



**Management's Discussion and Analysis**

**For the Year Ended September 30, 2017**

**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 24, 2018 and should be read in conjunction with the consolidated financial statements for the years ended September 30, 2017 and 2016, the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.regulusresources.com](http://www.regulusresources.com).

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

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

**Description of Business and Overview**

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

**Significant Events During the Current Year to the Date of this Report**

In May 2016, the Company announced that its wholly owned Peruvian subsidiary, Southern Legacy Peru S.A.C. ("Regulus Peru"), had entered into binding Memorandum of Understanding agreements ("MOU's") with Compañía Minera Coimolache S.A. ("Coimolache") and Compañía Minera Colquirrumi S.A. ("Colquirrumi"), companies that hold mineral concessions immediately adjacent to, and interfering with, Regulus Peru's AntaKori copper-gold project in northern Peru. These agreements allow for mutual access, mutual rights of expansion and collaborative exploration of the project area, providing benefit to all three parties. The MOU agreements were to be superseded by more comprehensive definitive agreements by the end of 2016. In January 2017, the parties agreed to extend the deadline for the Coimolache definitive agreement (the "Coimolache DA") to January 31, 2017, and to March 30, 2017 for the Colquirrumi definitive agreement (the "Colquirrumi DA"). In January 2017, the Company finalized the execution of the Coimolache DA with the terms of the agreement remaining effectively the same as the Coimolache MOU. In April, 2017, the Company announced the execution of the Colquirrumi DA with the terms of the agreement remaining effectively the same as the Colquirrumi MOU.

***Coimolache Definitive Agreement***

Coimolache is a mining company that owns and operates the Tantahuatay gold-silver mine immediately adjacent to the southern margin of Regulus Peru's AntaKori project. The principal shareholders of Coimolache are Compañía de Minas Buenaventura S.A.A. ("Buenaventura" – 40% and operator) and Southern Peru Copper S.A.A. (44%). The Coimolache Definitive Agreement allows for mutual access, mutual rights of expansion and collaborative exploration with a principal objective of determining the size and nature of the AntaKori copper-gold deposit and a secondary objective of allowing the expansion of Coimolache's Tantahuatay oxide gold mine by way of lay-back onto Regulus Peru's mining concessions. The key components of the agreement are as follows:

- The creation of an Area of Interest ("AOI") consisting of mining rights from both Coimolache and Regulus Peru (each referred to individually as Party and collectively as the Parties) centered on the known AntaKori copper-gold sulphide mineralization.
- Each Party retains its current mining rights.
- Collaborative exploration within the AOI, overseen by a joint technical committee and with each Party assuming costs for work done on its own mining rights.

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- Each Party has access to all exploration data generated by either Party within the AOI.
- Each Party has access to all surface rights owned or controlled by either Party.
- Either Party may elect to proceed with exploration activity on its own mining concessions, at its sole cost, in the event that the other Party elects to not conduct exploration activity at that time.
- For the purposes of permitting and management of exploration and development activities, the AOI will be divided into two sub-areas – Sub-area 1 and Sub-area 2:

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

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

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

- Within the first five years from the execution of the DA, either Party may elect to become the Developing Party ("DP") and thereby have the right to develop and mine sulphide mineralization within the AOI by meeting the following requirements:
  - Presenting a mining plan, scoping study, preliminary economic assessment ("PEA") or similar development plan;
  - Presenting a Preliminary Feasibility Study ("PFS") within two years of presenting a scoping study or PEA;
  - Presenting a Final Feasibility Study ("FFS") within three years of presenting a PFS;
  - Starting construction within 3 years of presenting the FFS;
  - Assuming all development and operating costs;
  - Assuming all responsibility for permitting costs and procedures;
  - Stockpiling mined material, if requested by the other Party, that is moved from the other Party's mining concessions within the AOI;
  - Paying a 5% NSR to the other Party for mineralization processed from the other Party's mining concessions within the AOI; and
  - Assuming all responsibility for environmental and closure costs.
- In the event that Regulus Peru elects to become the DP, Coimolache will have a period of 360 calendar days to choose one of the following options:
  - Allow Regulus Peru to become the DP;
  - Elect to become the DP;
  - Elect to proceed jointly with Regulus Peru to complete a Preliminary Feasibility Study and Final Feasibility Study on the timeline indicated above for the DP; or
  - Terminate the DA.

*Colquirrumi Definitive Agreement*

Colquirrumi is a wholly owned subsidiary of Buenaventura. The Colquirrumi DA allows Regulus Peru 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 the Regulus Peru AntaKori mining concessions and also providing Colquirrumi with an option to claw-back to a 70% interest by making a cash payment to Regulus Peru. In April, 2017, the Company the Company announced the completion of the Colquirrumi DA. The key components of the agreement are as follows:

- An AOI consisting of a large area of Colquirrumi mining concessions located to the north and east of the Regulus Peru AntaKori mining concessions.
- Colquirrumi will assign the mining concessions in the AOI to Newco, a special purpose company to be initially owned 100% by Regulus Peru for the purpose of exploration. On February 28, 2017, Regulus Peru incorporated a new 99.9% owned subsidiary called Anta Norte S.A.C., which is the "Newco" referred to in this agreement.
- Newco will have an option to acquire a 100% interest in the AOI by completing a minimum of 7,500 m of drilling within a three-year time period that commences upon receipt of all required drilling permits.
- In exchange for the 100% interest in the AOI, Colquirrumi will receive a 30% interest in Newco.
- Commencing from the date that Newco notifies Colquirrumi that it elects to exercise its option to acquire the 100% interest in the AOI (and therefore grant Colquirrumi a 30% interest in Newco), Colquirrumi will have a period of 60 days to elect to claw-back to a 70% interest in Newco by making a US\$9,000,000 payment to Regulus Peru.
- If Colquirrumi does not exercise its claw-back option, it will remain with a 30% interest in Newco.
- Upon final resolution of the earn-in and claw-back options, all future expenditures and investments made by Newco will be proportional to each Party's percentage ownership in Newco with standard dilution in the event that a Party chooses not to participate.
- If either Party has its participation in Newco diluted to less than 10%, the Party's participation will be converted to a 1.5% NSR.
- The Parties also agree that either Regulus Peru or Coimolache may elect to develop and mine sulphide mineralization within the AOI as an extension of activity on their adjacent mining concessions by meeting the following obligations:
  - Presenting a mining plan, scoping study or preliminary economic assessment (PEA) or similar development plan;
  - Presenting a Preliminary Feasibility Study (PFS) within two years of presenting a scoping study or PEA;
  - Presenting a Final Feasibility Study (FFS) within three years of presenting a PFS;
  - Starting construction within 3 years of presenting the FFS;
  - Assuming all development and operating costs;
  - Assuming all responsibility for permitting costs and procedures;
  - Stockpiling mined material, if requested by Newco, that is moved from Newco's mining concessions within the AOI;
  - Paying a 5% NSR to Newco for mineralization processed from Newco's mining concessions within the AOI; and
  - Assuming all responsibility for environmental and closure costs.
- The Parties also agree that Coimolache may extend its current Tantahuatay oxide precious metals operations into the following Colquirrumi mining concessions in the AOI (Provedora No 2-E, Provedora No 2-F, Tantahuatay No 20-A3, Tantahuatay No 20 and Futuro No 3) by meeting the obligations listed below:
  - Presentation of an approved mining plan to Newco, Regulus Peru and Colquirrumi;
  - Assuming all development and operating costs;
  - Assuming all responsibility for permitting costs and procedures;
  - Assuming all responsibility for environmental and mine closure costs;
  - Coimolache would be restricted to mining material that falls within the approved mine plan presented to Newco, Regulus Peru and Colquirrumi;
  - No NSR royalty will be required for this activity;
  - Newco, Regulus Peru and Colquirrumi will facilitate the assignment of the mining concessions to Coimolache for extension of mining as per the approved mine plan; and

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- Once the mining of oxide mineralization is terminated, or at the conclusion of a period of five years from the granting of the right of expansion, whichever is the earlier date, the assignment of the mining concessions will be terminated unless the parties agree otherwise.

***AntaKori Project***

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

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

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

**Mineral Property Review**

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

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

Resource	Category	Tonnes millions	Au (g/t)	Cu (%)	Ag (g/t)	Au (M ozs)	Cu (B lbs)	Ag (M ozs)	Au Eq (M ozs)	Cu Eq (B lbs)
AntaKori Cu-Au-Ag	Inferred	294.8	0.36	0.48	10.16	3.40	3.10	93.30	12.81	5.10
Rio Grande Cu- Au	Indicated	55.3	0.36	0.34	4.38	0.64	0.40	7.80	1.81	0.70
	Inferred	101.1	0.31	0.30	4.40	1.00	0.70	14.40	2.93	1.20

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

***AntaKori Overview***

The AntaKori project is located in northern Peru and hosts a large telescoped Cu-Au-Ag porphyry system with associated skarn, breccias and porphyry-style mineralization developed in sedimentary and intrusive rocks, and an overprint of epithermal, high-sulphidation mineralization in the overlying volcanic rocks. A 43-101 technical report entitled "Technical Report – Southern Legacy Minerals Inc., - AntaKori Project, Peru dated July 2, 2012 and prepared by Scott E. Wilson, C.P.G. was filed on SEDAR and can be viewed at [www.sedar.com](http://www.sedar.com) under the profile "Southern Legacy Minerals Inc.". The 43-101 technical report reports an inferred resource of

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294.8 million tonnes grading 0.48% Cu, 0.36 g/t Au and 10.16 g/t Ag (see Table 2 above and refer to the Southern Legacy Minerals news release of July 3, 2012). The resource is based on only 17,952 m of drilling, is only reported for the portion of the mineralized system that is owned or controlled by the Company, and is open for expansion in several directions.

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

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

Highlights of the AntaKori Project include the following:

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

The scope of the mineralized system at AntaKori offers significant upside potential but it will require several years and extensive drilling to better define this project. Regulus and Coimolache technical teams are collaborating to develop coordinated exploration programs for 2017. Regulus commenced an initial 15,000-18,000m drilling program in April 2017 with an objective to confirm and extend the known mineralization at the AntaKori Project.

In August 2017, the Company announced the results for drill hole AK-17-001, the first drill hole of the 15-18,000m 2017 drilling campaign at the Company's AntaKori copper-gold-silver project in northern Peru. The drilling campaign is underway in collaboration with Compañía Minera Coimolache, the operator of the Tantahuatay gold mine. The AntaKori system hosts two principal styles of copper-gold-silver sulphide mineralization; 1) skarn and breccias within Cretaceous calcareous sedimentary rocks, likely associated with as-yet undiscovered porphyry mineralization; and 2) younger, epithermal high-sulphidation mineralization in overlying Miocene volcanic rocks and breccias that host the adjacent Tantahuatay heap-leach gold mine to the south. The younger high-sulphidation mineralization locally overprints the earlier skarn mineralization, particularly along the southern extent of the AntaKori system. Drilling has commenced on the southernmost margin of the Regulus concessions and will proceed to the north over the next few months as permitting allows. The initial holes will encounter the overlying Miocene volcanic rocks and high-sulphidation style mineralization prior to entering into the Cretaceous sedimentary sequence and skarn at depth. As the drilling progresses to the north, the volcanic rocks terminate and drill holes will commence directly in the skarn/porphyry environment within the Cretaceous sedimentary sequence. Drill hole AK-17-001 cut significant high-sulphidation epithermal pyrite-energite mineralization in the Miocene volcanic sequence but was lost at a depth of 540.9 m prior to testing the lower skarn target. AK-17-001 is located to the south and outside of the currently reported 43-101 resource (see Southern Legacy news release of July 3, 2012; Wilson, 2012); which is very encouraging in terms of potentially adding additional tonnage to the AntaKori mineralized system.

Highlights from drill hole AK-17-001 – first hole by Regulus at the AntaKori Project:

- 183.9 metres with 1.54% Cu, 1.05 g/t Au and 11.9 g/t Ag from 250 metres depth, including
  - 110.7 metres with 2.34% Cu, 1.63 g/t Au and 17.9 g/t Ag from 289.9 m depth, including
  - 22.9 metres with 3.2% Cu, 6.09 g/t Au and 49.9 g/t Ag from 361.5 m depth; and
- 46.7 metres with 0.64% Cu, 0.13 g/t Au and 3.1 g/t Ag from 137.7 metres depth
- Mineralization style is high-sulphidation epithermal with pyrite-energite hosted within Miocene volcanic rocks and breccias

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Discussion of results and update on drilling program:

The following table provides more detail regarding the mineralized intercepts encountered in drill hole AK-17-001.

<b>Table 3. AK-17-001 Results</b>									
Drill Hole ID	From (m)	To (m)	Length (m)	Copper %	Gold g/t	Silver g/t	Cu Eq %	Au Eq g/t	Zinc %
AK-17-001	137.70	184.40	46.70	0.64	0.13	3.1	0.76	1.07	
including	177.00	184.40	7.40	1.52	0.24	7.3	1.76	2.46	
and	250.00	433.90	183.90	1.54	1.05	11.9	2.40	3.36	
including	289.90	400.62	110.72	2.34	1.63	17.9	3.67	5.14	
including	361.50	384.40	22.90	3.2	6.09	49.9	9.08	12.72	2.42
including	361.50	369.45	7.95	6.93	3.34	48.9	9.76	13.68	0.10
including	369.45	384.40	14.95	1.22	7.56	50.30	8.70	12.18	3.64

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

Drill hole AK-17-001 was collared along the southern margin of the Regulus concession block and drilled at a -70 degree angle to the northeast (045 degree azimuth) into Regulus ground. The initial drill holes of the 2017 drilling campaign are located in similar positions along the southern margin of the Regulus concession block.

AK-17-001 cut Miocene volcanic rocks and breccias to a total depth of 540.9 m where the hole was lost due to technical difficulties prior to entering into underlying Cretaceous sedimentary rocks and the skarn target area. The Miocene volcanic rocks and breccias host strong advanced argillic alteration and associated high-sulphidation epithermal pyrite-enargite mineralization which has been oxidized to iron oxides to a depth of approximately 76 m. Pyrite-enargite mineralization occurs as irregular to semi-massive veins and veinlets, as well as disseminations, void fillings and locally as clasts within post-mineral breccias. The mineralization style is not a typical high-sulphidation vein but more of a pervasively altered and replaced zone of mineralization within permeable volcanic rocks. The true widths of the mineralized intervals reported in Table 3 are difficult to ascertain and additional drilling will be required to constrain the geometry of the mineralized zones. Minor other copper sulphide and copper sulphosalt minerals are also present. The predominance of enargite and in places orpiment results in high As contents within the mineralized intervals. Within longer runs of copper-gold mineralization there are shorter runs of notably higher grade as evident from the 23.9 m interval from 361.5-384.4 m depth with 3.2% Cu, 6.09 g/t Au and 49.9 g/t Ag. This zone contains semi-massive pyrite-enargite mineralization both as void fillings and fragments within a breccia. A portion of this higher-grade zone also contains significant zinc mineralization with the 14.95 m interval from 369.45-384.40 averaging 1.22% Cu, 7.56 g/t Au, 50.3 g/t Ag and 3.64% Zn. This zinc-gold rich zone is coincident with the presence of orpiment but is otherwise similar in nature to the other mineralized zones in the drill hole. More detailed mineralogical petrographic work is planned for this interval to confirm the zinc-bearing mineral phase. AK-17-002, the second hole of the program has been completed to a total depth of 893.5 m and a third drill hole is in progress. In addition to the three Regulus holes, three additional holes have been completed by Compañía Minera Coimolache that cross into Regulus concessions, with the lower portions of two of these holes cutting skarn developed in the Cretaceous sedimentary sequence.

In September 2017, the Company announced the results from two additional drill holes: AK-17-002, drilled by Regulus and DHSF17-160, drilled by Coimolache. The two companies are drilling simultaneously hence two numbering sequences for drill holes exist. Results are only reported herein for the portions of the drill holes that occur within Regulus concessions. AK-17-002 (893.5m) and DHSF17-160 (748.2m) were completed to targeted depths and cut both styles of mineralization, with well-developed skarn in the underlying Cretaceous calcareous sedimentary sequence.

Highlights from drill holes AK-17-002 and DHSF17-160 – AntaKori Project:

- DHSF17-160: 523.9 m with 0.65% Cu, 0.47 g/t Au and 7.93 g/t Ag from 204.5 m depth
  - including 308 m with 0.79% Cu, 0.71 g/t Au and 10.80 g/t Ag
    - including 91.55 m with 1.01 % Cu, 1.56 g/t Au and 16.06 g/t Ag
- AK-17-002: 328.05 m with 0.42% Cu, 0.22 g/t Au and 8.63 g/t Ag from 171.65 m depth
  - including 122.5 m with 0.67% Cu, 0.38 g/t Au and 13.82 g/t Ag

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Discussion of results and update on drilling program:

The following table provides more detail regarding the mineralized intercepts encountered in drill holes AK-17-002 and DHSF17-160. The true widths of the mineralized intervals reported in Table 4 are difficult to ascertain and additional drilling will be required to constrain the geometry of the mineralized zones.

Table 4. AK-17-002 and DHSF17-160 Results									
Drill Hole ID	From (m)	To (m)	Length (m)	Copper (%)	Gold (g/t)	Silver (g/t)	Cu Eq (%)	Au Eq (g/t)	
AK-17-002	0.00	41.98	Not within Regulus Concessions - not reportable by Regulus						
	171.65	499.70	328.05	0.42	0.22	8.63	0.66	0.92	
including	255.20	377.70	122.50	0.67	0.38	13.82	1.06	1.49	
	539.40	775.20	235.80	0.27	0.12	2.31	0.37	0.52	
including	710.56	775.20	64.64	0.37	0.12	1.33	0.47	0.66	
	857.60	893.52	35.92	0.21	0.05	1.51	0.26	0.36	
Total depth	893.52								
DHSF17-160	0.00	182.91	Not within Regulus Concessions - not reportable by Regulus						
	204.50	728.40	523.90	0.65	0.47	7.93	1.05	1.48	
including	420.40	728.40	308.00	0.79	0.71	10.80	1.39	1.95	
including	477.70	569.25	91.55	1.01	1.56	16.06	2.27	3.18	
and	644.15	724.80	80.65	1.10	0.34	6.97	1.40	1.97	
Total depth	748.20								

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

Table 5. AK-17-002 and DHSF17-160 Results Presented by Lithology.								
Drill Hole ID	From (m)	To (m)	Length (m)	Copper (%)	Gold (g/t)	Silver (g/t)	Zinc (%)	As (ppm)
AK-17-002								
Miocene Volcanic (HS)	171.65	306.55	134.90	0.34	0.10	5.98	0.00	1098
Miocene Breccia (HS)	306.55	353.08	46.53	0.96	0.71	25.18	0.28	2832
Skarn	353.08	499.70	146.62	0.32	0.18	5.81	0.15	116
Skarn	539.40	775.20	235.80	0.27	0.12	2.31	0.02	145
Skarn with HS overprint	857.60	893.52	35.92	0.21	0.05	1.51	0.00	302
DHSF17-160								
Miocene Volcanic (HS)	204.50	481.70	277.20	0.45	0.22	5.69	0.04	1489
Skarn - full intercept	481.70	728.40	246.70	0.86	0.75	10.44	0.23	887
Skarn with HS overprint	481.70	556.00	74.30	1.10	1.93	15.81	0.55	2176
Skarn	556.00	683.60	127.60	0.64	0.30	7.16	0.15	121
Skarn with HS overprint	683.60	728.40	44.80	1.10	0.25	8.31	0.02	1097



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Drill hole AK-17-002 was collared along the southern margin of the Regulus concessions, about 140 m to the northwest of previously reported drill hole AK-17-001, and drilled at a -70 degree angle to the northeast (045 degree azimuth) into Regulus ground. The hole encountered Miocene volcanic rocks with strong high sulphidation alteration and mineralization to a depth of 353.15 m and then entered into the Cretaceous sedimentary sequence with well-developed skarn mineralogy. Fracture-controlled partial oxidation occurs to a depth of 143 m. The skarn is cut by several feldspar porphyry dikes that are strongly altered to white to green sericite and appear to postdate the development of the skarn. A strong overprint of gypsum-anhydrite veining and replacement occurs throughout much of the skarn and porphyry dikes and is notably more intense than in other drilling to date. Sulphide mineralization within the Miocene volcanic rocks is predominantly pyrite-enaigite whereas mineralization within the skarn sequence is pyrite-chalcopyrite with pyrite notably more abundant than chalcopyrite. The hole bottoms in quartzite of the Farrat Formation from 772 m onward with abundant quartz veining with anhydrite, pyrite and molybdenite.

Drill hole DHSF17-160 was collared along the southern margin of the Regulus concessions, about 220 m to the southeast of previously reported drill hole AK-17-001, and drilled at a -70 degree angle to the northeast (045 degree azimuth) into Regulus ground. The drill hole cut Miocene volcanic rocks to a depth of 481 m and then entered into well-developed skarn in the underlying Cretaceous sedimentary sequence. The Miocene volcanic rocks are pervasively affected by advanced argillic alteration with mineralization predominantly pyrite-enaigite as disseminations, fracture coatings and locally as more massive veining. Partial oxidation occurs to a maximum depth of 109 m. The skarn sequence is predominantly retrograde skarn with some remnants of prograde red garnet skarn. The skarn is locally overprinted by younger advanced argillic alteration related to the mineralization in the overlying volcanic rocks. Mineralization within the skarn sequence is predominantly pyrite, magnetite, chalcopyrite and trace amounts of specularite and is locally well-developed with grades exceeding 1% Cu and 1 g/t Au. In the interval from 542-746m difficult drilling conditions resulted in several short zones (0.7-2.0 m with a cumulative total of 10.8 m) with no recovery of core. These intervals typically occur in better mineralized skarn but have been treated as dilution with no assigned grade, resulting in a probable underestimation of grade in the reported intervals. The hole terminates near the base of the Inca Formation.

Table 5 reports the mineralized intervals based upon lithology and demonstrates the notable difference in arsenic content between high sulphidation mineralization in the Miocene volcanic sequence (1000-3000 ppm As) and the lower concentrations found in the zones of skarn mineralization (typically 100-150 ppm As). As drilling progresses to the north over the next few months, it is anticipated that the skarn will be less affected by the late high sulphidation overprint and As contents will decrease.

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

AK-17-003A (938.1m) and DHSF17-161 (689m) were completed to targeted depths and cut both styles of mineralization, with well-developed skarn in the underlying Cretaceous calcareous sedimentary sequence. DHSF17-164 (303.8m) is a shallow hole that only crossed Regulus concessions for the interval from 78.9-109.7m depth within Miocene volcanic rocks. The more significant results from these three holes are listed below with additional details provided in Tables 6 and 7.

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

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

Discussion of results and update on drilling program

The following table provides more detail regarding the mineralized intercepts encountered in drill holes DHSF17-161, DHSF17-164 and AK-17-003A. All three holes were drilled at a -70 degree angle to the northeast. The true widths of the mineralized intervals reported in Table 6 are difficult to ascertain and additional drilling will be required to constrain the geometry of the mineralized zones.

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

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

Drill Hole ID	From (m)	To (m)	Length (m)	Copper (%)	Gold (g/t)	Silver (g/t)	Zinc (%)	As (ppm)
<b>DHSF17-161</b>								
Skarn	266.60	590.00	323.40	0.52	0.15	8.28	0.19	144
Skarn	287.50	398.00	110.50	0.67	0.20	12.81	0.33	206
Skarn	331.95	359.50	27.55	1.03	0.24	21.63	0.77	226
Skarn	504.00	557.00	53.00	1.10	0.23	13.25	0.10	131
Skarn	504.00	532.00	28.00	1.77	0.35	20.94	0.08	174
Skarn with HS overprint	636.00	653.00	17.00	0.20	0.13	3.05	0.06	366

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Skarn with HS overprint	683.90	689.00	5.10	0.65	0.36	11.23	0.02	1716
<b>DHSF17-164</b>								
Miocene Volcanic (HS)	78.89	109.69	30.80	0.23	0.16	4.84	0.00	726
<b>AK-17-003A</b>								
Miocene Volcanic (HS)	241.10	401.20	160.10	0.59	0.51	8.90	0.08	1806
Miocene Volcanic (HS)	300.70	352.60	51.90	0.95	0.98	8.18	0.01	3139
Miocene Volcanic (HS)	371.30	394.00	22.80	0.75	0.84	21.18	0.24	2085
Skarn/breccia	401.20	837.70	436.50	0.26	0.14	4.24	0.11	99
Skarn/breccia	452.70	560.20	107.50	0.28	0.15	7.07	0.19	111
Skarn/quartzite/breccia	716.08	835.12	119.04	0.34	0.15	2.08	0.01	103
Quartzite (HS overprint?)	889.64	899.75	10.11	0.52	0.13	3.25	0.00	1230
HS = high sulphidation epithermal style mineralisation.								

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

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

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

Table 7 reports the mineralized intervals based upon lithology and demonstrates the notable difference in arsenic content between high sulphidation mineralization in the Miocene volcanic sequence (1000-3000 ppm As) and the lower concentrations found in the zones of skarn mineralization (typically 100-200 ppm As). As drilling progresses to the north over the next few months, it is anticipated that the skarn will be less affected by the late high sulphidation overprint and As contents will decrease.

AK-17-004, located approximately 300 metres to the north of DHSF17-161, has been completed to a total depth of 989.65 m. Results for this hole will be presented when all assays have been received.

***Puchuldiza Overview***

The Puchuldiza Au project is 100% owned by the Company and is located 230 km NW of Iquique in the Comuna de Colchane, Tamarugal Province, Region I, Chile. The Puchuldiza project belongs to a class of gold deposits called "hot spring gold deposits". A

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total of 35 diamond drill holes (6,097 m) have been completed at the Puchuldiza project by previous operators and form the basis for an initial NI 43-101 compliant, inferred resource estimate of 30 Mt @ 0.71 g/t Au (using a cut-off grade of 0.5 g/t Au) for a total of 686,000 contained ounces of Au (see the NI 43-101 Technical Report, Pulchuldiza Project, 1 Region, Chile, dated May 15, 2011 under the Southern Legacy Minerals profile at [www.sedar.com](http://www.sedar.com)).

The Company is required to pay a royalty of 1.5% of the net smelter return from commercial production up to a cumulative total of US\$5,000,000. The Company completed an initial field review of this project in June and July of 2015 with emphasis on determination of potential for higher grade mineralization and to better understand the social and environmental setting of the project. Based upon this review, the Company does not plan any significant work on this project in the near future. Accordingly, all previous exploration expenditures on this project (\$1,771,466) have been written-off. The Company has subsequently determined that it will relinquish the property and is currently evaluating the most efficient manner to do so with consideration to potential recovery of tax credits. During the year ended September 30, 2017, the Company wrote off exploration expenditures of \$Nil (2016 - \$761).

***Golden Brew Overview***

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

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

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

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

***Rio Grande Overview***

The Company suspended drilling activity at the main Rio Grande Project in late 2012 to conserve cash and re-evaluate the exploration strategy in light of challenging market conditions. During 2015 and early 2016, a major project data review was completed including re-logging of all drill core from the project. This data review confirmed that further exploration at depth is merited. Although the Company continues to maintain the project on hold, the political and investment climate in Argentina has notably improved and options to recommence exploration are under evaluation. The June 2016 acquisition of Goldrock Mines Corp. and its Lindero gold project by Fortuna Silver Mines Inc. may also have an impact on future exploration and possible development at the Rio Grande Project. The

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Lindero gold project is located approximately 10 km from the Rio Grande project and Fortuna Silver has announced that it will develop and mine the project in the near future.

***Other Projects Overview***

Shamrock Enterprises Inc. ("Shamrock") requested a modification in the terms of the option agreement for the Company's Fireweed project ("Fireweed") located in British Columbia in late 2015. Challenging market conditions have made it difficult for Shamrock to meet its obligations to earn an interest in the project. For consideration of 500,000 shares of the capital stock of Shamrock, Regulus has agreed to amend the agreement such that the Shamrock can earn a 50% interest in the project instead of a 70% interest on a revised payment schedule. In addition, Shamrock has made a firm commitment to spend \$100,000 on a 1,500 feet drilling program on Fireweed by December 17, 2016. In December 2016, the Company agreed to grant Shamrock a 60 day extension to the firm annual work commitment to February 17, 2017 which Shamrock has completed. During the year ended September 30, 2017, the Company received a written notice from Shamrock to terminate the option agreement.

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

**Outlook for 2018**

Exploration activities will continue to focus primarily on the AntaKori project in 2018. The current 15,000-18,000m drill program at AntaKori has been progressing more slowly than anticipated with only approximately 30% of the program completed as of January 24, 2018. Additional drill rigs have been added to the program at the end of 2018 to remediate this situation. Current plans call for three drill rigs operating until April, when the rainy season terminates, at which time the rig count will be increased to a total of 4 or 5 drill rigs. Completion of the 15,000-18,000m drill program is anticipated by mid 2018 and the results of this program will be incorporated into a revised 43-101 resource estimation report to be completed by late 2018. Subject to availability of funding, drilling will continue directly into a subsequent program of approximately 25,000m to be completed by early 2019.

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

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

**Operations and Financial Condition**

**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	2017	2016	2015
Working capital	\$ 4,604	\$ 12,311	\$ 6,054
General and administration expenses	3,846	4,465	3,100
Net loss	3,493	6,210	3,371
Loss per share	0.05	0.10	0.06
Loss per share (fully diluted)	0.05	0.10	0.06
Total assets	31,592	33,542	23,730
Exploration and evaluation assets	23,665	18,617	15,402
Other non-current assets	1,005	442	429
Total liabilities	2,674	2,666	2,058
Share capital <sup>(1)(2)</sup>	92,897	92,469	78,954
Number of shares <sup>(1)(2)</sup>	68,888,667	68,368,083	56,390,583
Accumulated deficit	65,655	62,173	55,963

(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

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*Results of Operations for the Year Ended September 30, 2017 Compared to the Year Ended September 30, 2016*

During the year ended September 30, 2017, loss for the year decreased by \$2,717,384 to \$3,492,515 compared to \$6,209,899 for the year ended September 30, 2016. The decrease in loss is due to several factors. Significant variances from the prior year are as follows:

- A decrease of \$208,461 in wages and benefits. Wages and benefits were \$1,850 for the year ended September 30, 2017 compared to \$210,311 for the year ended September 30, 2016. The decrease is largely due to certain wages and benefits incurred in the prior year for services which were no longer required in the current year.
- A decrease of \$209,889 in fees and taxes. Fees and taxes were a recovery of \$16,301 for the year ended September 30, 2017 compared to an expense of \$193,588 for the year ended September 30, 2016. The decrease resulted from the settlement of its US tax filings. During the year ended September 30, 2017, the Company settled the assessed penalties in full by paying \$41,380 (USD\$30,762) and receiving confirmation from the tax authorities that the remaining \$89,539 has been waived.
- A decrease of \$293,740 in consulting fees. Consulting fees were \$83,826 for the year ended September 30, 2017 compared to \$377,566 for the year ended September 30, 2016. The decrease resulted from the accrual of consulting fees arising from a dispute between Southern Legacy and a former officer in the prior year.
- A gain of \$568,756 on foreign exchange for the year ended September 30, 2017 compared to a loss on foreign exchange of \$1,502,150 for the year ended September 30, 2016. The difference was mainly the result of fluctuations of the US\$, the A-Peso, the Chilean peso, the Peruvian Nuevo sol, and the CAD\$ in the current year as compared to the prior year.
- An increase of \$288,959 in recovery of taxes. Recovery of taxes was \$288,959 for the year ended September 30, 2017 compared to \$Nil for the year ended September 30, 2016. The increase resulted from VAT taxes received in Argentina.

*Results of Operations for the Three Months Ended September 30, 2017 Compared to the Three Months Ended September 30, 2016*

During the three months ended September 30, 2017, loss from operating activities was \$1,050,536 compared to loss from operating activities of \$2,760,795 for the three months ended September 30, 2016. Significant variances from the same period in the prior year are as follows:

- A decrease of \$931,976 in share-based compensation. Share-based compensation was \$243,951 for the period ended September 30, 2017 compared to \$1,175,927 for the period ended September 30, 2016 due to the timing of vesting of stock options issued in December 2014 and September 2016.
- A decrease of \$66,990 in wages and benefits. Wages and benefits was a recovery of \$73 for the period ended September 30, 2017 compared to wages and benefits expense of \$66,917 for the period ended September 30, 2016. The decrease is largely due to certain wages and benefits incurred in the prior year for services which were no longer required in the current year.
- A decrease of \$263,402 in consulting fees. Consulting fees were \$26,239 for the period ended September 30, 2017 compared to \$289,641 for the period ended September 30, 2016. The decrease resulted from the accrual of consulting fees arising from a dispute between Southern Legacy and a former officer in the prior period.
- A loss of \$808,375 on foreign exchange for the period ended September 30, 2017 compared to \$615,143 for the period ended September 30, 2016. The difference was mainly the result of fluctuations of the US\$, the A-Peso, the Chilean peso, the Peruvian Nuevo sol, and the CAD\$ in the current period as compared to the prior period.
- A decrease of \$158,565 in legal fees. Legal fees were \$6,207 for the period ended September 30, 2017 compared to \$164,772 for the period ended September 30, 2016. The decrease resulted from reversal of the accrual of legal fees in the prior period.
- An increase of \$288,959 in recovery of taxes. Recovery of taxes was \$288,959 for the period ended September 30, 2017 compared to \$Nil for the period ended September 30, 2016. The increase resulted from VAT taxes received in Argentina.

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**Cash Flow**

*Operating Activities*

Cash outflow from operating activities was \$2,655,290 for the year ended September 30, 2017 compared to \$3,743,112 for the year ended September 30, 2016. The change was the cumulative result of several variations in the items affecting cash flow from operations as discussed above under "Results from Operations".

*Financing Activities*

Cash inflow from financing activities was \$371,685 for the year ended September 30, 2017 compared to \$13,511,102 for the year ended September 30, 2016. The decrease in cash inflow results primarily from proceeds received from private placements during the prior year.

*Investing Activities*

Cash outflow from investing activities was \$4,879,219 for the year ended September 30, 2017 compared to \$4,268,816 for the year ended September 30, 2016. The outflows mainly consist of expenditures on the Company's exploration and evaluation assets during the current year and the prior year. The increase in cash outflow results primarily from an increase in expenditures on exploration and evaluation assets in the current year, higher amount of reclamation work performed, and the lack of cash received from disposal of marketable securities, offset by a lower amount of cash spent on acquisition of marketable securities in the current year compared to the prior year.

**Summary of Quarterly Results**

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

All in \$1,000's except loss (gain) per share	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Working capital	\$4,604	\$8,085	\$10,004	\$11,375
Loss (gain)	\$1,051	\$1,522	\$(516)	\$1,437
Loss (gain) per share	\$0.01	\$0.02	\$0.01	\$0.02
Loss (gain) per common share (diluted)	\$0.01	\$0.02	\$0.01	\$0.02
Total assets	\$31,592	\$30,654	\$32,019	\$32,495
Total liabilities	\$2,674	\$1,577	\$1,682	\$1,988
Deficit	\$65,665	\$64,615	\$63,093	\$63,609

All in \$1,000's except loss (gain) per share	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Working capital	\$12,311	\$1,544	\$2,569	\$4,753
Loss (gain)	\$2,761	\$818	\$2,049	\$582
Loss (gain) per share	\$0.04	\$0.01	\$0.04	\$0.01
Loss (gain) per common share (diluted)	\$0.04	\$0.01	\$0.04	\$0.01
Total assets	\$33,542	\$21,036	\$21,691	\$23,739
Total liabilities	\$2,666	\$1,919	\$1,954	\$1,911
Deficit	\$62,173	\$59,412	\$58,594	\$56,545

**Liquidity and Capital Resources**

Cash at September 30, 2017 totaled \$6,815,719 compared to \$14,425,974 at September 30, 2016. Working capital at September 30, 2017 was \$4,604,128 compared to \$12,311,014 as at September 30, 2016. Exploration and evaluation of assets at September 30, 2017 totaled \$23,664,855 compared to \$18,616,921 as at September 30, 2016. The Company has sufficient working capital to continue operations for at least the next 12 months.

During the year ended September 30, 2017, the Company received proceeds of \$270,435 from the exercise of 295,584 warrants and \$101,250 from the exercise of 225,000 stock options. Subsequent to September 30, 2017, the Company received proceeds of \$3,731,389 from the exercise of 5,330,555 warrants at \$0.70 per warrant.

The ability of the Company to recover the costs it has incurred to date on its exploration and evaluation assets is dependent upon the Company being able to finance its exploration and development expenditures and to resolve any environmental, regulatory or other

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constraints which may hinder the successful exploitation or disposal of its exploration and evaluation assets. To date, the Company has not earned revenues and is considered to be in the exploration stage.

**Share Capital**

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

As at the date of this report, the Company had 74,219,222 common shares issued and outstanding.

*Stock Options*

Exercise Price	Number Outstanding	Expiry Date
\$ 0.45	4,288,334	December 13, 2019
\$ 1.50	2,105,000	September 2, 2021
\$ 1.84	100,000	December 28, 2022
	6,493,334	

*Warrants*

Exercise Price	Number Outstanding	Expiry Date
\$ 1.60	5,910,651	January 27, 2020
	5,910,651	

**Related Party Transactions**

During the year ended September 30, 2017, the Company entered into the following transactions with key management personnel and related parties. Amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

- a) Double Black Diamond Resources LLC ("DBD Resources") is a private company controlled by Mr. John Black, CEO and a director of the Company. For the year ended September 30, 2017, DBD Resources was paid \$209,190 (2016 - \$158,354). Management services paid to DBD Resources are classified as management fees expense in the consolidated statements of operations and comprehensive loss.

At September 30, 2017, the Company owed \$Nil (2016 - \$Nil) to DBD Resources and \$27,377 (2016 - \$209,454) to Mr. John Black for the expenses incurred in the normal course of the business.

- b) For the year ended September 30, 2017, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$193,031 in consulting fees (2016 - \$158,354) and \$1,640 as a bonus (2016 - \$128,577). Consulting fees and bonus paid or accrued to Mr. Pickmann are classified as management fees expense in the consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann is a partner was paid or accrued \$181,609 (2016 - \$224,277) 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, 2017, the Company owed \$756 (2016 - \$244,738) to Mr. Pickmann and the law firm at which he is a partner.

- c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the year ended September 30, 2017, Unicus was paid \$50,000 (2016 - \$50,000). Management services paid to Unicus are classified as management fees expense in the consolidated statements of operations and comprehensive loss.

At September 30, 2017, the Company owed \$Nil (2016 - \$Nil) to Unicus.

- d) The Rock Doctor Limitada ("Rock Doctor") is a private company controlled by Mr. Kevin Heather, Chief Geological Officer of the Company. For the year ended September 30, 2017, Rock Doctor was paid \$209,190 (2016 - \$158,354). Amounts paid to Rock Doctor are classified as management fees in the consolidated statements of operations and comprehensive loss.

At September 30, 2017, the Company owed \$Nil (2016 - \$Nil) to Rock Doctor.

- e) Two non-executive directors were each paid \$7,500 (2016 - \$2,573) for professional services. The total amount of these fees of \$15,000 was classified as management fees in the consolidated statements of operations and comprehensive loss.



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At September 30, 2017, the Company owed \$Nil (2016 – \$Nil) to non-executive directors.

**Key Management Personnel:**

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

The remuneration of directors and other members of key management personnel during the years ended September 30, 2017 and 2016 are as follows:

	Fees and Bonus	Share-based Benefits	Total
<b>Year ended September 30, 2017</b>			
Chief Executive Officer	\$ 209,190	\$ 164,284	\$ 373,474
Chief Operating Officer	194,671	164,284	358,955
Chief Financial Officer	50,000	164,284	214,284
Chief Geological Officer	209,190	164,284	373,474
Non-executive directors	15,000	328,568	343,568
	\$ 678,051	\$ 985,704	\$ 1,663,755
<b>Year ended September 30, 2016</b>			
Chief Executive Officer	\$ 158,354	\$ 194,557	\$ 352,911
Chief Operating Officer	286,931	194,557	481,488
Chief Financial Officer	50,000	194,557	244,557
Chief Geological Officer	158,354	194,557	352,911
Non-executive directors	2,573	308,406	310,979
	\$ 656,212	\$ 1,086,634	\$ 1,742,846

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

**Contingencies**

- a) The Company was involved in an arbitration process to settle a dispute between Southern Legacy and a former officer who claimed an amount of US\$200,000 for lost consulting fees. On August 29, 2016, the appointed arbiter issued a decision against the Company for non-compliance of payment terms for fees agreed under the consulting agreement signed by the parties, in the amount of USD\$134,500 plus applicable mandatory interest accrued, and a portion of the arbitration costs. During the year ended September 30, 2017, the Company settled the dispute in full by paying USD\$143,725 (\$180,822).
- b) The Company was notified by tax authorities that it has been assessed penalties of \$130,919 related to its US tax filings. This entire balance had been recorded in accrued liabilities on the audited consolidated statement of financial position as at September 30, 2016. During the year ended September 30, 2017, the Company settled the assessed penalties in full by paying \$41,380 (USD\$30,762) and receiving confirmation from the tax authorities that the remaining \$89,539 has been waived.

### **Investor Relations**

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

### **Financial and Capital Risk Management**

Please refer to the September 30, 2017 consolidated financial statements on [www.sedar.com](http://www.sedar.com).

### **Recent Accounting Policies**

Please refer to the September 30, 2017 consolidated financial statements on [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

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

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