REGULUS
RESOURCES INC

Management's Discussion and Analysis

Third Quarter Report for the
Nine Months Ending June 30, 2016

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 August 26, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine months ended June 30, 2016 and 2015 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, 2015 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. During the past several years, the Company put the Rio Grande project on "hold" 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 deposits and has an initial NI 43-101 resource of almost 300 million tonnes with attractive grades of copper and gold. Management is confident that further work will expand the current deposit to a size that will be of interest to major mining companies.

Significant Events/Overall Performance

In July, 2016, the Company announced that it has 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 announced that it closed its concurrent non-brokered offering of 425,000 Units for total gross proceeds of $510,000. Total proceeds raised under the brokered and non-brokered portion of the Offering were $14,355,000 (net proceeds of $13,620,000).

In July 2016, the Company announced that Dr. Stewart Redwood was appointed Chief Geologist for the AntaKori copper-gold project in Peru.

In May 2016, the Company announced that its wholly owned Peruvian subsidiary, Southern Legacy Peru S.A.C. ("SLP-Regulus"), has entered into binding Memorandum of Understanding ("MOU") agreements 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, the SLP-Regulus 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.

Coimolache MOU Agreement

Compañía Minera Coimolache S.A. ("Coimolache") is a mining company that owns and operates the Tantahuatay gold-silver mine immediately adjacent to the southern margin of the SLP-Regulus AntaKori project. The principal shareholders of Coimolache are Compañía de Minas Buenaventura S.A.A. ("Buenaventura" – 40% and operator) and Southern Peru Copper S.A.A. ("SPC" – 44%). The Coimolache MOU agreement 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 mine by way of lay-back onto SLP-Regulus mining concessions. The MOU is binding and there has been considerable progress made towards the execution of the Definitive Agreement ("DA"). The Company remains confident that the Definitive Agreement will be signed before year-end, failing which the MOU will terminate unless extended by the parties to the MOU. The key components of the agreement are as follows:

- The creation of an Area of Interest ("AOI") consisting of mining rights from both companies centered on the known AntaKori copper-gold sulphide mineralization.
- Each company retains its current mining rights.
- Collaborative exploration within the AOI, overseen by a joint technical committee and with each party assuming costs for work done on its own mining rights.
- Both parties have access to all exploration data generated by either party within the AOI.
- Both parties have access to all surface rights owned or controlled by either party.
- Either party may elect to proceed with exploration activity on its own mining concessions, at its sole cost, in the event that the other party elects to not complete exploration activity at that time.
- For the purposes of permitting and management of exploration and development activities, the AOI will be divided into two sub-areas:

  Sub-area 1 will consist of all Coimolache mining concessions within the AOI and seven SLP-Regulus mining concessions that are closest to Coimolache's active Tantahuatay Mine.

  - Exploration within sub-area 1 will be managed by Coimolache and will utilize existing and future Coimolache exploration and mining permits.
  - Coimolache may extend the current Tantahuatay oxide precious metals mining operation onto the assigned SLP-Regulus mining concessions for the purpose of exploiting oxide precious metals mineralization by meeting the following requirements:
    - Presentation of an approved mine plan to SLP-Regulus;
    - Assuming all development and operating costs;
    - Assuming all responsibility for permitting costs and procedures;
    - Payment of a 5% Net Smelter Return royalty ("NSR") to SLP-Regulus for any mineralization processed from the SLP-Regulus mining concessions; and
    - Assuming all responsibility for environmental and mine closure costs.
  - SLP-Regulus will assign the seven mining concessions to Coimolache for the purposes of exploration and the development and mining of near-surface oxide precious metals mineralization.

  Sub-area 2 will consist of the remaining 11 SLP-Regulus mining concessions that are located farther from the Tantahuatay Mine. Exploration in sub-area 2 will be managed by SLP-Regulus.

- Within the first five years from the execution of the DA, either party may elect to become the Developing Party ("DP") and thereby have the right to develop and mine sulphide mineralization within the AOI by meeting the following requirements:
  - Presenting a mining plan, scoping study, preliminary economic assessment ("PEA") or similar development plan;
  - Presenting a Preliminary Feasibility Study ("PFS") within two years of presenting a scoping study or PEA;
  - Presenting a Final Feasibility Study ("FFS") within three years of presenting a PFS;
  - Starting construction within 3 years of presenting the FFS;
  - Assuming all development and operating costs;
  - Assuming all responsibility for permitting costs and procedures;
  - Stockpiling mined material, if requested by the other Party, that is moved from the other Party's mining concessions within the AOI;
  - Paying a 5% NSR to the other Party for mineralization processed from the other Party's mining concessions within the AOI; and
  - Assuming all responsibility for environmental and closure costs.

- In the event that SLP-Regulus elects to become the DP, Coimolache will have a period of 360 calendar days to choose one of the following options:
  - Allow SLP-Regulus to become the DP;
  - Elect to become the DP;
  - Elect to proceed jointly with SLP to complete a Preliminary Feasibility Study and Final Feasibility Study on the timeline indicated above for the DP; or
  - Terminate the Definitive Agreement.

Colquirrumi MOU Agreement

Compañía Minera Colquirrumi S.A. ("Colquirrumi") is a wholly owned subsidiary of Buenaventura. The Colquirrumi MOU agreement allows SLP-Regulus an option to earn-in to up to a 70% interest in a large area of Colquirrumi mining concessions located immediately to the north and east of the SLP-Regulus AntaKori mining concessions and also providing Colquirrumi with an option to claw-back to a 70% interest by making a cash payment to SLP-Regulus. The MOU is binding and there has been considerable progress made towards the execution of the Definitive Agreement. The Company remains confident that the Definitive Agreement will be signed before year-end, failing which the MOU will terminate unless extended by the parties to the MOU. The key components of the agreement are as follows:

- An AOI consisting of a large area of Colquirrumi mining concessions located to the north and east of the SLP-Regulus AntaKori mining concessions.
- Colquirrumi will assign the mining concessions in the AOI to Newco, a special purpose company to be initially owned 100% by SLP-Regulus for the purpose of exploration.
- Newco will have an option to acquire a 100% interest in the AOI by completing a minimum of 7,500 m of drilling within a three year time period that commences upon receipt of all required drilling permits.
- In exchange for the 100% interest in the AOI, Colquirrumi will receive a 30% interest in Newco.
- Commencing from the date that Newco notifies Colquirrumi that it elects to exercise its option to acquire the 100% interest in the AOI (and therefore grant Colquirrumi a 30% interest in Newco), Colquirrumi will have a period of 60 days to elect to claw-back to a 70% interest in Newco by making a US$9,000,000 payment to SLP-Regulus.
- If Colquirrumi does not exercise its claw-back option, it will remain with a 30% interest in Newco.
- Upon final resolution of the earn-in and claw-back options, all future expenditures and investments made by Newco will be proportional to each Party's percentage ownership in Newco with standard dilution in the event that a Party chooses not to participate.
- If either party has its participation in Newco diluted to less than 10%, the Party's participation will be converted to a 1.5% NSR.
- The Parties also agree that either SLP-Regulus or Coimolache may elect to develop and mine sulphide mineralization within the AOI as an extension of activity on their adjacent mining concessions by meeting the following obligations:
  - Presenting a mining plan, scoping study or preliminary economic assessment (PEA) or similar development plan;
  - Presenting a Preliminary Feasibility Study (PFS) within two years of presenting a scoping study or PEA;
  - Presenting a Final Feasibility Study (FFS) within three years of presenting a PFS;
  - Starting construction within 3 years of presenting the FFS;
  - Assuming all development and operating costs;
  - Assuming all responsibility for permitting costs and procedures;
  - Stockpiling mined material, if requested by Newco, that is moved from Newco's mining concessions within the AOI;
  - Paying a 5% NSR to Newco for mineralization processed from Newco's mining concessions within the AOI; and
  - Assuming all responsibility for environmental and closure costs.
- The Parties also agree that Coimolache may extend its current Tantahuatay oxide precious metals operations into the following Colquirrumi mining concessions in the AOI (Proveedora No 2-E, Proveedora No 2-F, Tantahuatay No 20-A3, Tantahuatay No 20 and Futuro No 3) by meeting the obligations listed below:
  - Presentation of an approved mining plan to Newco, SLP-Regulus and Colquirrumi;

- o Assuming all development and operating costs;
- o Assuming all responsibility for permitting costs and procedures;
- o Assuming all responsibility for environmental and mine closure costs;
- o Coimolache would be restricted to mining material that falls within the approved mine plan presented to Newco, SLP-Regulus and Colquirrumi;
- o No NSR royalty will be required for this activity;
- o Newco, SLP-Regulus and Colquirrumi will facilitate the assignment of the mining concessions to Coimolache for extension of mining as per the approved mine plan; and
- o Once the mining of oxide mineralization is terminated, or at the conclusion of a period of five years from the granting of the right of expansion, whichever is the earlier date, the lease of the mining concessions will be terminated unless the parties agree otherwise.

AntaKori Project

The flagship project for SLP-Regulus is the AntaKori Cu-Au-Ag project in northern Peru. This project has a 43-101 inferred resource of 294 million tonnes grading 0.48% Cu and 0.36 g/t Au (please refer to Southern Legacy news release of July 3, 2012). The resource is based on only 17,000 m of drilling, is only reported for the portion of the mineralized system that is owned or controlled by SLP-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

<u>Mineral Property Review</u>

This review has been prepared by John Black, CEO and Director of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Mineral Projects).

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 a project located in Nevada (the Golden Brew Property). The Company also holds several other early stage prospects in northwestern Argentina and Canada.

Table 1. Summary of NI 43-101 compliant resources for the AntaKori, Rio Grande and Puchuldiza Projects

Resource	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)
AntaKori Cu-Au-Ag	Inferred	294.7	0.36	0.48	10.16	3.40	3.10	93.30	12.81	5.10
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
Puchuldiza Au	Inferred	30.1	0.71			0.69			0.69	
*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.										

AntaKori Overview

The AntaKori project is located in northern Peru and hosts a large telescoped Cu-Au-Ag porphyry system with associated skarn, 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 described 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 below and refer to the Southern Legacy 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 (Peruvian Government)

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).
- Several of the more significant drill intercepts reported to date include:
  - SRC-07 106 m with 0.85 g/t Au and 1.42% Cu from surface
  - DDH-37 202.1 m with 1.00 g/t Au and 1.89% Cu
  - DDH-44 103.2 m with 1.03 g/t Au and 1.38% Cu from surface
  - DDH-50 84 m with 1.11 g/t Au and 1.47% Cu
- An Independent 43-101 report has documented a large telescoped Au-Cu porphyry system with associated, mineralized breccias, skarns, 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.

Our technical and community relations teams have been meeting with their counterparts from Coimolache and Colquirrumi to develop exploration plans for the upcoming field season with drilling likely to commence before the end of 2016.

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

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 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 Table 1 and the NI 43-101 Technical Report, Pulchuldiza Project, 1 Region, Chile, dated May 15, 2011 under the Southern Legacy profile at www.sedar.com).

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 is seeking a joint venture partner to conduct additional work on the property in 2016.

Golden Brew Overview

The Company has an option agreement with Highway 50 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. A minimum US$500,000 firm commitment in the first year has been 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 an endangered species. The Company has recently 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 exploration activities at the Property. As such, the firm commitment of US$500,000 in exploration expenditures will be due 120 days after the Company receives the final permit allowing the parties to commence drilling. All subsequent annual work commitments will be 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. Follow-up 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. Drill permitting is in place for the BLM portion of the property and permitting for the U.S. Forest Service lands has been delayed as the status of Sage Grouse protection has been resolved. The drilling program is anticipated to comprise eight to ten holes for a total of 16,000 feet and a cost of approximately US$400,000. Management currently anticipates that this drilling program will commence upon receipt of permits for the targets on U.S. Forest Service land.

Rio Grande Overview

The Company suspended drilling activity at the main Rio Grande Project in late 2012 to conserve cash and re-evaluate the exploration strategy in light of challenging market conditions. During the past year a major project data review has been completed, including re-logging of all drill core from the project. This data review has confirmed potential for further exploration at depth. The Company has currently placed the project on hold, has written off the $338,282 carrying value of the project in the current fiscal period, and will evaluate the best options and timing to recommence exploration in the future.

Other Projects Overview

Shamrock Enterprises Inc. ("Shamrock") has requested a modification in the terms of the option agreement for the Company's Fireweed project ("Fireweed") located in British Columbia. Challenging market conditions have made it difficult for Shamrock to meet its obligations to earn an interest in the project. For consideration of 500,000 shares of the capital stock of Shamrock, Regulus has agreed to amend the agreement such that the Shamrock can earn a 50% interest in the project instead of a 70% interest on a revised payment schedule. In addition, Shamrock has made a firm commitment to spend $100,000 on a 1,500 feet drilling program on Fireweed by December 17, 2016 and revisions to the cash payment schedule, share issuance schedule and exploration work expenditure schedule are as follows:

	Cash Payments	Share Issuances	Annual Work Expenditure	Cumulative Work Expenditure Total
Upon Listing		100,000 (issued)		
February 17, 2010	$50,000 (paid)		$200,000	$200,000
February 17, 2011	$50,000 (paid)	200,000 (issued)	$450,000	$650,000
February 17, 2012	$100,000 (paid)	200,000 (issued)		
February 17, 2013		250,000 (issued)		
February 17, 2014		250,000 (issued)		
August 17, 2014			$200,000	$850,000 (completed)
December 17, 2016		100,000	$100,000	$950,000
December 17, 2017		100,000	$200,000	$1,150,000
December 17, 2018	$100,000	200,000	$300,000	$1,450,000
December 17, 2019	$200,000	200,000	$400,000	$1,850,000
December 17, 2020		400,000	$500,000	$2,350,000
Total	**$500,000**	**2,000,000**	**$2,350,000**	**$2,350,000**

Field review of the Aguas Calientes, La Frontera and Oscara projects was completed in late 2015 and determined that further work is warranted at these projects. The Company will consider the merits of conducting field mapping and a sampling program on the Aguas Calientes project in 2016 to develop potential drill targets. It is likely that partners will be sought to advance the La Frontera and Oscara projects.

Operations and Financial Condition

Results of Operations for the Nine Months Ended June 30, 2016 Compared to the Nine Months Ended June 30, 2015

During the nine months ended June 30 2016, loss for the period increased by $2,782,299 to $3,449,104 compared to $666,805 for the nine months ended June 30, 2015. Significant variances from the same period in the prior year are as follows:

- An increase of $315,912 in share-based compensation. Share-based compensation was $431,057 for the nine months ended June 30, 2016 compared to $115,145 for the nine months ended June 30, 2015 due to the partial vesting of stock options issued in December 2015 and June 2016.

- An increase of $100,212 in Fees and Taxes. Fees and Taxes were $149,886 for the nine months ended June 30, 2016 compared to $49,674 for the nine months ended June 30, 2015. The increase is mainly due to the timing of payment of standard business taxes in Argentina in the current period as compared to the same period in the prior period.

- An increase of $93,570 in management fees. Management fees were $394,723 for the nine months ended June 30, 2016 compared to $301,153 for the nine months ended June 30, 2015. The increase resulted from the formalization of management contracts of personnel related to the acquisition of Southern Legacy.

- An increase of $78,912 in legal fees. Legal fees were $150,505 for the nine months ended June 30, 2016 compared to $71,593 for the nine months ended June 30, 2015. The increase is primarily from increased legal activities in Peru relating to the MOU agreements with Coimolache and Colquirrumi in the current period as compared to the same period in the prior period.

- A decrease of $338,509 in Office and Administration. Office and Administration was $213,501 for the nine months ended June 30, 2016 compared to $552,010 for the nine months ended June 30, 2015. The decrease was mainly the result of decreased administrative activities in the current period as compared to the same period in the prior period. In the prior period the Company also undertook significant changes to the allocation of certain historical operating expenses incurred by Southern Legacy which resulted in a large increase in office and administration expense for that period.

- A loss of $887,007 on foreign exchange in the current period as compared to a gain on foreign exchange of $1,662,509 in the same period of the prior year. The difference was mainly the result of the increase in the strength of the CAD$ in the current period as compared to the same period in the prior period.

Cash Flow

Operating Activities

Cash outflow from operating activities was $2,768,373 for the nine months ended June 30, 2016 compared to $1,973,477 for the nine months ended June 30, 2015. The increase in cash outflow mainly consists of foreign exchange fluctuations between the USD and CAD exchange rates during the current period and the same period of the prior year.

Financing Activities

Cash inflow from financing activities was $6,750 for the nine months ended June 30, 2016 compared to $4,926,618 for the nine months ended June 30, 2015. The cash inflow from the prior period is a result of the issuance of common shares for gross proceeds of $5,000,000. The shares issued during the nine months ended June 30, 2016 were the result of 15,000 stock options exercised.

Investing Activities

Cash outflow from investing activities was $1,501,846 for the nine months ended June 30, 2016 compared to $2,124,695 for the nine months ended June 30, 2016. The outflows mainly consist of expenditures on the Company's exploration and evaluation assets during the current period and the same period of the prior year.

Results of Operations for the Three Months ended June 30, 2016 Compared to the Three Months ended June 30, 2015

During the three months ended June 30, 2016, loss for the period was $817,755 compared to a gain of $584,061 for the three months ended June 30, 2015. Significant variances from the prior year are as follows:

- An increase of $89,701 in share-based compensation. Share-based compensation was $143,161 for the three months ended June 30, 2016 compared to $53,460 for the three months ended June 30, 2015 due to the partial vesting of stock options issued in December 2015 and June 2016.

- An increase of $32,607 in legal fees. Legal fees were $47,422 for the three months ended June 30, 2016 compared to $14,815 for the three months June 30, 2015. The increase is primarily from increased legal activities in Peru relating to the MOU agreements with Coimolache and Colquirrumi in the current period as compared to the same period in the prior period.

- An increase of $45,053 in Fees and Taxes. Fees and Taxes were $63,463 for the nine months ended June 30, 2016 compared to $18,410 for the nine months ended June 30, 2015. The increase is mainly due to the timing of payment of standard business taxes in Argentina in the current period as compared to the same period in the prior period.

- A decrease of $344,300 in Office and Administration. Office and Administration was $43,469 for the nine months ended June 30, 2016 compared to $387,769 for the nine months ended June 30, 2015. The decrease was mainly the result of decreased administrative activities in the current period as compared to the same period in the prior period. In the prior period the Company also undertook significant changes to the allocation of certain historical operating expenses incurred by Southern Legacy which resulted in a large increase in office and administration expense for that period.

- A gain of $14,580 on foreign exchange in the current period as compared to a gain on foreign exchange of $1,500,721 in the same period of the prior year. The difference was mainly the result of the increase in the strength of the CAD$ in the current period as compared to the same period in 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.

Unaudited Fiscal Quarters of the Fiscal Year ended September 30, 2016

All in $1,000's except loss per share		First Quarter		Second Quarter		Third Quarter
Working capital	$	4,753	$	2,569	$	1,544
Loss	$	582	$	2,049	$	818
Loss per share	$	0.01	$	0.04	$	0.01
Loss per share (fully diluted)	$	0.01	$	0.04	$	0.01
Total assets	$	23,739	$	21,691	$	21,036
Total liabilities	$	1,911	$	1,954	$	1,919
Deficit	$	56,545	$	58,594	$	59,412

Unaudited Fiscal Quarter of the Fiscal Year ended September 30, 2015

All in $1,000's Except Loss (Gain) per Share		First Quarter		Second Quarter		Third Quarter		Fourth Quarter
Working capital	$	11,187	$	9,253	$	8,623	$	6,054
Loss (gain)	$	646	$	604	$	(584)	$	2,705
Loss (gain) per share	$	0.01	$	0.01	$	(0.01)	$	0.05
Loss (gain) per share (fully diluted)	$	0.01	$	0.01	$	(0.01)	$	0.05
Total assets	$	25,381	$	24,095	$	23,802	$	23,730
Total liabilities	$	2,315	$	3,101	$	2,021	$	2,058
Deficit	$	53,238	$	53,842	$	53,258	$	55,963

Unaudited Fiscal Quarter of the Fiscal Year ended September 30, 2014

All in $1,000's except Loss per Share		Fourth Quarter
Working capital	$	7,443
Loss	$	45,775
Loss per share	$	1.37
Loss per share (fully diluted)	$	1.37
Total assets	$	21,185
Total liabilities	$	3,027
Deficit	$	52,592

Liquidity and Capital Resources

Cash at June 30, 2016 totaled $3,127,540 compared to $7,876,643 at September 30, 2015. Working capital at June 30, 2016 was $1,543,507 compared to $6,053,957 as at September 30, 2015. Exploration and evaluation of assets at June 30, 2016 totaled $17,119,872 compared to $15,401,835 as at September 30, 2015. The majority of the increase reflected the activity in Peru. The Company has sufficient working capital to continue operations for at least the next 12 months.

In July, 2016, the Company announced that it has 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 announced that it closed its concurrent non-brokered offering of 425,000 Units for total gross proceeds of $510,000. Total proceeds raised under the brokered and non-brokered portion of the Offering were $14,355,000 (net proceeds of $13,620,000).

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 development of the 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 68,368,083 common shares issued and outstanding (September 30, 2015 – 56,390,583).

Stock Options

During the nine months ended June 30, 2016, 15,000 stock options were exercised and 49,000 were forfeited/expired. As at the date of this report, 4,513,334 stock options are outstanding at an exercise price of $0.45 per share and are exercisable until December 13, 2019.

Warrants

As at the date of this report, the Company had 5,555,555 warrants outstanding at an exercise price of $0.70 per share. 5,405,555 of the warrants are exercisable until November 3, 2017 and 150,000 of the warrants are exercisable until November 6, 2017.

Related Party Transactions

During the nine months ended June 30, 2016, the Company entered into the following transactions with key management personnel. 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 nine months ended June 30, 2016, DBD Resources was paid $119,074 (2015 - $108,192). Management services paid to DBD Resources are classified as management fees expense in the condensed consolidated statements of operations and comprehensive gain (loss).

   At June 30, 2016, the Company owed $Nil (September 30, 2015 – $Nil) to DBD Resources.

b) For the nine months ended June 30, 2016, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $119,074 (2015 – $108,192). Management services paid to Mr. Pickmann are classified as management fees expense in the condensed consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann is a partner was paid $78,970 (2015 - $38,260) for legal services. Legal fees paid to Mr. Pickmann's law firm are classified as legal expenses in the condensed consolidated statements of operations and comprehensive gain (loss).

   At June 30, 2016, the Company owed $Nil (September 30, 2015 – $Nil) to Mr. Pickmann.

c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the nine months ended June 30, 2016, Unicus was paid $37,500 (2015 – $37,500). Management services paid to Unicus are classified as management fees expense in the condensed consolidated statements of operations and comprehensive gain (loss).

   At June 30, 2016, the Company owed $Nil (September 30, 2015 – $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 Nine months ended June 30, 2016, Rock Doctor was paid $119,074 (2015 – $108,192). Amounts paid to Rock Doctor are classified as management fees in the condensed consolidated statements of operations and comprehensive gain (loss).

   At June 30, 2016, the Company owed $Nil (September 30, 2015 – $Nil) to Rock Doctor.

Prior to the nine month period ended June 30, 2016, the Company entered into the following transactions with related parties:

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. The Company believes the claim has no merit and is actively disputing the claim. The Company has not accrued for this amount.

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 nine months ended June 30, 2016 and June 30, 2015 are as follows:

	Other Payments	Share-based Benefits	Total
Nine months ended June 30, 2016			
Chief Executive Officer	$ 119,074	$ 65,920	$ 184,994
Chief Operating Officer	119,074	65,920	184,994
Chief Financial Officer	37,500	65,920	103,420
Chief Geological Officer	119,074	65,920	184,994
Non-executive directors	-	75,337	75,337
	$ 394,722	$ 339,017	$ 733,739
Nine months ended June 30, 2015			
Chief Executive Officer	$ 108,192	$ 17,609	$ 125,801
Chief Operating Officer	108,192	17,609	125,801
Chief Financial Officer	37,500	17,609	55,109
Chief Geological Officer	108,192	17,609	125,801
Non-executive directors	-	20,124	20,124
	$ 362,076	$ 90,560	$ 452,636

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 June 30, 2016 condensed consolidated interim financial statements on www.sedar.com.

Recent Accounting Policies

Please refer to the June 30, 2016 condensed consolidated interim 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, not past, 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, directors or promoters 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).