



**(the “Company”)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Regulus Resources Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Regulus Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2022 and 2021, and the consolidated statements of operations and comprehensive (loss) income, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

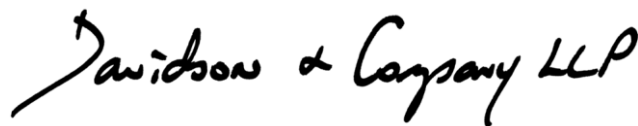
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.



**Regulus Resources Inc.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
As at

|  | September 30, 2022  | September 30, 2021  |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>Current</b>   |                     |                     |
| Cash   | \$ 249,167          | \$ 9,501,237        |
| Receivables (Note 4)                                     | 106,593             | 110,735             |
| Prepaid expenses and deposits                            | 415,722             | 20,596              |
| Due from related party (Note 7)                          | -                   | 20,698              |
|  | <u>771,482</u>      | <u>9,653,266</u>    |
| <b>Long-term investments</b> (Note 8)                    | 374,750             | 625,250             |
| <b>Property and equipment</b>                            | 766,406             | 813,940             |
| <b>Exploration and evaluation assets</b> (Note 5)        | <u>54,719,458</u>   | <u>40,910,648</u>   |
|  | \$ 56,632,096       | \$ 52,003,104       |
| <b>LIABILITIES AND EQUITY</b>                            |                     |                     |
| <b>Current</b>   |                     |                     |
| Accounts payable and accrued liabilities (Notes 7 and 9) | \$ 4,705,976        | \$ 1,298,465        |
| Due to related party (Note 7)                            | 922                 | -                   |
| Loans payable (Note 7)                                   | 678,760             | -                   |
| Decommissioning liability (Note 10)                      | <u>28,000</u>       | <u>365,625</u>      |
|  | 5,413,658           | 1,664,090           |
| <b>Decommissioning liability</b> (Note 10)               | <u>599,000</u>      | <u>613,375</u>      |
|  | <u>6,012,658</u>    | <u>2,277,465</u>    |
| <b>Equity</b>  |                     |                     |
| Capital stock (Note 6)                                   | 114,707,360         | 114,707,360         |
| Accumulated other comprehensive loss                     | (4,033,133)         | (7,452,350)         |
| Share compensation reserve (Note 6)                      | 16,770,870          | 16,561,364          |
| Deficit  | <u>(76,825,659)</u> | <u>(74,090,735)</u> |
|  | <u>50,619,438</u>   | <u>49,725,639</u>   |
|  | \$ 56,632,096       | \$ 52,003,104       |

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 14)

**Subsequent events** (Note 16)

**Approved by the Board:**

**Director:**

"John Black" \_\_\_\_\_

John Black

**Director:**

"Mark Wayne" \_\_\_\_\_

Mark Wayne

**Regulus Resources Inc.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**

(Expressed in Canadian Dollars)

For the Years Ended September 30,

|   | 2022               | 2021                  |
|---|--------------------|-----------------------|
| <b>EXPENSES</b>   |                    |                       |
| Accounting and audit  | \$ 159,371         | \$ 157,321            |
| Amortization  | 104,969            | 113,707               |
| Bank charges and interest (recovery)  | (6,795)            | 10,546                |
| Consulting fees   | -                  | 69,809                |
| Fees and taxes  | -                  | 34,354                |
| Insurance   | 32,773             | 31,685                |
| Interest expense  | 26,258             | 23,707                |
| Investor relations and shareholder information                                  | 125,087            | 152,387               |
| Legal (Note 7)  | 54,333             | 282,653               |
| Management fees (Note 7)  | 716,008            | 706,742               |
| Office and administration   | 459,067            | 605,218               |
| Share-based compensation (Note 6, 7)  | 209,506            | 1,017,896             |
| Transfer agent and listing fees   | 90,857             | 151,483               |
| Travel  | 29,202             | 45,938                |
|   | <u>(2,000,636)</u> | <u>(3,403,446)</u>    |
| <b>OTHER ITEMS</b>  |                    |                       |
| Interest income   | 10,600             | 24,035                |
| Gain on derecognition of subsidiaries (Note 2)                                  | -                  | 12,738                |
| Gain on debt settlement   | 26,966             | -                     |
| Gain (loss) on foreign exchange   | 153,818            | (941,440)             |
| Gain on sale of mineral property (Note 5)                                       | 249,500            | -                     |
| Write-off of receivables (Note 4)   | (1,175,172)        | (1,084,638)           |
| Write-off of prepaid expenses   | -                  | (52,348)              |
|   | <u>(2,734,924)</u> | <u>(5,445,099)</u>    |
| <b>LOSS FOR THE YEAR</b>  | <u>(2,734,924)</u> | <u>(5,445,099)</u>    |
| <b>Items that may be reclassified subsequently to profit and loss:</b>          |                    |                       |
| Change in fair market value of long-term investment (Note 8)                    | (250,500)          | 207,250               |
| <b>Items that will not be reclassified subsequently to profit and loss:</b>     |                    |                       |
| Translation adjustment  | 3,669,717          | (2,387,130)           |
| <b>Comprehensive income (loss) for the year</b>                                 | <u>\$ 684,293</u>  | <u>\$ (7,624,979)</u> |
| <b>Loss per common share – basic and diluted</b>                                | <u>\$ (0.03)</u>   | <u>\$ (0.05)</u>      |
| <b>Weighted average number of common shares outstanding – basic and diluted</b> | <u>101,849,844</u> | <u>101,849,844</u>    |

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

**Regulus Resources Inc.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)

|   | Number of<br>Shares | Capital<br>Stock      | Accumulated<br>Other<br>Comprehensive<br>Loss | Share<br>Compensation<br>Reserve | Deficit                | Total                |
|---|---------------------|-----------------------|---|----------------------------------|------------------------|----------------------|
| Balance, September 30, 2020                   | 101,849,844         | \$ 114,707,360        | \$ (5,272,470)                                | \$ 14,366,232                    | \$ (68,645,636)        | \$ 55,155,486        |
| Share-based compensation                      | -                   | -                     | -   | 1,017,896                        | -                      | 1,017,896            |
| Fair value of warrants issued                 | -                   | -                     | -   | 1,177,236                        | -                      | 1,177,236            |
| Fair value adjustment to long-term investment | -                   | -                     | 207,250                                       | -                                | -                      | 207,250              |
| Foreign exchange adjustment                   | -                   | -                     | (2,387,130)                                   | -                                | -                      | (2,387,130)          |
| Loss for the year                             | -                   | -                     | -   | -                                | (5,445,099)            | (5,445,099)          |
| Balance, September 30, 2021                   | 101,849,844         | 114,707,360           | (7,452,350)                                   | 16,561,364                       | (74,090,735)           | 49,725,639           |
| Share-based compensation                      | -                   | -                     | -   | 209,506                          | -                      | 209,506              |
| Fair value adjustment to long-term investment | -                   | -                     | (250,500)                                     | -                                | -                      | (250,500)            |
| Foreign exchange adjustment                   | -                   | -                     | 3,669,717                                     | -                                | -                      | 3,669,717            |
| Loss for the year                             | -                   | -                     | -   | -                                | (2,734,924)            | (2,734,924)          |
| <b>Balance, September 30, 2022</b>            | <b>101,849,844</b>  | <b>\$ 114,707,360</b> | <b>\$ (4,033,133)</b>                         | <b>\$ 16,770,870</b>             | <b>\$ (76,825,659)</b> | <b>\$ 50,619,438</b> |

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

**Regulus Resources Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
For the Years Ended September 30,

|   | 2022               | 2021                |
|---|--------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>         |                    |                     |
| Loss for the year                                   | \$ (2,734,924)     | \$ (5,445,099)      |
| Items not affecting cash:                           |                    |                     |
| Amortization  | 104,969            | 113,707             |
| Share-based compensation                            | 209,506            | 1,017,896           |
| Interest expense                                    | 26,258             | 23,707              |
| Write-off of receivables                            | 1,175,172          | 1,084,638           |
| Write-off of prepaid expenses and deposits          | -                  | 52,348              |
| Gain on sale of mineral property                    | (249,500)          | -                   |
| Gain on debt settlement                             | (26,966)           | -                   |
| Changes in non-cash working capital items:          |                    |                     |
| Receivables   | (1,167,864)        | (967,540)           |
| Prepaid expenses and deposits                       | (360,976)          | 302,828             |
| Accounts payable and accrued liabilities            | 100,543            | 304,427             |
| Due from related party                              | 21,620             | (20,698)            |
| Net cash used in operating activities               | <u>(2,902,162)</u> | <u>(3,533,786)</u>  |
| <b>Cash Flows from Investing Activities</b>         |                    |                     |
| Acquisition of property, plant and equipment        | (20,475)           | (13,557)            |
| Lease payments                                      | (110,077)          | (79,842)            |
| Exploration and evaluation assets                   | (6,289,578)        | (5,780,071)         |
| Sale of mineral property interest                   | 250,000            | 16,198,751          |
| Decommissioning liability payments                  | (533,612)          | (16,979)            |
| Net cash provided by (used in) investing activities | <u>(6,703,742)</u> | <u>10,308,302</u>   |
| <b>Cash Flows from Financing Activities</b>         |                    |                     |
| Proceeds from loans payable                         | 674,560            | -                   |
| Net cash provided by financing activities           | <u>674,560</u>     | <u>-</u>            |
| <b>Effect of foreign exchange on cash</b>           | <u>(320,726)</u>   | <u>(23,689)</u>     |
| <b>Change in cash for the year</b>                  | (9,252,070)        | 6,750,827           |
| <b>Cash, beginning</b>                              | <u>9,501,237</u>   | <u>2,750,410</u>    |
| <b>Cash, end</b>                                    | <u>\$ 249,167</u>  | <u>\$ 9,501,237</u> |

Supplemental disclosures with respect to cash flows (Note 11)

**Regulus Resources Inc.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
For the Years Ended September 30, 2022 and 2021

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Regulus Resources Inc. (“Regulus” or the “Company”) is a mineral exploration company formed on December 16, 2010.

At the date of these 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.

The Company is domiciled and incorporated in Canada, and its registered and records office is located at 15th Floor, Bankers Court, 850 - 2nd St SW Calgary, Alberta T2P 0R8.

As at September 30, 2022, the Company had a working capital deficit of \$4,642,176. Subsequent to the year ended September 30, 2022, the Company received a \$5-million (U.S.) investment from Osisko Gold Royalties in exchange for a net smelter return (“NSR”) ranging from 0.125% to 1.5% on certain claims of the Company's AntaKori project as well as a right (currently held by Regulus) to buy back a 1% NSR from a third party on certain claims of AntaKori (Note 16). The Company also closed a \$23,112,153 non-brokered private placement of 22,658,974 common shares at a price of \$1.02 per common share, which should provide it with sufficient capital for the next 12 months or longer (Note 16). The Company has no source of operating cash flows, such that the Company's ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional 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.

During the year ended September 30, 2020, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company's consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern and the carrying values of the Company's properties, equipment assets and exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company's equipment assets and exploration and evaluation assets and did not note any significant indicators as of September 30, 2022. Based on management's judgment, as at the date of these consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgments in the future

These consolidated financial statements were authorized by the audit committee and approved by the board of directors of the Company on January 26, 2023.

**2. BASIS OF PREPARATION**

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The 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 consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these 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 consolidated financial statements and the reported expenses during the year. Actual results could differ from these estimates.



## **2. BASIS OF PREPARATION (continued)**

### 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 consolidated financial statements:

#### *Functional currencies*

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

#### *Impairment of exploration and evaluation assets*

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

### 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.

**Regulus Resources Inc.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
For the Years Ended September 30, 2022 and 2021

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**2. BASIS OF PREPARATION (continued)**

*Decommissioning costs*

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

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 7). 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) and the United States dollar ("U.S.\$") Southern Legacy Minerals Inc., Regulus Resources Peru S.A.C., KoriAnta S.A.C., Anta Norte S.A.C., SMRL El Sinchao de Cajamarca and Centaurus Holding S.A.C. During the year ended September 30, 2021, the Company recorded a gain on derecognition of subsidiary of \$12,738 on its former subsidiary, 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) income.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Financial instruments**

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition.

A financial asset is measured at amortized cost if both of the following conditions are met:

- a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company may make an irrevocable election at initial recognition to carry at FVOCI particular investments in equity instruments that would otherwise be measured at FVTPL.

A financial asset is required to be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

**Regulus Resources Inc.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
For the Years Ended September 30, 2022 and 2021

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

| <b>Financial assets/ liabilities</b>     | <b>IFRS 9</b>  |
|--|----------------|
| Cash                                     | FVTPL          |
| Receivables                              | Amortized cost |
| Investments                              | FVTOCI         |
| Due to/from related parties              | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Loans payable                            | Amortized cost |

*Measurement*

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of operations and comprehensive (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations and comprehensive (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive (loss) income.

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations and comprehensive (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations and comprehensive (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive (loss) income.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial instruments (continued)**

##### Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of operations and comprehensive (loss) income.

##### **Exploration and evaluation assets**

Costs related to pre-exploration are expensed as incurred while costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value the property is written down to its net realizable value.

Any option payments or royalties received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

##### **Cash**

Cash is comprised of cash on deposit.

##### **Impairment**

At the end of each reporting period the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but not to an amount that would exceed the original carrying amount in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

##### **Provision for decommissioning liability**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment when those obligations result from the acquisition, construction, development or normal operation of assets. The net present value of future rehabilitation costs is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred.

Pre-tax discount rates that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Provision for decommissioning liability (continued)**

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets and the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the consolidated statement of operations and comprehensive (loss) income for the period.

#### **Property and equipment**

Property and equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with such costs will flow to the Company and cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to operations and comprehensive (loss) income during the period in which they are incurred.

The major categories of equipment are amortized as follows:

Vehicles – 30% declining balance basis  
Office furnishings – 20% declining balance basis  
Equipment – 30% declining balance basis

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of operations and comprehensive (loss) income.

#### **Share-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital stock. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

#### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Earnings (loss) per share**

For both continuing and discontinued operations, the Company presents basic and diluted earnings (loss) per share (EPS) data for its common shares. Basic (loss) EPS is calculated by dividing the results of operations attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted (loss) EPS is determined by adjusting the results of operations attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options.

**Leases**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset (an “ROU asset”), the Company assesses whether:

- the contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the earlier of the end of the useful life or the lease term using either the straight-line or units-of-production method, depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease payments can arise from a change in an index or rate, if there is a change in the Company’s estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded to the consolidated statement of profit or loss if the carrying amount of the ROU asset has been reduced to zero.

**4. RECEIVABLES**

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

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|                                     | September 30, 2022 | September 30, 2021 |
|-------------------------------------|--------------------|--------------------|
| Tax credits and advances receivable | \$ 106,593         | \$ 110,735         |

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During the year ended September 30, 2022, the Company wrote-off \$1,175,172 (2021 - \$1,084,638) of receivables to profit and loss. These receivables primarily related to Value Added Taxes (“VAT”) in Peru for which recoverability is uncertain.

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**5. EXPLORATION AND EVALUATION ASSETS**

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

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

|  | AntaKori,<br>Peru  |
|--|--------------------|
| Balance, September 30, 2020  | \$ 51,891,535      |
| Additions:   |                    |
| Administrative services  | 8,770              |
| Change in estimates related to decommissioning liability (Note 10) | 585,000            |
| Field operations   | 5,311,954          |
| Labour   | 225,886            |
| Sale of royalty interest   | (15,021,515)       |
| Third party services   | 415,409            |
|  | <u>(8,474,496)</u> |
| Foreign exchange movement  | <u>(2,506,391)</u> |
| Balance, September 30, 2021  | <u>40,910,648</u>  |
| Additions:   |                    |
| Administrative services  | 877                |
| Change in estimates related to decommissioning liability (Note 10) | 155,843            |
| Field operations   | 8,459,888          |
| Labour   | 699,672            |
| Third party services   | 325,301            |
|  | <u>9,641,581</u>   |
| Foreign exchange movement  | <u>4,167,229</u>   |
| Balance, September 30, 2022  | \$ 54,719,458      |

**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, Regulus Resources Peru S.A.C. (formerly 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;

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

**AntaKori Project, Peru (continued)**

- (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 ("NSR") 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.

A summary of the payments made 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 ended September 30, 2014 | 1,923,769           |
| Paid during the year ended September 30, 2015 | 1,850,000           |
| Paid during the year ended September 30, 2016 | 1,909,123           |
| Paid during the year ended September 30, 2017 | 38,000              |
| <b>Total</b>                                  | <b>\$ 7,460,062</b> |

During the year ended September 30, 2017, the Company's wholly owned Peruvian subsidiary, Regulus Peru, finalized the execution of definitive agreements with Compañía Minera Coimolache S.A. ("Coimolache") and Compañía Minera Colquirrumi S.A. ("Colquirrumi"), companies that hold mineral concessions immediately adjacent to, and inter-fingering with the Company's AntaKori project. These agreements allow for mutual access, mutual rights of expansion and collaborative exploration of the project area, providing benefit to all three parties.

The Coimolache agreement has a term of five years, renewable with consent from both parties. The agreement is primarily designed to allow the parties to collaboratively explore the project area. In addition, Comolaiche has the right to expand its current Tantauatay oxide pit by laying back onto certain concessions owned by Regulus (the "Regulus Concessions") but assigned to Coimolache for the specific purpose of exploiting oxide gold mineralization. Coimolache will pay a 5% NSR (the "Coimolache NSR Payments") to Regulus for any precious metals produced from oxide material mined on Regulus Concessions. The layback rights are retracted to oxide mineralization only and are further limited by a floor of 3,800 m above sea level. Some of the Regulus Concessions are subject to underlying NSR royalties (the "Underlying NSR Royalties") as indicated in the agreement section above. These Underlying NSR Royalties vary from 0-3% with buy out clauses for some of the royalties as indicated. In the event that the Company receives a Coimolache NSR Payment from a Regulus Concession with an Underlying NSR Royalty(ies), the Company must pay the Underlying NSR Royalty payment from proceeds received from the Coimolache NSR Payment. The Company must pay an Underlying NSR Royalty of 1.5% for the portion of the production from the Napoleon concession and of 3.0% for the portion of the production from the Mina Volare concession. The Coimalache agreement expired under its own terms on January 19, 2022.



## **5. EXPLORATION AND EVALUATION ASSETS (continued)**

### **AntaKori Project, Peru (continued)**

The Colquirrumi agreement allows Regulus to earn-in to a 70% interest in ground held by Colquirrumi by completing 7,500 m of drilling within 3 years from obtaining necessary permits to drill. Regulus received the drilling permits in Q4-2019. The agreement assigns certain mining concessions to the Company's 99.9% owned Peruvian subsidiary, Anta Norte S.A.C. ("Anta Norte") to allow for exploration work to be performed on those claims by Anta Norte during the term of the agreement. Upon notification that Regulus has completed 7,500 m of drilling and elected to obtain a 70% interest in the property, Colquirrumi will have a one time option to claw-back to a 70% interest in the property (leaving 30% to Regulus) by paying Regulus the sum of US\$9 million. Subsequent to the year ended September 30, 2022, the Company notified Buenaventura that it had completed 7,500 m of drilling under the Colquirrumi agreement. Buenaventura now has a one-time right until February 22, 2023, to either give the Company a 70% interest in the Colquirrumi claims or give the Company a 30% interest in the claims and a cash payment of US\$ 9,000,000 (Note 16).

The Company is also subject to pay NSR's ranging from 1.5% - 3% to the underlying holders of these same claims. As at September 30, 2022, accounts payable includes \$67,341 (September 30, 2021 - \$61,233) relating to these royalties.

### **Osisko Partnership**

During the year ended September 30, 2021, the Company closed a previously announced strategic partnership whereby it agreed to grant certain rights to Osisko Gold Royalties Ltd. ("Osisko") in exchange for an upfront cash payment (the "Upfront Payment") of US\$12,500,000 (\$16,198,751). These rights include the following: (i) in the event Regulus acquires any existing royalties within the current AntaKori project area or within a 1 km area of interest surrounding the project on claims owned 100% by Regulus, Osisko has the option to acquire 50% of the acquired royalty by paying 75% of Regulus' purchase price for the royalty; (ii) Osisko will have a right of first refusal on all future royalty or stream transactions in relation to claims on the AntaKori project where Regulus has 100% ownership, or on any additional claims Regulus might acquire with 100% ownership within the area of interest described above; and (iii) should Regulus receive a royalty or stream as consideration for the sale of AntaKori, Osisko will have a right of first refusal should Regulus later choose to sell that royalty or stream. Under the Osisko agreement, Osisko elected to acquire 50% of a royalty on the Mina Volare claim of the AntaKori project, which represents a 1.5% or 3% NSR, depending on location royalty, for 75% of Regulus' purchase price for the royalty, with Osisko's acquisition cost for the royalty included in the Upfront Payment. Regulus has retired the remaining 50% of the royalty. As such, the Royalty on the Mina Volare claim is now reduced to a 0.75% or 1.5%, depending on location, in favour of Osisko. In addition, the Company issued Osisko 5,500,000 warrants having a term of three years and an exercise price equal to \$2.25 per share. The Company recorded a fair value of \$1,177,236 for the 5,500,000 warrants to share compensation reserve, and the residual value of the remaining consideration to \$15,021,515 to exploration and evaluation assets. The warrants were valued using the Black-Scholes pricing model with the following assumptions: term of 3 years; expected volatility of 62.33%; risk-free rate of 0.30%; and expected dividends of Nil. Subsequent to September 30, 2022, the Company and Osisko amended the agreement for additional royalties (Note 16).

The parties agreed that the obligations of Regulus would be secured by the following:

- a pledge of all the shares in the capital of Regulus Resources Peru S.A.C.;
- an assignment by Regulus and Southern Legacy Minerals, Inc. of all intercompany loans and other amounts owing by Regulus Peru; and
- a fiduciary trust in respect of the royalty and any surface rights or other rights relating thereto. The trust is expected to be created during fiscal 2023, at which time the share pledge referred to above will terminate.

### **Gold Fields Option Agreement**

During the year ended September 30, 2021, the Company entered into an option agreement whereby the Company can earn up to a 60% interest in certain claims from Gold Fields La Cima S.A., a subsidiary company of Gold Fields Ltd (the "GF Claims").

The terms of the option agreement are summarized as follows:

- The Company can earn a 60% interest in the GF Claims by incurring US\$3,500,000 in exploration expenditures over a 3-year term, including completing at least 2,500 m of diamond drilling and producing a 43-101 resource estimate incorporating the GF Claims. Upon completion, the Company and Gold Fields will form a joint venture with the Company having a 60% interest and Gold Fields a 40% interest.

## **5. EXPLORATION AND EVALUATION ASSETS (continued)**

### **Gold Fields Option Agreement (continued)**

- Upon formation of the joint venture, Gold Fields will have a 60-day window to decide if they wish to acquire an additional 20% interest in the joint venture (“Claw Back Right”), bringing their total interest to 60% and the Company’s position to 40%, in exchange for:
  - A cash payment of US\$7,500,000 to be paid to the Company.
  - Sole funding US\$5,000,000 in exploration commitments over a 5-year period.
- Upon finalizing the ownership structure of the joint venture, both parties will be required to fund their respective portions towards future exploration activities, and standard dilution policies will apply.
  - Any party that dilutes below a 10% interest in the joint venture will effectively relinquish their pro rata ownership and will maintain a 1.5% Net Smelter Return Royalty (“NSR”) interest, 0.5% of which can be bought back by the other party for US\$2,500,000 within 60 days of the announcement of commercial production on the property.
- If Gold Fields exercises its Claw Back Right, the Company will maintain a right to expand a mining operation from its existing claims onto the GF Claims (“Development Right”) subject to the general principle that it does not interfere with current or planned mining activities of the joint venture at the time.
  - Upon exercising the Development Right, the Company would pay the joint venture a 5% NSR (effectively a 3% NSR payable to Gold Fields, and a 2% NSR payable to the Company) for any minerals processed from the GF Claims.
  - In addition, the Company would be responsible for all development costs, all operating costs, and all environmental and closure costs (closure costs and environmental costs for any stand-alone mining operation on the GF claims, would be paid by the joint venture).

The Development Right will also be available to the Company if Gold Fields does not exercise its Claw-Back Right, with a 5% NSR payable by the Company to the joint venture (effectively 2% NSR payable to Gold Fields and 3% NSR payable to the Company) on any minerals processed from the GF Claims, and the Company will be responsible for all development costs, all operating costs and all environmental and closure costs.

### **Fireweed**

During the year ended September 30, 2022, the Company sold its 100% undivided interest in the Fireweed project located in central British Columbia, Canada for a cash payment of \$250,000 and a 0.5% NSR on the property. The royalty will increase to 1.5% upon the pay out of an underlying 2% NSR to a third party, which is capped at \$5,000,000. This disposal resulted in a gain on sale of mineral property of \$249,500 through the statement of profit or loss during the year ended September 30, 2022.

## **6. CAPITAL STOCK AND SHARE COMPENSATION RESERVE**

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

**Treasury shares:** recorded at cost.

There were no shares issued during the years ended September 30, 2022 and 2021.

### **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.

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**6. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (continued)**

The following table summarized movements in stock options outstanding for the year ended September 30, 2022:

|   | Number<br>of Options | Weighted Average<br>Exercise Price |
|---|----------------------|------------------------------------|
| Balance, September 30, 2020             | 9,850,000            | \$ 1.44                            |
| Options granted                         | 400,000              | 1.19                               |
| Options expired/forfeited               | (2,325,000)          | 1.49                               |
| Balance, September 30, 2021             | 7,925,000            | 1.41                               |
| Options granted                         | 100,000              | 0.76                               |
| Options expired/forfeited               | (250,000)            | 1.29                               |
| Balance, September 30, 2022             | 7,775,000            | \$ 1.41                            |
| Number of options currently exercisable | 7,525,000            | \$ 1.42                            |

**Share-based compensation**

The Company recognizes compensation expense for all stock options and warrants granted and vested using the fair value based method of accounting. During the year ended September 30, 2022, the Company recognized \$209,506 (year ended September 30, 2021 - \$1,017,896) in share-based compensation expense with respect to options granted and vested during the year.

The following table summarizes information about stock options outstanding at September 30, 2022:

| Exercise Price | Number Outstanding | Number Exercisable | Expiry Date      |
|----------------|--------------------|--------------------|------------------|
| \$ 0.86        | 215,000            | 215,000            | June 29, 2023    |
| 2.00           | 50,000             | 50,000             | July 11, 2023    |
| 1.60           | 5,250,000          | 5,250,000          | February 4, 2024 |
| 1.78           | 200,000            | 200,000            | March 1, 2024    |
| 0.86           | 1,560,000          | 1,560,000          | June 29, 2025    |
| 1.49           | 200,000            | 150,000            | October 19, 2025 |
| 0.89           | 200,000            | 100,000            | April 13, 2026   |
| 0.76           | 100,000            | -                  | July 22, 2027    |
|                | 7,775,000          | 7,525,000          |                  |

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

|  | Year ended<br>September 30, 2022 | Year ended<br>September 30, 2021 |
|--|----------------------------------|----------------------------------|
| Risk-free interest rate                | 2.86%                            | 0.65%                            |
| Expected life of grant                 | 5 years                          | 5 years                          |
| Volatility                             | 70.38%                           | 71.56%                           |
| Dividend                               | 0.00%                            | 0.00%                            |
| Weighted average fair value per option | \$0.50                           | \$0.68                           |

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**6. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (continued)**

**Warrants**

The following table summarizes movements in warrants outstanding.

|                                      | Number<br>of Warrants | Weighted Average<br>Exercise Price |
|--------------------------------------|-----------------------|------------------------------------|
| Balance, September 30, 2020          | 9,637,576             | \$ 1.66                            |
| Warrants issued                      | 5,500,000             | 2.25                               |
| Warrants expired/forfeited           | (4,217,452)           | 1.60                               |
| Balance, September 30, 2021 and 2022 | 10,920,124            | \$ 1.98                            |

The following table summarizes information about warrants outstanding at September 30, 2022:

| Exercise Price | Number<br>Outstanding | Expiry Date                    |
|----------------|-----------------------|--------------------------------|
| \$ 1.70        | 5,420,124             | December 27, 2022 <sup>1</sup> |
| 2.25           | 5,500,000             | December 1, 2023               |
|                | 10,920,124            |                                |

<sup>1)</sup> During the year ended September 30, 2022, these warrants were extended from December 27, 2021 to December 27, 2022. Subsequent September 30, 2022, these warrants expired unexercised.

**7. RELATED PARTY TRANSACTIONS**

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

| Name of Subsidiary            | Country of<br>Incorporation | Proportion of<br>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 Cajamarca  | Peru                        | 83.13%                              | Holding company     |
| Anta Norte S.A.C.             | Peru                        | 99.90%                              | Mineral exploration |
| Centaurus Holding S.A.C.      | Peru                        | 100%                                | Holding company     |

During the year ended September 30, 2022, 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 year ended September 30, 2022, DBD Resources was paid \$224,353 (2021 - \$221,110). Amounts paid to DBD Resources are classified as management fees expense in the consolidated statements of profit and loss.

At September 30, 2022, the Company owed \$60,108 (September 30, 2021 – \$Nil) to DBD Resources, included in accounts payable and accrued liabilities. During the year ended September 30, 2022, Mr. John Black loaned the Company \$549,560 (\$400,000 USD). The loan accrues simple interest at 10% per annum, is due on December 31, 2022, and is unsecured. As at September 30, 2022, Mr. John Black was owed \$552,938 (\$402,459 USD) which included accrued interest of \$3,378 (\$2,459 USD). The loan and interest was repaid in full subsequent to the year ended September 30, 2022.

**Regulus Resources Inc.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. RELATED PARTY TRANSACTIONS (continued)**

- b) For the year ended September 30, 2022, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$224,353 in consulting fees (2021 – \$221,110). Amounts paid to Mr. Pickmann are classified as management fees in the consolidated statements of profit and loss. A law firm at which Mr. Pickmann was a partner was also paid or accrued \$68,552 (2021 - \$137,834) for legal services. Legal fees paid to Mr. Pickmann’s law firm are classified as legal expenses in consolidated statements of profit and loss.

At September 30, 2022, the Company owed \$40,072 (September 30, 2021 – \$Nil) to Mr. Pickmann and owed \$38,521 (September 30, 2021 – \$1,793) to the law firm at which Mr. Pickmann was a partner which is included in accounts payable and accrued liabilities.

- c) Unicus Funds Ltd. (“Unicus”) is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the year ended September 30, 2022, Unicus was paid \$75,000 (2021 – \$75,000). Amounts paid to Unicus are classified as management fees expense in the consolidated statements of profit and loss. During the year ended September 30, 2022, Mr. Mark Wayne loaned the Company \$125,000. The loan accrues simple interest at 10% per annum, is due on December 31, 2022, and is unsecured. As at September 30, 2022, Mr. Mark Wayne was owed \$125,822 which included accrued interest of \$822. The loan and interest was repaid in full subsequent to the year ended September 30, 2022.

At September 30, 2022, the Company owed \$19,688 (September 30, 2021 – \$Nil) to Unicus, included in accounts payable and accrued liabilities.

- d) K.B. Heather & Socios Limitada (The Rock Doctor Limitada) (“K.B. Heather”) is a private company controlled by Dr. Kevin B. Heather, Chief Geological Officer of the Company. For the year ended September 30, 2022, K.B. Heather was paid \$192,303 (2021 – \$189,523). Amounts paid to K.B. Heather are classified as management fees in the consolidated statements of profit and loss.

At September 30, 2022, the Company owed \$51,521 (September 30, 2021 – \$Nil) to K.B. Heather, included in accounts payable and accrued liabilities.

- e) At September 30, 2022, the Company owed \$922 (September 30, 2021 – is owed from \$20,698) to Aldebaran, a company with common directors and management.

- f) The Company holds 2,000,000 common shares (September 30, 2021 – 2,000,000 common shares) of Highway 50 Gold Corp., a company with a director in common, included within long term investments.

**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.

The remuneration of directors and other members of key management personnel during the years ended September 30, 2022 and 2021 are as follows:

|                               | Fees and Bonus    | Share-based<br>Benefits | Total             |
|-------------------------------|-------------------|-------------------------|-------------------|
| Year ended September 30, 2022 |                   |                         |                   |
| Chief Executive Officer       | \$ 224,353        | \$ 13,743               | \$ 238,096        |
| Chief Geological Officer      | 192,303           | 13,743                  | 206,046           |
| Chief Financial Officer       | 75,000            | 13,743                  | 88,743            |
| Chief Operating Officer       | 224,353           | 13,743                  | 238,096           |
| Non-executive directors       | -                 | 92,366                  | 92,366            |
|                               | <b>\$ 716,009</b> | <b>\$ 147,338</b>       | <b>\$ 863,347</b> |

**Regulus Resources Inc.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. RELATED PARTY TRANSACTIONS (continued)**

|                               | Fees and Bonus | Share-based<br>Benefits | Total        |
|-------------------------------|----------------|-------------------------|--------------|
| Year ended September 30, 2021 |                |                         |              |
| Chief Executive Officer       | \$ 221,110     | \$ 106,531              | \$ 327,641   |
| Chief Geological Officer      | 189,523        | 106,531                 | 296,054      |
| Chief Financial Officer       | 75,000         | 106,531                 | 181,531      |
| Chief Operating Officer       | 221,110        | 106,531                 | 327,641      |
| Non-executive directors       | -              | 253,192                 | 253,192      |
|                               | \$ 706,743     | \$ 679,316              | \$ 1,386,059 |

**8. LONG-TERM INVESTMENT**

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

|                                  | Fair Value | Cost       |
|----------------------------------|------------|------------|
| Balance as at September 30, 2020 | \$ 418,000 | \$ 740,000 |
| Fair market value adjustments    | 207,250    | -          |
| Balance as at September 30, 2021 | 625,250    | 740,000    |
| Fair market value adjustments    | (250,500)  | -          |
| Balance as at September 30, 2022 | \$ 374,750 | \$ 740,000 |

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

|                 | September 30, 2022 | September 30, 2021 |
|-----------------|--------------------|--------------------|
| Trade payables  | \$ 4,541,663       | \$ 1,045,388       |
| Lease liability | 164,313            | 253,077            |
|                 | \$ 4,705,976       | \$ 1,298,465       |

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

**Regulus Resources Inc.**  
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**10. 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.

|   | September 30, 2022 | September 30, 2021 |
|---|--------------------|--------------------|
| Asset retirement obligation – beginning of year | \$ 979,000         | \$ 400,897         |
| Change in estimates                             | 155,843            | 585,000            |
| Incurred  | (533,612)          | (16,979)           |
| Foreign exchange movement                       | 25,769             | 10,082             |
| Asset retirement obligation – end of year       | 627,000            | 979,000            |
| Long-term portion                               | (599,000)          | (613,375)          |
| Short-term portion                              | \$ 28,000          | \$ 365,625         |

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is \$698,783 as at September 30, 2022 (2021 - \$1,006,238), which has been discounted using a credit adjusted rate of 3.77% (2021 - 1.30%) and an inflation rate of 6.84% (2021 - 3.27%). 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 Peru properties. The decommissioning liability is expected to be settled at various dates which are currently expected to extend up to 2025 (2021 - 2025).

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

Other than disclosed elsewhere in these consolidated financial statements, the significant non-cash transactions for the years ended September 30, 2022 and 2021 included:

- a) \$3,848,766 (2021 - \$842,844) in accounts payable and accrued liabilities related to exploration and evaluation assets.
- b) \$155,843 (2021 - \$585,000) recorded to decommissioning liability.
- c) \$250,500 decrease (2021 - \$207,250 increase) in fair value of long-term investment.
- d) Capitalized \$nil (2021 - \$304,377) as ROU assets and recognized \$nil (2021 - \$309,212) as lease liability.

| For the year ended September 30 | 2022 | 2021 |
|---------------------------------|------|------|
| Cash paid for income taxes      | \$ - | \$ - |
| Cash paid for interest          | \$ - | \$ - |

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

(Expressed in Canadian Dollars)

For the Years Ended September 30, 2022 and 2021

**12. SEGMENTED INFORMATION**

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

|                                      | Total<br>Assets | Property, Plant<br>and Equipment | Exploration and<br>Evaluation Assets | Other<br>Assets |
|--------------------------------------|-----------------|----------------------------------|--------------------------------------|-----------------|
| September 30, 2022                   |                 |                                  |                                      |                 |
| Canada                               | \$ 607,383      | \$ -                             | \$ -                                 | \$ 607,383      |
| Peru                                 | 56,024,713      | 766,406                          | 54,719,458                           | 538,849         |
|                                      | \$ 56,632,096   | \$ 766,406                       | \$ 54,719,458                        | \$ 1,146,232    |
| September 30, 2021                   |                 |                                  |                                      |                 |
| Canada                               | \$ 10,077,034   | \$ -                             | \$ -                                 | \$ 10,077,034   |
| Peru                                 | 41,926,070      | 813,940                          | 40,910,648                           | 201,482         |
|                                      | \$ 52,003,104   | \$ 813,940                       | \$ 40,910,648                        | \$ 10,278,516   |
|                                      |                 |                                  | 2022                                 | 2021            |
| Loss for the year ended September 30 |                 |                                  |                                      |                 |
| Canada                               |                 |                                  | \$ 1,348,884                         | \$ 3,460,986    |
| Peru                                 |                 |                                  | 1,386,040                            | 1,984,113       |
|                                      |                 |                                  | \$ 2,734,924                         | \$ 5,445,099    |

**13. 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, due to related parties, loans payable and accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the 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.

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 and advances receivable. The Company does not believe it is subject to significant credit risk.



**13. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

*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 September 30, 2022, the Company had a cash balance of \$249,167 to settle current liabilities of \$5,413,658. Subsequent to the year ended September 30, 2022, the Company completed a \$5-million (U.S.) investment from Osisko Gold Royalties in exchange for a NSR ranging from 0.125% to 1.5% on certain claims of the Company's AntaKori project as well as a right (currently held by Regulus) to buy back a 1% NSR from a third party on certain claims of AntaKori (Note 16). Subsequent to the year ended September 30, 2022, the Company closed a \$23,112,153 non-brokered private placement, of 22,658,974 common shares at a price of \$1.02 per common share (Note 16).

*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 Chilean peso ("C-Peso") and the Peruvian nuevo sol ("PEN"). A 10% fluctuation in the US\$, C-Peso and PEN against the Canadian dollar would affect accumulated other comprehensive loss for the year by approximately \$473,000.

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 not have a significant affect on comprehensive (loss) income.

*Capital management*

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

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

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

**Regulus Resources Inc.**  
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**14. COMMITMENTS**

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

|      |    | Peru    |
|------|----|---------|
| 2022 | \$ | 36,692  |
| 2023 |    | 137,597 |
|      | \$ | 174,289 |

**15. INCOME TAXES**

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

|  | 2022 |             | 2021 |             |
|--|------|-------------|------|-------------|
| Loss for the year  | \$   | (2,734,924) | \$   | (5,445,099) |
| Expected income recovery   | \$   | (739,000)   | \$   | (1,471,000) |
| Change in statutory, foreign tax, foreign exchange rates and other |      | (70,000)    |      | (30,000)    |
| Permanent difference   |      | 404,000     |      | 578,000     |
| Impact of dissolutions   |      | -           |      | (3,004,000) |
| Adjustment to prior years' provision versus statutory returns      |      | -           |      | 13,000      |
| Change in unrecognized deductible temporary differences            |      | 405,000     |      | 3,914,000   |
|  | \$   | -           | \$   | -           |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

|   | 2022          | Expiry dates                    | 2021          | Expiry dates                    |
|---|---------------|---------------------------------|---------------|---------------------------------|
| Temporary differences                           |               |                                 |               |                                 |
| Property and equipment                          | \$ 20,000     | No expiry date                  | \$ 3,000      | No expiry date                  |
| Exploration and evaluation assets               | 2,642,000     | No expiry date                  | 2,209,000     | No expiry date                  |
| Share issue costs                               | 371,000       | 2042 to 2044                    | 646,000       | 2042 to 2044                    |
| Marketable securities                           | 365,000       | No expiry date                  | 115,000       | No expiry date                  |
| Decommissioning liability                       | 19,000        | No expiry date                  | -             | No expiry date                  |
| Lease liabilities                               | 181,000       | No expiry date                  | -             | No expiry date                  |
| Allowable capital losses                        | 25,834,000    | No expiry date<br>2026 to 2042, | 25,834,000    | No expiry date<br>2026 to 2041, |
| Non-capital losses available for future periods | 35,007,000    | indefinite                      | 33,261,000    | indefinite                      |
|   | \$ 64,439,000 |                                 | \$ 61,968,000 |                                 |

**Regulus Resources Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the Years Ended September 30, 2022 and 2021

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**16. SUBSEQUENT EVENTS**

Subsequent to the year ended September 30, 2022, the Company received a US\$ 5,000,000 investment from Osisko Gold Royalties in exchange for a net smelter return (NSR) ranging from 0.125% to 1.5% on certain claims of the Company's AntaKori project as well as a right (currently held by Regulus) to buy back a 1% NSR from a third party on certain claims of AntaKori.

Subsequent to the year ended September 30, 2022, the Company closed a \$23,112,153 non-brokered private placement of 22,658,974 common shares at a price of \$1.02 per common share. No finder's fee is payable in connection with the private placement.

Subsequent to the year ended September 30, 2022, the Company notified Buenaventura that it had completed 7,500 m of drilling under the Colquirrumi agreement. Buenaventura now has a one-time right until February 22, 2023, to either give the Company a 70% interest in the Colquirrumi claims or give the Company a 30% interest in the claims and a cash payment of US\$ 9,000,000 (Note 5).



**Management's Discussion and Analysis**

**For the Year Ended September 30, 2022**

**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 January 30, 2023 and should be read in conjunction with the audited consolidated financial statements for the years ended September 30, 2022 and 2021, the related notes contained therein, 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 IAS 34, Interim Financial Reporting (“IAS 34”), 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. Regulus is managed by the Antares team responsible for the discovery of the Haquira East porphyry copper deposit, which led to the sale of Antares. The goal of the Company is to discover and de-risk a large-scale deposit that could ultimately be sold to a major mining company, like what was achieved with Antares. Regulus was initially established to continue exploration at its 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. 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 in a region with several large-scale gold and copper mines and deposits and adjacent to two operating mines (Tantahuatay and Cerro Corona). In March 2019, the Company released an updated NI 43-101 resource for AntaKori containing Indicated Resources of 250 million tonnes with a copper grade of 0.48%, gold grade of 0.29 grams per tonne and silver grade of 7.5 grams per tonne, and Inferred Resources of 267 million tonnes with a copper grade of 0.41%, gold grade of 0.26 grams per tonne and silver grade of 7.8 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. In November 2018, all of the Company’s assets in Argentina, including the Rio Grande project, were transferred to Aldebaran Resources Inc. as part of a “spin-out” transaction by way of a statutory plan of arrangement.

Significant Events from October 1, 2021 to the Date of this Report

- In December 2021, the Company restarted drilling activity at the Anta Norte target area of the AntaKori project.. See *Review of 2022* below.
- In December 2021, the Exchange approved the extension of the expiry date of 5,425,125 common share purchase warrants that were issued pursuant to the Company’s December 27, 2019 unit offerings. The warrants will remain exercisable into common shares of the Company at an exercise price of \$1.70 per common share for an additional twelve months to December 27, 2022. All other terms of the warrants remained the same. All such warrants expired unexercised on December 27, 2022.
- In April 2022, the Company sold its 100% undivided interest in the Fireweed project located in central British Columbia, Canada for a cash payment of \$250,000. A 0.5% NSR was also reserved for the Company, increasing to 1.5% upon the pay-out of an underlying 2% NSR capped at \$5,000,000.
- On April 6, 2022, the Company announced results from drill hole AK-21-046 from the AntaKori project (see *news release dated April 6, 2022*).
- On May 26, 2022, the Company announced results from drill hole AK-21-047 from the AntaKori project (see *news release dated May 26, 2022*).

- On July 22, 2022, the Company announced that Ben Cherrington joined the Company as Manager, Investor Relations (*see news release dated July 22, 2022*).
- On August 4, 2022, the Company announced results from drill holes AK-22-048 to AK-22-051 from the AntaKori project (*see news release dated August 4, 2022*).
- On September 14, 2022, the Company announced results from drill hole AK-22-052 from the AntaKori project (*see news release dated September 14, 2022*).
- On October 14, 2022, the Company announced the completion of a US\$5 million investment from Osisko Gold Royalties in exchange for a net smelter return ranging from 0.125% to 1.5% on certain claims of the AntaKori project, as well as a right (currently held by Regulus) to buy-back a 1% NSR from a third party on certain claims of AntaKori (*see news release dated October 14, 2022*).
- On December 22, 2022, the Company announced a US\$15,000,000 (approx. C\$20,460,153) non-brokered private placement by Nuton, a Rio Tinto Venture (“**Nuton**”). Nuton will subscribe for 20,058,974 common shares at a price of \$1.02 per common share. Regulus and Nuton will jointly undertake copper sulphide leach testing utilizing Nuton’s copper sulphide leach technologies with samples from AntaKori. The Nuton™ technologies have the potential to process arsenic-bearing copper sulphides with less impact on the environment and water resources than traditional concentrator processing (*see news release dated December 22, 2022*). Management views the transaction with Nuton as transformational for the Company. Having Rio Tinto (through Nuton) as a significant shareholder will significantly enhance the Company’s ability to optimize the value of the existing resources at AntaKori, and to explore various options with the neighbouring Tantauatay mine to optimize the combined Tantauatay-AntaKori copper gold sulphide deposit. Management is also eager to see the results of the proposed copper sulphide leach testing at AntaKori utilizing Nuton’s copper sulphide leach technologies. The Nuton™ technologies have the potential to process arsenic-bearing copper sulphides with less impact on the environment and water resources than traditional concentrator processing, which could be a real “game-changer” for the deposit. Final results from this test process are expected to take a year or longer to complete.
- On January 20, 2023, the Company announced an upsizing of the private placement announced on December 22, 2022 to 22,658,974 common shares at a price of \$1.02 per common share. The Company’s largest shareholder, Route One Investment Company LLC (“**Route One**”) elected to participate in the private placement by agreeing to purchase 2,600,000 common shares at a price of C\$1.02 per common share. Upon closing the financing, Route One will own 21.81% of Regulus while Nuton will own a 16.11% interest. The Company plans to use the proceeds to advance the AntaKori project and for general corporate purposes (*see news release dated January 20, 2023*).
- On January 30, 2023, the Company announced the closing of the above private placement (*see news release dated January 30, 2023*).

### **Exploration Review of 2022**

Exploration activities focused on the AntaKori project in 2022, with the bulk of the work being conducted on the Anta Norte claims. The 2022 drill program was completed in mid-December 2022.

The Company’s Phase I drill program included 22,140.89 m of drilling in 29 holes, which formed the basis for the 2019 43-101 compliant mineral resource, in conjunction with access to drilling data from adjacent ground by means of a collaborative agreement with Compañía Minera Coimolache S.A. (“**Coimolache**”) (*see news release dated January 24, 2017*). The Company completed the Phase II drill program at the end of 2022, which entailed 31,664.99 m of additional drilling in 34 drill holes. The Phase II drill program was originally designed to consist of approximately 25-30,000 m of additional drilling that would form the basis for an updated mineral resource estimate and complete initial scout holes to test targets to the north. A total of 53,805.88 m of drilling in 63 holes have been completed to date as part of the Phase I + Phase II drilling programs; of which 42,984.73 m have been completed on Regulus claims, 7,619.98 m on the Compañía Minera Colquirrumi S.A. (“**Colquirrumi**”) joint venture claims and 3,201.17 m on the Coimolache claims. As of the date of this report, there were 7 holes from the 2022 drill program remaining to be reported. Those results will be available in the near future.

The 2022 drill program has been successful in expanding the footprint of mineralization on the Anta Norte claims to the north and northwest. The Phase II drill program has also completed the required drilling (7,500 m) to satisfy the conditions for the Company to earn in to a 70% interest in the Colquirrumi claims from Buenaventura (*see news release dated April 3, 2017*). The Company has notified Buenaventura that earn in requirements have been met and Buenaventura will have until February 22, 2023 to determine if the resulting Joint Venture on the claims will be 70% Regulus/30% Buenaventura or if Buenaventura will exercise a one-time claw back clause by paying Regulus US\$9 million to result in a 70% Buenaventura/30% Regulus Joint Venture.

In addition, the Company also selected 50 samples for metallurgical analysis that have been sent to local laboratories in Peru. The Company has received the final metallurgical test work report for this phase of testing and is currently reviewing the findings and conclusions. These results were delayed due to ongoing COVID-19 issues in the lab that completed the test work. The results of this test work will be incorporated into a more extensive and comprehensive metallurgical study to be completed jointly with Nuton during 2023 (*see news release*

dated December 22, 2022).

### **Outlook for 2023**

The Company is currently reviewing the results of the Phase 2 drilling program and planning its exploration program for 2023. Drilling is not expected to commence until after the rainy season in Peru, which typically ends in April. The drilling program will entail drilling to collect large diameter core for metallurgical test work and possibly the initiation of a Phase 3 drilling program to continue to define mineralization to the north and west of current drilling.

The Company is also reviewing various options to potentially consolidate its AntaKori project with the neighbouring Tantauatay mine, as the Company believes that this is the best path forward to optimize the value of the resource. There can be no assurance that the Company will be successful in achieving any form of property consolidation nor can the Company currently project what a consolidation transaction would entail.

The Phase II drill program described above was undertaken as a step toward completing an updated resource estimate at AntaKori in 2023. The timing of the resource update may be impacted by the Company's property consolidation efforts and as such, the Company is currently broadly estimating that the resource estimate will be completed by H2-2023.

Regulus and Nuton will jointly undertake copper sulphide leach testing utilizing Nuton's copper sulphide leach technologies with samples from AntaKori. Regulus will be responsible for acquisition of the large diameter core required for the testing and Nuton will oversee and cover the costs of the testwork. To date the Company has focused on increasing the size of mineral resources at the AntaKori project with demonstrable success. This work will continue but the Nuton agreement will mark a shift toward more focus on early feasibility level work to begin to characterize the likely development pathway for the project. The Company also plans for continued engagement with local communities with programs and projects that emphasis improving education, health, and economic opportunity in the area of the project.

The only firm commitments for the AntaKori project in 2023 include 2023 annual concession fees of US\$70,000, drill road and platform remediation costs estimated at US\$183,434 (over the next 1-2 years with a significant portion in 2023), remediation maintenance and monitoring costs estimated at US\$50,000 annually. The Company is also responsible for developing and implementing a plan to further treat acidic surface waters draining from the Tres Mosqueteros mineral concessions. This obligation is being coordinated with the appropriate government authorities and may eventually become part of a larger multi-party effort to tackle water treatment in the area. The cost for this is currently not well defined but estimated at \$250,000 with no current time frame for execution.

### **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 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.*

#### *AntaKori Project*

The flagship project for Regulus is the AntaKori Cu-Au-Ag project located in northern Peru. A NI 43-101 technical report entitled "AntaKori Project, Cajamarca Province, Peru, NI 43-101 Technical Report" (the "AntaKori Technical Report"), dated February 22, 2019 and prepared by Amec Foster Wheeler (Perú) S. A., a Wood company, was filed on SEDAR and can be viewed at [www.sedar.com](http://www.sedar.com) under the profile *REGULUS RESOURCES INC.* The AntaKori Technical Report reports Indicated Resources of 250 million tonnes grading 0.48% Cu, 0.29g/t Au and 7.5g/t Ag, and Inferred Resources of 267 million tonnes grading 0.41% Cu, 0.26g/t Au and 7.8g/t Ag (please refer to Regulus news release of March 1, 2019 and table below). The estimate is based on historical drilling completed by El Misti Gold (1997-98) and Sinchao Metals (2007-08), as well as new drilling completed through November 2018 by Regulus (22,140.89 m in 29 holes) and drilling data provided through a collaborative agreement established in 2017 with the adjoining property holder (see press release by Regulus dated January 24, 2017). The reported resource is only reported for the portion of the mineralization system that is owned or controlled by Regulus and is open for expansion in several directions.

| <b>Table 1 – Summary of AntaKori Mineral Resource Estimate at a 0.3% CuEq Cut-off</b> |                       |                     |                       |                       |                       |                 |                |                |                   |
|---|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------|----------------|----------------|-------------------|
| <b>Resource Category</b>  | <b>Million Tonnes</b> | <b>Cu Grade (%)</b> | <b>Au Grade (g/t)</b> | <b>Ag Grade (g/t)</b> | <b>CuEq Grade (%)</b> | <b>Cu B lbs</b> | <b>Au M oz</b> | <b>Ag M oz</b> | <b>CuEq B lbs</b> |
| Indicated   | 250                   | 0.48                | 0.29                  | 7.5                   | 0.74                  | 2.6             | 2.3            | 61             | 4.1               |
| Inferred  | 267                   | 0.41                | 0.26                  | 7.8                   | 0.66                  | 2.4             | 2.2            | 67             | 3.9               |

*Notes to accompany Indicated and Inferred Mineral Resource table assuming open pit mining methods for AntaKori Project:*

1. Mineral Resources have an effective date of 22 February 2019; Douglas Reid, P. Eng., a Wood employee, is the Qualified Person responsible for the Mineral Resource estimate.
2. Inputs to costs for cut-off grade assumes a conventional truck and shovel open pit mine handling and feeding a 60,000 t/d concentrator and producing a copper-gold concentrate with arsenic for sale to specialists in concentrate trading, third-party smelters and refineries.
3. Mineral Resources are reported based on a CuEq cut-off of 0.30% constrained within a pit shell.
4. Mineral Resources are only reported within Regulus concessions.
5. CuEq and AuEq grades and metal contents in this table are mutually exclusive and are not additive.
6. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
7. Copper price used is US\$6,614/t (US\$3.00/lb), gold price is US\$1,400/oz, silver price is US\$18.00/oz.
8. Assumed metallurgical recoveries: copper 85%, gold 55%, silver 50%.
9. Assumed pit slope of 45 degrees.
10. Assumed open pit mining cost of US\$1.85/t plus lift charge to average US\$2.00/t, processing cost of US\$7.18/t, G&A cost US\$1.00/t.

### AntaKori Overview

The AntaKori project hosts a large Cu-Au-Ag skarn system with associated breccias and porphyry-style mineralization developed in sedimentary and intrusive rocks, with a later overprint of epithermal, high-sulphidation mineralization associated with the overlying Miocene volcanic rocks, and locally a late epithermal, intermediate sulphidation *base-metal* carbonate style of Au-Cu-Zn mineralization. The project is located 60 km north of the city of Cajamarca in the Hualgayoc District, 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-ESPRO)
- 7 km to the NW of the Cerro Corona Gold-Copper Mine (Goldfields)
- 35 km to the NNW of the Yanacocha Gold Mine (Newmont)
- 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 438 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 17,954 m of drilling was completed in 70 drill holes (22 reverse circulation drill holes and 48 diamond drill holes ) by previous operators El Misti Gold (1997-98) and Sinchao Metals (2007-08).
- A total of 53,805.88 m of diamond drilling in 63 holes has been completed by Regulus to date.
- The AntaKori Technical 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.
- Access to infrastructure as property is located adjacent to two operating mines.

The scope of the mineralized system at AntaKori offers significant upside potential but it requires additional drilling to better define this project.

The AntaKori project has been explored under definitive agreements with Coimolache (the “Coimolache DA” – now terminated) and Colquirrumi (the “Colquirrumi DA” – still active), companies that hold mineral concessions immediately adjacent to, and inter-fingering with, Regulus AntaKori mineral concessions. 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 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. The Coimolache DA has now terminated but Regulus maintains communication and interaction with



Coimolache. 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 provides Colquirrumi with a one-time option to claw-back to a 70% interest by making a cash payment to Regulus. Subsequent to year end, Regulus notified Buenaventura that it had completed 7,500 m of drilling under the Colquirrumi agreement. Buenaventura now has a one-time right until February 22, 2023, to either give Regulus a 70% interest in the Colquirrumi claims or give Regulus a 30% interest in the claims and a cash payment of US\$9.0 million.

The Coimolache DA expired in accordance with its own terms in January 2022 with the principal objectives of the agreement accomplished. The Colquirrumi DA remains in good standing.

The Company has also more recently entered into an option agreement whereby the Company can earn up to a 60% interest in certain claims ("GF Claims") from Gold Fields La Cima S.A. ("Gold Fields"), a subsidiary company of Gold Fields Ltd. (see news release of April 16, 2020). The addition of the GF claims grows the Company's land position in the AntaKori copper-gold project, will increase future resource estimations via the ability to deepen and pushback the current conceptual resource pit on to these claims, and provide additional exploration opportunities to increase the mineralized footprint at the AntaKori project. Regulus can earn a 60% interest in the GF Claims by incurring US\$3.5 M in exploration expenditures over a 3-year term, including completing at least 2,500 m of diamond drilling and producing a 43-101 resource estimate incorporating the GF Claims. Upon completion, Regulus and Gold Fields will form a joint venture with Regulus having a 60% interest and Gold Fields a 40% interest. Upon formation of the joint venture, Gold Fields will have a 60-day window to decide if they wish to acquire an additional 20% interest in the joint venture ("Claw Back Right"), bringing their total interest to 60% and Regulus' position to 40%, in exchange for a cash payment of US\$7.5 M to be paid to Regulus and sole funding US\$5 M in exploration commitments over a 5-year period.

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

On April 6, 2022, the Company announced the results from Phase II drill hole AK-21-046. The goals of this drill hole were to expand skarn mineralization to the north of existing resources and provide a better understanding of the geometry of the high-grade breccia previously encountered at the project.

On May 26, 2022, the Company announced the results from Phase II drill hole, AK-22-047. The goal of this drill hole was to test the continuity of skarn mineralization intercepted in holes to the east and west. In addition, the hole was drilled entirely on Colquirrumi claims, where the Company has the right to earn up to a 70% interest by completing 7,500 m of drilling.

On August 4, 2022, the Company announced the results from drill holes AK-22-048, AK-22-049, AK-22-050 and AK-22-051. The goal of holes AK-22-048 and AK-22-049 was to fill-in a gap in the drilling for an eventual resource update and obtain additional information on the higher-grade breccia mineralization encountered in nearby drill holes. Hole AK-22-050 was designed to drill above hole AK-22-047 (see press release dated May 26, 2022) and provide additional information for an eventual resource update. Hole AK-22-051 was designed to test a previously untested area to the west of the known mineralization. Hole AK-22-051 was drilled to a depth of 1,001.50 m and intercepted several runs of attractive grade mineralization and extended the mineralized footprint significantly to the west, opening a new area for additional drilling. Hole AK-22-050 was drilled to a depth of 530.30 m and intercepted a significant run of attractive grade mineralization confirming the continuity of mineralization previously reported in hole AK-22-047. Hole AK-22-048 was drilled to a 1,273.55 m depth, while hole AK-22-049 crossed the boundary of the Company's claims at approximately 1,360 m depth and was stopped shortly thereafter.

On September 14, 2022, the Company announced the results from drill hole AK-22-052. The goal of this drill hole was to test the continuity of skarn mineralization to the north and search for additional information on breccia and porphyry intercepts at depth in nearby holes. Hole AK-22-052 was drilled to 1,385.80 m before crossing the property boundary and the hole was stopped shortly thereafter. Hole AK-22-052 intersected several intervals of skarn mineralization that expand the mineralized footprint and intersected attractive mineralization in crackle-brecciated quartzites and porphyry dykes at depth.

Highlights from drill holes AK-21-046, AK-22-047, AK-22-048, AK-22-049, AK-22-050, AK-22-051 and AK-22-052 – AntaKori project:

#### **AK-21-046**

- Intercepted an upper zone of skarn mineralization returning 185.8 m of 0.23% Cu, 0.19 g/t Au and 4.17 g/t Ag
- Intercepted multiple intervals of high-grade breccia mineralization surrounded by moderate grades in quartzites crackled by silica-replacements and sulphide veinlets
  - **50.45 m of 1.83% Cu, 0.95 g/t Au and 14.66 g/t Ag in high-grade breccia**
  - 17.25 m of 0.69% Cu, 0.08 g/t Au and 6.58 g/t Ag in crackled quartzite wallrock
  - 16.40 m of 0.41% Cu, 0.15 g/t Au and 6.47 g/t Ag in crackled quartzite wallrock
  - 5.40 m of 0.51% Cu, 0.26 g/t Au and 4.47 g/t Ag in crackled quartzite wallrock

- 9.90 m of 0.52% Cu, 0.04 g/t Au and 2.20 g/t Ag in crackled quartzite wallrock
- **36.00 m of 1.16% Cu, 0.17 g/t Au and 9.64 g/t Ag in high-grade breccia**
  - Hole ended in this interval, with the last 11.45 m of the hole averaging 1.81% Cu, 0.24 g/t Au and 16.14 g/t Ag
  - The breccia matrix in this interval is largely composed of mineralized porphyry with the last 4.4 m of the hole entirely in mineralized porphyry
- **Mineralization remains open in multiple directions**

#### AK-22-047

- 33.13 m of 0.64 g/t Au and 13.14 g/t Ag from 162.20 m
  - Including 8.43 m of 2.15 g/t Au and 17.72 g/t Ag from 186.90 m
- 54.50 m of 0.16% Cu, 0.12 g/t Au and 6.04 g/t Ag from 224.35 m
- **286.80 m of 0.29% Cu, 0.21 g/t Au and 7.70 g/t Ag from 383.80 m**
  - **Including 137.75 m of 0.45% Cu, 0.27 g/t Au and 8.71 g/t Ag from 464.35 m**
  - **And 21.23 m of 0.26% Cu, 0.44 g/t Au and 15.85 g/t Ag from 623.37 m**

#### AK-22-048

- Intercepted skarn mineralization returning 108.25 m of 0.32% Cu, 0.23 g/t Au and 6.89 g/t Ag from 406.7 m deep
- Additional mineralization throughout the hole, however many narrow intervals which do not bulk out into longer reportable intervals
- Near the bottom of the hole, multiple, narrow, well-mineralized porphyry dykes were intercepted containing chalcopyrite and bornite
  - These porphyry dykes locally run greater than 1% CuEq

#### AK-22-049

- Intercepted an upper zone of skarn mineralization returning 172.15 m of 0.24% Cu, 0.16 g/t Au and 5.28 g/t Ag from 262.95 m deep
- Intercepted a lower zone of mineralization in breccia units hosted within strongly crackled quartzite wall rocks and returning 250.92 m of 0.38% Cu, 0.07 g/t Au and 2.30 g/t Ag from 1,109.50 m deep
  - Including 11.00 m of 0.44% Cu, 0.31 g/t Au and 14.77 g/t Ag from 1,109.50 m deep
  - Including 21.95 m of 0.57% Cu, 0.08 g/t Au and 2.11 g/t Ag from 1,191.95 m deep
  - Including 23.50 m of 0.57% Cu, 0.05 g/t Au and 2.39 g/t Ag from 1,276.30 m deep
  - Including 46.97 m of 0.56% Cu, 0.07 g/t Au and 2.30 g/t Ag from 1,313.00 m deep
    - Mineralization near the bottom of the hole is dominantly in strongly crackled quartzite wall rocks intruded by several, narrow, well-mineralized porphyry dykes, containing chalcopyrite, bornite, enargite and molybdenite
      - These porphyry dykes locally run greater than 1% CuEq

#### AK-22-050

- Intercepted skarn mineralization returning 247.10 m of 0.34% Cu, 0.25 g/t Au and 9.58 g/t Ag from 283.20 m deep
  - Including 39.71 m of 0.50% Cu, 0.50 g/t Au and 11.83 g/t Ag from 305.94 m deep
  - And 49.45 m of 0.58% Cu, 0.31 g/t Au and 19.72 g/t Ag from 418.90 m deep
- Hole ended in mineralization, but was stopped near to the claim boundary
- Hole was drilled entirely on Colquirrumi claims

#### AK-22-051

- Intercepted skarn mineralization overprinted by intermediate-sulphidation mineralization returning 171.95 m of 0.34% Cu, 0.39 g/t Au and 5.58 g/t Ag from 337.35 m deep
  - This intercept also returned 1.41% Zn
  - Including 114.60 m of 0.40% Cu, 0.51 g/t Au and 6.82 g/t Ag at a depth of 337.35 m
    - This intercept also returned 1.88% Zn.
- Intercepted skarn mineralization with a high-sulphidation overprint returning 138.30 m of 0.23% Cu, 0.45 g/t Au and 4.27 g/t Ag from 588.90 m deep
  - Including 37.95 m of 0.29% Cu, 1.28 g/t Au and 7.22 g/t Ag from 533.25 m deep
- Intercepted skarn overprinted by intermediate-sulphidation mineralization returning 83.10 m of 0.20% Cu, 1.01 g/t Au and 2.32 g/t Ag from 787.30 m deep

- The hole was completed in a previously untested area away from any previous drilling, opening a new area for exploration and potential resource growth
- The hole was drilled entirely on Colquirrumi claims

#### AK-22-052

- 98.15 m of 0.29% Cu, 0.37 g/t Au and 8.17 g/t Ag in skarn/base-metal carbonate mineralization from 212.55 m depth
  - Including 11.60 m of 0.70% Cu, 1.19 g/t Au and 33.41 g/t Ag from 291.80 m depth
- 131.75 m of 0.17% Cu, 0.21 g/t Au and 4.42 g/t Ag hosted in a rhyolite intrusion overprinted by base-metal carbonate mineralization from 650.75 m depth
- 178.85 of 0.27% Cu, 0.10 g/t Au and 4.75 g/t Ag from 815.85 m depth
- 287.80 m of 0.39% Cu, 0.06 g/t Au and 3.18 g/t Ag in porphyry dykes/crackle-brecciated quartzites/quartzites from 1,098 m depth
  - The porphyry dykes appear to be passive host rocks and are not the source of mineralization, but rather are overprinted by mineralization from a different source
  - Including 32.15 m of 0.64% Cu, 0.09 g/t Au and 8.08 g/t Ag hosted in porphyry intrusive rocks from 1,102.5 m depth
  - And 16.70 m of 0.63% Cu, 0.05 g/t Au and 4.52 g/t Ag in quartz-healed breccias from 1,229.4 m depth
  - And 41.80 m of 0.51% Cu, 0.03 g/t Au and 2.57 g/t Ag in quartz-healed breccias and porphyry dykes from 1,297 m depth
- The last 156.40 m of the hole runs 105 ppm Mo, suggesting we may have entered the outer molybdenite (“moly”) shell of a porphyry center

Further details regarding the mineralized intercepts encountered in drill holes AK-21-046, AK-22-047, AK-22-048, AK-22-049, AK-22-050 AK-22-051 and AK-22-052 together with a discussion of the results, can be found on the Regulus website. See news releases dated April 6, 2022, May 26, 2022, August 4, 2022 and September 14, 2022 for further details.

#### Operations and Financial Condition

##### Selected Annual Information

The following selected annual financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with IFRS guidelines.

| All in 1,000's except Loss per share and Number of shares | 2022        | 2021        | 2020       |
|---|-------------|-------------|------------|
| Working capital (deficit)                                 | \$ (4,642)  | \$ 7,989    | \$ 2,607   |
| General and administration expenses                       | 2,001       | 3,403       | 4,766      |
| Net gain (loss)   | (2,735)     | (5,445)     | (5,243)    |
| Gain (loss) per share                                     | (0.03)      | (0.05)      | (0.05)     |
| Gain (loss) per share (fully diluted)                     | (0.03)      | (0.05)      | (0.05)     |
| Total assets  | 56,632      | 52,003      | 56,303     |
| Exploration and evaluation assets                         | 54,719      | 40,911      | 51,892     |
| Other non-current assets                                  | 1,141       | 1,439       | 1,058      |
| Total liabilities   | 6,013       | 2,277       | 1,148      |
| Share capital <sup>(1)(2)</sup>                           | 114,707     | 114,707     | 114,707    |
| Number of shares <sup>(1)(2)</sup>                        | 101,849,844 | 101,849,844 | 98,360,092 |
| Accumulated deficit                                       | 76,826      | 74,091      | 68,646     |

(1) The Company has only one kind and class of shares issued and outstanding, being common shares

(2) No dividends were paid during the years reported above

#### *Results of Operations for the Year Ended September 30, 2022 Compared to the Year Ended September 30, 2021*

During the year ended September 30, 2022, loss from operating activities was \$2,734,924 compared to loss from operating activities of \$5,445,099 for the year ended September 30, 2021. Significant variances from the prior year are as follows:

- A decrease of \$69,809 in consulting fees. Consulting fees were \$nil for the year ended September 30, 2022 compared to \$69,809 for the year ended September 30, 2021. The variance is due to the termination of a consulting agreement in September 2021.
- A decrease of \$228,320 in legal fees. Legal fees were \$54,333 for the year ended September 30, 2022 compared to \$282,653 for the year ended September 30, 2021. The variance is due primarily to legal fees related to the sale of royalty interest to Osisko Gold Royalties Ltd. in fiscal 2021.

- A decrease of \$146,151 in office and administration. Office and administration was \$459,067 for the year ended September 30, 2022 compared to \$605,218 for the year ended September 30, 2021. The variance is primarily due to an employee bonus of \$100,000 incurred during the year ended September 30, 2021.
- A decrease of \$60,626 in transfer agent and listing fees. Transfer agent and listing fees was \$90,857 for the year ended September 30, 2022 compared to \$151,483 for the year ended September 30, 2021. The variance is primarily due to TSX Venture Exchange filing fees related to the sale of a royalty interest to Osisko Gold Royalties Ltd and sponsorship fees for the Lima Stock Exchange incurred during the year ended September 30, 2021.
- A decrease of \$808,390 in share-based compensation. Share-based compensation was \$209,506 for the year ended September 30, 2022 compared to \$1,017,896 for the year ended September 30, 2021 due to the timing of vesting of stock options issued.
- A gain of \$153,818 on foreign exchange for the year ended September 30, 2022 compared to a loss of \$941,440 for the year ended September 30, 2021. The difference was mainly the result of fluctuations of the US\$, the Peruvian Nuevo Sol and the CAD\$.
- A gain of \$249,500 on sale of mineral property for the year ended September 30, 2022 compared to a gain of \$Nil for the year ended September 30, 2021 due to the sale of the Company's 100% undivided interest in the Fireweed project.

*Results of Operations for the Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021*

During the three months ended September 30, 2022, loss from operating activities was \$409,670 compared to loss from operating activities of \$725,393 for the three months ended September 30, 2021. Significant variances from the same period in the prior year are as follows:

- A decrease of \$71,219 in legal fees. Legal fees were \$15,844 for the three months ended September 30, 2022 compared to \$87,063 for the year ended September 30, 2021. The variance is due primarily to legal fees related to the sale of royalty interest to Osisko Gold Royalties Ltd. in fiscal 2021.
- A decrease of \$75,610 in office and administration. Office and administration was \$33,449 for the three months ended September 30, 2022 compared to \$109,059 for the three months ended September 30, 2021. The variance is primarily due to a reclass of expenses incurred during the three months ended September 30, 2022.
- A decrease of \$93,858 in share-based compensation. Share-based compensation was \$22,785 for the three months ended September 30, 2022 compared to \$116,643 for the three months ended September 30, 2021 due to the timing of vesting of stock options issued.
- During the three months ended September 30, 2022, the Company wrote-off receivables of \$495,672 (2021 –\$374,432) related to Peru's value-added tax. The Company's accounting practice is to write these receivables off until they are actually collected. If and when these receivable are collected, the write-off will be reversed to the extent of such collection.

Cash Flow

*Operating Activities*

Cash outflow from operating activities was \$2,902,162 for the year ended September 30, 2022 compared to \$3,533,786 for the year ended September 30, 2021. The change was the cumulative result of several variations in the items affecting cash flow from operations as discussed above under "Results from Operations".

*Investing Activities*

Cash outflow from investing activities was \$6,703,742 for the year ended September 30, 2022 compared to cash inflow of \$10,308,302 for the year ended September 30, 2021. The cash inflows in the year ended September 30, 2021, are primarily the result of the \$16,198,751 Osisko Partnership, and cash outflows in the current period are primarily from expenditures on exploration and evaluation assets.

### Summary of Quarterly Results

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

| All in \$1,000's except loss (gain) per share | September 30,<br>2022 | June 30,<br>2022 | March 31,<br>2022 | December 31,<br>2021 |
|---|-----------------------|------------------|-------------------|----------------------|
| Working capital (deficiency)                  | \$(4,642)             | \$(333)          | \$4,122           | \$6,499              |
| Loss (gain)                                   | \$932                 | \$556            | \$817             | \$429                |
| Loss (gain) per share                         | \$0.01                | \$0.01           | \$0.01            | \$0.00               |
| Loss (gain) per common share (diluted)        | \$0.01                | \$0.01           | \$0.01            | \$0.00               |
| Total assets                                  | \$56,632              | \$52,240         | \$50,788          | \$51,373             |
| Total liabilities                             | \$6,013               | \$3,180          | \$2,880           | \$2,239              |
| Deficit                                       | \$76,826              | \$75,893         | \$75,337          | \$74,520             |

| All in \$1,000's except loss (gain) per share | September 30,<br>2021 | June 30,<br>2021 | March 31,<br>2021 | December 31,<br>2020 |
|---|-----------------------|------------------|-------------------|----------------------|
| Working capital (deficiency)                  | \$7,989               | \$10,236         | \$13,176          | \$15,710             |
| Loss (gain)                                   | \$1,111               | \$1,077          | \$1,704           | \$1,553              |
| Loss (gain) per share                         | \$0.01                | \$0.01           | \$0.02            | \$0.01               |
| Loss (gain) per common share (diluted)        | \$0.01                | \$0.01           | \$0.02            | \$0.01               |
| Total assets                                  | \$52,003              | \$54,669         | \$55,451          | \$56,577             |
| Total liabilities                             | \$2,277               | \$1,554          | \$882             | \$963                |
| Deficit                                       | \$74,091              | \$72,980         | \$71,903          | \$70,199             |

### Liquidity and Capital Resources

Cash at September 30, 2022 totaled \$249,167 compared to \$9,501,237 at September 30, 2021. Working capital deficit at September 30, 2022 was \$4,642,176 compared to working capital of \$7,989,176 as at September 30, 2021.

Subsequent to the year ended September 30, 2022, the Company completed a \$5-million (U.S.) investment from Osisko Gold Royalties in exchange for a net smelter return (NSR) ranging from 0.125% to 1.5% on certain claims of the company's AntaKori project as well as a right (currently held by Regulus) to buy back a 1% NSR from a third party on certain claims of AntaKori. Proceeds from the investment have been used for exploration activities at AntaKori and for general corporate purposes.

Subsequent to the year ended September 30, 2022, the Company closed a \$23.1-million non-brokered private placement with Nuton and Route One of 22,658,974 common shares at a price of \$1.02 per common share. No finder's fee is payable in connection with the private placement. Proceeds from the investment will be used for exploration activities at AntaKori and for general corporate purposes.

Exploration and evaluation of assets at September 30, 2022 totaled \$54,719,458 compared to \$40,910,648 as at September 30, 2021. The increase is primarily as a result of exploration expenditures in the current period.

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 124,508,818 common shares issued and outstanding and the following stock options and warrants outstanding:

### Stock Options

| Exercise Price | Number Outstanding | Expiry Date      |
|----------------|--------------------|------------------|
| \$ 0.86        | 215,000            | June 29, 2023    |
| 2.00           | 50,000             | July 11, 2023    |
| 1.60           | 5,250,000          | February 4, 2024 |
| 1.78           | 200,000            | March 1, 2024    |
| 0.86           | 1,560,000          | June 29, 2025    |
| 1.49           | 200,000            | October 19, 2025 |
| 0.89           | 200,000            | April 13, 2026   |
| 0.76           | 100,000            | July 22, 2027    |
|                | 7,775,000          |                  |

### Warrants

| Exercise Price | Number Outstanding | Expiry Date      |
|----------------|--------------------|------------------|
| \$ 2.25        | 5,500,000          | December 1, 2023 |
|                | 5,500,000          |                  |

### Related Party Transactions

During the year ended September 30, 2022, 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 year ended September 30, 2022, DBD Resources was paid \$224,353 (2021 - \$221,110). Amounts paid to DBD Resources are classified as management fees expense in the consolidated statements of profit and loss.

At September 30, 2022, the Company owed \$60,108 (September 30, 2021 – \$Nil) to DBD Resources, included in accounts payable and accrued liabilities. During the year ended September 30, 2022, Mr. John Black loaned the Company \$549,560 (\$400,000 USD). The loan accrues simple interest at 10% per annum, is due on December 31, 2022, and is unsecured. As at September 30, 2022, Mr. John Black was owed \$552,938 (\$402,459 USD) which included accrued interest of \$3,378 (\$2,459 USD). The loan and interest was repaid in full subsequent to the year ended September 30, 2022.

- b) For the year ended September 30, 2022, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$224,353 in consulting fees (2021 – \$221,110). Amounts paid to Mr. Pickmann are classified as management fees in the consolidated statements of profit and loss. A law firm at which Mr. Pickmann was a partner was also paid or accrued \$68,552 (2021 - \$137,834) for legal services. Legal fees paid to Mr. Pickmann’s law firm are classified as legal expenses in the consolidated statements of operations and comprehensive loss.

At September 30, 2022, the Company owed \$40,072 (September 30, 2021 – \$Nil) to Mr. Pickmann and owed \$38,521 (September 30, 2021 – \$1,793) to the law firm at which Mr. Pickmann was a partner which is included in accounts payable and accrued liabilities.

- c) Unicus Funds Ltd. (“Unicus”) is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the year ended September 30, 2022, Unicus was paid \$75,000 (2021 – \$75,000). Amounts paid to Unicus are classified as management fees expense in the consolidated statements of operations and comprehensive loss.

At September 30, 2022, the Company owed \$19,688 (September 30, 2021 – \$Nil) to Unicus, included in accounts payable and accrued liabilities. During the year ended September 30, 2022, Mr. Mark Wayne loaned the Company \$125,000. The loan accrues simple interest at 10% per annum, is due on December 31, 2022, and is unsecured. As at September 30, 2022, Mr. Mark Wayne was owed \$125,822 which included accrued interest of \$822. The loan and interest was repaid in full subsequent to the year ended September 30, 2022.

- d) K.B. Heather & Socios Limitada (The Rock Doctor Limitada) (“K.B. Heather”) is a private company controlled by Dr. Kevin B. Heather, Chief Geological Officer of the Company. For the period ended September 30, 2022, K.B. Heather was paid \$192,303 (2021 – \$189,523). Amounts paid to K.B. Heather are classified as management fees in the consolidated statements of operations and comprehensive loss.

At September 30, 2022, the Company owed \$51,521 (September 30, 2021 – \$Nil) to K.B. Heather, included in accounts payable and accrued liabilities.

- e) At September 30, 2022, the Company owed \$922 (September 30, 2021 – is owed from \$20,698) to Aldebaran, a company with common directors and management
- f) The Company holds 2,000,000 common shares (September 30, 2021 – 2,000,000 common shares) of Highway 50 Gold Corp., a company with a director in common, included within long term investments.

#### 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.

The remuneration of directors and other members of key management personnel during the year ended September 30, 2022 and 2021 are as follows:

|                                      | Fees and Bonus    | Share-based<br>Benefits | Total               |
|--------------------------------------|-------------------|-------------------------|---------------------|
| <b>Year ended September 30, 2022</b> |                   |                         |                     |
| Chief Executive Officer              | \$ 224,353        | \$ 13,743               | \$ 238,096          |
| Chief Geological Officer             | 192,303           | 13,743                  | 206,046             |
| Chief Financial Officer              | 75,000            | 13,743                  | 88,743              |
| Chief Operating Officer              | 224,353           | 13,743                  | 238,096             |
| Non-executive directors              | -                 | 92,366                  | 92,366              |
|                                      | <u>\$ 716,009</u> | <u>\$ 147,338</u>       | <u>\$ 863,347</u>   |
| <b>Year ended September 30, 2021</b> |                   |                         |                     |
| Chief Executive Officer              | \$ 221,110        | \$ 106,531              | \$ 327,641          |
| Chief Geological Officer             | 189,523           | 106,531                 | 296,054             |
| Chief Financial Officer              | 75,000            | 106,531                 | 181,531             |
| Chief Operating Officer              | 221,110           | 106,531                 | 327,641             |
| Non-executive directors              | -                 | 253,192                 | 253,192             |
|                                      | <u>\$ 706,743</u> | <u>\$ 679,316</u>       | <u>\$ 1,386,059</u> |

#### Financial and Capital Risk Management

Please refer to the September 30, 2022 audited consolidated financial statements on [www.sedar.com](http://www.sedar.com).

#### Recent Accounting Policies

Please refer to the September 30, 2022 audited consolidated financial statements on [www.sedar.com](http://www.sedar.com).

#### Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

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)).

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual reports could differ from management's estimates.

### Contingencies

There are no contingent liabilities.

### Internal Controls Over Financial Reporting

#### *Changes in Internal Control over Financial Reporting ("ICFR")*

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

### Other MD&A Requirements

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

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)).

### Disclosure for Venture Issuers without Significant Revenue

A breakdown of the components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the period ended September 30, 2022 to which this MD&A relates. A breakdown of the components of the exploration and evaluation assets of the Company is disclosed in the consolidated financial statements for the period ended September 30, 2022 to which this MD&A relates.

### **Risks and Uncertainties**

The operations of the Company are speculative due to the high-risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties. There are a number of factors that could negatively affect the Company's business and the value of its common shares, including the factors listed below. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Other factors may arise that are not currently foreseen by management of the Company that may present additional risks in the future. Current and prospective security holders of the Company should carefully consider these risk factors, as they could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The more significant risks, as they relate to the Company's consolidated financial statements for the period ended September 30, 2022 and this MD&A, include the following.

#### *COVID-19*

At the date of this MD&A, the global development of COVID-19 was continuing to evolve. The extent and impact of the risks posed to Regulus by COVID-19 and other epidemics/pandemics/endemic diseases cannot be fully known, quantified, or predicted with any certainty. Global phenomena such as COVID-19 increase the risk of significant labour force disruption (including the supply of labour or site/country access) and the potential loss (permanent/temporary) of personnel. Our operations are located in remote locations and represent concentrations of personnel working and sometimes residing in close proximity to one another. COVID-19 has the potential to spread rapidly and place the Company's workforce at risk. As a Company, where practicably possible, steps are being continually assessed and



implemented, as appropriate, to both protect employees and mitigate risks to operations from these threats and impacts, but there can be no assurance as to the level of impact the pandemic will have.

#### *Exploration and Development Risk*

The Company's properties are in the exploration stage and are without a known body of commercial ore. Exploration for mineral resources involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The risks and uncertainties inherent in exploration activities include but are not limited to: legal and political risk arising from operating in certain developing countries, civil unrest, general economic, market and business conditions, the regulatory process and actions, failure to obtain necessary permits and approvals, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade, metallurgy and proximity to infrastructure and labour), the interpretation of geological data obtained from drilling and sampling, feasibility studies, the cost of water and power; anticipated climatic conditions; cyclical metal prices; fluctuations in inflation and currency exchange rates; higher input commodity and labour costs, commodity prices, government regulations, including regulations relating to prices, taxes, royalties, land tenure and use, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. Development projects will also be subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may adversely affect the Company's business.

#### *Negative Operating Cash Flow*

The Company is an exploration stage company and has not generated cash flow from operations. The Company is devoting significant resources to the development and acquisition of its properties; however, there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it achieves commercial production at a particular project. The Company currently has negative cash flow from operating activities.

#### *Mineral Resource Estimates*

The Company's reported mineral resources are estimations only. No assurance can be given that the estimated mineral resources will be recovered. By their nature, mineral resource estimations are imprecise and depend, to a certain extent, upon statistical inferences, which may ultimately prove unreliable because, among other factors, they are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. mineral resource estimations may require revision (either up or down). There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. There can be no assurance that recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions. In particular, factors that may affect mineral resource estimates include:

- changes in interpretations of mineralization geometry and continuity of mineralization zones;
- input parameters used in the Whittle shell that constrains the mineral resources amenable to open pit mining methods;
- metallurgical and mining recoveries;
- operating and capital cost assumptions;
- metal price and exchange rate assumptions;
- confidence in modifying factors, including assumptions that surface rights to allow infrastructure to be constructed will be forthcoming;
- delays or other issues in reaching agreements with local or regulatory authorities and stakeholders;
- changes in land tenure requirements or permitting requirements from those discussed in the report; and
- changes in the environmental regulations or laws governing the property.

Changes in key assumptions and parameters could result in a restatement of mineral resource estimates. mineral resources that are not mineral reserves do not have demonstrated economic viability and there is no assurance that they will ever be mined or processed profitably. Due to the uncertainty which may attach to mineral resources, there is no assurance that all or any part of Measured or Indicated mineral resources will ever be converted into mineral reserves. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's results of operations and financial condition.

### *Title Risk*

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, those rights are in good standing. The results of the Company's investigations should not be construed as a guarantee of title. Other parties may dispute the title to a property, or the property may be subject to prior unregistered agreements or liens and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties, and the precise area and location of claims or the properties may be challenged and no assurances can be given that there are no title defects affecting such properties. Any defects in the title to the Company's properties could have a material and adverse effect on the Company.

No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. Although the Company has not had any problem renewing its licenses in the past there is no guarantee that it will always be able to do so. Inability to renew a license could result in the loss of any project located within that license.

### *Foreign Operations Risk*

The Company conducts exploration activities in Peru. Operating in a foreign country exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks vary from country to country and for Peru in particular include, but are not limited to, civil unrest or war, terrorism, illegal mining, changing political conditions, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's existing assets and operations. Real and perceived political risk may also affect the Company's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities.

Numerous countries have introduced changes to mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of law affecting foreign ownership, mandatory government participation, taxation and royalties, exploration licensing, export duties, and repatriation of income or return of capital. There can be no assurance that industries, which are deemed of national or strategic importance in countries in which the Company has assets, including mineral exploration, will not be nationalized. There is a risk that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company.

### *Metal Price Risk*

The Company's portfolios of properties and investments have exposure to predominantly copper, gold, and silver. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing and metals-consuming countries throughout the world. The prices of these metals greatly affect the value of the Company, the price of the common shares of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures, option agreements and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different metal prices.

Commodity prices, and in particular copper prices, may be significantly affected by both demand and supply-side disruptions as a result of COVID-19, global shutdowns as a result of COVID-19, and its continuing impact on economies around the world.

### *Uncertainty of Funding*

The exploration and development of mineral properties requires a substantial amount of capital and depends on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable

terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of property interest. If the Company needs to raise additional funds, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

Recent economic events including US-China trade disputes, the COVID-19 global pandemic, disruptions to national and international supply chains and rising inflationary trends worldwide have created further uncertainty in global financial and equity markets and may adversely impact the Company's share price and ability to raise capital.

#### *Future Offerings of Debt or Equity Securities*

The Company may require additional funds to finance further exploration, development and production activities, or to take advantage of unanticipated opportunities. If the Company raises additional funds by issuing additional equity securities, such financing would dilute the economic and voting rights of the Company's shareholders. Since the Company's capital needs depend on market conditions and other factors beyond its control, it cannot predict or estimate the amount, timing or nature of any such future offering of securities. Thus, holders of common shares of the Company bear the risk of any future offerings reducing the market price of the common shares and diluting their shareholdings in the Company.

#### *Currency Risk*

The Company transacts business in a number of currencies including but not limited to the Canadian Dollar, the US Dollar, and the Peruvian Nuevo Sol. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or a negative direction. The Company does not currently engage in foreign currency hedging activities.

#### *Social License*

The ability to carry out exploration programs on our mineral claims in Peru is conditional on the Company obtaining all the necessary permits, which usually requires the Company to engage with the local communities to obtain their consent. There can be no assurance that the Company will always be able to obtain these consents when requested. Even when all necessary consents are obtained, there is still a risk that local opposition might arise which could effect the Company's ability to carry out its intended exploration programs. The Company attempts to mitigate these risks by following all required protocols and by maintaining a robust program of engagement with local communities, which often includes social benefit programs funded by the Company.

#### *Internal Controls*

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

#### *Information Systems and Cyber Security*

The Company's operations depend on information technology ("IT") systems. These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyberattacks, as well as disruptions resulting from incidents such as cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations. Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

#### *Corruption and Bribery*

The Company is required to comply with anti-corruption and anti-bribery laws, including the Canadian *Extractive Sector Transparency Measures Act*, the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act, as well as similar laws in the countries in which the Company conducts its business. If the Company finds itself subject to an enforcement action or is found to be

in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company. The Company has adopted a comprehensive Anti-Corruption Policy in order to mitigate this risk.

### *Competition*

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential, as well as the necessary labour and supplies required to develop such properties. The Company competes with other exploration and mining companies, many of which have greater financial resources, operational experience and technical capabilities than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. The Company may not be able to maintain or acquire attractive mining properties on terms it considers acceptable, or at all. Consequently, its financial condition could be materially adversely affected.

### *Uninsurable Risks*

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

### *Environmental Risks*

It is possible that future regulatory developments, such as increasingly strict environmental protection laws, climate change policies, regulations and enforcement policies, and claims for damages to property and persons resulting from the Company's operations, could result in additional costs and liabilities, restrictions on or suspension of the Company's activities and delays in the exploration of and development of its properties.

The physical effects of climate change, which may include extreme weather events, resource shortages, changes in rainfall and storm patterns, water shortages and extreme weather events, may have an adverse effect on our operations. Events or conditions such as flooding or inadequate water supplies could disrupt exploration activities and rehabilitation efforts, could create resource shortages and could damage our property or equipment and increase health and safety risks on our properties. Such events or conditions could also have other adverse effects on our operations, our workforce and on the local communities surrounding our properties, such as an increased risk of food, water scarcity and civil unrest.

### *Tax*

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. For this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

### Cautionary Note Forward Looking Statements

Certain statements made and information contained herein in the MD&A constitutes "forward-looking information" and forward-looking statements" within the meaning of applicable securities legislation (collectively, "forward-looking information" or "forward-looking statements") concerning the business, operations, financial performance and condition of the Company. The forward-looking information contained in this MD&A is based on information available to the Company as of the date of this MD&A. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance, (often, but not always, identified by words or phrases such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "projects", "estimates", "budgets", "scheduled", "forecasts", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events, conditions or results "will", "may", "could", "would", "should", "might" or "will be taken", "will occur" or "will be achieved" or the negative connotations thereof and similar expressions) are not statements of historical fact and may be forward-looking statements.

All statements other than statements of historical fact may be forward-looking statements. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, the inherent

uncertainties regarding mineral resource estimates, cost estimates, changes in commodity prices, currency fluctuation, financings, unanticipated resource grades, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations, the impact of COVID-19 on the Company's operations, personnel, ability to finance and outlook, as well as other risks, and uncertainties and other factors, including, without limitation, those referred to in the "Risks and Uncertainties" section of the MD&A, and elsewhere, which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

The Company believes that the expectations reflected in the forward-looking statements and information included in this MD&A are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and information should not be unduly relied upon. This statement and information is as of the date of the MD&A. In particular, this MD&A contains forward-looking statements or information pertaining to the assumptions used in the mineral resources estimates for the AntaKori Project, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological conditions, as applicable; ability to develop infrastructure; assumptions made in the interpretation of drill results, geology, grade and continuity of mineral deposits; expectations regarding access and demand for equipment, skilled labour and services needed for exploration and development of mineral properties, the impact of COVID-19 on the Canadian and worldwide economy, the Company's workforce, world wide demand for commodities and the Company's business generally; and that activities will not be adversely disrupted or impeded by exploration, development, operating, regulatory, political, community, economic and/or environmental risks. In addition, this MD&A contains forward-looking statements or information pertaining to the anticipated timing or ability to secure additional financing and/or the quantum and terms thereof; exploration and development plans and expenditures; the timing and nature of studies and any potential development scenarios; opportunities to improve project economics; the success of future exploration activities; potential for resource expansion; potential for the discovery of new mineral deposits; ability to build shareholder value; expectations with regard to adding to mineral resources through exploration; expectations with respect to the conversion of inferred resources to an indicated resources classification; ability to execute the planned work programs; estimation of commodity prices, mineral resources, costs, and permitting time lines; ability to obtain surface rights and property interests; currency exchange rate fluctuations; requirements for additional capital; government regulation of mining activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; and other risks and uncertainties.

Forward-looking information is based on certain assumptions that the Company believes are reasonable, including that the current price of and demand for commodities will be sustained or will improve, the supply of commodities will remain stable, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material labour dispute, accident, or failure of plant or equipment. These factors are not, and should not be construed as being, exhaustive. Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking information contained in this document is qualified by these cautionary statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof. Statements relating to "mineral resources" are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described can be profitably produced in the future.

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)).