(the “Company”)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016 AND 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Regulus Resources Inc.

We have audited the accompanying consolidated financial statements of Regulus Resources Inc., which comprise the consolidated statements of financial position as at September 30, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Regulus Resources Inc. as at September 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

January 30, 2017

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

	September 30, 2016	September 30, 2015
ASSETS		
Current		
Cash (Note 4)	$ 14,425,974	$ 7,876,643
Receivables (Note 6)	24,652	8,339
Prepaid expenses (Note 7)	33,136	14,329
	14,483,762	7,899,311
Long-term investment (Note 10)	371,000	302,000
Equipment (Note 8)	70,630	127,091
Exploration and evaluation assets (Note 9)	18,616,921	15,401,835
	$ 33,542,313	$ 23,730,237
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	$ 879,736	$ 380,980
Due to related parties (Note 14)	454,192	-
Decommissioning liability (Note 12)	838,820	1,464,374
	2,172,748	1,845,354
Decommissioning liability (Note 12)	493,109	212,909
	2,665,857	2,058,263
Equity		
Capital stock (Note 13)	92,469,042	78,954,171
Accumulated other comprehensive loss	(6,141,133)	(6,437,428)
Share compensation reserve (Note 13)	6,721,383	5,118,168
Deficit	(62,172,836)	(55,962,937)
	30,876,456	21,671,974
	$ 33,542,313	$ 23,730,237

Nature and continuance of operations (Note 1)
Commitments (Note 19)
Contingencies (Note 20)
Subsequent events (Note 21)

Approved by the Board:

Director:

"John Black"
____
John Black

Director and Chairman of the Audit Committee:

"Anthony Hawkshaw"
____
Anthony Hawkshaw

Regulus Resources Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
Expressed in Canadian Dollars
For the Years Ended September 30

	2016	2015
EXPENSES		
Accounting and audit	$ 221,030	$ 249,135
Amortization (Note 8)	20,441	15,741
Bank charges and interest	36,403	61,023
Consulting fees (Note 20)	377,566	130,361
Fees and taxes (Note 20)	193,588	116,581
Insurance	90,311	112,905
Interest expense (Note 12)	41,627	51,295
Investor relations and shareholder information	38,861	93,047
Legal (Note 14)	315,277	138,894
Management fees (Note 14)	656,211	431,475
Office and administration	212,760	655,534
Rent	222,411	224,006
Share-based compensation (Note 13, 14)	1,606,984	453,081
Telephone	23,820	16,037
Transfer agent and listing fees	41,067	29,370
Travel	156,323	59,696
Wages and benefits	210,311	261,993
	(4,464,991)	(3,100,174)
OTHER ITEMS		
Gain (loss) on foreign exchange	(1,502,150)	2,097,225
Loss on disposal of marketable securities (Note 5)	(10,169)	(30,678)
Write-off of exploration and evaluation assets (Note 9)	(761)	(2,373,574)
Write-off of prepaids	(99,362)	-
Write-off of receivables	(169,379)	(50,816)
Interest income	36,913	86,599
LOSS FOR THE YEAR	(6,209,899)	(3,371,418)
Change in fair market value of long-term investment	69,000	(442,000)
Translation adjustment	227,295	1,948,074
Comprehensive loss for the year	$ (5,913,604)	$ (1,865,344)
Loss per common share – basic and diluted	$ (0.10)	$ (0.06)
Weighted average number of common shares outstanding	**58,525,658**	**55,353,110**

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

Regulus Resources Inc.
CONSOLIDATED STATEMENTS OF EQUITY
Expressed in Canadian Dollars
Years ended September 30

	Number of Shares		Capital Stock		Accumulated Other Comprehensive Loss		Share Compensation Reserve		Deficit		Total
Balance, September 30, 2014	45,279,473	$	74,027,553	$	(7,943,502)	$	4,665,087	$	(52,591,519)	$	18,157,619
Shares issued for:											
Private placement	11,111,110		5,000,000		-		-		-		5,000,000
Private placement expense	-		(73,382)		-		-		-		(73,382)
Share-based compensation	-		-		-		453,081		-		453,081
Fair value adjustment to long-term investment	-				(442,000)		-		-		(442,000)
Foreign exchange adjustment	-		-		1,948,074		-		-		1,948,074
Loss for the year	-		-		-		-		(3,371,418)		(3,371,418)
Balance, September 30, 2015	56,390,583	$	78,954,171	$	(6,437,428)	$	5,118,168	$	(55,962,937)	$	21,671,974
Shares issued on exercise of options	15,000		10,519		-		(3,769)		-		6,750
Shares issued on private placement	11,962,500		14,353,063		-		-		-		14,353,063
Share issuance costs	-		(848,711)		-		-		-		(848,711)
Share-based compensation	-		-		-		1,606,984		-		1,606,984
Fair value adjustment to long-term investment	-		-		69,000		-		-		69,000
Foreign exchange adjustment	-		-		227,295		-		-		227,295
Loss for the year	-		-		-		-		(6,209,899)		(6,209,899)
Balance, September 30, 2016	68,368,083	$	92,469,042	$	(6,141,133)	$	6,721,383	$	(62,172,836)	$	30,876,456

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

	2016	2015
Cash Flows from Operating Activities		
Net loss for the year	$ (6,209,899)	$ (3,371,418)
Items not affecting cash:		
Amortization	20,441	15,741
Interest expense	41,627	51,295
Share-based compensation	1,606,984	453,081
Write-off of exploration and evaluation assets	761	2,373,574
Write-off of prepaids	99,362	-
Write-off of receivables	169,379	-
Loss on disposal of marketable securities	10,169	30,678
Foreign exchange gain on marketable securities	(65,966)	(948,502)
Changes in non-cash working capital items:		
Receivables	(189,369)	79,816
Prepaid expenses	(123,280)	69,405
Accounts payable and accrued liabilities	442,487	(1,025,831)
Due to related parties	454,192	(143,039)
Net cash used in operating activities	(3,743,112)	(2,415,200)
Cash Flows from Financing Activities		
Proceeds from issuance of shares	14,353,063	5,000,000
Proceeds from exercise of stock options	6,750	-
Share issuance costs	(848,711)	(73,382)
Net cash provided by financing activities	13,511,102	4,926,618
Cash Flows from Investing Activities		
Acquisition of equipment	(10,512)	(88,258)
Acquisition of marketable securities	(131,205)	(852,368)
Exploration and evaluation assets	(4,314,101)	(4,337,313)
Disposal of marketable securities	187,002	1,770,192
Net cash used in investing activities	(4,268,816)	(3,507,747)
Effect of foreign exchange on cash	1,050,157	(365,661)
Change in cash for the year	6,549,331	(1,361,990)
Cash, beginning of year	7,876,643	9,238,633
Cash, end of year	$ 14,425,974	$ 7,876,643

Supplemental disclosures with respect to cash flows (Note 15)

1. NATURE AND CONTINUANCE OF OPERATIONS

Regulus Resources Inc. ("Regulus" or the "Company") is a mineral exploration company formed on December 16, 2010, with a portfolio of properties located in Peru, Argentina, Chile, the USA, and Canada.

As at September 30, 2016, the Company had working capital of $12,311,014. Management believes that the Company has sufficient working capital to maintain its operations and its activities for the next fiscal year.

These consolidated financial statements were authorized by the audit committee and by the board of directors of the Company on January 30, 2017.

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") 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 an 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 accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements.

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 period. Actual results could differ from these estimates.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant affect 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 about the future and other sources of estimation uncertainty made by management 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:

2. BASIS OF PREPARATION (cont'd…)

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or disposition of the mineral properties. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could affect management's assessment of the overall viability of its properties or to the likelihood of generating future cash flows necessary to recover the carrying value of the Company's exploration and evaluation assets.

To the extent that any of management's assumptions change there could be a significant effect on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant effect on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development or commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Decommissioning costs

Upon retirement of the Company's exploration and evaluation assets decommissioning costs will be incurred by the Company. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. The liability, the related asset and the 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 15). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

2. BASIS OF PREPARATION (cont'd…)

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and is determined for each entity within the Company. The functional currency for the entities within the Company are: the Canadian dollar (the Company), the Argentine peso ("A-Peso") (Regulus Argentina S.A. and Minera El Toro S.A.), and the United States dollar ("U.S.$") (Pachamama (Bermuda) Ltd, Argex Mining Samenta Ltd and Argex Cerro Gordo Ltd., Southern Legacy Peru S.A.C., Kori Anta S.A.C., SMRL Maria Eugenia 2 Mina Volare de Cajamarca, Southern Legacy Minerals Inc., SMRL El Sinchao de Cajamara, Rita Margot de Cajamara, Minas del Sinchao S.A., and Minera Southern Legacy Chile Limitada). The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statement of operations and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of operations and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment the amount of the loss is removed from equity and recognized in the consolidated statement of operations and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statement of operations and comprehensive loss.

Other financial liabilities - This category includes amounts due to related parties and accounts payables and accrued liabilities which are recognized at amortized cost.

The Company has classified its cash and marketable securities as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's long-term investments are classified as available-for-sale. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

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 for the period.

Equipment

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 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.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share-based compensation

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 on the profit or loss for the periods presented comprises current and deferred tax. 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

Recent accounting pronouncements

Effective October 1, 2015, the following standards were adopted but did not have a material impact on the financial statements.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9.

The adoption of this standard did not have an impact on the consolidated financial statements.

Accounting standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2017 or later periods. The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements, are not expected to have a material effect on the Company's future results and financial position:

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent accounting pronouncements (cont'd…)

- IAS 27 & IFRS 1, Equity Method in Separate Financial Statements - IAS 27 is amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. IFRS 1 is amended to permit use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter. IAS 27 and IFRS 1 will be effective for annual periods beginning on or after January 1, 2016.
- IFRS 9, Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.
- IFRS 15, Revenue Recognition - Revenue from Contracts with Customers establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IASB has tentatively decided to require an entity to apply IFRS 15 for annual periods beginning on or after January 1, 2018.
- IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The extent of the impact of adoption has not yet been determined.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's condensed consolidated financial statements.

4. CASH

	September 30, 2016	September 30, 2015
Cash on deposit	$ 14,425,974	$ 7,876,643

5. MARKETABLE SECURITIES

At September 30, 2016 and 2015, the Company did not hold any marketable securities.

	Fair Value	Cost
Balance as September 30, 2014	$ -	$ -
Additions	852,368	852,368
Disposals	(1,770,192)	(852,368)
Realized loss on disposal	(30,678)	-
Gain on foreign exchange	948,502	-
Balance as September 30, 2015	$ -	$ -
Additions	131,205	131,205
Disposals	(187,002)	(131,205)
Realized loss on disposal	(10,169)	-
Gain on foreign exchange	65,966	-
Balance as at September 30, 2016	$ -	$ -

Expressed in Canadian Dollars

6. RECEIVABLES

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

		September 30, 2016		September 30, 2015
Tax credits and advances receivable	$	24,652	$	8,339

7. PREPAID EXPENSES

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

		September 30, 2016		September 30, 2015
Rental damage deposit	$	-	$	2,065
Prepaid expenses		33,136		12,264
	$	33,136	$	14,329

Expressed in Canadian Dollars

8. EQUIPMENT

		Vehicles		Office Furnishings		Equipment		Total
Cost								
Balance, September 30, 2014	$	13,243	$	36,561	$	20,348	$	70,152
Additions		-		11,911		76,347		88,258
Foreign exchange movement		1,002		7,165		1,539		9,706
Balance, September 30, 2015	$	14,245	$	55,637	$	98,234	$	168,116
Additions		-		9,724		787		10,511
Foreign exchange movement		(5,711)		(9,669)		(40,046)		(55,426)
Balance, September 30, 2016	$	8,534	$	55,692	$	58,975	$	123,201
Accumulated amortization								
Balance, September 30, 2014	$	7,770	$	2,715	$	11,999	$	22,484
Amortization		1,724		11,588		2,429		15,741
Foreign exchange movement		630		1,174		996		2,800
Balance, September 30, 2015	$	10,124	$	15,477	$	15,424	$	41,025
Amortization		757		1,539		18,145		20,441
Foreign exchange movement		(4,255)		(1,693)		(2,947)		(8,895)
Balance, September 30, 2016	$	6,626	$	15,323	$	30,622	$	52,571
Carrying amounts								
As at September 30, 2014	$	5,473	$	33,846	$	8,349	$	47,668
As at September 30, 2015	$	4,121	$	40,160	$	82,810	$	127,091
As at September 30, 2016	$	1,908	$	40,369	$	28,353	$	70,630

9. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, title to its property is in good standing. The exploration and evaluation assets in which the Company has an interest are located in Argentina, Peru, Chile, the U.S. and Canada and the Company is therefore relying on title opinions by legal counsel who are basing such opinions on the laws of Argentina, Peru, Chile, the U.S. and Canada.

Expressed in Canadian Dollars

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

	September 30, 2016	September 30, 2015
Other Argentina properties	$ 172,153	$ 298,874
Rio Grande, Argentina	$ 309,264	$ -
AntaKori property, Peru	$ 17,837,203	$ 14,879,624
Golden Brew property, Nevada, USA	$ 298,301	$ 223,337
	$ 18,616,921	$ 15,401,835

	Rio Grande, Argentina	Other, Argentina	Golden Brew, Nevada USA	AntaKori, Peru	Puchuldiza, Chile	Total
Balance, September 30, 2014	$ -	$ 249,252	$ 93,541	$ 9,253,405	$ 1,394,466	$ 10,990,664
Additions:						
Administrative services	81,358	213	-	61,106	29,618	172,295
Field operations	19,607	-	1,209	185,343	-	206,159
Labour	494,908	-	2,587	379,464	-	876,959
Property payments	1,434	21,728	57,210	2,640,980	-	2,721,352
Taxes and licences	-	-	-	70,861	52,915	123,776
Third party services	(8,147)	8,087	68,790	147,343	12,341	228,414
	589,160	30,028	129,796	3,485,097	94,874	4,328,955
Foreign exchange movement	12,948	19,594	-	2,141,122	282,126	2,455,790
Exploration and evaluation asset written off	(602,108)	-	-	-	(1,771,466)	(2,373,574)
Balance, September 30, 2015	$ -	$ 298,874	$ 223,337	$ 14,879,624	$ -	$ 15,401,835
Additions:						
Administrative services	12,430	5,819	-	77,745	-	95,994
Change in estimates related to decommissioning liability	(53,018)	(60,888)	-	408,927	-	295,021
Field operations	11,206	37,097	-	249,499	-	297,802
Labour	351,485	-	-	-	-	351,485
Property payments	-	8,322	16,959	2,768,807	-	2,794,088
Taxes and licences	58,052	-	96	-	761	58,909
Third party services	-	13,317	57,909	151,955	-	223,181
	380,155	3,667	74,964	3,656,933	761	4,116,480
Foreign exchange movement	(70,891)	(130,388)	-	(699,354)	-	(900,633)
Exploration and evaluation asset written off	-	-	-	-	(761)	(761)
Balance, September 30, 2016	$ 309,264	$ 172,153	$ 298,301	$ 17,837,203	$ -	$ 18,616,921

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

AntaKori Project, Peru

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

(a) An option agreement was executed in December 2011 with certain members of the Santolalla family, providing a right to acquire 86.8% of the capital stock of Minas del Sinchao S.A., which owns 50% of the capital stock of SMRL Rita Margot de Cajamarca. SMRL Rita Margot de Cajamarca owns three mining rights and has a 50% interest in SMRL Maria Eugenia 2 Mina Volare de Cajamarca which owns an additional mining right that comprises a portion of the AntaKori project. The agreement also provides for a 1% net smelter return royalty for the Santolalla family which is subject to a US$4.5 million buy-out option. Payments made to date are US$3,038,000 with no payments remaining;

(b) A second option agreement dated November 2013 provides the right to acquire an additional 7.7% interest in Minas del Sinchao S.A, which increases the Company's right to acquire an interest in Minas del Sinchao S.A. up to 94.5% of its capital stock. Payments made to date are US$233,926 with no payments remaining;

(c) Two option and usufruct agreements dated March 2012 were executed whereby two owners of a combined 12.5% ownership of SMRL Rita Margot De Cajamarca granted in favor of SLM Peru a usufruct right over their 12.5% ownership of the entity. With the usufruct over the vendors' shares, SLM Peru has an option to acquire 62.5% of the SMRL Rita Margot De Cajamarca capital stock. Each of these option and usufruct agreements provide the owners a net smelter royalty of 0.1875%. Payments made to date are US$877,000 with no payments remaining;

(d) Six option and usufruct agreements were executed in December 2012, whereby 30 owners of a combined 62.5% ownership of SMRL El Sinchao De Cajamarca ("El Sinchao") granted in favour of SLM Peru a usufruct right over their 62.5% ownership of the entity with the payment terms set out in the table below. El Sinchao owns 100% of three mining concessions that compose a portion of the AntaKori project. With the usufruct over the vendors' shares, SLM 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 payments of US$1,917 outstanding;

(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 SLM Peru a usufruct right over their 20.63% ownership of the entity. With the usufruct over the vendors' shares, SLM 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 SLM Peru purchased 25% of the outstanding shares of Rita Margot de Cajamarca for a total of US$1,750,000. Payments made to date are US$1,750,000 with no payments remaining.

Expressed in Canadian Dollars

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

AntaKori Project, Peru (cont'd…)

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

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

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

During the year ended September 30, 2016, the Company announced that its wholly owned Peruvian subsidiary, Southern Legacy Peru S.A.C, ("Regulus Peru"), had entered into binding Memorandum of Understanding agreements ("MOU's") with Compañía Minera Coimolache S.A. ("Coimolache") and Compañía Minera Colquirrumi S.A. ("Colquirrumi"), companies that hold mineral concessions immediately adjacent to, and inter-fingering with, Regulus Peru's AntaKori copper-gold project in northern Peru. These agreements will allow for mutual access, mutual rights of expansion and collaborative exploration of the project area, providing benefit to all three parties. The MOU agreements are to be superceded by more comprehensive definitive agreements. Subsequent to September 30, 2016, the Company finalized the execution of a definitive agreement with Coimolache, based on the previously executed MOU with the terms of the agreement remaining effectively the same. The deadline to complete the Colquirrumi definitive agreement has been extended to March 30, 2017 and work is well underway on this document with completion anticipated within this timeframe. The continuation of the Coimolache definitive agreement is contingent upon the completion of the Colquirrumi definitive agreement. (Note 21)

Rio Grande, Argentina

The Company holds a 100% interest in the Rio Grande property in Salta Province, Argentina. During the year ended September 30, 2016, the Company wrote off the capitalized costs of $Nil (September 30, 2015 - $602,108) associated with the Rio Grande property as a result of management renewing their focus on this property in the belief of an improved investment climate in Argentina.

Puchuldiza Property, Chile

During the year ended September 30, 2016, the Company wrote off the capitalized cost of $761 (2015 - $1,771,466) associated with the Puchuldiza property as a result of management not planning any significant work on the property in the near future.

Expressed in Canadian Dollars

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

Golden Brew, Nevada, USA

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

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

10. LONG-TERM INVESTMENT

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

	Fair Value	Cost
Balance as at September 30, 2014	$ 744,000	$ 740,000
Fair market value adjustments	(442,000)	-
Balance as at September 30, 2015	$ 302,000	$ 740,000
Fair market value adjustments	69,000	-
Balance as at September 30, 2016	$ 371,000	$ 740,000

The Company also holds 2,000,000 share purchase warrants exercisable in the capital of Highway 50 Gold Corp. which were extended to February 28, 2017 at a price of $0.60. These warrants have a fair value of $Nil at September 30, 2016.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	September 30, 2016	September 30, 2015
Trade payables	$ 561,807	$ 380,980
Accrued liabilities (Note 20)	317,929	-
	$ 879,736	$ 380,980

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

Expressed in Canadian Dollars

12. DECOMMISSIONING LIABILITY

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

		2016		2015
Asset retirement obligation – beginning of year	$	1,677,283	$	1,534,171
Remediation performed		(579,887)		-
Change in estimates		295,021		-
Interest expense		41,627		51,295
Foreign exchange movement		(102,115)		91,817
Asset retirement obligation – end of year	$	1,331,929	$	1,677,283

The total amount of estimated undiscounted cash flows required to settled the Company's estimated obligation is $1,412,318 as at September 30, 2016 (2015 - $1,833,060), which has been discounted using a credit adjusted rate of 10% and an inflation rate of 2%. The present value of the decommissioning liabilities may be subject to change based on management's estimates, changes in remediation technology or changes to applicable laws and regulations. Of the total decommissioning liability, $838,820 relates to the Antakori property and $493,109 relates to the Company's Argentinean properties. $838,820 is expected to be paid within the next 12 months, and the remaining liabilities are expected to be settled at various dates which are currently expected to extend up to 2018.

13. CAPITAL STOCK AND SHARE COMPENSATION RESERVE

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

Treasury shares: recorded at cost.

In July 2016, the Company closed a brokered unit private placement offering (the "Offering"). An aggregate of 11,537,500 units were sold under the Offering at a price of $1.20 per Unit for total gross proceeds of $13,845,000. The gross proceeds of the Offering include 1,537,500 Units issued as a result of the exercise of an Agents' overallotment option granted in connection with the Offering. In addition, the Company closed its concurrent non-brokered offering of 425,000 Units for total gross proceeds of $510,000. In total the Company issued 11,962,500 Units, for gross proceeds raised under the brokered and non-brokered portion of the Offering of $14,353,063 with net proceeds of $13,504,352. Each Unit consists of one common share and one half common share purchase warrant exercisable at $1.60 until January 27, 2020. The Company incurred cash share issuance costs of $848,711.

In June 2016, the Company received proceeds of $6,750 from exercise of 15,000 stock options. See Note 21 for subsequent option exercises.

During the year ended September 30, 2015, the Company completed a private placement raising gross proceeds of $5,000,000 by issuing 11,111,110 Units at $0.45 each. Each Unit consists of one common share and one half common share purchase warrant exercisable at $0.70 until November 3, 2017. The Company incurred cash share issuance costs of $73,382.

Stock Options

The Company has a stock option plan ("the Plan") for directors, officers, employees and consultants of the Company and its subsidiaries. The number of common shares subject to the stock options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company. The Plan provides for a maximum term of five years for stock options and sets the most favorable vesting terms as one-third of the total stock options granted on the day of the grant and on each of the first and second anniversaries of the date of grant. As at September 30, 2016, the Company had options outstanding to purchase 6,618,334 common shares at a price of 0.78 per share and all with a term of five years from the date of grant, subject to early expiry under certain conditions and subject to specified vesting periods.

Expressed in Canadian Dollars

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

Stock Options (cont'd…)

The following table summarized movements in stock options outstanding for the year ended September 30, 2016:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2014	Nil	-
Options issued	4,577,334	$ 0.45
Balance, September 30, 2015	4,577,334	$ 0.45
Options granted	2,105,000	$ 1.50
Options exercised	(15,000)	$ 0.45
Options forfeited/expired	(49,000)	$ 0.45
Balance, September 30, 2016	6,618,334	$ 0.78
Number of options currently exercisable	3,385,001	$ 0.45

The weighted average share price for the options exercised was $0.91 (2015 - $nil)

The following table summarizes information about stock options outstanding at September 30, 2016:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$ 0.45	4,513,334	3,385,001	December 13, 2019*
$ 1.50	2,105,000	-	September 2, 2021
	6,618,334	3,385,001	

*225,000 stock options exercised subsequently

Warrants

The following table summarizes movements in warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2014	Nil	
Warrants granted	5,555,555	$ 0.70
Balance, September 30, 2015	5,555,555	$ 0.70
Warrants granted	5,981,235	$ 1.60
Balance, September 30, 2016	11,536,790	$ 1.17

Expressed in Canadian Dollars

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

The following table summarizes information about warrants outstanding at September 30, 2016:

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

Share-based compensation

The Company recognizes compensation expense for all stock options and warrants granted using the fair value based method of accounting. During the year ended September 30, 2016, the Company recognized $1,606,984 (2015 - $453,081) in share-based compensation expense with respect to options vested during the year. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended September 30, 2016:

	2016	2015
Risk-free interest rate	0.69%	1.35%
Expected life of grant	5 Years	5 Years
Volatility	148.7%	154.5%
Dividend	-	-
Weighted average fair value per option	$ 1.35	$ 0.25

14. 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 Incorporation	Proportion of Ownership Interest	Principal Activity
Southern Legacy Peru S.A.C.	Peru	100%	Mineral exploration
Kori Anta S.A.C.	Peru	100%	Holding company
SMRL Maria Eugenia 2 Mina Volare de Cajamarca	Peru	50%	Holding company
Minera Southern Legacy Chile Limitada	Chile	99%	Mineral exploration
Regulus Argentina S.A.	Argentina	100%	Mineral exploration
Pachamama (Bermuda) Ltd.	Bermuda	100%	Holding company
Argex Mining Samenta Ltd.	Barbados	100%	Holding company
Argex Cerro Gordo Ltd.	Barbados	100%	Holding company
Minera El Toro S.A.	Argentina	100%	Mineral exploration
Southern Legacy Minerals Inc.	USA	100%	Holding company
SMRL El Sinchao de Cajamara	Peru	83.13%	Holding company
Minas del Sinchao	Peru	94.50%	Holding company
Rita Margot de Cajamarco S.A.C.	Peru	87.50%	Holding company

14. RELATED PARTY TRANSACTIONS (cont'd…)

During the year ended September 30, 2016, the Company entered into the following transactions with key management personnel and related parties. Amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

a) Double Black Diamond Resources LLC. ("DBD Resources") is a private company controlled by Mr. John Black, CEO and a director of the Company. For the year ended September 30, 2016, DBD Resources was paid $158,354 (2015 - $147,466). Management services paid to DBD Resources are classified as management fees expense in the consolidated statements of operations and comprehensive loss.

At September 30, 2016, the Company owed $Nil (2015 – $Nil) to DBD Resources and $209,454 (2015 - $Nil) to Mr. John Black for the expenses incurred in the normal course of the business.

b) For the year ended September 30, 2016, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $158,354 in consulting fees (2015 – $147,466) and $128,577 as a bonus (2015 - $Nil). 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 $224,277 (2015 - $152,487) 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, 2016, the Company owed $244,738 (2015 – $24,752) 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, 2016, Unicus was paid $50,000 (2015 – $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, 2016, the Company owed $Nil (2015 – $Nil) to Unicus.

d) The Rock Doctor ("Rock Doctor") is a private company controlled by Mr. Kevin Heather, Chief Geological Officer of the Company. For the year ended September 30, 2016, Rock Doctor was paid $158,354 (2015 – $147,466). Amounts paid to Rock Doctor are classified as management fees in the consolidated statements of operations and comprehensive loss.

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

Key Management Personnel:

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

Expressed in Canadian Dollars

14. RELATED PARTY TRANSACTIONS (cont'd…)

The remuneration of directors and other members of key management personnel during the years ended September 30, 2016 and September 30, 2015 are as follows:

	Fees and Bonus	Share-based Benefits	Total
Year ended September 30, 2016			
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
Year ended September 30, 2015			
Chief Executive Officer	$ 147,466	$ 69,289	$ 216,755
Chief Operating Officer	147,466	69,289	216,755
Chief Financial Officer	50,000	69,289	119,289
Chief Geological Officer	147,466	69,289	216,755
Non-executive directors	-	79,187	79,187
	$ 492,398	$ 356,343	$ 848,741

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

15. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Other than disclosed elsewhere in these condensed consolidated financial statements, the significant non-cash transactions for the years ended September 30, 2016 and September 30, 2015 included:

a) $122,674 (2015 - $35,429) in accounts payable and accrued liabilities related to exploration and evaluation assets.
b) $3,769 (2015 - $Nil) transferred to share capital on exercise of 15,000 stock options.

For the years ended September 30	2016	2015
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

Expressed in Canadian Dollars

16. SEGMENTED INFORMATION

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

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

	Total Assets	Equipment	Exploration and Evaluation Assets	Other Assets
September 30, 2015				
Canada	$ 4,130,053	$ -	$ -	$ 4,130,053
Bermuda	3,498	-	-	3,498
Argentina	453,585	12,958	298,874	141,753
Peru	18,919,764	114,133	14,879,624	3,926,007
United States	223,337	-	223,337	-
	$ 23,730,237	$ 127,091	$ 15,401,835	$ 8,201,311

	2016	2015
Loss for the years ended September 30		
Canada	$ 3,517,434	$ 84,487
Bermuda	30,135	26,913
Peru	2,346,117	405,901
Chile	36,920	2,485,285
Argentina	279,293	368,832
	$ 6,209,899	$ 3,371,418

Expressed in Canadian Dollars

17. INCOME TAXES

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

	2016	2015
Loss for the year	$ (6,209,899)	$ (3,371,418)
Expected income recovery	$ (1,615,000)	$ (877,000)
Change in statutory, foreign tax, foreign exchange rates and other	(84,000)	(58,000)
Permanent difference	838,000	208,000
Share issuance cost	(221,000)	(19,000)
Adjustment to prior years' provision versus statutory returns	96,000	-
Change in unrecognized deductible temporary differences	986,000	746,000
Income tax recovery	$ -	$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statements of financial position are as follows:

	2016	2015
Deferred tax assets (liabilities)		
Equipment	$ 57,000	$ 50,000
Share issue costs	212,000	127,000
Marketable securities	48,000	57,000
Exploration and evaluation assets	58,000	24,000
Non-capital losses available for future periods	6,650,000	5,785,000
	7,025,000	6,043,000
Unrecognized deferred tax assets	(7,025,000)	(6,043,000)
Net deferred tax assets	$ -	$ -

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:

	2016	Expiry dates	2015	Expiry dates
Temporary differences				
Equipment	$ 217,000	No expiry date	$ 205,000	No expiry date
Share issue costs	815,000	2036 to 2040	489,000	2036 to 2039
Exploration and evaluation assets	223,000	No expiry date	94,000	No expiry date
Marketable securities	373,000	No expiry date	442,000	No expiry date
Non-capital losses available for future periods	24,166,000	2027 to 2036	21,154,000	2026 to 2035
	$ 25,794,000		$ 22,384,000	

18. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

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

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

Credit risk

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

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

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had a cash balance of $14,425,974 to settle current liabilities of $2,172,748. Management believes that it has sufficient funds to meet its current liabilities as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

   The Company has cash balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates.

b) Foreign currency risk

   The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US$, the A-Peso, the Chilean peso ("C-Peso") and the Peruvian nuevo sol ("PEN"). A 10% fluctuation in the US$, A-Peso, C-Peso and PEN against the Canadian dollar would affect accumulated other comprehensive loss for the period by approximately $809,000.

Expressed in Canadian Dollars

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

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required resulting in proceeds. A 10% fluctuation in market prices would affect comprehensive income (loss) by $37,000.

Capital management

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

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

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

19. COMMITMENTS

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

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

20. CONTINGENCIES

a) The Company is involved in an arbitration process to settle a dispute between Southern Legacy and a former officer who is claiming an amount of US$200,000 for lost consulting fees. On August 29, 2016, the appointed arbiter issued a decision against the Company for non-compliance of payment terms for fees agreed under the consulting agreement signed by the parties, in the amount of USD$134,500 plus applicable mandatory interest accrued, and a portion of the arbitration costs. As at September 30, 2016, the Company has recorded an accrued liability of CAD187,010 in the consolidated statement of financial position, representing the full amount of the arbitration outcome.

b) The Company was notified by tax authorities that it has been assessed penalties of $130,919 related to its US tax filings. This entire balance has been recorded in accrued liabilities on the statement of financial position as at September 30, 2016. The Company is currently in the process of reviewing whether they will be able to reduce the penalty.

21. SUBSEQUENT EVENTS

a) Subsequent to the year ended September 30, 2016, the Company received proceeds of $101,250 from exercise of 225,000 options at a price of $0.45 per option.

b) On January 23, 2016 the Company finalized the execution of a definitive agreement with Coimolache, based on the previously executed MOU with the terms of the agreement remaining effectively the same. The deadline to complete the Colquirrumi definitive agreement has been extended to March 30, 2017 and work is well underway on this document with completion anticipated within this timeframe. The continuation of the Coimolache definitive agreement is contingent upon the completion of the Colquirrumi definitive agreement.