. The project is located in a world-class Au-Cu province which hosts a number of nearby deposits, as described below.

- Immediately adjacent to the producing Tantahuatay Gold Mine (Buenaventura-Southern Copper)
- 7 km to the NW of the Cerro Corona Gold-Copper Mine (Goldfields)
- 35 km to the NW of the Yanacocha Gold Mine (Newmont-Buenaventura)
- 40 km to the SE of the La Granja Porphyry Copper deposit (Rio Tinto)
- 50 km to the NW of the Michiquillay Porphyry Copper deposit (recently auctioned by the Peruvian Government to Southern Copper)

Highlights of the AntaKori Project include the following:

- The Company owns or controls 20 mineral concessions, for a total of 289 hectares, which cover most, but not all of the currently known AntaKori mineralized system. Further consolidation of mineral tenure is in process.
- A total of 17,952 m of drilling has been completed in 70 drill holes (22 RCDH and 48 DDH) by previous operators.
- An Independent 43-101 report has documented a large Cu-Au-Ag skarn system with associated, mineralized breccias and porphyry-style mineralization hosted in sedimentary and intrusive rocks, and associated epithermal, high-sulphidation mineralization in the overlying volcanic rocks.

- Zones of mineralization have been intercepted by the previous drilling within large geophysical anomalies, thus confirming the utility of the geophysics used in identifying future exploration targets.
- Indication that the mineralized system is open in all directions, and has potential for expansion through future exploration programs.

The scope of the mineralized system at AntaKori offers significant upside potential but it will require several years and extensive drilling to better define this project.

The project is being explored under definitive agreements (with Compañía Minera Coimolache S.A. ("Coimolache") (the "Coimolache DA") and Compañía Minera Colquirrumi S.A. ("Colquirrumi") (the "Colquirrumi DA"), companies that hold mineral concessions immediately adjacent to, and inter-fingering with AntaKori. These agreements allow for mutual access, mutual rights of expansion and collaborative exploration of the project area, providing benefit to all three parties. Coimolache is a mining company that owns and operates the Tantahuatay gold-silver mine immediately adjacent to the southern margin of AntaKori. The principal shareholders of Coimolache are Compañía de Minas Buenaventura S.A.A. ("Buenaventura" – 40% and operator) and Southern Peru Copper S.A.A. (44%). The Coimolache DA allows for mutual access, mutual rights of expansion and collaborative exploration with a principal objective of determining the size and nature of the AntaKori copper-gold deposit and a secondary objective of allowing the expansion of Coimolache's Tantahuatay oxide gold mine by way of lay-back onto Regulus' mining concessions. Colquirrumi is a wholly owned subsidiary of Buenaventura. The Colquirrumi DA allows Regulus an option to earn-in to up to a 70% interest in a large area (2,571 hectares) of Colquirrumi mining concessions located immediately to the north and east of Regulus' mining concessions and also providing Colquirrumi with an option to claw-back to a 70% interest by making a cash payment to Regulus.

Regulus commenced drilling at AntaKori in April 2017 with an objective to confirm and extend the known mineralization.

**Significant Results During the Current Quarter to the Date of this Report**

In November 2017, the Company announced the results from drill holes: AK-17-003A, drilled by Regulus and DHSF17-161 and DHSF17-164, drilled by Coimolache.

AK-17-003A (938.1m) and DHSF17-161 (689m) were completed to targeted depths and cut both styles of mineralization, with well-developed skarn in the underlying Cretaceous calcareous sedimentary sequence. DHSF17-164 (303.8m) is a shallow hole that only crossed Regulus concessions for the interval from 78.9-109.7m depth within Miocene volcanic rocks. The more significant results from these three holes are listed below with additional details provided in Tables 2 and 3.

<u>Highlights from drill holes AK-17-003A, DHSF17-161 – AntaKori Project:</u>

- DHSF17-161: 323.4 m with 0.52% Cu, 0.15 g/t Au and 8.28 g/t Au from 266.6 m depth
    - including 110.5 m with 0.67% Cu, 0.20 g/t Au and 11.81 g/t Ag
        - including 27.55 m with 1.03 % Cu, 0.24 g/t Au and 21.63 g/t Ag
    - including 53.00 m with 1.10% Cu, 0.23 g/t Au and 13.25 g/t Ag
        - including 28.00 m with 1.77 % Cu, 0.35 g/t Au, 20.94 g/t Ag and 0.77% Zn
    - All mineralization as skarn with relatively low As contents
    - 400 m step out from any previous drilling on Regulus concessions

- AK-17-003A: 596.6 m with 0.35% Cu, 0.24 g/t Au and 5.49 g/t Ag from 241.1 m depth
    - including 144.7 m with 0.63% Cu, 0.57 g/t Au and 9.42 g/t Ag (HS mineralization)
        - including 51.9 m with 0.95% Cu, 0.98 g/t Au and 8.18 g/t Ag
    - including 107.5 m with 0.28% Cu, 0.15 g/t Au and 7.07 g/t Ag (skarn mineralization)
    - including 119.0 m with 0.34% Cu, 0.15 g/t Au and 2.08 g/t Ag (skarn mineralization)

Discussion of results and update on drilling program

The following table provides more detail regarding the mineralized intercepts encountered in drill holes DHSF17-161, DHSF17-164 and AK-17-003A. All three holes were drilled at a -70 degree angle to the northeast. The true widths of the mineralized intervals reported in Table 3 are difficult to ascertain and additional drilling will be required to constrain the geometry of the mineralized zones.

| Table 2. DHSF17-161, 17-164 and AK-17-003A Results | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Drill Hole ID** | **From (m)** | **To (m)** | **Length (m)** | **Copper (%)** | **Gold (g/t)** | **Silver (g/t)** | **Cu Eq (%)** | **Au Eq (g/t)** |
| **DHSF17-161** | 0.00 | 266.60 | Not within Regulus Concessions - not reportable by Regulus | | | | | |
| | 266.60 | 590.00 | 323.40 | 0.52 | 0.15 | 8.28 | 0.71 | 0.99 |
| including | 287.50 | 398.00 | 110.50 | 0.67 | 0.20 | 11.81 | 0.92 | 1.28 |
| which includes | 331.95 | 359.50 | 27.55 | 1.03 | 0.24 | 21.63 | 1.40 | 1.96 |
| including | 504.00 | 557.00 | 53.00 | 1.10 | 0.23 | 13.25 | 1.38 | 1.94 |
| which includes | 504.00 | 532.00 | 28.00 | 1.77 | 0.35 | 20.94 | 2.21 | 3.10 |
| | 636.00 | 653.00 | 17.00 | 0.20 | 0.13 | 3.05 | 0.31 | 0.44 |
| | 683.90 | 689.00 | 5.10 | 0.65 | 0.36 | 11.23 | 1.01 | 1.41 |
| Total depth | 689.00 | | | | | | | |
| | | | | | | | | |
| **DHSF17-164** | 0.00 | 78.89 | Not within Regulus Concessions - not reportable by Regulus | | | | | |
| | 78.89 | 109.69 | 30.80 | 0.23 | 0.16 | 4.84 | 0.39 | 0.55 |
| | 109.69 | 303.80 | Not within Regulus Concessions - not reportable by Regulus | | | | | |
| Total depth | 303.80 | | | | | | | |
| | | | | | | | | |
| **AK-17-003A** | 0.00 | 211.57 | Not within Regulus Concessions - not reportable by Regulus | | | | | |
| | 241.10 | 837.70 | 596.60 | 0.35 | 0.24 | 5.49 | 0.57 | 0.80 |
| including | 270.43 | 415.50 | 144.72 | 0.63 | 0.57 | 9.42 | 1.12 | 1.57 |
| which includes | 300.70 | 352.60 | 51.90 | 0.95 | 0.98 | 8.18 | 1.72 | 2.41 |
| and | 371.30 | 394.10 | 22.80 | 0.75 | 0.84 | 21.18 | 1.54 | 2.16 |
| including | 452.70 | 560.20 | 107.50 | 0.28 | 0.15 | 7.07 | 0.45 | 0.64 |
| including | 716.08 | 835.12 | 119.04 | 0.34 | 0.15 | 2.08 | 0.47 | 0.66 |
| | 889.64 | 899.75 | 10.11 | 0.52 | 0.13 | 3.25 | 0.65 | 0.91 |
| Total depth | 938.81 | | | | | | | |

Cu Eq and Au Eq values were calculated using copper, gold, silver and zinc (for intervals where zinc exceeds 1%). Metal prices utilized for the calculations are Cu – US$2.25/lb, Au – US$1,100/oz, Ag – US$14/oz, and Zn – US$1.00/lb. All intervals presented above consist of sulphide mineralization, with the exception of the narrow interval in DHSF17-164, which is partially oxidized. No adjustments were made for recovery as the project is an early stage exploration project and metallurgical data to allow for estimation of recoveries is not yet available. The formulas utilized to calculate equivalent values are Cu Eq (%) = Cu% + (Au g/t * 0.7150) + (Ag g/t * 0.0091) + (Zn % * 0.4444 (if Zn >1.0%)) and Au Eq (g/t) = Au g/t + (Cu% * 1.4026) + (Ag g/t * 0.0127) + (Zn% * 0.6234 (if Zn >1.0%)).

**Table 3. DHSF17-161, DHSF17-164 and AK-17-003A Results Presented by Lithology.**

| Drill Hole ID | From (m) | To (m) | Length (m) | Copper (%) | Gold (g/t) | Silver (g/t) | Zinc (%) | As (ppm) |
|---|---|---|---|---|---|---|---|---|
| **DHSF17-161** | | | | | | | | |
| Skarn | 266.60 | 590.00 | 323.40 | 0.52 | 0.15 | 8.28 | 0.19 | 144 |
| Skarn | 287.50 | 398.00 | 110.50 | 0.67 | 0.20 | 12.81 | 0.33 | 206 |
| Skarn | 331.95 | 359.50 | 27.55 | 1.03 | 0.24 | 21.63 | 0.77 | 226 |
| Skarn | 504.00 | 557.00 | 53.00 | 1.10 | 0.23 | 13.25 | 0.10 | 131 |
| Skarn | 504.00 | 532.00 | 28.00 | 1.77 | 0.35 | 20.94 | 0.08 | 174 |
| Skarn with HS overprint | 636.00 | 653.00 | 17.00 | 0.20 | 0.13 | 3.05 | 0.06 | 366 |
| Skarn with HS overprint | 683.90 | 689.00 | 5.10 | 0.65 | 0.36 | 11.23 | 0.02 | 1716 |
| | | | | | | | | |
| **DHSF17-164** | | | | | | | | |
| Miocene Volcanic (HS) | 78.89 | 109.69 | 30.80 | 0.23 | 0.16 | 4.84 | 0.00 | 726 |
| | | | | | | | | |
| **AK-17-003A** | | | | | | | | |
| Miocene Volcanic (HS) | 241.10 | 401.20 | 160.10 | 0.59 | 0.51 | 8.90 | 0.08 | 1806 |
| Miocene Volcanic (HS) | 300.70 | 352.60 | 51.90 | 0.95 | 0.98 | 8.18 | 0.01 | 3139 |
| Miocene Volcanic (HS) | 371.30 | 394.00 | 22.80 | 0.75 | 0.84 | 21.18 | 0.24 | 2085 |
| Skarn/breccia | 401.20 | 837.70 | 436.50 | 0.26 | 0.14 | 4.24 | 0.11 | 99 |
| Skarn/breccia | 452.70 | 560.20 | 107.50 | 0.28 | 0.15 | 7.07 | 0.19 | 111 |
| Skarn/quartzite/breccia | 716.08 | 835.12 | 119.04 | 0.34 | 0.15 | 2.08 | 0.01 | 103 |
| Quartzite (HS overprint?) | 889.64 | 899.75 | 10.11 | 0.52 | 0.13 | 3.25 | 0.00 | 1230 |

HS = high sulphidation epithermal style mineralisation.

DHSF17-161 was drilled from the upper benches of the Tantahuatay pit along the southern margin of the Regulus concessions, about 400 m to the southeast of previously reported drill hole DHSF17-160, and was drilled at a -70 degree angle to the northeast (045 degree azimuth), crossing into Regulus ground at a depth of 266.60 m. The hole was within the Cretaceous sedimentary sequence with well-developed skarn mineralogy as it entered into Regulus concessions. Minor porphyry and breccia dikes cut the sedimentary rocks. The drill hole terminated in calcareous siltstones near the base of the Inca Formation, cross-cut by breccias and a late-stage felsic dike, without entering into the underlying Farrat Formation quartzite. Mineralization within the skarn sequence is pyrite-chalcopyrite-magnetite as disseminations, veinlets and massive replacements. Zinc is locally elevated, which may indicate that this is a more distal portion of the skarn system. The final 5.1 m of the drill hole averages 0.65% Cu, 0.36 g/t Au and 11.23 g/t Ag in breccia. This is the first drill hole in this portion of the Regulus property, with the nearest previous drill holes more than 400 m away.

Drill hole DHSF17-164 was collared along the southern margin of the Regulus concessions, about 200 m to the east drill hole DHSF17-161, and drilled at a -70 degree angle to the northeast (045 degree azimuth). The hole is mostly within the Coimolache concessions and only enters the Regulus concessions for the interval of 78.9-109.7 m depth. The narrow interval within Regulus concessions is within Miocene volcanic rocks that are pervasively affected by advanced argillic alteration with mineralization predominantly pyrite-enargite as disseminations, fracture coatings and locally as more massive veining with subsequent partial oxidation of the sulphide minerals.

Drill hole AK-17-003A was collared within the Coimolache concessions along the southern margin of the Regulus concessions, about 150 m to the northwest of previously reported drill hole AK-17-002, and drilled at a -70 degree angle to the northeast (055 degree azimuth) crossing into Regulus ground at a depth of 211.57 m. The initial attempt to drill this hole was lost at a depth of 411.4 m (AK-17-003) and was subsequently re-drilled from the surface as AK-17-003A which is reported here. The hole encountered Miocene volcanic rocks with strong high sulphidation alteration and mineralization to a depth of 401.4 m and then entered into the Cretaceous sedimentary sequence with well-developed skarn mineralogy. The skarn is cut by numerous breccias and feldspar porphyry dikes. Sulphide mineralization within the Miocene volcanic rocks is predominantly pyrite-enargite whereas mineralization within the skarn sequence is pyrite-chalcopyrite with pyrite notably more abundant than chalcopyrite. The hole bottoms in quartzite of the Farrat Formation from 813 m onward.

Table 3 reports the mineralized intervals based upon lithology and demonstrates the notable difference in arsenic content between high sulphidation mineralization in the Miocene volcanic sequence (1000-3000 ppm As) and the lower concentrations found in the zones of skarn mineralization (typically 100-200 ppm As). As drilling progresses to the north over the next few months, it is anticipated that the skarn will be less affected by the late high sulphidation overprint and As contents will decrease.

AK-17-004, located approximately 300 metres to the north of DHSF17-161, has been completed to a total depth of 989.65 m. Results for this hole will be presented when all assays have been received. Regulus and Coimolache technical teams are collaborating to develop coordinated exploration programs for 2018.

***Puchuldiza Overview***

The Puchuldiza Au project is 100% owned by the Company and is located 230 km NW of Iquique in the Comuna de Colchane, Tamarugal Province, Region I, Chile. The Puchuldiza project belongs to a class of gold deposits called "hot spring gold deposits". A total of 35 diamond drill holes (6,097 m) have been completed at the Puchuldiza project by previous operators and form the basis for an initial NI 43-101 compliant, inferred resource estimate of 30 Mt @ 0.71 g/t Au (using a cut-off grade of 0.5 g/t Au) for a total of 686,000 contained ounces of Au (see the NI 43-101 Technical Report, Pulchuldiza Project, 1 Region, Chile, dated May 15, 2011 under the Southern Legacy Minerals profile at www.sedar.com).

The Company is required to pay a royalty of 1.5% of the net smelter return from commercial production up to a cumulative total of US$5,000,000. The Company completed an initial field review of this project in June and July of 2015 with emphasis on determination of potential for higher grade mineralization and to better understand the social and environmental setting of the project. Based upon this review, the Company does not plan any significant work on this project in the near future. Accordingly, all previous exploration expenditures on this project ($1,771,466) have been written-off. The Company has subsequently determined that it will relinquish the property and is currently evaluating the most efficient manner to do so with consideration to potential recovery of tax credits. During the period ended December 31, 2017, the Company wrote off exploration expenditures of $Nil (2016 - $37,068).

***Golden Brew Overview***

The Company has an option agreement with Highway 50 Gold Corp. to earn a 50% interest in the Golden Brew Project in central Nevada by expending US$5.0 million on exploration over a five-year period. Upon earn-in the parties will form a joint venture on a 50/50 basis. A minimum US$500,000 firm commitment in the first year was delayed by Force Majeure when the permitting process for the project was slowed as the requisite agencies dealt with a request by the U.S. Fish and Wildlife Service to have the Sage-Grouse designated as a species of interest. The Company received guidance from U.S. Forest Service personnel that noise restriction parameters will be observed within 3 miles of active Sage-Grouse mating grounds ("Leks") between the dates of March 1 and June 30. An active Lek is located within this distance from planned exploration activities at the Property. The Company received the final permit allowing the parties to commence drilling on August 1, 2017. As such, the firm commitment of US$500,000 in exploration expenditures will be due 120 days from August 1 (obligation met by September 30, 2017) with all subsequent annual work commitments deferred accordingly.

Golden Brew is located at the intersection of the southern flank of the Eastgate volcanic trough and the Western Nevada rift in north-central Nevada. Gold mineralization at Golden Brew is hosted within jasperoid and silicified breccias over a strike length of 2,500 feet and widths up to 200 feet. The jasperoid is developed in thin-bedded limestones and limey siltstones and is anomalous in Carlin-type pathfinder elements of arsenic, antimony and mercury with gold values ranging from 0.1 grams/tonne to 4 grams/tonne. The priority target on the property is the edges of a structural horst block located one mile outboard of the jasperoid outcrop under shallow to moderate thicknesses of pediment cover. Drilling in 2011 intersected a 150 foot section of elevated arsenic and antimony at the south-east corner of the horst block within the favorable carbonate section. The horst block is coincident with the projected intersection of a set of crustal scale structures and a strong magnetic low. This magnetic low may reflect magnetic destruction of alteration related to the mineralizing system. Drilling will focus on the northeastern and southeastern structural corners of the horst block, areas of gravity lows within the gravity high. Gravity lows in this setting may be a function of alteration (decalcification) related to Carlin-type gold mineralization. The targeted areas straddle the boundary between lands administered by the Bureau of Land Management (BLM) and the US Forest Service.

In January 2018, the Company announced the results of the 2017 five hole reverse circulation drill program comprised of 2,939 metres (9,640 feet). Drilling at Golden Brew is testing a Carlin type arsenic-antimony-gold system located within an uplifted horst block on the western edge of a shallowly buried Lower-plate Window. The area of interest is outboard of a large zone of auriferous (to 4 g/t gold) jasperoid exposed on the lower slopes of the Toiyabe Mountain Range. Bedrock was intersected in all holes beneath 207 to 466 metres (680 to 1,530 feet) of postmineral valley fill. Drilling was widely spaced, targeting zones of structural complication, gravity lows, and magnetic lows as indicated by geophysical surveys. All the drill holes intersected deeply oxidized sections of thin-bedded silty limestone with oxidation consisting of pervasive limonite/hematite staining and accompanied by local weak to moderate decalcification. Locally, this alteration has highly elevated values in arsenic (to 828 ppm) and antimony (to 812 ppm) with anomalous gold (to 67 ppb). Of note, drill hole GBR-17-07 in the southwest corner of the area drilled, intersected a zone of pyritic carbonaceous gouge from 1,980 feet to 2,000 feet, which has highly anomalous arsenic (to 829 ppm), antimony (to 130 ppm), and elevated gold (to 55 ppb). This hole bottomed in mineralization.

In summary, drilling to date at Golden Brew has established a substantial area of altered, oxidized and mineralized thin-bedded silty limestones – favourable hosts for Carlin-style mineralization, within a structurally complex Lower-plate Window. Mineralization here exhibits all the characteristics of a large Carlin-type system. Based upon the results, follow-up drilling is warranted. The Company is currently re-interpreting existing geophysical data as well as studying alteration features with a view to directing future drilling.

***Rio Grande Overview***

The Company's 100% owned Rio Grande Cu-Au-Ag-Mo porphyry project is located in the high Puna of NW Argentina, 450km west of the city of Salta. The Company suspended drilling activity at Rio Grande in late 2012 to conserve cash and re-evaluate the exploration strategy in light of challenging market conditions. During 2015 and early 2016, a major project data review was completed including re-logging of all drill core from the project. This data review confirmed that further exploration at depth is merited. Although the Company continues to maintain the project on hold, the political and investment climate in Argentina has notably improved and options to recommence exploration are under evaluation. The June 2016 acquisition of Goldrock Mines Corp. and its Lindero gold project by Fortuna Silver Mines Inc. may also have an impact on future exploration and possible development at the Rio Grande Project. The Lindero gold project is located approximately 10 km from the Rio Grande project and Fortuna Silver has announced that it will develop and mine the project in the near future.

An initial NI 43-101 resource estimate has been calculated on the basis on a total of 78 drill holes (33,015.47 m) and 11,294 m of surface trenches and includes all drilling on the project through to the end of 2008. In 2011 Regulus hired Wardrop Engineering Inc., a Tetra Tech Company, who completed a 43-101 compliant resource containing gold (637,025 oz. indicated plus 1,002,458 oz. inferred), silver (7,787,342 oz. indicated plus 14,449,042 oz. inferred) and copper (416,240,000 lbs. indicated plus 674,405,000 lbs. inferred). This estimate does not include any results from additional drilling programs performed after 2008.

**Table 4. Summary of NI 43-101 compliant resources for the Rio Grande Project**

| | Category | Tonnes millions | Au (g/t) | Cu (%) | Ag (g/t) | Au (M ozs) | Cu (B lbs) | Ag (M ozs) | Au Eq (M ozs) | Cu Eq (B lbs) |
|---|---|---|---|---|---|---|---|---|---|---|
| Rio Grande Cu- Au | Indicated | 55.3 | 0.36 | 0.34 | 4.38 | 0.64 | 0.40 | 7.80 | 1.81 | 0.70 |
| | Inferred | 101.1 | 0.31 | 0.30 | 4.40 | 1.00 | 0.70 | 14.40 | 2.93 | 1.20 |

*Au Equivalent and Cu Equivalent values were calculated using the following metal prices: Au = US$1200/oz, Cu = US$3.00/lb, and Ag = US$20/oz.
Metal recoveries are not reported at this time due to the early stage of the project and the absence of sufficient data

***Other Projects Overview***

Field review of the early-stage Aguas Calientes, La Frontera and Oscara projects in northern Argentina was completed in 2015-2016 and determined that further work is warranted at these projects. The Company conducted field mapping and a sampling program on the Aguas Calientes project in 2016 to develop potential drill targets, and is currently evaluating whether to proceed with drilling or to seek a joint venture partner. It is likely that partners will be sought to advance the La Frontera (Catamarca Province) and Oscara (Salta Province) projects.

***Outlook for 2018***

Exploration activities will continue to focus primarily on the AntaKori project in 2018. The current 15,000-18,000m drill program at AntaKori has been progressing more slowly than anticipated with only approximately 40% of the program completed as of February 28, 2018. Additional drill rigs were added to the program at the end of 2017 to remediate this situation. Current plans call for three drill rigs operating until April 2018, when the rainy season terminates, at which time the rig count will be increased to a total of 4 or 5 drill rigs. Completion of the 15,000-18,000m drill program is anticipated by mid 2018 and the results of this program will be incorporated into a revised 43-101 resource estimation report to be completed by late 2018. Subject to availability of funding, drilling will continue directly into a subsequent program of approximately 25,000m to be completed by early 2019.

The Company is currently reviewing the results from the 2017 drill program at the Golden Brew project and will be re-interpreting existing geophysical data as well as studying alteration features to help design a program of additional drilling. Completion of additional drilling will be subject to approval from the Board of Directors.

The Company is also currently assessing opportunities to re-initiate exploration activity in Argentina in 2018.

**Operations and Financial Condition**

*Results of Operations for the Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016*

During the three months ended December 31, 2017, loss from operating activities was $581,799 compared to loss from operating activities of $1,436,560 for the three months ended December 31, 2016. Significant variances from the same period in the prior year are as follows:

- A decrease of $539,455 in share-based compensation. Share-based compensation was $119,548 for the period ended December 31, 2017 compared to $659,003 for the period ended December 31 2016 due to the timing of vesting of stock options issued in December 2014 and September 2016.
- A gain of $265,178 on foreign exchange for the period ended December 31, 2017 compared to $34,699 for the period ended December 31, 2016. The difference was mainly the result of fluctuations of the US$, the A-Peso, the Chilean peso, the Peruvian Nuevo sol, and the CAD$ in the current period as compared to the prior period.

- A decrease of $82,939 in legal fees. Legal fees were $53,988 for the period ended December 31, 2017 compared to $136,927 for the period ended December 31, 2016. The decrease resulted from a lower volume of legal activities in the current period compared to the prior period.

The remaining expenses were relatively comparable to the same period of the prior year.

**Cash Flow**

*Operating Activities*

Cash outflow from operating activities was $863,938 for the period ended December 31, 2017 compared to cash outflow of $787,785 for the period ended December 31, 2016. The change was the cumulative result of several variations in the items affecting cash flow from operations as discussed above under "Results from Operations".

*Financing Activities*

Cash inflow from financing activities was $3,731,388 for the period ended December 31, 2017 compared to $91,123 for the period ended December 31, 2016. The increase in cash inflow results primarily from proceeds received from exercise of warrants during the current period.

*Investing Activities*

Cash outflow from investing activities was $3,161,591 for the period ended December 31, 2017 compared to $642,321 for the period ended December 31, 2016. The increase in cash outflow results primarily from an increase in expenditures on exploration and evaluation assets in the current period compared to the prior period.

## Summary of Quarterly Results

The following is a summary of certain selected unaudited financial information for the most recent eight fiscal quarters.

| All in $1,000's except loss (gain) per share | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
|---|---|---|---|---|
| Working capital | $4,297 | $4,604 | $8,085 | $10,004 |
| Loss (gain) | $582 | $1,051 | $1,522 | $(516) |
| Loss (gain) per share | $0.01 | $0.01 | $0.02 | $0.01 |
| Loss (gain) per common share (diluted) | $0.01 | $0.01 | $0.02 | $0.01 |
| Total assets | $34,158 | $31,592 | $30,654 | $32,019 |
| Total liabilities | $2,360 | $2,674 | $1,577 | $1,682 |
| Deficit | $66,247 | $65,665 | $64,615 | $63,093 |

| All in $1,000's except loss (gain) per share | December 31, 2016 | September 30, 2016 | June 30, 2016 | March 31, 2016 |
|---|---|---|---|---|
| Working capital | $11,375 | $12,311 | $1,544 | $2,569 |
| Loss (gain) | $1,437 | $2,761 | $818 | $2,049 |
| Loss (gain) per share | $0.02 | $0.04 | $0.01 | $0.04 |
| Loss (gain) per common share (diluted) | $0.02 | $0.04 | $0.01 | $0.04 |
| Total assets | $32,495 | $33,542 | $21,036 | $21,691 |
| Total liabilities | $1,988 | $2,666 | $1,919 | $1,954 |
| Deficit | $63,609 | $62,173 | $59,412 | $58,594 |

## Liquidity and Capital Resources

Cash at December 31, 2017 totaled $6,169,687 compared to $6,815,719 at September 30, 2017. Working capital at December 31, 2017 was $4,297,371 compared to $4,604,128 as at September 30, 2017. Exploration and evaluation of assets at December 31, 2017 totaled $27,060,103 compared to $23,664,855 as at September 30, 2017. The Company has sufficient working capital to continue operations for at least the next 12 months.

During the period ended December 31, 2017, the Company received proceeds of $3,731,388 from the exercise of 5,330,555 warrants. Subsequent to December 31, 2017, the Company received proceeds of $12,000 from the exercise of 7,500 warrants at $1.60 per warrant.

The ability of the Company to recover the costs it has incurred to date on its exploration and evaluation assets is dependent upon the Company being able to finance its exploration and development expenditures and to resolve any environmental, regulatory or other constraints which may hinder the successful exploitation or disposal of its exploration and evaluation assets. To date, the Company has not earned revenues and is considered to be in the exploration stage.

## Share Capital

The Company's authorized capital consists of an unlimited number of common shares without par value.

As at the date of this report, the Company had 74,226,722 common shares issued and outstanding.

*Stock Options*

| Exercise Price | Number Outstanding | Expiry Date |
|---|---|---|
| $ 0.45 | 4,238,334 | December 13, 2019 |
| $ 1.50 | 2,100,000 | September 2, 2021 |
| $ 1.84 | 100,000 | December 28, 2022 |
| | 6,438,334 | |

*Warrants*

| Exercise Price | Number Outstanding | Expiry Date |
|---|---|---|
| $ 1.60 | 5,903,151 | January 27, 2020 |
| | 5,903,151 | |

**Related Party Transactions**

During the period ended December 31, 2017, the Company entered into the following transactions with key management personnel and related parties.

a) Double Black Diamond Resources LLC. ("DBD Resources") is a private company controlled by Mr. John Black, CEO and a director of the Company. For the period ended December 31, 2017, DBD Resources was paid $64,010 (2016 - $40,356). Management services paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2017, the Company owed $Nil (September 30, 2017 – $Nil) to DBD Resources and $Nil (September 30, 2017 – $27,377) to Mr. John Black for the expenses incurred in the normal course of the business.

b) For the period ended December 31, 2017, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $56,007 in consulting fees (2016 – $41,995) and $Nil as a bonus (2016 - $Nil). Consulting fees and bonus paid or accrued to Mr. Pickmann are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was paid or accrued $45,532 (2016 - $59,533) for legal services. Legal fees paid to Mr. Pickmann's law firm are classified as legal expenses in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2017, the Company owed $13,193 (September 30, 2017 – $756) to the law firm at which Mr. Pickmann was a partner.

c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the period ended December 31, 2017, Unicus was paid $12,500 (2016 – $12,500). Management services paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2017, the Company owed $Nil (September 30, 2017 – $Nil) to Unicus.

d) The Rock Doctor Limitada ("Rock Doctor") is a private company controlled by Mr. Kevin Heather, Chief Geological Officer of the Company. For the period ended December 31, 2017, Rock Doctor was paid $64,010 (2016 – $40,356). Amounts paid to Rock Doctor are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2017, the Company owed $Nil (September 30, 2017 – $Nil) to Rock Doctor.

Key Management Personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

The remuneration of directors and other members of key management personnel during the periods ended December 31, 2017 and 2016 are as follows:

| | Fees and Bonus | Share-based Benefits | Total |
|---|---|---|---|
| Three months ended December 31, 2017 | | | |
| Chief Executive Officer | $ 64,010 | $ 11,358 | $ 75,368 |
| Chief Operating Officer | 56,007 | 11,358 | 67,365 |
| Chief Financial Officer | 12,500 | 11,358 | 23,858 |
| Chief Geological Officer | 64,010 | 11,358 | 75,368 |
| Non-executive directors | - | 22,717 | 22,717 |
| | $ 196,527 | $ 68,149 | $ 264,676 |
| Three months ended December 31, 2016 | | | |
| Chief Executive Officer | $ 40,356 | $ 62,613 | $ 102,969 |
| Chief Operating Officer | 41,995 | 62,613 | 104,608 |
| Chief Financial Officer | 12,500 | 62,613 | 75,113 |
| Chief Geological Officer | 40,356 | 62,613 | 102,969 |
| Non-executive directors | - | 125,226 | 125,226 |
| | $ 135,207 | $ 375,678 | $ 510,885 |

Amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

## Investor Relations

Investor relations activities are performed by directors and officers of the Company.

## Financial and Capital Risk Management

Please refer to the December 31, 2017 interim condensed consolidated financial statements on www.sedar.com.

## Recent Accounting Policies

Please refer to the December 31, 2017 interim condensed consolidated financial statements on www.sedar.com.

## Forward Looking Statements

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers or directors with certain other projects; the volatility of the Company's common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com).