



(the "Company")

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED JUNE 30, 2018 AND 2017**

**(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

|  | June 30, 2018        | September 30, 2017   |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                      |                      |                      |
| <b>Current</b>                                     |                      |                      |
| Cash (Note 4)                                      | \$ 427,708           | \$ 6,815,719         |
| Receivables (Note 5)                               | 450,079              | 59,094               |
| Prepaid expenses (Note 6)                          | 53,624               | 47,325               |
|  | <u>931,411</u>       | <u>6,922,138</u>     |
| <b>Long-term investment</b> (Note 9)               | 799,000              | 850,000              |
| <b>Property, plant and equipment</b> (Note 7)      | 365,352              | 154,864              |
| <b>Exploration and evaluation assets</b> (Note 8)  | <u>33,784,487</u>    | <u>23,664,855</u>    |
|  | <u>\$ 35,880,250</u> | <u>\$ 31,591,857</u> |
| <b>LIABILITIES AND EQUITY</b>                      |                      |                      |
| <b>Current</b>                                     |                      |                      |
| Accounts payable and accrued liabilities (Note 10) | \$ 3,876,598         | \$ 2,289,877         |
| Due to related parties (Note 13)                   | 179,125              | 28,133               |
|  | <u>4,055,723</u>     | <u>2,318,010</u>     |
| <b>Decommissioning liability</b> (Note 11)         | <u>414,969</u>       | <u>356,356</u>       |
|  | <u>4,470,692</u>     | <u>2,674,366</u>     |
| <b>Equity</b>                                      |                      |                      |
| Capital stock (Note 12)                            | 98,445,955           | 92,896,977           |
| Accumulated other comprehensive loss               | (7,080,847)          | (6,708,360)          |
| Share compensation reserve (Note 12)               | 7,992,439            | 8,394,225            |
| Deficit  | <u>(67,947,989)</u>  | <u>(65,665,351)</u>  |
|  | <u>31,409,558</u>    | <u>28,917,491</u>    |
|  | <u>\$ 35,880,250</u> | <u>\$ 31,591,857</u> |

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

**Approved by the Board:**  
**Director:**

*“John Black”*

John Black

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

*“Anthony Hawkshaw”*

Anthony Hawkshaw

**Regulus Resources Inc.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

|   | 3 months ended<br>June 30, 2018 | 3 months ended<br>June 30, 2017 | 9 months ended<br>June 30, 2018 | 9 months ended<br>June 30, 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>EXPENSES</b>   |                                 |                                 |                                 |                                 |
| Accounting and audit  | \$ 44,539                       | \$ 47,216                       | \$ 207,130                      | \$ 255,187                      |
| Amortization (Note 7)   | 10,169                          | 5,253                           | 28,111                          | 21,590                          |
| Bank charges and interest   | 7,978                           | 9,465                           | 22,014                          | 26,858                          |
| Consulting fees   | 106,942                         | 18,595                          | 141,288                         | 57,587                          |
| Fees and taxes  | 19,656                          | (48,623)                        | 70,135                          | (16,834)                        |
| Insurance   | 16,556                          | 36,822                          | 40,146                          | 87,704                          |
| Interest expense (Note 11)  | 7,384                           | 9,988                           | 21,885                          | 29,727                          |
| Investor relations and shareholder information                              | 41,520                          | 10,304                          | 125,338                         | 39,994                          |
| Legal (Note 13)   | 54,722                          | 87,041                          | 138,340                         | 232,842                         |
| Management fees (Note 13)   | 232,124                         | 205,058                         | 622,933                         | 471,458                         |
| Office and administration   | 148,028                         | 125,423                         | 393,324                         | 285,090                         |
| Rent  | 34,975                          | 52,414                          | 114,274                         | 143,085                         |
| Share-based compensation (Note 12, 13)                                      | 46,429                          | 295,136                         | 245,054                         | 1,485,141                       |
| Telephone   | 6,352                           | 9,405                           | 17,590                          | 20,832                          |
| Transfer agent and listing fees   | 3,813                           | 13,673                          | 40,746                          | 34,734                          |
| Travel  | 12,279                          | 4,272                           | 76,260                          | 53,025                          |
| Wages and benefits  | 8,610                           | 3                               | 43,977                          | 1,923                           |
|   | (802,076)                       | (881,445)                       | (2,348,545)                     | (3,229,943)                     |
| <b>OTHER ITEMS</b>  |                                 |                                 |                                 |                                 |
| Gain (loss) on foreign exchange   | (33,050)                        | (481,294)                       | 1,034,261                       | 1,377,131                       |
| Write-off of exploration and evaluation assets<br>(Note 8)                  | -                               | (21,098)                        | -                               | (78,938)                        |
| Write-off of prepaid expenses (Note 6)                                      | (104,287)                       | (57,479)                        | (12,956)                        | (223,330)                       |
| Write-off of receivables (Note 5)   | (371,326)                       | (104,304)                       | (993,609)                       | (357,244)                       |
| Interest income   | 2,201                           | 23,942                          | 38,211                          | 70,345                          |
| <b>LOSS FOR THE PERIOD</b>  | <b>(1,308,538)</b>              | <b>(1,521,678)</b>              | <b>(2,282,638)</b>              | <b>(2,441,979)</b>              |
| <b>Items that may be reclassified subsequently to profit and loss:</b>      |                                 |                                 |                                 |                                 |
| Change in fair market value of long-term investment                         | 247,000                         | 276,000                         | (51,000)                        | 461,000                         |
| <b>Items that will not be reclassified subsequently to profit and loss:</b> |                                 |                                 |                                 |                                 |
| Translation adjustment  | (99,354)                        | (344,085)                       | (321,487)                       | (1,429,741)                     |
| <b>Comprehensive loss for the period</b>                                    | <b>\$ (1,160,892)</b>           | <b>\$ (1,589,763)</b>           | <b>\$ (2,655,125)</b>           | <b>\$ (3,410,720)</b>           |
| <b>Loss per common share – basic and diluted</b>                            | <b>\$ (0.02)</b>                | <b>\$ (0.02)</b>                | <b>\$ (0.04)</b>                | <b>\$ (0.05)</b>                |
| <b>Weighted average number of common shares outstanding</b>                 | <b>74,240,949</b>               | <b>68,630,034</b>               | <b>73,764,705</b>               | <b>68,583,386</b>               |

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 Nine Months Ended June 30

|   | Number of<br>Shares | Capital<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Loss | Share<br>Compensation<br>Reserve | Deficit         | Total         |
|---|---------------------|------------------|---|----------------------------------|-----------------|---------------|
| Balance, September 30, 2016                   | 68,368,083          | \$ 92,469,042    | \$ (6,141,133)                                | \$ 6,721,383                     | \$ (62,172,836) | \$ 30,876,456 |
| Shares issued on exercise of options          | 225,000             | 157,500          | -   | (56,250)                         | -               | 101,250       |
| Shares issued on exercise of warrants         | 50,000              | 35,000           | -   | -                                | -               | 35,000        |
| Share issuance costs                          | -                   | (10,127)         | -   | -                                | -               | (10,127)      |
| Share-based compensation                      | -                   | -                | -   | 1,485,141                        | -               | 1,485,141     |
| Fair value adjustment to long-term investment | -                   | -                | 461,000                                       | -                                | -               | 461,000       |
| Foreign exchange adjustment                   | -                   | -                | (1,429,741)                                   | -                                | -               | (1,429,741)   |
| Loss for the period                           | -                   | -                | -   | -                                | (2,441,979)     | (2,441,979)   |
| Balance, June 30, 2017                        | 68,643,083          | \$ 92,651,415    | \$ (7,109,874)                                | \$ 8,150,274                     | \$ (64,614,815) | \$ 29,077,000 |
| Balance, September 30, 2017                   | 68,888,667          | \$ 92,896,977    | \$ (6,708,360)                                | \$ 8,394,225                     | \$ (65,665,351) | \$ 28,917,491 |
| Shares issued on exercise of warrants         | 5,338,055           | 3,743,388        | -   | -                                | -               | 3,743,388     |
| Shares issued on exercise of options          | 2,575,000           | 1,805,590        | -   | (646,840)                        | -               | 1,158,750     |
| Share-based compensation                      | -                   | -                | -   | 245,054                          | -               | 245,054       |
| Fair value adjustment to long-term investment | -                   | -                | (51,000)                                      | -                                | -               | (51,000)      |
| Foreign exchange adjustment                   | -                   | -                | (321,487)                                     | -                                | -               | (321,487)     |
| Loss for the period                           | -                   | -                | -   | -                                | (2,282,638)     | (2,282,638)   |
| Balance, June 30, 2018                        | 76,801,722          | \$ 98,445,955    | \$ (7,080,847)                                | \$ 7,992,439                     | \$ (67,947,989) | \$ 31,409,558 |

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

**Regulus Resources Inc.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
Expressed in Canadian Dollars  
For the Nine Months Ended June 30

|   | 2018               | 2017               |
|---|--------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>                     |                    |                    |
| Net loss for the period   | \$ (2,282,638)     | \$ (2,441,979)     |
| Items not affecting cash:                                       |                    |                    |
| Amortization  | 28,111             | 21,590             |
| Interest expense  | 21,885             | 29,727             |
| Share-based compensation  | 245,054            | 1,485,141          |
| Write-off of exploration and evaluation assets                  | -                  | 78,938             |
| Write-off of prepaid expenses                                   | 12,956             | 223,330            |
| Write-off of receivables  | 993,609            | 357,244            |
| Changes in non-cash working capital items:                      |                    |                    |
| Receivables   | (1,387,111)        | (360,896)          |
| Prepaid expenses  | (19,001)           | (239,709)          |
| Accounts payable and accrued liabilities                        | 1,272,308          | 130,568            |
| Due to related parties  | 150,992            | (375,830)          |
| Net cash used in operating activities                           | <u>(963,835)</u>   | <u>(1,091,876)</u> |
| <b>Cash Flows from Financing Activities</b>                     |                    |                    |
| Proceeds from exercise of stock options                         | 1,158,750          | 101,250            |
| Proceeds from exercise of warrants                              | 3,743,388          | 35,000             |
| Share issuance costs  | -                  | (10,127)           |
| Net cash provided by financing activities                       | <u>4,902,138</u>   | <u>126,123</u>     |
| <b>Cash Flows from Investing Activities</b>                     |                    |                    |
| Acquisition of property, plant and equipment                    | (227,730)          | (45,743)           |
| Exploration and evaluation assets and decommissioning liability | (9,126,566)        | (2,400,168)        |
| Net cash used in investing activities                           | <u>(9,354,296)</u> | <u>(2,445,911)</u> |
| <b>Effect of foreign exchange on cash</b>                       | <u>(972,018)</u>   | <u>(1,975,057)</u> |
| <b>Change in cash for the period</b>                            | (6,388,011)        | (5,386,721)        |
| <b>Cash, beginning of period</b>                                | <u>6,815,719</u>   | <u>14,425,974</u>  |
| <b>Cash, end of period</b>                                      | \$ 427,708         | \$ 9,039,253       |

Supplemental disclosures with respect to cash flows (Note 14)

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

**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.

At the date of these interim condensed consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on these exploration and evaluation assets is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs 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.

As at June 30, 2018, the Company had working capital deficiency of \$3,124,312. Management is currently completing a private placement financing in the Company to provide it with sufficient capital for the next 12 months or longer. There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favourable. The Company has no source of operating cash flows and as such the Company’s ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing. See Subsequent Events.

These interim condensed consolidated financial statements were authorized by the audit committee and by the board of directors of the Company on August 29, 2018.

**2. BASIS OF PREPARATION**

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

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

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

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”.

**2. BASIS OF PREPARATION (cont'd...)**

*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.

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.



**2. BASIS OF PREPARATION (cont'd...)**

Basis of consolidation

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

Foreign exchange

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**Recent accounting pronouncements**

Accounting standards, amendments and interpretations not yet effective:

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

- IFRS 9, Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories -- amortized cost and fair value. IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.
- IFRS 15, Revenue Recognition - Revenue from Contracts with Customers establishes the principles that an entity shall apply to financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer, effective for annual periods beginning on or after January 1, 2018.

**Regulus Resources Inc.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

For the Periods ended June 30, 2018 and 2017

**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. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption has not yet been determined.

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**

|                 | June 30, 2018 | September 30, 2017 |
|-----------------|---------------|--------------------|
| Cash on deposit | \$ 427,708    | \$ 6,815,719       |

**5. RECEIVABLES**

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

|                                     | June 30, 2018 | September 30, 2017 |
|-------------------------------------|---------------|--------------------|
| Tax credits and advances receivable | \$ 450,079    | \$ 59,094          |

During the period ended June 30, 2018, the Company wrote-off \$993,609 (2017 - \$357,244) of receivables to profit and loss. These receivables primarily related to Value Added Taxes in South America for which recoverability is uncertain.

**6. PREPAID EXPENSES**

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

|                  | June 30, 2018 | September 30, 2017 |
|------------------|---------------|--------------------|
| Prepaid expenses | \$ 53,624     | \$ 47,325          |

During the period ended June 30, 2018, the Company wrote off \$12,956 (2017 - \$223,330) of prepaid expenses to profit and loss. These prepaid expenses primarily relate to tax balances paid in advance in South America.

**Regulus Resources Inc.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

For the Periods ended June 30, 2018 and 2017

**7. PROPERTY, PLANT AND EQUIPMENT**

|                                 | Vehicles | Office Furnishings | Equipment  | Land       | Total      |
|---------------------------------|----------|--------------------|------------|------------|------------|
| <b>Cost</b>                     |          |                    |            |            |            |
| Balance, September 30, 2016     | \$ 8,534 | \$ 55,692          | \$ 58,975  | \$ -       | \$ 123,201 |
| Additions                       | -        | 3,607              | 124,863    | -          | 128,470    |
| Foreign exchange movement       | (1,246)  | (8,133)            | (8,613)    | -          | (17,992)   |
| Balance, September 30, 2017     | \$ 7,288 | \$ 51,166          | \$ 175,225 | \$ -       | \$ 233,679 |
| Additions                       | -        | -                  | 75,673     | 152,057    | 227,730    |
| Foreign exchange movement       | 201      | 1,413              | 6,930      | 4,200      | 12,744     |
| Balance, June 30, 2018          | \$ 7,489 | \$ 52,579          | \$ 257,828 | \$ 156,257 | \$ 474,153 |
| <b>Accumulated amortization</b> |          |                    |            |            |            |
| Balance, September 30, 2016     | \$ 6,626 | \$ 15,323          | \$ 30,622  | \$ -       | \$ 52,571  |
| Amortization                    | 715      | 3,713              | 26,302     | -          | 30,730     |
| Foreign exchange movement       | (565)    | (1,307)            | (2,614)    | -          | (4,486)    |
| Balance, September 30, 2017     | \$ 6,776 | \$ 17,729          | \$ 54,310  | \$ -       | \$ 78,815  |
| Amortization                    | 419      | 1,493              | 26,199     | -          | 28,111     |
| Foreign exchange movement       | 126      | 337                | 1,412      | -          | 1,875      |
| Balance, June 30, 2018          | \$ 7,321 | \$ 19,559          | \$ 81,921  | \$ -       | \$ 108,801 |
| <b>Carrying amounts</b>         |          |                    |            |            |            |
| As at September 30, 2016        | \$ 1,908 | \$ 40,369          | \$ 28,353  | \$ -       | \$ 70,630  |
| As at September 30, 2017        | \$ 512   | \$ 33,437          | \$ 120,915 | \$ -       | \$ 154,864 |
| As at June 30, 2018             | \$ 168   | \$ 33,020          | \$ 175,907 | \$ 156,257 | \$ 365,352 |

**8. EXPLORATION AND EVALUATION ASSETS**

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

**Regulus Resources Inc.**
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

For the Periods ended June 30, 2018 and 2017

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

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

|  | June 30, 2018        | September 30, 2017   |
|--|----------------------|----------------------|
| <b>Other Argentina properties</b>        | \$ 78,823            | \$ 168,419           |
| <b>Rio Grande, Argentina</b>             | \$ 734,162           | \$ 682,735           |
| <b>AntaKori property, Peru</b>           | \$ 31,820,497        | \$ 21,796,140        |
| <b>Golden Brew property, Nevada, USA</b> | \$ 1,151,005         | \$ 1,017,561         |
|  | <b>\$ 33,784,487</b> | <b>\$ 23,664,855</b> |

|  | Rio Grande,<br>Argentina | Other,<br>Argentina | Golden Brew,<br>Nevada USA | AntaKori,<br>Peru | Puchuldiza,<br>Chile | Total            |
|--|--------------------------|---------------------|----------------------------|-------------------|----------------------|------------------|
| Balance, September 30, 2016                              | \$ 309,264               | \$ 172,153          | \$ 298,301                 | \$ 17,837,203     | \$ -                 | \$ 18,616,921    |
| Additions:   |                          |                     |                            |                   |                      |                  |
| Administrative services                                  | 25,769                   | 292                 | 12,925                     | 115,741           | -                    | 154,727          |
| Change in estimates related to decommissioning liability | (73,079)                 | (57,337)            | -                          | 19,162            | -                    | (111,254)        |
| Field operations   | 43,356                   | 40,668              | 610,726                    | 2,665,829         | -                    | 3,360,579        |
| Labour   | 356,516                  | -                   | -                          | 833,442           | -                    | 1,189,958        |
| Property payments  | -                        | -                   | 45,328                     | 151,655           | -                    | 196,983          |
| Recoveries   | (55,368)                 | -                   | -                          | -                 | -                    | (55,368)         |
| Taxes and licences                                       | 24,301                   | 73,257              | -                          | -                 | -                    | 97,558           |
| Third party services                                     | 158,036                  | 66                  | 50,281                     | 577,095           | -                    | 785,478          |
|  | <b>479,531</b>           | <b>56,946</b>       | <b>719,260</b>             | <b>4,362,924</b>  | <b>-</b>             | <b>5,618,661</b> |
| Foreign exchange movement                                | (106,060)                | (60,680)            | -                          | (403,987)         | -                    | (570,727)        |
| Balance, September 30, 2017                              | \$ 682,735               | \$ 168,419          | \$ 1,017,561               | \$ 21,796,140     | \$ -                 | \$ 23,664,855    |
| Additions:   |                          |                     |                            |                   |                      |                  |
| Administrative services                                  | 14,729                   | 14                  | 1,807                      | 73,551            | -                    | 90,101           |
| Change in estimates related to decommissioning liability | -                        | 5,696               | -                          | -                 | -                    | 5,696            |
| Field operations   | 4,991                    | 1,050               | 70,599                     | 7,769,577         | -                    | 7,846,217        |
| Labour   | 233,248                  | -                   | -                          | 397,159           | -                    | 630,407          |
| Property payments  | -                        | -                   | 39,891                     | 75,296            | -                    | 115,187          |
| Recoveries   | (25,995)                 | -                   | -                          | -                 | -                    | (25,995)         |
| Taxes and licences                                       | 19,146                   | 32,348              | -                          | -                 | -                    | 51,494           |
| Third party services                                     | 83,013                   | 957                 | 21,147                     | 479,034           | -                    | 584,151          |
|  | <b>329,132</b>           | <b>40,065</b>       | <b>133,444</b>             | <b>8,794,617</b>  | <b>-</b>             | <b>9,297,258</b> |
| Foreign exchange movement                                | (277,705)                | (129,661)           | -                          | 1,229,740         | -                    | 822,374          |
| Balance, June 30, 2018                                   | \$ 734,162               | \$ 78,823           | \$ 1,151,005               | \$ 31,820,497     | \$ -                 | \$ 33,784,487    |

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

**AntaKori Project, Peru**

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

- (a) An option agreement was executed in December 2011 with certain members of the Santolalla family, providing a right to acquire 86.8% of the capital stock of Minas del Sinchao S.A., which owns 50% of the capital stock of SMRL Rita Margot de Cajamarca. SMRL Rita Margot de Cajamarca owns three mining rights and has a 50% interest in SMRL Maria Eugenia 2 Mina Volare de Cajamarca which owns an additional mining right that comprises a portion of the AntaKori project. The agreement also provides for a 1% net smelter return royalty for the Santolalla family which is subject to a US\$4.5 million buy-out option. Payments made to date are US\$3,038,000 with no payments remaining;
- (b) A second option agreement dated November 2013 provides the right to acquire an additional 7.7% interest in Minas del Sinchao S.A, which increases the Company's right to acquire an interest in Minas del Sinchao S.A. up to 94.5% of its capital stock. Payments made to date are US\$233,926 with no payments remaining;
- (c) Two option and usufruct agreements dated March 2012 were executed whereby two owners of a combined 12.5% ownership of SMRL Rita Margot De Cajamarca granted in favor of Regulus Peru a usufruct right over their 12.5% ownership of the entity. With the usufruct over the vendors' shares, Regulus Peru has an option to acquire 62.5% of the SMRL Rita Margot De Cajamarca capital stock. Each of these option and usufruct agreements provide the owners a net smelter royalty of 0.1875%. Payments made to date are US\$877,000 with no payments remaining;
- (d) Six option and usufruct agreements were executed in December 2012, whereby 30 owners of a combined 62.5% ownership of SMRL El Sinchao De Cajamarca ("El Sinchao") granted in favour of SLM Peru a usufruct right over their 62.5% ownership of the entity with the payment terms set out in the table below. El Sinchao owns 100% of three mining concessions that compose a portion of the AntaKori project. With the usufruct over the vendors' shares, Regulus Peru has an option to acquire 62.5% of El Sinchao capital stock. No smelter royalties or back-in rights exist as part of this option agreement. Payments made to date are US\$1,173,558 with no payments remaining;
- (e) Two option and usufruct agreements were executed in March 2013, whereby four owners of a combined 20.63% ownership of El Sinchao granted in favour of Regulus Peru a usufruct right over their 20.63% ownership of the entity. With the usufruct over the vendors' shares, Regulus Peru increased to 83.13% the total of El Sinchao's capital stock it has options to acquire. These option agreements do not contain smelter royalties or back-in rights clauses. Payments made to date are US\$386,381 with no payments remaining;
- (f) An option and usufruct agreement were executed in September 2014, whereby Regulus Peru purchased 25% of the outstanding shares of Rita Margot de Cajamarca for a total of US\$1,750,000. Payments made to date are US\$1,750,000 with no payments remaining.

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)****AntaKori Project, Peru (cont'd...)**

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

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

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

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

**Rio Grande, Argentina**

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

**Puchuldiza Property, Chile**

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

During the period ended June 30, 2018, the Company wrote off the capitalized cost of \$Nil (2017 - \$78,938) associated with the Puchuldiza property as a result of management not planning any significant work on the property in the near future.

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Golden Brew, Nevada, USA**

On February 14, 2014, the Company signed an agreement with Highway 50 Gold Corp. (“Highway 50”) whereby Highway 50 granted Regulus an option (the “Option”) to earn a 50% interest in Highway 50’s Golden Brew property. In order to exercise the Option, the Company must spend US\$5,000,000 on exploration expenditures on the project over 5 years. Upon earn-in the parties will form a joint venture on a 50/50 basis. The transaction was considered to be non-arms length under the rules of the TSX Venture Exchange by virtue of the fact that two of the directors of Regulus, John Leask and Gordon Leask, are also directors of Highway 50. This transaction was unanimously approved by the three other Regulus Board members, all of whom are independent of Highway 50, with John Leask and Gordon Leask both abstaining. During the period ended June 30, 2018, the Company amended and paid the annual option payment from US\$50,000 to US\$30,000.

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

**9. LONG-TERM INVESTMENT**

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

|                                  | Fair Value |          | Cost       |
|----------------------------------|------------|----------|------------|
| Balance as at September 30, 2016 | \$         | 371,000  | \$ 740,000 |
| Fair market value adjustments    |            | 479,000  | -          |
| Balance as at September 30, 2017 | \$         | 850,000  | \$ 740,000 |
| Fair market value adjustments    |            | (51,000) | -          |
| Balance as at June 30, 2018      | \$         | 799,000  | \$ 740,000 |

The Company held 2,000,000 share purchase warrants exercisable at a price of \$0.60 in the capital of Highway 50 Gold Corp. which expired on February 28, 2018. These warrants had a fair value of \$Nil.

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

|                | June 30, 2018 |           | September 30, 2017 |
|----------------|---------------|-----------|--------------------|
| Trade payables | \$            | 3,876,598 | \$ 2,289,877       |

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

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**11. DECOMMISSIONING LIABILITY**

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

|  | June 30, 2018 | September 30, 2017 |
|--|---------------|--------------------|
| Asset retirement obligation – beginning of year  | \$ 356,356    | \$ 1,331,929       |
| Remediation performed                            | -             | (865,821)          |
| Change in estimates                              | 5,696         | (111,254)          |
| Interest expense                                 | 21,885        | 39,636             |
| Foreign exchange movement                        | 31,032        | (38,134)           |
| Asset retirement obligation – end of year/period | \$ 414,969    | \$ 356,356         |

The total amount of estimated undiscounted cash flows required to settled the Company's estimated obligation is \$561,287 as at June 30, 2018 (September 30, 2017 - \$519,794), which has been discounted using a credit adjusted rate of 10% and an inflation rate of 2%. The present value of the decommissioning liabilities may be subject to change based on management's estimates, changes in remediation technology or changes to applicable laws and regulations. The decommissioning liability relates to the Company's Argentinean properties. The decommissioning liability is expected to be settled at various dates which are currently expected to extend up to 2022.

**12. CAPITAL STOCK AND SHARE COMPENSATION RESERVE**

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

**Treasury shares:** recorded at cost.

During the period ended June 30, 2018, the Company received proceeds of \$1,158,750 from the exercise of 2,575,000 options at a price of \$0.45 per option and received proceeds of \$3,743,388 from the exercise of 5,338,055 warrants at an average price of \$0.70 per warrant.

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

**Stock Options**

The Company has a stock option plan ("the Plan") for directors, officers, employees and consultants of the Company and its subsidiaries. The number of common shares subject to the stock options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company. The Plan provides for a maximum term of five years for stock options and sets the most favorable vesting terms as one-third of the total stock options granted on the day of the grant and on each of the first and second anniversaries of the date of grant. As at June 30, 2018, the Company had options outstanding to purchase 3,863,334 common shares, subject to early expiry under certain conditions and subject to specified vesting periods.



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

The following table summarized movements in stock options outstanding for the period ended June 30, 2018:

|   | Number<br>of Options | Weighted<br>Average<br>Exercise Price |
|---|----------------------|---------------------------------------|
| Balance, September 30, 2016             | 6,618,334            | \$ 0.78                               |
| Options exercised                       | (225,000)            | \$ 0.45                               |
| Balance, September 30, 2017             | 6,393,334            | \$ 0.81                               |
| Options granted                         | 100,000              | \$ 1.84                               |
| Options exercised                       | (2,575,000)          | \$ 0.45                               |
| Options expired/forfeited               | (55,000)             | \$ 0.55                               |
| Balance, June 30, 2018                  | 3,863,334            | \$ 1.36                               |
| Number of options currently exercisable | 3,263,334            | \$ 1.36                               |

The following table summarizes information about stock options outstanding at June 30, 2018:

| Exercise Price | Number Outstanding | Number Exercisable | Expiry Date        |
|----------------|--------------------|--------------------|--------------------|
| \$ 0.45        | 1,663,334          | 1,663,334          | December 13, 2019* |
| \$ 1.50        | 2,100,000          | 1,575,000          | September 2, 2021  |
| \$ 1.84        | 100,000            | 25,000             | December 28, 2022  |
|                | 3,863,334          | 3,263,334          |                    |

\*940,000 options were exercised subsequent to period end. See Subsequent Events.

**Warrants**

The following table summarizes movements in warrants outstanding.

|                             | Number<br>of Warrants | Weighted Average<br>Exercise Price |
|-----------------------------|-----------------------|------------------------------------|
| Balance, September 30, 2016 | 11,536,790            | \$ 1.17                            |
| Warrants exercised          | (295,584)             | \$ 0.91                            |
| Balance, September 30, 2017 | 11,241,206            | \$ 1.17                            |
| Warrants exercised          | (5,338,055)           | \$ 0.70                            |
| Balance, June 30, 2018      | 5,903,151             | \$ 1.60                            |

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

The following table summarizes information about warrants outstanding at June 30, 2018:

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

\*1,354,374 warrants were exercised subsequent to period end. See Subsequent Events

**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 June 30, 2018, the Company recognized \$245,054 (2017 - \$1,485,141) in share-based compensation expense with respect to options vested during the period.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended June 30, 2018:

|  | 2018    | 2017 |
|--|---------|------|
| Risk-free interest rate                | 1.86%   | -    |
| Expected life of grant                 | 5 years | -    |
| Volatility                             | 164.31% | -    |
| Dividend                               | 0.00%   | -    |
| Weighted average fair value per option | \$1.82  | -    |

**13. RELATED PARTY TRANSACTIONS**

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

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

**Regulus Resources Inc.**

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

During the period ended June 30, 2018, the Company entered into the following transactions with key management personnel and related parties.

- a) Double Black Diamond Resources LLC. (“DBD Resources”) is a private company controlled by Mr. John Black, CEO and a director of the Company. For the period ended June 30, 2018, DBD Resources was paid \$192,462 (2017 - \$146,897). Management services paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

At June 30, 2018, the Company owed \$47,612 (September 30, 2017 - \$Nil) to DBD Resources and \$Nil (September 30, 2017 - \$27,377) to Mr. John Black for the expenses incurred in the normal course of the business.

- b) For the period ended June 30, 2018, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$168,404 in consulting fees (2017 - \$140,165). Consulting fees paid or accrued to Mr. Pickmann are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was paid or accrued \$97,281 (2017 - \$239,726) 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 June 30, 2018, the Company owed \$42,501 (September 30, 2017 - \$Nil) to Mr. Pickmann and owed \$3,285 (September 30, 2017 - \$756) to the law firm at which Mr. Pickmann was a partner.

- c) Unicus Funds Ltd. (“Unicus”) is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the period ended June 30, 2018, Unicus was paid \$37,500 (2017 - \$37,500). Management services paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

At June 30, 2018, the Company owed \$8,750 (September 30, 2017 - \$Nil) to Unicus.

- d) The Rock Doctor Limitada (“Rock Doctor”) is a private company controlled by Mr. Kevin Heather, Chief Geological Officer of the Company. For the period ended June 30, 2018, Rock Doctor was paid \$192,462 (2017 - \$146,897). Amounts paid to Rock Doctor are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

At June 30, 2018, the Company owed \$43,987 (September 30, 2017 - \$Nil) to Rock Doctor.

- e) Two non-executive directors were paid \$32,105 (2017 - \$Nil) for professional services. Amounts paid to non-executive directors are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

At June 30, 2018, the Company owed \$32,990 (September 30, 2017 - \$Nil) to non-executive directors.

**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.

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

The remuneration of directors and other members of key management personnel during the periods ended June 30, 2018 and 2017 are as follows:

|                                 | Fees and Bonus | Share-based<br>Benefits | Total        |
|---------------------------------|----------------|-------------------------|--------------|
| Nine months ended June 30, 2018 |                |                         |              |
| Chief Executive Officer         | \$ 192,462     | \$ 18,872               | \$ 211,334   |
| Chief Operating Officer         | 168,404        | 18,872                  | 187,276      |
| Chief Financial Officer         | 37,500         | 18,872                  | 56,372       |
| Chief Geological Officer        | 192,462        | 18,872                  | 211,334      |
| Non-executive directors         | 32,105         | 37,744                  | 69,849       |
|                                 | \$ 622,933     | \$ 113,232              | \$ 736,165   |
| Nine months ended June 30, 2017 |                |                         |              |
| Chief Executive Officer         | \$ 146,897     | \$ 141,106              | \$ 288,003   |
| Chief Operating Officer         | 140,165        | 141,106                 | 281,271      |
| Chief Financial Officer         | 37,500         | 141,106                 | 178,606      |
| Chief Geological Officer        | 146,897        | 141,106                 | 288,003      |
| Non-executive directors         | -              | 282,212                 | 282,212      |
|                                 | \$ 471,459     | \$ 846,636              | \$ 1,318,095 |

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

There were additional Related Party Transactions after period end. See Subsequent Events.

**14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

Other than disclosed elsewhere in these interim condensed consolidated financial statements, the significant non-cash transactions for the periods ended June 30, 2018 and 2017 included:

- a) \$164,997 (2017 - \$40,468) in accounts payable and accrued liabilities related to exploration and evaluation assets.
- b) \$646,840 (2017 - \$56,250) transferred to share capital on exercise of 2,575,000 stock options (2017 - 225,000).

| For the three months ended June 30 | 2018 | 2017 |
|------------------------------------|------|------|
| Cash paid for income taxes         | \$ - | \$ - |
| Cash paid for interest             | \$ - | \$ - |

**15. SEGMENTED INFORMATION**

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

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**15. SEGMENTED INFORMATION (cont'd...)**

|               | Total<br>Assets      | Property, Plant and<br>Equipment | Exploration and<br>Evaluation Assets | Other<br>Assets     |
|---------------|----------------------|----------------------------------|--------------------------------------|---------------------|
| June 30, 2018 |                      |                                  |                                      |                     |
| Canada        | \$ 1,470,867         | \$ -                             | \$ -                                 | \$ 1,470,867        |
| Argentina     | 859,648              | 6,627                            | 812,985                              | 40,036              |
| Peru          | 32,377,076           | 358,725                          | 31,820,497                           | 197,854             |
| Chile         | 21,654               | -                                | -                                    | 21,654              |
| United States | 1,151,005            | -                                | 1,151,005                            | -                   |
|               | <u>\$ 35,880,250</u> | <u>\$ 365,352</u>                | <u>\$ 33,784,487</u>                 | <u>\$ 1,730,411</u> |

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

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| Loss (income) for the nine months ended June 30 |                     |                     |
| Canada  | \$ 182,243          | \$ 2,280,458        |
| Bermuda   | 18,694              | 26,492              |
| Peru  | 1,677,963           | (284,501)           |
| Chile   | 98,856              | 114,071             |
| Argentina                                       | 304,882             | 305,459             |
|   | <u>\$ 2,282,638</u> | <u>\$ 2,441,979</u> |

**16. FINANCIAL AND CAPITAL RISK MANAGEMENT**

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

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

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

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

*Credit risk*

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

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

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

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had a cash balance of \$427,708 to settle current liabilities of \$4,055,723.

*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 \$314,000.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required resulting in proceeds, which approximate the carrying amount of these investments. A 10% fluctuation in market prices would affect comprehensive income (loss) by approximately \$80,000.

*Capital management*

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

For the Periods ended June 30, 2018 and 2017

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

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

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

**17. COMMITMENTS**

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

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

**18. SUBSEQUENT EVENTS**

Subsequent to June 30, 2018, the Company

- a) Received proceeds of \$423,000 from the exercise of 940,000 options at a price of \$0.45 per option.
- b) Received proceeds of \$2,166,998 from the exercise of 1,354,374 warrants at a price of \$1.60 per warrant.
- c) Received loan proceeds of \$460,217 (US\$350,000) from the CEO of the Company. The loan bears interest of 10% per annum, is unsecured, and is repayable on September 30, 2018.
- d) Received loan proceeds of \$800,000 from the CFO of the Company. The loan bears interest of 10% per annum, is unsecured, and is repayable on September 30, 2018.
- e) Received loan proceeds of \$300,000 from the CGO of the Company. The loan bears interest of 10% per annum, is unsecured, and is repayable on September 30, 2018.
- f) Entered into an arrangement agreement (the "Arrangement Agreement") to spin out its Argentine assets, including the Rio Grande and Aguas Calientes projects, into a newly formed company, Aldebaran Resources Inc. ("Aldebaran"). Under the terms of the Arrangement Agreement, Aldebaran will enter into a joint venture and option agreement (the "JV Agreement") with Stillwater Canada LLC, an indirect subsidiary of Sibanye Gold Limited, trading as Sibanye-Stillwater ("Sibanye-Stillwater"), to acquire up to an 80% interest in Peregrine Metals Ltd. ("Peregrine"), a wholly-owned subsidiary of Sibanye-Stillwater, that owns the Altar Copper-Gold project in San Juan Province, Argentina ("Altar" or the "Altar Project").

The proposed spin out of the Company's Argentine assets will be completed pursuant to a plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement") subject to the completion of a minimum US\$30 million common share financing in Aldebaran (the "Financing") and the execution of definitive closing documents, including the JV Agreement, on closing of the Arrangement (collectively the "Transaction").

**18. SUBSEQUENT EVENTS** (cont'd...)

Each shareholder of the Company as of the effective date of the Transaction will receive one share of Aldebaran for every three Company's shares held. Simultaneously, Aldebaran will enter into the JV Agreement, entitling it to earn up to 80% of the Altar Project. The consideration to acquire the Altar Project comprises:

- An upfront cash payment of US\$15 million to Sibanye-Stillwater upon the closing of the Arrangement;
  - The issuance of 19.9% of the shares of Aldebaran to Sibanye-Stillwater, subject to proration if the financing exceeds US\$30 million;
  - The commitment of Aldebaran to carry the next US\$30 million of expenditures on Altar over five years (inclusive of 2018 drilling that was conducted between February and May of this year) to earn 60% in the Altar Project;
  - An option granted to Aldebaran to earn an additional 20% in the Altar Project by spending an additional US\$25 million over a three year period following the initial earn-in.
- g) Announced a private placement financing to raise not less than \$20,140,000 (10,600,000 common shares) at an issue price of \$1.90 per share, subject to Exchange approval. A syndicate of agents (the "Agents") will receive a cash commission of 6% of the gross proceeds raised as well as broker warrants which will entitle the Agents to acquire that number of shares which is equal to 6% of the aggregate number of shares sold pursuant to the offering, with each broker warrant to be exercisable to purchase one share at the offering price at any time, on or before the date which is 24 months after the closing. The commission and broker warrants will be reduced for certain investors.





**Management's Discussion and Analysis**

**For the Nine Months Ended June 30, 2018**

**REGULUS RESOURCES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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 29, 2018 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the nine months ended June 30, 2018 and 2017 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The following should be read in conjunction with the audited annual consolidated financial statements for the year ended September 30, 2017 and all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.regulusresources.com](http://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 East porphyry copper deposit, which led to the sale of Antares, is seeking to build on that experience and make another major discovery. Regulus was initially established to continue exploration at the 100% held Rio Grande Au-Cu-Mo porphyry project in northern Argentina. The Company put the Rio Grande project on hold in 2012 in response to challenging market conditions and began pursuing opportunities for new mineral projects with good potential for significant discoveries. In September 2014, the Company completed a merger with Southern Legacy Minerals Inc. ("Southern Legacy"). The primary objective of the merger was to acquire the AntaKori Cu-Au-Ag project in northern Peru, which is now the flagship project for Regulus. The AntaKori project is located near several large-scale gold and copper mines and deposits and has an initial NI 43-101 inferred resource of 294.8 million tonnes with a copper grade of 0.48% and a gold grade of 0.36 grams per tonne. Management is confident that further work will expand the current deposit to a size that will be of interest to major mining companies.

The following is a summary of the significant milestones since October 1, 2017 to date.

**Spin-Out**

On June 29, 2018, the Company announced that it has entered into an arrangement agreement (the "**Arrangement Agreement**") to spin out its Argentine assets, including the Rio Grande and Aguas Calientes projects, into a newly formed company, Aldebaran Resources Inc. ("**Aldebaran**"). Under the terms of the Arrangement Agreement, Aldebaran will enter into a joint venture and option agreement (the "**JV Agreement**") with Stillwater Canada LLC, an indirect subsidiary of Sibanye Gold Limited, trading as Sibanye-Stillwater ("**Sibanye-Stillwater**"), to acquire up to an 80% interest in Peregrine Metals Ltd. ("**Peregrine**"), a wholly-owned subsidiary of Sibanye-Stillwater, that owns the Altar Copper-Gold project in San Juan Province, Argentina ("**Altar**" or the "**Altar Project**"). The proposed spin out of Regulus' Argentine assets will be completed pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the "**Arrangement**") subject to the completion of a minimum US\$30 million common share financing in Aldebaran (the "**Financing**", as discussed below) and the execution of definitive closing documents, including the JV Agreement, on closing of the Arrangement (collectively the "**Transaction**").

Each Regulus shareholder as of the effective date of the Transaction will receive one share of Aldebaran for every three Regulus shares held. Simultaneously, Aldebaran will enter into the JV Agreement, entitling it to earn up to 80% of the Altar Project. The consideration to acquire the Altar Project comprises:

- An upfront cash payment of US\$15 million to Sibanye-Stillwater upon the closing of the Arrangement.
- The issuance of 19.9% of the shares of Aldebaran to Sibanye-Stillwater, subject to proration if the financing exceeds US\$30 million.
- The commitment of Aldebaran to carry the next US\$30 million of expenditures on Altar over five years (inclusive of 2018 drilling that was conducted between February and May of this year) to earn 60% in the Altar Project.
- An option granted to Aldebaran to earn an additional 20% in the Altar Project by spending an additional US\$25 million over a three year period following the initial earn-in.

**REGULUS RESOURCES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Transaction requires approval by two-thirds of the votes cast by the shareholders of Regulus at a special meeting of Regulus shareholders expected to be held in Q3 2018, as well as a simple majority of the votes cast by Regulus shareholders excluding Route One (defined below) and its related funds and any other persons required to be excluded from such vote in accordance with Multilateral Instrument 61-101 of the Canadian securities regulatory authorities. The directors and senior officers of Regulus and certain other shareholders including Route One have entered into voting support agreements, totalling 30.4% of the Company's outstanding shares, pursuant to which they will vote their common shares in favour of the Arrangement. In addition to shareholder and court approvals, the Transaction is subject to applicable regulatory approvals and the satisfaction of certain other closing conditions customary for a transaction of this nature. Aldebaran intends to make an application to list its shares on the TSX Venture Exchange.

Full details of the Transaction are included in the information circular and meeting materials which were mailed to the shareholders of Regulus on August 28, 2018. Closing of the Transaction is expected to occur by the end of September, 2018.

As a condition to closing the Transaction, Aldebaran must complete the Financing for a minimum of US\$30 million. In that regard, Aldebaran has entered into a subscription agreement with Route One Investment Company LLC and related funds ("**Route One**") of San Francisco whereby Route One has committed to provide financing to Aldebaran of US\$30 million at a price US\$0.32 per share (pre-consolidation) or US\$0.96 per share (post-consolidation – approximately CDN\$1.28). Route One is also a significant Regulus shareholder. Closing of the Financing under the Route One subscription agreement is subject to satisfaction of the closing conditions under the Arrangement Agreement and is expected to occur concurrently with and as a part of the closing of the Arrangement. Aldebaran may raise up to an additional US\$10 million in the Financing on the same terms as the Route One subscription.

Aldebaran intends to consolidate its share capital on a 3 for 1 basis on conclusion of the Arrangement (including the Financing, with the result that Regulus shareholders will receive one Aldebaran common share for every three Regulus common shares held at the effective time of the Transaction.

The Altar Project is located in San Juan Province, Argentina approximately 10 km from the Chile-Argentina border and approximately 180 km west of the city of San Juan (see figure 1). The operating Pelambres copper mine of Antofagasta Minerals is located approximately 25 km to the south (in Chile) and other nearby large porphyry copper projects include El Pachon (Glencore) and Los Azules (McEwen Mining) in Argentina. Altar hosts a large porphyry copper-gold system with mineralization currently defined in three distinct zones – Altar East, Altar Central and the recently discovered QDM-Radio Porphyry zone, about 3 km to the west of Altar Central. Mineralization at all of these porphyry deposits is associated with Miocene intrusive centers emplaced into Miocene volcanic rocks and is dominantly copper or copper-molybdenum. Altar is noteworthy for having relatively higher gold grades associated with the copper mineralization compared to the aforementioned nearby porphyry systems.

The Altar Project was first explored and drilled by CRA/Rio Tinto (7 holes – 2,841 m) in 1995-2004. Peregrine, a Canadian exploration company, subsequently optioned the property from Rio Tinto in 2005. Peregrine expanded the property and completed 56,761 m of drilling in 146 drill holes from 2005-2011 to define an initial mineral resource estimate at Altar Central and Altar East.

In October 2011, Stillwater Mining Company ("**Stillwater**") acquired Peregrine for approximately US\$490 million and in the subsequent period of 2012-2013 completed an additional 38,380 m of drilling in 80 holes to further define estimated mineral resources at Altar Central and Altar East. The estimated mineral resource for the Altar Project, based on drilling through 2013, consists of 2,057 million tonnes of measured and indicated resources at 0.3% copper and 0.1 g/t gold (14.5 billion pounds of copper and 5.2 million ounces of gold) and 557 million tonnes of inferred resources at 0.3% copper and 0.1 g/t gold (3.4 billion pounds of copper and 1.1 million ounces of gold). As stated above, Aldebaran expects to file an updated NI 43-101 report in connection with the filing of the information circular in respect of the Transaction by August, 2018.

In 2014, Stillwater refocused on platinum group metals production and Altar was determined to be a non-core asset. Exploration at Altar has been fairly limited since that time with principal activities in 2014 and 2015 limited to surface mapping and the collection of baseline environmental data. A smaller drill campaign in 2016 (4,931 m in 8 holes) resulted in the discovery of the upper QDM zone, which is dominantly a gold stockwork zone with minor copper values. Additional limited drilling in 2017 (5,630 m in 7 holes) further defined the QDM zone and discovered higher grade copper-gold mineralization at depth. A complete summary of the significant results from Altar, including drilling by Stillwater in the 2012, 2013, 2016 and 2017 drilling campaigns is available on the Sibanye-Stillwater website ([www.sibanyestillwater.com/our-business/americas/projects/altar](http://www.sibanyestillwater.com/our-business/americas/projects/altar)). Mineralization at Altar remains open in several directions laterally and to depth with multiple holes terminating in higher grade copper-gold mineralization (see figures 2 and 3). Aldebaran believes that there is potential to expand these areas of higher grade. Examples of some of the more notable intercepts are summarized below.

REGULUS RESOURCES INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS

| Altar East |          |        |            |      |        |        |
|------------|----------|--------|------------|------|--------|--------|
| Drill hole | From (m) | To (m) | Length (m) | Cu % | Au g/t | Cu Eq% |
| ALD 173    | 12.00    | 941.00 | 929.00     | 0.44 | 0.24   | 0.62   |
| including  | 324.00   | 860.00 | 536.00     | 0.57 | 0.34   | 0.82   |
| ALD 176    | 72.00    | 951.25 | 879.25     | 0.53 | 0.29   | 0.76   |
| including  | 456.00   | 951.25 | 495.25     | 0.71 | 0.39   | 1.01   |

| Altar Central |          |         |            |      |        |        |
|---------------|----------|---------|------------|------|--------|--------|
| Drill hole    | From (m) | To (m)  | Length (m) | Cu % | Au g/t | Cu Eq% |
| ALD 043       | 210.00   | 1009.70 | 799.70     | 0.69 | 0.06   | 0.73   |
| including     | 210.00   | 292.00  | 82.00      | 0.96 | 0.08   | 1.03   |
| and           | 576.00   | 951.80  | 375.80     | 0.85 | 0.04   | 0.89   |
| ALD 049       | 132.00   | 951.60  | 819.60     | 0.62 | 0.10   | 0.70   |
| including     | 264.00   | 616.00  | 352.00     | 0.78 | 0.17   | 0.91   |

| QDM-Radio Porphyry |          |         |            |      |        |        |
|--------------------|----------|---------|------------|------|--------|--------|
| Drill hole         | From (m) | To (m)  | Length (m) | Cu % | Au g/t | Cu Eq% |
| QDM 034            | 634.00   | 1006.00 | 372.00     | 0.59 | 0.46   | 0.95   |
| including          | 840.00   | 940.00  | 100.00     | 1.07 | 0.96   | 1.82   |
| including          | 852.00   | 918.00  | 66.00      | 1.32 | 1.22   | 2.27   |
| including          | 882.00   | 918.00  | 36.00      | 1.72 | 1.62   | 2.99   |

Reported intervals based on cutoffs of 0.2% CuEq and 0.5% CuEq.

$CuEq = Cu\% + ((Au\text{ ppm} * \$/\text{oz Au} + Ag\text{ ppm} * \$/\text{oz Ag}) / (22.0462 * 31.1035 * \$/\text{lb Cu}))$

CuEq metal prices used are: Cu = US\$2.25/lb, Au = US\$1,100/oz and Ag = US\$14/oz

Sibanye acquired Stillwater in 2017 and the Altar Project was further deemed to be non-core to Sibanye-Stillwater. Regulus subsequently completed an extensive review of the project and entered into discussions with Sibanye-Stillwater which led to the current agreement. Sibanye-Stillwater has completed additional drilling at Altar in the period of February to May of 2018 (4,923 m of drilling in 3 new holes and one extension of an existing hole). As part of the Transaction, Aldebaran will compensate Sibanye-Stillwater for the 2018 drilling costs. Regulus (Aldebaran) will begin to receive the 2018 drill results from Sibanye-Stillwater upon this announcement of the agreement and will disclose those results in a press release when the results are complete and have passed QAQC protocols.

Aldebaran will be led by John Black as Chief Executive Officer, Dr. Kevin B. Heather (FAusIMM) as Chief Geological Officer and Mark Wayne as Chief Financial Officer, each of whom currently serves in the same capacity with Regulus. Both Aldebaran and Regulus are actively searching for additional personnel to supplement their management teams. The Board of Aldebaran will include John Black, Dr. Kevin B. Heather, Mark Wayne, Fernando Pickmann, and Gordon Leask. Aldebaran has also agreed to provide each of Sibanye-Stillwater and Route One the right to nominate one member to its board.

#### Private Placement Financing

On August 22, 2018, the Company announced that it has engaged Canaccord Genuity Corp. leading a syndicate of agents including PI Financial Corp. and Haywood Securities Inc. (together, the "Agents") to complete a private placement financing, on a best efforts basis, of not less than 10,600,000 common shares ("Shares") of the Company at an issue price of C\$1.90 per Share for gross proceeds of not less than \$20,140,000 (the "Offering"). Regulus has been advised by Route One Investment Company, L.P. that it intends, for one or more of

**REGULUS RESOURCES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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its managed investment funds (such funds, collectively, "**Route One**"), to participate in the Offering for 7,000,000 of the 10,600,000 Shares.

The Agents will have the option, but not the obligation, exercisable in whole or in part at any time up to 48 hours prior to the closing of the Offering, to increase the size of the Offering by up to an additional 1,590,000 Shares at the issue price.

The Offering is expected to close before the end of September 2018 after the Regulus shareholder meeting currently scheduled for September 21, 2018, but prior to the closing of the proposed plan of arrangement (the "**Arrangement**") among Regulus, Sibanye Gold Ltd. and Aldebaran Resources Inc. ("**Aldebaran**"), the terms of which were outlined in the Company's press release dated June 29, 2018, and are summarized above. As a result, the Shares issued pursuant to the Offering will be entitled to participate in the distribution of Aldebaran common shares contemplated under the Arrangement.

Route One currently owns or exercises control over 14,139,376 Shares of the Company, representing approximately 18% of the issued and outstanding Shares. If the Offering as described herein is consummated, the 7,000,000 Shares subscribed for by Route One will give Route One ownership or control of over 20% of the Company's voting securities, so the closing of the Offering will also require approval by a majority vote of the shareholders of Regulus, excluding any Shares owned or controlled by Route One. This item of business has been added to the agenda for the September 21, 2018 shareholder meeting. If the Offering is approved and completed and Route One participates for 7,000,000 Shares, Route One would own or control approximately 24% of the outstanding Shares (assuming the Offering is subscribed for at its minimum level and that no other Shares are issued through warrant or option exercises before then).

The Company intends to use the net proceeds of the Offering primarily for exploration on its AntaKori copper-gold-silver project in Peru and for general corporate purposes.

The Shares will be offered and sold by way of private placement exemptions in all provinces and territories of Canada, and other jurisdictions as agreed upon between the Agents and the Company. The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals, including the approval of the TSX-V. If the minimum amount of the Offering is not achieved, the Offering may not proceed. Closing is expected on or about September 27, 2018. All securities issued in connection with the Offering will be subject to a four month hold period. The Agents will receive a cash commission of 6.0% of the gross proceeds raised pursuant to the Offering as well as broker warrants which will entitle the Agents to acquire that number of Shares which is equal to 6.0% of the aggregate number of Shares sold pursuant to the Offering, with each broker warrant to be exercisable to purchase one Share at the offering price at any time, on or before the date which is 24 months after the Closing. The commission and broker warrants will be reduced for certain investors identified by the Company to the Agents, including Route One.

**Mineral Property Review**

*This review has been prepared by John Black, CEO and Director of the Company. The scientific and technical data contained in the section pertaining to the AntaKori project has been reviewed and approved by Dr. Stewart D. Redwood, BSc (Hons), PhD, FIMMM, FGS, Geologist AntaKori Project, and a qualified person (QP) under the definitions of National Instrument 43-101. The scientific and technical data contained in the section pertaining to the Argentinean, US and Canadian projects has been reviewed and approved by Dr. Kevin B. Heather, BSc (Hons), MSc, PhD, FAusIMM, Chief Geological Officer of the Company, who serves as a qualified person (QP) under the definitions of National Instrument 43-101.*

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

***AntaKori Project***

The flagship project for Regulus is the AntaKori Cu-Au-Ag project located in northern Peru. This project has a NI 43-101 inferred resource of 294.8 million tonnes grading 0.48% Cu, 0.36 g/t Au and 10.16 g/t Ag (please refer to Southern Legacy Minerals news release of July 3, 2012 and Table 1 below). The resource, based on 17,952 m of drilling, is only reported for the portion of the mineralized system that is owned or controlled by Regulus, and is open for expansion in several directions.

| Resource Type | Inferred Category  |             |           |             |               |               |               |
|---------------|--------------------|-------------|-----------|-------------|---------------|---------------|---------------|
|               | Tonnes<br>millions | Au<br>(g/t) | Cu<br>(%) | Ag<br>(g/t) | Au<br>(M ozs) | Cu<br>(B lbs) | Ag<br>(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          |

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  
ii) 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

### ***AntaKori Overview***

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

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

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

Highlights of the AntaKori Project include the following:

- The Company owns or controls 20 mineral concessions, for a total of 289 hectares, which cover most, but not all of the currently known AntaKori mineralized system. Further consolidation of mineral tenure is in process.
- A total of 17,952 m of drilling was completed in 70 drill holes (22 reverse circulation drill holes and 48 diamond drill holes ) by previous operators.
- An Independent NI 43-101 report has documented a large Cu-Au-Ag skarn system with associated mineralized breccias and porphyry-style mineralization hosted in sedimentary and intrusive rocks, and associated epithermal, high-sulphidation mineralization in the overlying volcanic rocks.
- Zones of mineralization have been intercepted by the previous drilling within large geophysical anomalies, thus confirming the utility of the geophysics used in identifying future exploration targets.
- Indication that the mineralized system is open in all directions, and has potential for expansion through future exploration programs.

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

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

Regulus commenced drilling at AntaKori in April 2017 with an objective to confirm and extend the known mineralization. The initial phase of drilling is planned to be approximately 18,000 m which will roughly double the total drilling at the project.

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

In November 2017, the Company announced the results from drill holes: AK-17-003A, drilled by Regulus, and parts of DHSF17-161 and DHSF17-164, drilled by Coimolache onto Regulus mineral concessions (see news release dated November 30, 2017 at [www.regulusresources.com](http://www.regulusresources.com)).

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

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

- DHSF17-161: 323.4 m with 0.52% Cu, 0.15 g/t Au and 8.28 g/t Au from 266.6 m depth
  - including 110.5 m with 0.67% Cu, 0.20 g/t Au and 11.81 g/t Ag
    - including 27.55 m with 1.03 % Cu, 0.24 g/t Au and 21.63 g/t Ag
  - including 53.00 m with 1.10% Cu, 0.23 g/t Au and 13.25 g/t Ag
    - including 28.00 m with 1.77 % Cu, 0.35 g/t Au, 20.94 g/t Ag and 0.77% Zn
  - All mineralization as skarn with relatively low As contents
  - 400 m step out from any previous drilling on Regulus concessions
- AK-17-003A: 596.6 m with 0.35% Cu, 0.24 g/t Au and 5.49 g/t Ag from 241.1 m depth
  - including 144.7 m with 0.63% Cu, 0.57 g/t Au and 9.42 g/t Ag (epithermal high sulphidation mineralization)
    - including 51.9 m with 0.95% Cu, 0.98 g/t Au and 8.18 g/t Ag
  - including 107.5 m with 0.28% Cu, 0.15 g/t Au and 7.07 g/t Ag (skarn mineralization)
  - including 119.0 m with 0.34% Cu, 0.15 g/t Au and 2.08 g/t Ag (skarn mineralization)

In April 2018, the Company announced the results from six additional drill holes: AK-17-004 to AK-17-009 (see news release dated April 13, 2018 at [www.regulusresources.com](http://www.regulusresources.com)).

Highlights from drill holes AK-004 through AK-009 – AntaKori Project:

- AK-17-006:
  - 31.37 m with 1.91% Cu, 0.11 g/t Au and 4.05 g/t Ag (2.03% CuEQ) from 99 m depth (where hole enters Regulus ground)
    - High-sulphidation style mineralization in Miocene volcanic sequence
  - 326 m with 0.35% Cu, 0.34 g/t Au and 23.44 g/t Ag from 266.5 m depth (0.81% CuEQ)
    - including 102.68 m with 0.47 % Cu, 0.52 g/t Au and 13.52 g/t Ag (0.96% CuEQ)
    - Skarn and breccia style mineralization with lower As contents

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- AK-18-007:
  - 387.75 m with 0.41% Cu, 0.18 g/t Au and 7.82 g/t Ag (0.61% CuEQ) from 219 m depth
    - including 200.25 m with 0.61 % Cu, 0.22 g/t Au and 10.77 g/t Ag (0.85% CuEQ)
  - at 730.83 m depth the hole exits Regulus ground and enters into Compania Minera Coimolache ground. The final portion of the hole in Regulus ground consists of strongly brecciated and veined Farrat Formation quartzite, with the final 4.60 m interval in Regulus ground averaging 0.79% Cu, 0.23 g/t Au and 3.99 g/t Ag (0.99% CuEQ) with elevated Mo contents.
- AK-18-008:
  - 437.35 m with 0.45% Cu, 0.18 g/t Au and 4.95 g/t Ag (0.62% CuEQ) from 84 m depth
    - including 81 m with 1.03 % Cu, 0.26 g/t Au and 6.67 g/t Ag (1.28% CuEQ)
  - 237.6 m with 0.38% Cu, 0.14 g/t Au and 2.68 g/t Ag (0.50% CuEQ) from 595 m depth
- AK-18-009:
  - 258.09 m with 0.43% Cu, 0.29 g/t Au and 4.62 g/t Ag (0.68% CuEQ) from 8 m depth
    - including 101.04 m with 0.65 % Cu, 0.44 g/t Au and 7.85 g/t Ag (1.03% CuEQ)
    - High-sulphidation epithermal style mineralization in Miocene volcanic sequence
  - 145.48 m with 0.70% Cu, 0.42 g/t Au and 11.97 g/t Ag (1.11% CuEQ) from 288 m depth
    - Well developed skarn with lower As contents
  - The above two intervals are separated by a 22 m interval of post-mineral dike
  - Drill hole was lost at 433.35 m in well mineralized skarn

In July 2018, the Company announced the results from four additional drill holes: AK-18-010 to AK-18-013 (see news release dated July 11, 2018 at [www.regulusresources.com](http://www.regulusresources.com)).

Highlights from drill holes AK-010 through AK-013 – AntaKori Project:

- AK-18-010:
  - 327.35 m with 0.91% Cu, 0.44 g/t Au and 9.84 g/t Ag (1.31% CuEQ) from 293 m depth including:
  - 65.22 m with 1.86 % Cu, 1.03 g/t Au and 21.95 g/t Ag (2.80% CuEQ) from 310 m depth
    - High-sulphidation style mineralization in Miocene volcanic sequence
  - 140.41 m with 1.03% Cu, 0.41 g/t Au and 8.22 g/t Ag (1.39% CuEQ) from 480 m depth
    - Skarn with strong phyllic overprint and low As contents
- AK-18-012:
  - 222.10 m with 0.41% Cu, 0.22 g/t Au and 7.55 g/t Ag (0.64% CuEQ) from 24 m depth
    - High-sulphidation style mineralization in Miocene volcanic sequence
- AK-18-013:
  - 537.40 m with 0.49% Cu, 0.23 g/t Au and 6.31 g/t Ag (0.71% CuEQ) from 126.50 m depth including:
  - 185.00 m with 0.76% Cu, 0.26 g/t Au and 6.85 g/t Ag from 126.50 m depth (1.00% CuEQ)
    - High-sulphidation style mineralization in Miocene volcanic sequence
  - 352.40 m with 0.35% Cu, 0.21 g/t Au and 6.03 g/t Ag from 311.50 m depth (0.56% CuEQ)
    - Skarn and breccia style mineralization with lower As contents

In August 2018, the Company announced the results from three additional drill holes: AK-18-014 to AK-18-016 (see news release dated August 8, 2018 at [www.regulusresources.com](http://www.regulusresources.com)).

Highlights from drill holes AK-18-014 through AK-18-016 – AntaKori Project:

- AK-18-014:
  - 713.99 m with 0.68% Cu, 0.38 g/t Au and 7.59 g/t Ag (1.02% CuEQ) from 4.7 m depth  
Including:
  - 387.69 m with 0.99% Cu, 0.51 g/t Au and 10.56 g/t Ag (1.45% CuEQ) from 331 m depth
    - Mineralized skarn with local HS overprint along structures  
Which further includes:
  - 130.85 m with 1.74% Cu, 0.65 g/t Au and 15.67 g/t Ag (2.34% CuEQ) from 481.9 m depth



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- Mineralized skarn locally overprinted by HS structures and from 590 m locally overprinted by late, porphyry-related phyllic alteration
- AK-18-015:
  - 396.03 m with 0.59% Cu, 0.46 g/t Au and 14.68 g/t Ag (1.05% CuEQ) from 129.46 m depth  
Including:
    - 81.10 m with 1.00% Cu, 0.68 g/t Au and 27.23 g/t Ag (1.74% CuEQ) from 229.40 m depth
      - High-sulphidation style mineralization in Miocene volcanic sequence
  - And:
    - 70.10 m with 0.97% Cu, 1.18 g/t Au and 23.85 g/t Ag (2.02% CuEQ) from 335.31 m depth
      - Mixed interval with HS mineralization in Miocene volcanic sequence and mineralized skarn in the underlying Cretaceous sedimentary sequence
- AK-18-016:
  - 136.60 m with 2.50% Cu, 1.62 g/t Au and 10.57 g/t Ag (3.75% CuEQ) from 107.30 m depth
    - High-sulphidation style mineralization in Miocene volcanic sequence
  - Including:
    - 11.15 m with 8.74% Cu, 5.17 g/t Au and 51.88 g/t Ag (12.90% CuEQ) from 223.70 m depth  
Which further includes:
      - 2.15 m with 24.49% Cu, 16.65 g/t Au and 161.58 g/t Ag (37.83% CuEQ) from 232.70 m depth
        - Massive enargite-bornite-pyrite-covellite vein

The 18,000+ metre Phase One drill program will systematically drill out and extend the previous resource at AntaKori on approximately 150 m centers with a few more closely spaced holes to help determine the geometry of geologic units and the spatial variation of mineralization. The objective of the Phase One drill program is to confirm and extend the previously reported mineralization with an updated resource estimate to be completed by the end of this year. Please see the Company's website which provides more details regarding the mineralized intercepts encountered in the drill holes described above.

#### ***Puchuldiza Overview***

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

The Company is required to pay a royalty of 1.5% of the net smelter return from commercial production up to a cumulative total of US\$5,000,000. The Company completed an initial field review of this project in 2015 with emphasis on determination of potential for higher grade mineralization and to better understand the social and environmental setting of the project. Based upon this review, the Company does not plan any significant work on this project in the near future. Accordingly, all previous exploration expenditures on this project (\$1,771,466) have been written-off. The Company has subsequently determined that it will relinquish the property and is currently evaluating the most efficient manner to do so with consideration to potential recovery of tax credits. During the period ended June 30, 2018, the Company wrote off exploration expenditures of \$Nil (2017 - \$78,938).

#### ***Golden Brew Overview***

The Company has an option agreement with Highway 50 Gold Corp. to earn a 50% interest in the Golden Brew Project in central Nevada by expending US\$5.0 million on exploration over a five-year period. Upon earn-in the parties will form a joint venture on a 50/50 basis. A minimum US\$500,000 firm commitment in the first year was delayed by Force Majeure when the permitting process for the project was slowed as the requisite agencies dealt with a request by the U.S. Fish and Wildlife Service to have the Sage-Grouse designated as a species of interest. The Company received guidance from U.S. Forest Service personnel that noise restriction parameters will be observed within 3 miles of active Sage-Grouse mating grounds ("Leks") between the dates of March 1 and June 30. An active Lek is located within this distance from planned exploration activities at the Property. The Company received the final permit allowing the parties to commence drilling on August 1, 2017. As such, the firm commitment of US\$500,000 in exploration expenditures was due 120 days from August 1, 2017 (obligation met by September 30, 2017) with all subsequent annual work commitments deferred accordingly. An additional work commitment of US\$1,000,000 in exploration expenditures must be completed by November 28<sup>th</sup>, 2018 to maintain the option agreement in good standing for a total of US\$1,500,000 in expenditures by that date.

Golden Brew is located at the intersection of the southern flank of the Eastgate volcanic trough and the Western Nevada rift in north-central Nevada. Gold mineralization at Golden Brew is hosted within jasperoid and silicified breccias over a strike length of 2,500 feet and widths up to 200 feet. The jasperoid is developed in thin-bedded limestones and limey siltstones and is anomalous in Carlin-type pathfinder elements of arsenic, antimony and mercury with gold values ranging from 0.1 grams/tonne to 4 grams/tonne. The priority

target on the property is the edges of a structural horst block located one mile outboard of the jasperoid outcrop under shallow to moderate thicknesses of pediment cover. Drilling in 2011 intersected a 150 foot section of elevated arsenic and antimony at the south-east corner of the horst block within the favorable carbonate section. The horst block is coincident with the projected intersection of a set of crustal scale structures and a strong magnetic low. This magnetic low may reflect magnetic destruction of alteration related to the mineralizing system. Drilling will focus on the northeastern and southeastern structural corners of the horst block, areas of gravity lows within the gravity high. Gravity lows in this setting may be a function of alteration (decalcification) related to Carlin-type gold mineralization. The targeted areas straddle the boundary between lands administered by the Bureau of Land Management (BLM) and the US Forest Service.

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

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

### ***Rio Grande Overview***

During the period, Roscoe Postle Associates Inc. ("RPA") was retained by Regulus to prepare an independent Technical Report on the Rio Grande Project (the "**Rio Grande Project**"), located in Salta Province, northern Argentina. The purpose of this report is to support the disclosure of the updated Mineral Resource estimate for the Rio Grande Project. This Technical Report conforms to National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101). RPA visited the Property from August 8 to 14, 2017. The entire Rio Grande Report may be obtained through the SEDAR website at [www.sedar.com](http://www.sedar.com) and is hereby specifically incorporated by reference and forms an integral part of this information appendix. For detailed information on the Rio Grande Property, including maps, please refer to the Rio Grande Report as filed on SEDAR at [www.sedar.com](http://www.sedar.com) as well as the Regulus website ([www.regulusresources.com](http://www.regulusresources.com)). Capitalized terms used in this section and not otherwise defined have the meaning ascribed to them in the Rio Grande Report. This summary is qualified in its entirety by the full Rio Grande Report.

Regulus' 100% owned Rio Grande copper-gold-silver property is located in the Altiplano of northwest Argentina at elevations between 3,700 m and 4,700 m above sea level. The Property is located approximately 260 km west of the city of Salta and 40 km east of the Chilean border.

In December 2010, a spin-out transaction was completed by means of a Plan of Arrangement, in which Antares Minerals Inc. (Antares) transferred, assigned, and conveyed to Regulus all of Antares' rights of title to and interest in the Rio Grande Project along with \$5,000,000 in cash. Regulus shares were subsequently distributed to Antares' shareholders in accordance with the terms of the Plan of Arrangement. Regulus formed a new Joint Venture with a subsidiary of Pachamama Resources Inc. ("**Pachamama**") for exploration of the Property. In early 2012, Regulus and Pachamama merged and consolidated 100% ownership of the Rio Grande Project into Regulus.

Exploration work has been carried out on the Property since the discovery of the deposit in 1999. Regulus and its predecessor companies have worked on the property since 2004. To date, 129 holes totaling approximately 74,201 m have been drilled on the Property. An initial Mineral Resource estimate was prepared in 2012.

RPA updated the Rio Grande Mineral Resource estimate based on the information available to August 17, 2018. Mineral Resources are based on a potential open pit scenario with a combination heap leaching and flotation envisaged for the processing of oxide, transition, and sulphide material types.

The Mineral Resource estimate prepared by RPA for the Rio Grande Project as of August 17, 2018 is summarized in the table below. Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves dated May 10, 2014 (CIM (2014) definitions) were followed for Mineral Resources.

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| Regulus Resources Inc. – Rio Grande Project<br>Summary of Mineral Resources – August 17, 2018  |             |             |             |            |              |            |            |
|--|-------------|-------------|-------------|------------|--------------|------------|------------|
| Class/Oxidation  | Tonnes (Mt) | Cu (%)      | Au (g/t)    | Ag (g/t)   | Cu (Mlb)     | Au (koz)   | Ag (Moz)   |
| <b>Indicated</b>   |             |             |             |            |              |            |            |
| Oxide  | 46.4        | 0.27        | 0.33        | 2.5        | 274.2        | 492        | 3.8        |
| Transition   | 24.6        | 0.36        | 0.41        | 4.4        | 194.3        | 323        | 3.5        |
| <b>Indicated Total</b>   | <b>71.0</b> | <b>0.30</b> | <b>0.36</b> | <b>3.2</b> | <b>468.6</b> | <b>815</b> | <b>7.3</b> |
| <b>Inferred</b>  |             |             |             |            |              |            |            |
| Oxide  | 32.4        | 0.21        | 0.27        | 2.6        | 153.3        | 281        | 2.7        |
| Transition   | 8.6         | 0.29        | 0.34        | 3.5        | 55.1         | 93         | 1.0        |
| <b>Inferred Total</b>  | <b>41.0</b> | <b>0.23</b> | <b>0.28</b> | <b>2.8</b> | <b>208.4</b> | <b>375</b> | <b>3.6</b> |
| <p>Notes:</p> <ol style="list-style-type: none"> <li>1. CIM (2014) definitions were followed for Mineral Resources.</li> <li>2. Mineral Resources are estimated at a NSR cut-off grade of US\$8.00/t for Oxide, US\$12.00/t for Transition and US\$7.50/t for Sulphide. No sulphide material was captured in resource shell.</li> <li>3. Mineral Resources are estimated using a long-term gold price of US\$1,400 per ounce and copper price of US\$3.50 per pound.</li> <li>4. Bulk density is 2.41 t/m<sup>3</sup> oxide, 2.50 t/m<sup>3</sup> oxide, and 2.62 t/m<sup>3</sup> sulphide.</li> <li>5. Numbers may not add due to rounding.</li> <li>6. Mineral Resources are reported within a preliminary open pit resource shell.</li> </ol> |             |             |             |            |              |            |            |

RPA is not aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other relevant factors that could materially affect the Mineral Resource estimate.

*Conclusions*

Based on the site visit and subsequent review, RPA offers the following conclusions:

- Indicated Mineral Resources, effective as of August 17, 2018, comprise 71 Mt at grades of 0.30% Cu, 0.36 g/t Au, and 3.2 g/t Ag containing 469 Mlb of copper, 815 koz of gold, and 7.3 Moz of silver.
- Inferred Mineral Resources, effective as of August 17, 2018 comprise 41 Mt at grades of 0.23% Cu, 0.28 g/t Au, and 2.8 g/t Ag containing 208 Mlb of copper, 375 koz of gold, and 3.6 Moz of silver.
- Regulus has identified four targets for exploration with the sulphate-rich/sulphide-bearing system (SRSB) target designated the highest priority.
- The sample preparation, analysis, and security procedures at the Property are adequate for use in the estimation of Mineral Resources.
- The quality assurance/quality control (QA/QC) program as designed and implemented by Regulus is adequate and the assay results within the database are suitable for use in a Mineral Resource estimate. Grades of selected certified reference materials (CRM) are appropriate.
- The database verification procedures for the Rio Grande Project generally comply with industry standards and are adequate for the purposes of Mineral Resource estimation.
- Some viable process options were investigated for copper and gold recovery, but a definitive processing route for the Rio Grande mineralization has not been determined yet and additional metallurgical studies are required.

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*Recommendations*

Drilling and exploration activities at the Rio Grande Project have outlined potentially economic mineralization and a number of exploration targets that warrant further work.

RPA recommends a Phase 1 budget composed of two parts:

- A 7,500 m drilling program for the Rio Grande Sofia zone consisting of shallow infill drill holes. The budget also includes metallurgical test work to support the completion of more advanced studies on the Rio Grande Project.
- An 8,000 m drilling program consisting of four 2,000 m drill holes aimed at targeting Cu-Au sulphide mineralization at depth.

RPA recommends a Phase I budget of \$9,100,000 for exploration work to support the completion of a Phase II Preliminary Economic Assessment (PEA) (table below). The recommended Phase II budget would be contingent on the Phase I results.

| <b>Regulus Resources Inc. – Rio Grande Project<br/>Proposed Budget</b> |                    |
|--|--------------------|
| <b>Item</b>  | <b>Cost (US\$)</b> |
| <b>Infill Drilling</b>   |                    |
| 7,500 m of Drilling  | 2,300,000          |
| General Support and Administration costs                               | 700,000            |
| Metallurgical testing  | 200,000            |
| Contingency (10%)  | 300,000            |
| <b>Sub-Total</b>   | <b>3,500,000</b>   |
| <b>Deep Drilling</b>   |                    |
| 8,000 m of Drilling  | 4,000,000          |
| General Support and Administration costs                               | 1,100,000          |
| Contingency (10%)  | 500,000            |
| <b>Sub-Total</b>   | <b>5,600,000</b>   |
| <b>Grand Total</b>   | <b>9,100,000</b>   |

In addition, RPA offers the following recommendations:

- Insert coarse and pulp duplicates into the sample stream.
- Monitor QA/QC results on an on-going basis and send pulp duplicates to a secondary laboratory with blanks and CRMs.
- Increase the QA/QC controls to 10%, and document the QA/QC analysis on an annual basis or by drilling campaign.
- Carry out and document the data verification programs periodically.
- Perform additional metallurgical test work to define a process flowsheet for the Rio Grande Project and to confirm the metallurgical recoveries at each process stage. Mineralogical analysis and characterization of the feed and products from test work should also be considered and samples that are spatially representative of the deposit should be selected and used in **test work**.

*Other Projects Overview*

The early stage properties that will be transferred to Aldebaran pursuant to the Arrangement are summarized below:

| Property        | Location                      | Ownership | Hectares |
|-----------------|-------------------------------|-----------|----------|
| Aguas Calientes | Jujuy Province, Argentina     | 100%      | 2,700    |
| Catua           | Jujuy Province, Argentina     | 100%      | 900      |
| El Camino       | Salta Province, Argentina     | 100%      | 4,100    |
| La Frontera     | Catamarca Province, Argentina | 100%      | 1,200    |
| Oscara          | Salta Province, Argentina     | 100%      | 19,004   |
| Total           |                               |           | 27,904   |

*Aguas Calientes, Argentina*

The Aguas Calientes property is located in northwestern Argentina in Jujuy Province, 25 kilometres northwest of the village of San Antonio de Los Cobres and 130 kilometres west of the city of Salta. Aguas Calientes hosts epithermal precious metals mineralization in Tertiary volcanic rocks. Two distinct zones of alteration and mineralization have been identified and are characterized by abundant, well-mineralized float boulders in zones of silica-sericite-clay alteration. The boulders are strongly silicified and given their distribution, size and angularity, it is likely that they reflect a nearby source in the underlying bedrock. Gold values from the float boulders are commonly in the 0.5 to 5 g/t range but are locally as high as 41 g/t and are accompanied by significant silver. The project has had limited previous drilling (2,818 m in 20 drill holes by previous operators) but Regulus believes that drilling was not focused in the correct areas and that a significant target remains. The project has drill ready targets and is permitted for a drill program.

*Catua, Argentina*

The Catua property is a copper prospect in Jujuy Province, northwestern Argentina, 6 kilometres from the Chilean border and 220 kilometres northwest of the city of Salta. Access is by all weather road.

*El Camino, Argentina*

The El Camino property is an iron-oxide-copper-gold prospect located 380 kilometres northwest of the city of Salta, northwest Argentina. Access from Salta is by good paved roads for the first 150 km and by all-weather dirt roads for the remaining part to La Casualidad Mine. Access to the property from this location is presently facilitated over a 2 kilometres long rough dirt track. The total travelling time from Salta is about 8 hours.

*La Frontera, Argentina*

The La Frontera property is a low sulphidation style silver-gold prospect located 320 kilometres west southwest of the city of Salta, in northwest Catamarca Province, Argentina. Access is by 75 kilometres of rough 4 x 4 or quad trail from the south end of the Salar Rio Grande.

*Oscara, Argentina*

The Oscara copper-gold-iron-oxide prospect located in the Puna region of Salta Province in northwestern Argentina. The area is accessible all year round through a good gravel road. The Oscara prospect comprises 6 mining properties owned 100% by Regulus. Copper-Au occurrences, with elevated Fe-(Mo-Ba-Bi-Co) anomalies, are found widespread over the entire property. These manifestations are hosted in rocks from Early to Late Paleozoic age, and are associated to broad zones with well-developed albite, K feldspar, hematite and chlorite-magnetite-epidote alteration. Also, multiple and widespread structures of copper mineralization are commonly found crosscutting and cementing poorly consolidated Tertiary sediments.

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The other property that will not be transferred to Aldebaran pursuant to the Arrangement is summarized below:

*Fireweed, British Columbia, Canada*

The Fireweed Property is a polymetallic Ag, Zn, Pb, Cu, Au prospect of massive sulphide and sulphide replacement type mineralization located in central British Columbia, approximately 55 km east-northeast of the city of Smithers. The property is 10 km northwest former Granisle Mine, 5 km west of the former Bell Copper Mine, and 17 km southwest of the undeveloped Morrison deposit. The Fireweed property is the only property held by Regulus Resources in Canada and management is currently looking to option the project to a third party.

***Outlook for 2018***

Exploration activities will continue to focus primarily on the AntaKori project in 2018. The Company has completed 16,000 metres of the current 18,000+ metre drill program at AntaKori as of August 29, 2018. Management has decided to continue with three drill rigs at the project and anticipates operating with three rigs throughout the remainder of this year and all of next year. Completion of the 18,000+ metre drill program is expected at the end of September 2018, and the results of this program will be incorporated into a revised NI 43-101 resource estimation report anticipated by early Q1-2019. Subject to availability of funding, drilling is planned to continue directly into a subsequent program of approximately 25,000 to 35,000 metres to be concluded by Q3-2019, with a corresponding updated resource estimate completed by the end of 2019.

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

**Operations and Financial Condition**

***Results of Operations for the Nine Months Ended June 30, 2018 Compared to the Nine Months Ended June 30, 2017***

During the nine months ended June 30, 2018, loss from operating activities was \$2,282,638 compared to loss from operating activities of \$2,441,979 for the nine months ended June 30, 2017. Significant variances from the same period in the prior year are as follows:

- A decrease of \$1,240,087 in share-based compensation. Share-based compensation was \$245,054 for the period ended June 30, 2018 compared to \$1,485,141 for the period ended June 30, 2017 due to the timing of vesting of stock options issued in December 2014, September 2016, and December 2017.
- An increase of \$83,701 in consulting fees and an increase of \$85,344 in investor relations and shareholder information. Consulting fees were \$141,288 for the period ended June 30, 2018 compared to \$57,587 for the period ended June 30, 2017 and investor relation and shareholder information were \$125,338 for the period ended June 30, 2018 compared to \$39,994 for the period ended June 30, 2017 due to a higher volume of activities related to the arrangement agreement to spin out the Argentine assets.
- A gain of \$1,034,261 on foreign exchange for the period ended June 30, 2018 compared to \$1,377,131 for the period ended June 30, 2017. The difference was mainly the result of fluctuations of the US\$, the Argentinian Peso, the Chilean Peso, the Peruvian Nuevo Sol and the CAD\$ in the current period as compared to the prior period.

***Results of Operations for the Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017***

During the three months ended June 30, 2018, loss from operating activities was \$1,308,538 compared to loss from operating activities of \$1,521,678 for the three months ended June 30, 2017. Significant variances from the same period in the prior year are as follows:

- A decrease of \$248,707 in share-based compensation. Share-based compensation was \$46,429 for the period ended June 30, 2018 compared to \$295,136 for the period ended June 30, 2017 due to the timing of vesting of stock options issued in December 2014, September 2016, and December 2017.
- An increase of \$88,347 in consulting fees and an increase of \$31,216 in investor relations and shareholder information. Consulting fees were \$106,942 for the period ended June 30, 2018 compared to \$18,595 for the period ended June 30, 2017 and investor relation and shareholder information were \$41,520 for the period ended June 30, 2018 compared to \$10,304 for the period ended June 30, 2017 due to a higher volume of activities related to the arrangement agreement to spin out the Argentine assets.

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- A loss of \$33,050 on foreign exchange for the period ended June 30, 2018 compared to \$481,294 for the period ended June 30, 2017. The difference was mainly the result of fluctuations of the US\$, the Argentinian Peso, the Chilean Peso, the Peruvian Nuevo Sol and the CAD\$ in the current period as compared to the prior period.

**Cash Flow**

*Operating Activities*

Cash outflow from operating activities was \$963,835 for the period ended June 30, 2018 compared to cash outflow of \$1,091,876 for the period ended June 30, 2017. The change was the cumulative result of several variations in the items affecting cash flow from operations as discussed above under "Results from Operations".

*Financing Activities*

Cash inflow from financing activities was \$4,902,138 for the period ended June 30, 2018 compared to \$126,123 for the period ended June 30, 2017. The increase in cash inflow results primarily from proceeds received from exercise of options and warrants during the current period.

*Investing Activities*

Cash outflow from investing activities was \$9,354,296 for the period ended June 30, 2018 compared to \$2,445,911 for the period ended June 30, 2017. The increase in cash outflow results primarily from an increase in expenditures on exploration and evaluation assets in the current period compared to the prior period.

**Summary of Quarterly Results**

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

| All in \$1,000's except loss (gain) per share | June 30,<br>2018 | March 31,<br>2018 | December 31,<br>2017 | September 30,<br>2017 |
|---|------------------|-------------------|----------------------|-----------------------|
| Working capital (deficiency)                  | \$(3,124)        | \$617             | \$4,297              | \$4,604               |
| Loss (gain)                                   | \$1,309          | \$392             | \$582                | \$1,051               |
| Loss (gain) per share                         | \$0.02           | \$0.01            | \$0.01               | \$0.01                |
| Loss (gain) per common share (diluted)        | \$0.02           | \$0.01            | \$0.01               | \$0.01                |
| Total assets                                  | \$35,880         | \$34,061          | \$34,158             | \$31,592              |
| Total liabilities                             | \$4,471          | \$2,696           | \$2,360              | \$2,674               |
| Deficit                                       | \$67,948         | \$66,639          | \$66,247             | \$65,665              |

| All in \$1,000's except loss (gain) per share | June 30,<br>2017 | March 31,<br>2017 | December 31,<br>2016 | September 30,<br>2016 |
|---|------------------|-------------------|----------------------|-----------------------|
| Working capital (deficiency)                  | \$8,085          | \$10,004          | \$11,375             | \$12,311              |
| Loss (gain)                                   | \$1,522          | \$(516)           | \$1,437              | \$2,761               |
| Loss (gain) per share                         | \$0.02           | \$0.01            | \$0.02               | \$0.04                |
| Loss (gain) per common share (diluted)        | \$0.02           | \$0.01            | \$0.02               | \$0.04                |
| Total assets                                  | \$30,654         | \$32,019          | \$32,495             | \$33,542              |
| Total liabilities                             | \$1,577          | \$1,682           | \$1,988              | \$2,666               |
| Deficit                                       | \$64,615         | \$63,093          | \$63,609             | \$62,173              |

**Liquidity and Capital Resources**

Cash at June 30, 2018 totaled \$427,708 compared to \$6,815,719 at September 30, 2017. Working capital deficiency at June 30, 2018 was \$3,124,312 compared to working capital of \$4,604,128 as at September 30, 2017. Management is currently completing a private placement financing in the Company to provide sufficient capital for the next 12 months or longer (see above under "Private Placement Financing"). There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favourable. The Company has no source of operating cash flows and as such the Company's ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing.

**REGULUS RESOURCES INC.**  
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Exploration and evaluation of assets at June 30, 2018 totaled \$33,784,487 compared to \$23,664,855 as at September 30, 2017

During the period ended June 30, 2018, the Company received proceeds of \$1,158,750 from the exercise of 2,575,000 options at a price of \$0.45 per option.

During the period ended June 30, 2018, the Company received proceeds of \$3,743,388 from the exercise of 5,330,555 warrants at a price of \$0.70 per warrant and 7,500 warrants at a price of \$1.60 per warrant.

Subsequent to the period ended June 30, 2018, the Company received proceeds of \$423,000 from the exercise of 940,000 options at a price of \$0.45 per option.

Subsequent to the period ended June 30, 2018, the Company received proceeds of \$2,166,998 from the exercise of 1,354,374 warrants at a price of \$1.60 per warrant.

Subsequent to the period ended June 30, 2018, the Company received loan proceeds of \$460,217 (US\$350,000) from the CEO of the Company. The loan bears interest of 10% per annum, is unsecured, and is repayable on September 30, 2018.

Subsequent to the period ended June 30, 2018, the Company received loan proceeds of \$800,000 from the CFO of the Company. The loan bears interest of 10% per annum, is unsecured, and is repayable on September 30, 2018.

Subsequent to the period ended June 30, 2018, the Company received loan proceeds of \$300,000 from the CGO of the Company. The loan bears interest of 10% per annum, is unsecured, and is repayable on September 30, 2018.

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

**Share Capital**

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

As at the date of this report, the Company had 79,096,096 common shares issued and outstanding.

*Stock Options*

| Exercise Price | Number Outstanding | Expiry Date       |
|----------------|--------------------|-------------------|
| \$ 0.45        | 723,334            | December 13, 2019 |
| \$ 1.50        | 2,100,000          | September 2, 2021 |
| \$ 1.84        | 100,000            | December 28, 2022 |
| \$ 2.00        | 50,000             | Jul 11, 2023      |
|                | 2,973,334          |                   |

*Warrants*

| Exercise Price | Number Outstanding | Expiry Date      |
|----------------|--------------------|------------------|
| \$ 1.60        | 4,548,777          | January 27, 2020 |
|                | 4,548,777          |                  |



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**Related Party Transactions**

During the nine month period ended June 30, 2018, the Company entered into the following transactions with key management personnel and related parties.

- a) Double Black Diamond Resources LLC. ("DBD Resources") is a private company controlled by Mr. John Black, CEO and a director of the Company. For the nine month period ended June 30, 2018, DBD Resources was paid \$192,462 (2017 - \$146,897). Management services paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

At June 30, 2018, the Company owed \$47,612 (September 30, 2017 - \$Nil) to DBD Resources and \$Nil (September 30, 2017 - \$27,377) to Mr. John Black for the expenses incurred in the normal course of the business.

- b) For the nine month period ended June 30, 2018, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$168,404 in consulting fees (2017 - \$140,165). Consulting fees paid or accrued to Mr. Pickmann are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was paid or accrued \$97,281 (2017 - \$239,726) 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 June 30, 2018, the Company owed \$42,501 (September 30, 2017 - \$Nil) to Mr. Pickmann and owed \$3,285 (September 30, 2017 - \$756) to the law firm at which Mr. Pickmann was a partner.

- c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the nine month period ended June 30, 2018, Unicus was paid \$37,500 (2017 - \$37,500). Management services paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

At June 30, 2018, the Company owed \$8,750 (September 30, 2017 - \$Nil) to Unicus.

- d) The Rock Doctor Limitada ("Rock Doctor") is a private company controlled by Mr. Kevin Heather, Chief Geological Officer of the Company. For the nine month period ended June 30, 2018, Rock Doctor was paid \$192,462 (2017 - \$146,897). Amounts paid to Rock Doctor are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

At June 30, 2018, the Company owed \$32,990 (September 30, 2017 - \$Nil) to Rock Doctor.

- e) Two non-executive directors were paid \$32,105 (2017 - \$Nil) for professional services. Amounts paid to non-executive directors are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

At June 30, 2018, the Company owed \$32,990 (September 30, 2017 - \$Nil) to non-executive directors.

**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.

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The remuneration of directors and other members of key management personnel during the periods ended June 30, 2018 and 2017 are as follows:

|  | Fees and Bonus    | Share-based<br>Benefits | Total               |
|--|-------------------|-------------------------|---------------------|
| <b>Nine months ended June 30, 2018</b> |                   |                         |                     |
| Chief Executive Officer                | \$ 192,462        | \$ 18,872               | \$ 211,334          |
| Chief Operating Officer                | 168,404           | 18,872                  | 187,276             |
| Chief Financial Officer                | 37,500            | 18,872                  | 56,372              |
| Chief Geological Officer               | 192,462           | 18,872                  | 211,334             |
| Non-executive directors                | 32,105            | 37,744                  | 69,849              |
|  | <b>\$ 622,933</b> | <b>\$ 113,232</b>       | <b>\$ 736,165</b>   |
| <b>Nine months ended June 30, 2017</b> |                   |                         |                     |
| Chief Executive Officer                | \$ 146,897        | \$ 141,106              | \$ 288,003          |
| Chief Operating Officer                | 140,165           | 141,106                 | 281,271             |
| Chief Financial Officer                | 37,500            | 141,106                 | 178,606             |
| Chief Geological Officer               | 146,897           | 141,106                 | 288,003             |
| Non-executive directors                | -                 | 282,212                 | 282,212             |
|  | <b>\$ 471,459</b> | <b>\$ 846,636</b>       | <b>\$ 1,318,095</b> |

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

The Company also borrowed funds from certain officers subsequent to the period ended June 30, 2018 as detailed under Liquidity and Capital Resources.

**Investor Relations**

In April 2018, the Company executed an agreement with Ms. Laura Brangwin to provide investor relations services to the Company (the "IR Agreement"). Ms. Brangwin will be paid on an hourly basis up to USD\$2,500 per month and was granted 50,000 stock options of the Company at \$2.00 for a 5-year period under the terms and conditions of the Company's Stock Option Plan. The IR Agreement and the grant of options are subject to regulatory approval. Ms. Brangwin does not own any shares of Regulus.

**Financial and Capital Risk Management**

Please refer to the June 30, 2018 interim condensed consolidated financial statements on [www.sedar.com](http://www.sedar.com).

**Recent Accounting Policies**

Please refer to the June 30, 2018 interim condensed consolidated financial statements on [www.sedar.com](http://www.sedar.com).

**Forward Looking Statements**

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability

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claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers or directors with certain other projects; the volatility of the Company's common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

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