REGULUS RESOURCES INC

(the "Company")

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(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, 2016	September 30, 2016
ASSETS		
Current		
Cash (Note 4)	$ 12,751,474	$ 14,425,974
Receivables (Note 6)	21,196	24,652
Prepaid expenses (Note 7)	32,599	33,136
	12,805,269	14,483,762
Long-term investment (Note 10)	412,500	371,000
Equipment (Note 8)	83,816	70,630
Exploration and evaluation assets (Note 9)	19,193,567	18,616,921
	$ 32,495,152	$ 33,542,313
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	$ 981,357	$ 879,736
Due to related parties (Note 14)	248,289	454,192
Decommissioning liability (Note 12)	200,696	838,820
	1,430,342	2,172,748
Decommissioning liability (Note 12)	557,971	493,109
	1,988,313	2,665,857
Equity		
Capital stock (Note 13)	92,616,415	92,469,042
Accumulated other comprehensive loss	(5,824,316)	(6,141,133)
Share compensation reserve (Note 13)	7,324,136	6,721,383
Deficit	(63,609,396)	(62,172,836)
	30,506,839	30,876,456
	$ 32,495,152	$ 33,542,313

Nature and continuance of operations (Note 1)
Commitments (Note 18)
Contingencies (Note 19)
Subsequent event (Note 20)

Approved by the Board:

Director:

"John Black"

John Black

Director and Chairman of the Audit Committee:

"Anthony Hawkshaw"

Anthony Hawkshaw

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
For the Three Months Ended December 31

	3 months ended December 31, 2016	3 months ended December 31, 2015
EXPENSES		
Accounting and audit	$ 57,900	$ 20,600
Amortization (Note 8)	10,778	5,424
Bank charges and interest	9,259	11,359
Consulting fees	26,232	51,786
Fees and taxes	51	63,067
Insurance	22,928	22,764
Interest expense	9,909	14,360
Investor relations and shareholder information	15,255	4,843
Legal (Note 14)	136,927	66,160
Management fees (Note 14)	135,207	132,655
Office and administration	75,528	166,693
Rent	49,245	76,043
Share-based compensation (Note 13, 14)	659,003	144,735
Telephone	7,130	6,007
Transfer agent and listing fees	3,064	-
Travel	24,128	7,522
Wages and benefits	1,942	38,130
	(1,244,486)	(832,148)
OTHER ITEMS		
Gain on foreign exchange	34,699	435,350
Loss on disposal of marketable securities (Note 5)	-	(10,648)
Write-off of exploration and evaluation assets (Note 9)	(37,068)	(182,347)
Write-off of prepaids	(34,100)	-
Write-off of receivables	(178,228)	-
Interest income	22,623	7,701
LOSS FOR THE PERIOD	(1,436,560)	(582,092)
Change in fair market value of long-term investment	41,500	(156,000)
Translation adjustment	275,317	749,307
Comprehensive income (loss) for the period	$ (1,119,743)	$ 11,215
Loss per common share – basic and diluted	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding	**68,527,149**	**56,390,583**

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, 2015	56,390,583	$ 78,954,171	$ (6,437,428)	$ 5,118,168	$ (55,962,937)	$ 21,671,974
Share-based compensation	-	-	-	144,735	-	144,735
Fair value adjustment to long-term investment	-		(156,000)	-	-	(156,000)
Foreign exchange adjustment	-	-	749,307	-	-	749,307
Loss for the period	-	-	-	-	(582,092)	(582,092)
Balance, December 31, 2015	56,390,583	$ 78,954,171	$ (5,844,121)	$ 5,262,903	$ (56,545,029)	$ 21,827,924
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

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

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

	2016	2015
Cash Flows from Operating Activities		
Net loss for the period	$ (1,436,560)	$ (582,092)
Items not affecting cash:		
Amortization	10,778	5,424
Interest expense	9,909	14,360
Share-based compensation	659,003	144,735
Write-off of exploration and evaluation assets	37,068	-
Write-off of prepaids	34,100	-
Write-off of receivables	178,228	-
Loss on disposal of marketable securities	-	10,648
Foreign exchange gain on marketable securities	-	(231,319)
Changes in non-cash working capital items:		
Receivables	(174,848)	3,416
Prepaid expenses	(31,049)	(27,791)
Accounts payable and accrued liabilities	131,489	(19,102)
Due to related parties	(205,903)	-
Net cash used in operating activities	(787,785)	(681,721)
Cash Flows from Financing Activities		
Proceeds from exercise of stock options	101,250	-
Share issuance costs	(10,127)	-
Net cash provided by financing activities	91,123	-
Cash Flows from Investing Activities		
Acquisition of equipment	(25,510)	(3,165)
Acquisition of marketable securities	-	(132,579)
Exploration and evaluation assets	(616,811)	(1,613,381)
Disposal of marketable securities	-	353,250
Net cash used in investing activities	(642,321)	(1,395,875)
Effect of foreign exchange on cash	(335,517)	598,037
Change in cash for the period	(1,674,500)	(1,479,559)
Cash, beginning of period	14,425,974	7,876,643
Cash, end of period	$ 12,751,474	$ 6,397,084

Supplemental disclosures with respect to cash flows (Note 15)

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, 2016, the Company had working capital of $11,374,927. 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 February 28, 2017.

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 condensed consolidated interim 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, 2016, 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.

Judgments

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 14). 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 Peru S.A.C., Kori Anta S.A.C., SMRL Maria Eugenia 2 Mina Volare de Cajamarca, Southern Legacy Minerals Inc., SMRL El Sinchao de Cajamara, Rita Margot de Cajamara, 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, 2016. 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, 2016.

Recent accounting pronouncements

Effective October 1, 2016, the following standards were adopted but did not have a material impact on the condensed consolidated financial statements.

- IAS 27 & IFRS 1, Equity Method in Separate Financial Statements - IAS 27 is amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. IFRS 1 is amended to permit use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter. IAS 27 and IFRS 1 will be effective for annual periods beginning on or after January 1, 2016.

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, 2017 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. IASB has tentatively decided to require an entity to apply IFRS 15 for annual periods beginning on or after January 1, 2018.

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

- 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. The extent of the impact of adoption has not yet been determined.

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, 2016	September 30, 2016
Cash on deposit	$ 12,751,474	$ 14,425,974

5. MARKETABLE SECURITIES

At December 31, 2016 and September 30, 2016, the Company did not hold any marketable securities.

	Fair Value	Cost
Balance as September 30, 2015	$ -	$ -
Additions	131,205	131,205
Disposals	(187,002)	(131,205)
Realized loss on disposal	(10,169)	-
Gain on foreign exchange	65,966	-
Balance as September 30, 2016 and December 31, 2016	$ -	$ -

6. 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, 2016	September 30, 2016
Tax credits and advances receivable	$ 21,196	$ 24,652

7. PREPAID EXPENSES

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

	December 31, 2016	September 30, 2016
Prepaid expenses	$ 32,599	$ 33,136

Expressed in Canadian Dollars

8. EQUIPMENT

	Vehicles	Office Furnishings	Equipment	Total
Cost				
Balance, September 30, 2015	$ 14,245	$ 55,637	$ 98,234	$ 168,116
Additions	-	9,724	787	10,511
Foreign exchange movement	(5,711)	(9,669)	(40,046)	(55,426)
Balance, September 30, 2016	$ 8,534	$ 55,692	$ 58,975	$ 123,201
Additions	-	-	25,510	25,510
Foreign exchange movement	(187)	(1,219)	(1,290)	(2,696)
Balance, December 31, 2016	$ 8,347	$ 54,473	$ 83,195	$ 146,015
Accumulated amortization				
Balance, September 30, 2015	$ 10,124	$ 15,477	$ 15,424	$ 41,025
Amortization	757	1,539	18,145	20,441
Foreign exchange movement	(4,255)	(1,693)	(2,947)	(8,895)
Balance, September 30, 2016	$ 6,626	$ 15,323	$ 30,622	$ 52,571
Amortization	188	927	9,663	10,778
Foreign exchange movement	(145)	(335)	(670)	(1,150)
Balance, December 31, 2016	$ 6,669	$ 15,915	$ 39,615	$ 62,199
Carrying amounts				
As at September 30, 2015	$ 4,121	$ 40,160	$ 82,810	$ 127,091
As at September 30, 2016	$ 1,908	$ 40,369	$ 28,353	$ 70,630
As at December 31, 2016	$ 1,678	$ 38,558	$ 43,580	$ 83,816

9. 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. 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.

Expressed in Canadian Dollars

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

	December 31, 2016	September 30, 2016
Other Argentina properties	$ 275,317	$ 172,153
Rio Grande, Argentina	$ 306,459	$ 309,264
AntaKori property, Peru	$ 18,304,333	$ 17,837,203
Golden Brew property, Nevada, USA	$ 307,458	$ 298,301
	$ 19,193,567	$ 18,616,921

	Rio Grande, Argentina	Other, Argentina	Golden Brew, Nevada USA	AntaKori, Peru	Puchuldiza, Chile	Total
Balance, September 30, 2015	$ -	$ 298,874	$ 223,337	$ 14,879,624	$ -	$ 15,401,835
Additions:						
Administrative services	12,430	5,819	-	77,745	-	95,994
Change in estimates related to decommissioning liability	(53,018)	(60,888)	-	408,927	-	295,021
Field operations	11,206	37,097	-	249,499	-	297,802
Labour	351,485	-	-	-	-	351,485
Property payments	-	8,322	16,959	2,768,807	-	2,794,088
Taxes and licences	58,052	-	96	-	761	58,909
Third party services	-	13,317	57,909	151,955	-	223,181
	380,155	3,667	74,964	3,656,933	761	4,116,480
Foreign exchange movement	(70,891)	(130,388)	-	(699,354)	-	(900,633)
Exploration and evaluation asset written off	-	-	-	-	(761)	(761)
Balance, September 30, 2016	$ 309,264	$ 172,153	$ 298,301	$ 17,837,203	$ -	$ 18,616,921
Additions:						
Administrative services	3,003	1,691	-	27,788	15,902	48,384
Change in estimates related to decommissioning liability	-	7,965	-	1,075	-	9,040
Field operations	(3,738)	59,750	-	(387,989)	-	(331,977)
Property payments	-	-	9,157	46,793	-	55,950
Taxes and licences	-	36,706	-	-	-	36,706
Third party services	-	227	-	97,103	21,166	118,496
	(735)	106,339	9,157	(215,230)	37,068	(63,401)
Foreign exchange movement	(2,070)	(3,175)	-	682,360	-	677,115
Exploration and evaluation asset written off	-	-	-	-	(37,068)	(37,068)
Balance, December 31, 2016	$ 306,459	$ 275,317	$ 307,458	$ 18,304,333	$ -	$ 19,193,567

9. 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;

(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

9. 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
Dec 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. Subsequent to the period ended December 31, 2016, the Company finalized the execution of a definitive agreement with Coimolache, based on the previously executed MOU with the terms of the agreement remaining effectively the same. The deadline to complete the Colquirrumi definitive agreement has been extended to March 30, 2017 and work is well underway on this document with completion anticipated within this timeframe. The continuation of the Coimolache definitive agreement is contingent upon the completion of the Colquirrumi definitive agreement. (Note 19)

Rio Grande, Argentina

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

Puchuldiza Property, Chile

During the period ended December 31, 2016, the Company wrote off the capitalized cost of $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

9. 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.

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.

10. LONG-TERM INVESTMENT

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

		Fair Value		Cost
Balance as at September 30, 2015	$	302,000	$	740,000
Fair market value adjustments		69,000		-
Balance as at September 30, 2016	$	371,000	$	740,000
Fair market value adjustments		41,500		-
Balance as at December 31, 2016	$	412,500	$	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, 2016.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		December 31, 2016		September 30, 2016
Trade payables	$	663,428	$	561,807
Accrued liabilities (Note 19)		317,929		317,929
	$	981,357	$	879,736

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

Expressed in Canadian Dollars

12. 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, 2016	September 30, 2016
Asset retirement obligation – beginning of period	$ 1,331,929	$ 1,677,283
Remediation performed	(674,358)	(579,887)
Change in estimates	9,040	295,021
Interest expense	9,909	41,627
Foreign exchange movement	82,147	(102,115)
Asset retirement obligation – end of period	$ 758,667	$ 1,331,929

The total amount of estimated undiscounted cash flows required to settled the Company's estimated obligation is $802,429 as at December 31, 2016 (September 30, 2016 - $1,412,318), 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. Of the total decommissioning liability, $200,696 relates to the Antakori property and $557,971 relates to the Company's Argentinean properties. $200,696 is expected to be paid within the next 12 months, and the remaining liabilities are expected to be settled at various dates which are currently expected to extend up to 2018.

13. 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, 2016, the Company received proceeds of $101,250 from the exercise of 225,000 options at a price of $0.45 per option.

During the year ended September 30, 2016, the Company:

a) closed a brokered unit private placement offering (the "Offering"). An aggregate of 11,537,500 units were sold under the Offering at a price of $1.20 per Unit for total gross proceeds of $13,845,000. The gross proceeds of the Offering include 1,537,500 Units issued as a result of the exercise of an Agents' overallotment option granted in connection with the Offering. In addition, the Company closed its concurrent non-brokered offering of 425,000 Units for total gross proceeds of $510,000. In total the Company issued 11,962,500 Units, for gross proceeds raised under the brokered and non-brokered portion of the Offering of $14,353,063 with net proceeds of $13,504,352. Each Unit consists of one common share and one half common share purchase warrant exercisable at $1.60 until January 27, 2020. The Company incurred cash share issuance costs of $848,711.

b) received proceeds of $6,750 from exercise of 15,000 stock options.

Expressed in Canadian Dollars

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

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, 2016, the Company had options outstanding to purchase 6,393,334 common shares at a price of 0.81 per share and all with a term of five years from the date of grant, subject to early expiry under certain conditions and subject to specified vesting periods.

The following table summarized movements in stock options outstanding for the period ended December 31, 2016:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2015	4,577,334	$ 0.45
Options granted	2,105,000	$ 1.50
Options exercised	(15,000)	$ 0.45
Options forfeited/expired	(49,000)	$ 0.45
Balance, September 30, 2016	6,618,334	$ 0.78
Options exercised	(225,000)	$ 0.45
Balance, December 31, 2016	6,393,334	$ 0.81
Number of options currently exercisable	4,288,334	$ 0.81

The weighted average share price for the options exercised was $1.34 (2015 - $nil)

Stock Options

The following table summarizes information about stock options outstanding at December 31, 2016:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$ 0.45	4,288,334	4,288,334	December 13, 2019
$ 1.50	2,105,000	-	September 2, 2021
	6,393,334	4,288,334	

Expressed in Canadian Dollars

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

Warrants

The following table summarizes movements in warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2015	5,555,555	$ 0.70
Warrants granted	5,981,235	$ 1.60
Balance, September 30, 2016 and December 31, 2016	11,536,790	$ 1.17

The following table summarizes information about warrants outstanding at December 31, 2016:

Exercise Price	Number Outstanding	Expiry Date
$ 0.70	5,405,555	November 3, 2017
$ 0.70	150,000	November 6, 2017
$ 1.60	5,981,235	January 27, 2020
	11,536,790	

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, 2016, the Company recognized $659,003 (2015 - $144,735) in share-based compensation expense with respect to options vested during the period.

14. 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 Peru S.A.C.	Peru	100%	Mineral exploration
KoriAnta S.A.C.	Peru	100%	Holding company
SMRL Maria Eugenia 2 Mina Volare de Cajamarca	Peru	93.75%	Holding company
Minera Southern Legacy Chile Limitada	Chile	100%	Mineral exploration
Regulus Argentina S.A.	Argentina	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
Minera El Toro S.A.	Argentina	100%	Mineral exploration
Southern Legacy Minerals Inc.	USA	100%	Holding company
SMRL El Sinchao de Cajamara	Peru	83.13%	Holding company
Minas del Sinchao	Peru	94.50%	Holding company
Rita Margot de Cajamarco S.A.C.	Peru	87.50%	Holding company

14. RELATED PARTY TRANSACTIONS (cont'd…)

During the period ended December 31, 2016, the Company entered into the following transactions with key management personnel and related parties. Amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

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, 2016, DBD Resources was paid $40,356 (2015 - $40,052). 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, 2016, the Company owed $Nil (September 30, 2016 – $Nil) to DBD Resources and $227,011 (September 30, 2016 – $209,454) to Mr. John Black for the expenses incurred in the normal course of the business which was paid subsequent to December 31, 2016.

b) For the period ended December 31, 2016, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $41,995 in consulting fees (2015 – $40,052). 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 is a partner was paid or accrued $59,533 (2015 - $43,453) 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, 2016, the Company owed $21,278 (September 30, 2016 – $244,738) to Mr. Pickmann and the law firm at which he is 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, 2016, Unicus was paid $12,500 (2015 – $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, 2016, the Company owed $Nil (September 30, 2016 – $Nil) to Unicus.

d) The Rock Doctor ("Rock Doctor") is a private company controlled by Mr. Kevin Heather, Chief Geological Officer of the Company. For the period ended December 31, 2016, Rock Doctor was paid $40,356 (2015 – $40,052). Amounts paid to Rock Doctor are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

   At December 31, 2016, the Company owed $Nil (September 30, 2016 – $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

14. RELATED PARTY TRANSACTIONS (cont'd…)

The remuneration of directors and other members of key management personnel during the periods ended December 31, 2016 and December 31, 2015 are as follows:

	Fees and Bonus	Share-based Benefits	Total
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
Three months ended December 31, 2015			
Chief Executive Officer	$ 40,052	$ 22,134	$ 62,186
Chief Operating Officer	40,052	22,134	62,186
Chief Financial Officer	12,500	22,134	34,634
Chief Geological Officer	40,052	22,134	62,186
Non-executive directors	-	25,296	25,296
	$ 132,656	$ 113,832	$ 246,488

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

15. 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, 2016 and 2015 included:

a) $107,780 (2015 - $35,852) in accounts payable and accrued liabilities related to exploration and evaluation assets.

b) $56,250 (2015 - $Nil) transferred to share capital on exercise of 225,000 stock options.

For the three months ended December 31	2016	2015
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

Expressed in Canadian Dollars

16. SEGMENTED INFORMATION

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

	Total Assets	Equipment	Exploration and Evaluation Assets	Other Assets
December 31, 2016				
Canada	$ 13,000,193	$ -	$ -	$ 13,000,193
Argentina	644,003	11,461	581,776	50,766
Peru	18,521,166	72,355	18,304,333	144,478
Chile	22,332	-	-	22,332
United States	307,458	-	307,458	-
	$ 32,495,152	$ 83,816	$ 19,193,567	$ 13,217,769

	Total Assets	Equipment	Exploration and Evaluation Assets	Other Assets
September 30, 2016				
Canada	$ 14,523,830	$ -	$ -	$ 14,523,830
Bermuda	5,901	-	-	5,901
Argentina	640,401	5,887	481,417	153,097
Peru	18,052,005	64,743	17,837,203	150,059
Chile	21,875	-	-	21,875
United States	298,301	-	298,301	-
	$ 33,542,313	$ 70,630	$ 18,616,921	$ 14,854,762

	2016	2015
Loss (gain) for the three months ended December 31		
Canada	$ 303,127	$ (66,996)
Bermuda	11,211	-
Peru	952,826	585,266
Chile	61,918	-
Argentina	107,478	63,822
	$ 1,436,560	$ 582,092

17. 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 consolidated statements of financial position. The Company's other financial instruments, cash, marketable securities and long-term investments, under the fair value hierarchy, are based on level one quoted prices in active markets for identical assets or liabilities.

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, 2016, the Company had a cash balance of $12,751,474 to settle current liabilities of $1,430,342. 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 $679,000.

Expressed in Canadian Dollars

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

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. A 10% fluctuation in market prices would affect comprehensive income (loss) by $41,250.

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.

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.

18. COMMITMENTS

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

	Argentina	Peru
2017	$ 85,768	$ 164,094
2018	-	79,816
2019	-	31,480
	$ 85,768	$ 275,390

19. CONTINGENCIES

a) The Company is involved in an arbitration process to settle a dispute between Southern Legacy and a former officer who is claiming an amount of US$200,000 for lost consulting fees. On August 29, 2016, the appointed arbiter issued a decision against the Company for non-compliance of payment terms for fees agreed under the consulting agreement signed by the parties, in the amount of USD$134,500 plus applicable mandatory interest accrued, and a portion of the arbitration costs. As at December 31, 2016, the Company has recorded an accrued liability of CAD187,010 in the interim condensed consolidated statement of financial position, representing the full amount of the arbitration outcome.

b) The Company was notified by tax authorities that it has been assessed penalties of $130,919 related to its US tax filings. This entire balance has been recorded in accrued liabilities on the interim condensed consolidated statement of financial position as at December 31, 2016. The Company is currently in the process of reviewing whether they will be able to reduce the penalty.

20. SUBSEQUENT EVENT

On January 23, 2017 the Company finalized the execution of a definitive agreement with Coimolache, based on the previously executed MOU with the terms of the agreement remaining effectively the same. The deadline to complete the Colquirrumi definitive agreement has been extended to March 30, 2017 and work is well underway on this document with completion anticipated within this timeframe. The continuation of the Coimolache definitive agreement is contingent upon the completion of the Colquirrumi definitive agreement.