REGULUS

RESOURCES INC

# Management's Discussion and Analysis

## For the Year Ended September 30, 2016

## General

The following Management Discussion and Analysis ("MD&A") of Regulus Resources Inc. (the "Company" or "Regulus") has been prepared by management, in accordance with the requirements of National Instrument 51-102 ("NI 51-102") as of January 30, 2017 and should be read in conjunction with the consolidated financial statements for the years ended September 30, 2016 and 2015, the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all the other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.regulusresources.com.

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

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

## Description of Business and Overview

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

## Significant Events/Overall Performance in 2016 (updated to January 30, 2017)

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 July 2016, the Company announced that Dr. Stewart Redwood was appointed Chief Geologist for the AntaKori copper-gold project in Peru. Dr. Redwood has 35 years of mineral exploration experience, with a focus on copper, gold, silver and zinc deposits in Latin America and the Caribbean. This includes extensive experience in skarn deposits, notably the Antamina copper-zinc skarn deposit in Peru, one of the world's largest skarn deposits, where he was the Chief Geologist and Site Manager in 1996-98 for the drill-out for the feasibility study. Dr. Redwood has a degree in geology from Glasgow University (1982) and obtained his Ph.D from Aberdeen University (1986) for his work on the gold and silver deposits of Bolivia. He is bilingual in English and Spanish, and also speaks some Portuguese and French. He has worked in Latin America since 1982 with experience in both major mining and junior exploration companies. Dr. Redwood will work closely with Dr. Kevin Heather (Regulus Chief Geological Officer) to plan and supervise the activities of the geology team that will be responsible for the drill definition and feasibility study of the AntaKori copper-gold skarn project in northern Peru.

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 inter-fingering 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. Subsequently, 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. Significant progress has been made on the Colquirrumi DA with completion anticipated prior to the March 30, 2017 deadline. The continuation of the Coimolache DA is contingent upon the completion of the Colquirrumi DA.

***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.
- Both Parties have access to all exploration data generated by either Party within the AOI.
- Both Parties have access to all surface rights owned or controlled by either Party.
- Either Party may elect to proceed with exploration activity on its own mining concessions, at its sole cost, in the event that the other Party elects to not 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 closest to Coimolache's active Tantahuatay Mine.

  - Exploration within sub-area 1 will be managed by Coimolache and will utilize existing and future Coimolache exploration and mining permits.
  - Coimolache may extend the current Tantahuatay oxide precious metals mining operation onto the assigned 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 farther 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 MOU Agreement***

Colquirrumi is a wholly owned subsidiary of Buenaventura. The Colquirrumi MOU allows Regulus Peru an option to earn-in to up to a 70% interest in a large area of Colquirrumi mining concessions located immediately to the north and east of the 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. The MOU is binding and there has been considerable progress made towards the execution of the DA. The Company remains confident that the DA will be signed before the extended deadline of March 30, 2017, failing which the MOU will terminate unless further extended by the parties to the MOU. The key components of the agreement are as follows:

- An AOI consisting of a large area of Colquirrumi mining concessions located to the north and east of the 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.
- 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 (Proveedora No 2-E, Proveedora No 2-F, Tantahuatay No 20-A3, Tantahuatay No 20 and Futuro No 3) by meeting the obligations listed below:
  - Presentation of an approved mining plan to Newco, 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
  - Once the mining of oxide mineralization is terminated, or at the conclusion of a period of five years from the granting of the right of expansion, whichever is the earlier date, the lease of the mining concessions will be terminated unless the parties agree otherwise.

***AntaKori Project***

The flagship project for 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.

Table 1. AntaKori Cu-Au-Ag Project
Summary of 43-101 Resources

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

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

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

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

| Resource | Category | Tonnes millions | Au (g/t) | Cu (%) | Ag (g/t) | Au (M ozs) | Cu (B lbs) | Ag (M ozs) | Au Eq (M ozs) | Cu Eq (B lbs) |
|---|---|---|---|---|---|---|---|---|---|---|
| AntaKori Cu-Au-Ag | Inferred | 294.8 | 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 |
| Puchuldiza Au | Inferred | 30.1 | 0.71 | | | 0.69 | | | 0.69 | |
| *Au Equivalent and Cu Equivalent values were calculated using the following metal prices: Au = US$1200/oz, Cu = US$3.00/lb, and Ag = US$20/oz. | | | | | | | | | | |

***AntaKori Overview***

The AntaKori project is located in northern Peru and hosts a large telescoped Cu-Au-Ag porphyry system with associated skarn, breccias and porphyry-style mineralization developed in sedimentary and intrusive rocks, and an overprint of epithermal, high-sulphidation mineralization in the overlying volcanic rocks. A 43-101 technical report entitled "Technical Report – Southern Legacy Minerals Inc., - AntaKori Project, Peru dated July 2, 2012 and prepared by Scott E. Wilson, C.P.G. was filed on SEDAR and can be viewed at www.sedar.com under the profile "Southern Legacy Minerals Inc.". The 43-101 technical report reports an inferred resource of 294.8 million tonnes grading 0.48% Cu, 0.36 g/t Au and 10.16 g/t Ag (see Table 1 above and refer to the Southern Legacy Minerals news release of July 3, 2012). The resource is based on 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 plans to initiate a 15,000-18,000m drilling program in March 2017 with an objective to confirm and extend the known mineralization at the AntaKori Project.

***Puchuldiza Overview***

The Puchuldiza Au project is 100% owned by the Company and is located 230 km NW of Iquique in the Comuna de Colchane, Tamarugal Province, Region I, Chile. The Puchuldiza project belongs to a class of gold deposits called "hot spring gold deposits". A total of 35 diamond drill holes (6,097 m) have been completed at the Puchuldiza project 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 Table 1 and 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).

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 in 2017 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, 2016, the Company wrote off exploration expenditures of $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. A minimum US$500,000 firm commitment in the first year has been delayed by Force Majeure when the permitting process for the project was slowed as the requisite agencies dealt with a request by the U.S. Fish and Wildlife Service to have the Sage-Grouse designated as an endangered species. The Company has recently received guidance from U.S. Forest Service personnel that noise restriction parameters will be observed within 3 miles of active Sage-Grouse mating grounds ("Leks") between the dates of March 1 and June 30. An active Lek is located within this distance from planned exploration activities at the Property. As such, the firm commitment of US$500,000 in exploration expenditures will be due 120 days after the Company receives the final permit allowing the parties to commence drilling. All subsequent annual work commitments will be deferred accordingly.

Golden Brew is located at the intersection of the southern flank of the Eastgate volcanic trough and the Western Nevada rift in north-central Nevada. Gold mineralization at Golden Brew is hosted within jasperoid and silicified breccias over a strike length of 2,500 feet and widths up to 200 feet. The jasperoid is developed in thin-bedded limestones and limey siltstones and is anomalous in Carlin-type pathfinder elements of arsenic, antimony and mercury with gold values ranging from 0.1 grams/tonne to 4 grams/tonne. The priority target on the property is the edges of a structural horst block located one mile outboard of the jasperoid outcrop under shallow to moderate thicknesses of pediment cover. Drilling in 2011 intersected a 150 foot section of elevated arsenic and antimony at the south-east corner of the horst block within the favorable carbonate section. The horst block is coincident with the projected intersection of a set of crustal scale structures and a strong magnetic low. This magnetic low may reflect magnetic destruction of alteration related to the mineralizing system. Follow-up drilling will focus on the northeastern and southeastern structural corners of the horst block, areas of gravity lows within the gravity high. Gravity lows in this setting may be a function of alteration (decalcification) related to Carlin-type gold mineralization. The targeted areas straddle the boundary between lands administered by the Bureau of Land Management (BLM) and the US Forest Service. Drill permitting is in place for the BLM portion of the property and permitting for the U.S. Forest Service lands has been delayed as the status of Sage Grouse protection has been resolved. The drilling program is anticipated to comprise eight to ten holes for a total of 16,000 feet and a cost of approximately US$400,000. Management currently anticipates that this drilling program will commence in the second half of 2017, upon receipt of permits for the targets on U.S. Forest Service land.

***Rio Grande Overview***

The Company suspended drilling activity at the main Rio Grande Project in late 2012 to conserve cash and re-evaluate the exploration strategy in light of challenging market conditions. During 2015 and early 2016, a major project data review was completed including re-logging of all drill core from the project. This data review has confirmed potential for further exploration at depth. 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 currently 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 Lindero gold project is located approximately 10 km from the Rio Grande project with potential future synergies.

***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, which is now due by February 17, 2017.

Revisions to the cash payment schedule, share issuance schedule and exploration work expenditure schedule are as follows:

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

Field review of the Aguas Calientes, La Frontera and Oscara projects was completed in 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 and Oscara projects.

## 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 | 2016 | 2015 | 2014 |
|---|---|---|---|
| Working capital | $ 12,311 | $ 6,054 | $ 7,444 |
| General and administration expenses | 4,465 | 3,100 | 1,724 |
| Net loss | 6,210 | 3,371 | 46,290 |
| Loss per share | 0.10 | 0.06 | 1.39 |
| Loss per share (fully diluted) | 0.10 | 0.06 | 1.39 |
| Total assets | 33,542 | 23,730 | 21,185 |
| Exploration and evaluation assets | 18,617 | 15,402 | 10,991 |
| Other non-current assets | 442 | 429 | 792 |
| Total liabilities | 2,666 | 2,058 | 1,068 |
| Share capital(1)(2) | 92,469 | 78,954 | 74,027 |
| Number of shares(1)(2) | 68,368,083 | 56,390,583 | 45,279,473 |
| Accumulated deficit | 62,173 | 55,963 | 52,592 |

(1) The Company has only one kind and class of shares issued and outstanding, being common shares
(2) No dividends were paid during the years reported above

*Results of Operations for the Year Ended September 30, 2016 Compared to the Year Ended September 30, 2015*

During the year ended September 30 2016, loss from operating activities increased by $2,838,481 to $6,209,899 compared to $3,371,418 for the year ended September 30, 2015. During the year ended September 30, 2016, the Company wrote off the Puchuldiza property in Chile in the amount of $761. During the year ended September 30, 2015, the Company wrote off the Puchuldiza property in Chile in the amount of $1,771,466 and additional Rio Grande expenditures totaling $602,108. Other significant variances from the same period in the prior year are as follows:

- An increase of $1,153,903 in share-based compensation. Share-based compensation was $1,606,984 for the year ended September 30, 2016 compared to $453,081 for the year ended September 30, 2015 due to the grant of stock options and the partial vesting of stock options granted in the current year.

- An increase of $224,736 in management fees. Management fees were $656,211 for the year ended September 30, 2016 compared to $431,475 for the year ended September 30, 2015. The increase resulted from the formalization of management contracts of personnel related to the acquisition of Southern Legacy, the payment of a bonus to the Chief Operating Officer and the addition of senior management personnel as preparations are made to commence significant exploration activities at the AntiKori project.

- An increase of $247,205 in consulting fees. Consulting fees were $377,566 for the year ended September 30, 2016 compared to $130,361 for the year ended September 30, 2015. The increase resulted from a higher volume of consulting activities.

- An increase of $176,383 in legal fees. Legal fees were $315,277 for the year ended September 30, 2016 compared to $138,894 for the year ended September 30, 2015. The increase resulted from a higher volume of legal work, primarily related to completion of agreements for the AntiKori project.

- An increase of $96,627 in travel expenses. Travel expenses were $156,323 for the year ended September 30, 2016 compared to $59,696 for the year ended September 30, 2015. The increase resulted from increased traveling and promotional activities.

- A loss of $1,502,150 on foreign exchange in the current year as compared to a gain on foreign exchange of $2,097,225 in the prior year. The difference was mainly the result of the increase in the strength of the CAD$ in the current year as compared to the prior year, and a result of changes to Argentina's currency controls.

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

During the three months ended September 30, 2016, loss for the period was $2,760,795 compared to $2,704,613 for the three months ended September 30, 2015. Significant variances from the same period in the prior year are as follows:

- An increase of $837,991 in share-based compensation. Share-based compensation was $1,175,927 for the three months ended September 30, 2016 compared to $337,936 for the three months ended September 30, 2015 due to the grant of stock options and the partial vesting of stock options granted in the current period.

- An increase of $265,301 in consulting fees. Consulting fees were $289,641 for the three months ended September 30, 2016 compared to $24,340 for the three months ended September 30, 2015. The increase resulted from a higher volume of consulting activities.

- An increase of $97,471 in legal fees. Legal fees were $164,772 for the three months ended September 30, 2016 compared to $67,301 for the three months ended September 30, 2015. The increase resulted from a higher volume of legal work, primarily related to completion of agreements for the AntiKori project.

- An increase of $131,166 in management fees. Management fees were $261,488 for the three months ended September 30, 2016 compared to $130,322 for the three months ended September 30, 2015. The increase resulted from the formalization of management contracts of personnel related to the acquisition of Southern Legacy, the payment of a bonus to the Chief Operating Officer and the addition of senior management personnel as preparations are made to commence significant exploration activities at the AntiKori project.

- An increase of $109,647 in travel expenses. Travel expenses were $117,158 for the three months ended September 30, 2016 compared to $7,511 for the three months ended September 30, 2015. The increase resulted from a higher volume of traveling and promotional activities.

- A loss of $615,143 on foreign exchange in the current period as compared to a gain on foreign exchange of $434,716 in the prior period. The difference was mainly the result of the increase in the strength of the CAD$ in the current period as compared to the prior period.

## Cash Flow

*Operating Activities*

Cash outflow from operating activities was $3,743,112 for the year ended September 30, 2016 compared to $2,415,200 for the year ended September 30, 2015. 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 $13,511,102 for the year ended September 30, 2016 compared to $4,926,618 for the year ended September 30, 2015. The increase in cash inflow results primarily from a higher amount of proceeds received from private placement in the current year compared to the prior year.

*Investing Activities*

Cash outflow from investing activities was $4,268,816 for the year ended September 30, 2016 compared to $3,507,747 for the year ended September 30, 2015. 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 a lower amount 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, 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 |
| **All in $1,000's except loss (gain) per share** | **September 30, 2015** | **June 30, 2015** | **March 31, 2015** | **December 31, 2014** |
| Working capital | $6,054 | $8,623 | $9,253 | $11,187 |
| Loss (gain) | $2,705 | $(584) | $604 | $646 |
| Loss (gain) per share | $0.05 | $(0.01) | $0.01 | $0.01 |
| Loss (gain) per common share (diluted) | $0.05 | $(0.01) | $0.01 | $0.01 |
| Total assets | $23,730 | $23,802 | $24,095 | $25,381 |
| Total liabilities | $2,058 | $2,021 | $3,101 | $2,315 |
| Deficit | $55,963 | $53,258 | $53,842 | $53,238 |

## Liquidity and Capital Resources

Cash at September 30, 2016 totaled $14,425,974 compared to $7,876,643 at September 30, 2015. Working capital at September 30, 2016 was $12,311,014 compared to $6,053,957 as at September 30, 2015. Exploration and evaluation of assets at September 30, 2016 totaled $18,616,921 compared to $15,401,835 as at September 30, 2015. The majority of the increase reflected the activity in Peru. The Company has sufficient working capital to continue operations for at least the next 12 months.

In July 2016, the Company 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. In October 2016, the Company received proceeds of $67,500 from exercise of 150,000 stock options. In November 2016, the Company received proceeds of $33,750 from the exercise of 75,000 stock options.

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

## Share Capital

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

As at the date of this report, the Company had 68,593,083 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 |
| | 6,393,334 | |

*Warrants*

| 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 | |

**Related Party Transactions**

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 fee 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.

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.

## 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 CAD$187,010 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.

## 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, 2016 consolidated financial statements on www.sedar.com.

## Recent Accounting Policies

Please refer to the September 30, 2016 consolidated financial statements on www.sedar.com.

## Forward Looking Statements

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers 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).