



**(the “Company”)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018**

**(Expressed in Canadian Dollars)**

**(Unaudited – Prepared by Management)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Regulus Resources Inc.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
As at

	March 31, 2019	September 30, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 11,543,590	\$ 19,678,786
Receivables (Note 7)	95,482	597,686
Prepaid expenses and deposits	590,142	560,403
	<u>12,229,214</u>	<u>20,836,875</u>
<b>Assets held for distribution to shareholders</b> (Note 12)	-	2,564,846
	<u>12,229,214</u>	<u>23,401,721</u>
<b>Long-term investments</b> (Note 7)	383,000	890,000
<b>Property and equipment</b>	497,458	338,675
<b>Exploration and evaluation assets</b> (Note 5)	38,648,328	33,640,074
	<u>\$ 51,758,000</u>	<u>\$ 58,270,470</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,790,848	\$ 2,282,842
Due to related parties (Note 7)	96,487	272,552
Loans payable (Note 7)	-	894,956
	<u>1,887,335</u>	<u>3,450,350</u>
<b>Liabilities held for distribution to shareholders</b> (Note 12)	-	411,735
	<u>1,887,335</u>	<u>3,862,085</u>
<b>Equity</b>		
Capital stock (Note 6)	104,124,561	122,323,481
Accumulated other comprehensive loss	(7,346,740)	(5,393,485)
Share compensation reserve (Note 6)	8,796,694	7,750,542
Deficit	(55,703,850)	(70,272,153)
	<u>49,870,665</u>	<u>54,408,385</u>
	<u>\$ 51,758,000</u>	<u>\$ 58,270,470</u>

**Nature and continuance of operations** (Note 1)  
**Commitments** (Note 11)

**Approved by the Board:**

**Director:**

”John Black”

John Black

**Director:**

“Mark Wayne”

Mark Wayne

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

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

	Three months ended March 31, 2019	Three months ended March 31, 2018	Six months ended March 31, 2019	Six months ended March 31, 2018
<b>EXPENSES</b>				
Accounting and audit	\$ 104,511	\$ 111,626	\$ 139,813	\$ 162,591
Amortization	10,421	9,602	20,468	17,942
Bank charges and interest	776	6,726	1,587	14,036
Consulting fees	145,807	14,461	109,766	34,346
Fees and taxes	11,685	46,141	11,685	50,479
Insurance	8,948	12,046	19,573	23,590
Interest expense	-	7,234	-	14,501
Investor relations and shareholder information	91,084	59,223	161,135	83,818
Legal (Note 7)	31,381	29,630	87,542	83,618
Management fees (Note 7)	184,649	194,282	389,041	390,809
Office and administration	82,910	213,895	160,115	245,296
Rent	29,605	33,674	51,947	79,299
Share-based compensation (Note 6, 7)	1,046,152	79,077	1,046,152	198,625
Telephone	7,192	6,322	10,356	11,238
Transfer agent and listing fees	31,924	32,025	75,317	36,933
Travel	36,948	34,800	63,318	63,981
Wages and benefits	-	27,138	-	35,367
	(1,823,993)	(917,902)	(2,347,815)	(1,546,469)
<b>OTHER ITEMS</b>				
Gain (loss) on foreign exchange	(44,405)	802,133	(9,710)	1,067,311
Recovery of prepaid expenses	-	44,817	-	91,331
Write-off of receivables	(296,702)	(335,757)	(592,169)	(622,283)
Gain on transfer of spin-out assets (Note 4)	-	-	17,517,997	-
Interest income	-	14,408	-	36,010
<b>INCOME (LOSS) FOR THE PERIOD</b>	(2,165,100)	(392,301)	14,568,303	(974,100)
<b>Items that may be reclassified subsequently to profit and loss:</b>				
Change in fair market value of long-term investment	(53,000)	(131,000)	(507,000)	(298,000)
<b>Items that will not be reclassified subsequently to profit and loss:</b>				
Translation adjustment	(534,521)	(330)	(1,446,255)	(222,133)
<b>Comprehensive income (loss) for the period</b>	\$ (2,752,621)	\$ (523,631)	\$ 12,615,048	\$ (1,494,233)
<b>Income (loss) per common share – basic and diluted</b>	\$ (0.03)	\$ (0.01)	\$ 0.14	\$ (0.02)
<b>Weighted average number of common shares outstanding</b>	90,994,683	74,226,472	90,994,683	73,518,194

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

**Regulus Resources Inc.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
Balance, September 30, 2017	68,888,667	\$ 92,896,977	\$ (6,708,360)	\$ 8,394,225	\$ (65,665,351)	\$ 28,917,491
Shares issued on exercise of warrants	5,338,055	3,743,388	-	-	-	3,743,388
Share-based compensation	-	-	-	198,625	-	198,625
Fair value adjustment to long-term investment	-	-	(298,000)	-	-	(298,000)
Foreign exchange adjustment	-	-	(222,133)	-	-	(222,133)
Loss for the period	-	-	-	-	(974,100)	(974,100)
Balance, March 31, 2018	74,226,722	\$ 96,640,365	\$ (7,228,493)	\$ 8,592,850	\$ (66,639,451)	\$ 31,365,271
Balance, September 30, 2018	91,002,794	\$ 122,323,481	\$ (5,393,485)	\$ 7,750,542	\$ (70,272,153)	\$ 54,408,385
Shares returned to treasury	(8,200)	-	-	-	-	-
Transfer of net assets pursuant to spin-out (Note 4)	-	(18,198,920)	-	-	-	(18,198,920)
Share-based compensation	-	-	-	1,046,152	-	1,046,152
Fair value adjustment to long-term investment	-	-	(507,000)	-	-	(507,000)
Foreign exchange adjustment	-	-	(1,446,255)	-	-	(1,446,255)
Income for the period	-	-	-	-	14,568,303	14,568,303
Balance, March 31, 2019	90,994,594	\$ 104,124,561	\$ (7,346,740)	\$ 8,796,694	\$ (55,703,850)	\$ 49,870,665

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

**Regulus Resources Inc.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited – Prepared by management)

(Expressed in Canadian Dollars)

For the six months ended March 31,

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Net income (loss) for the period	\$ 14,568,303	\$ (974,100)
Items not affecting cash:		
Amortization	20,468	17,942
Gain on transfer of spin-out assets	(17,517,997)	-
Interest expense	-	14,501
Share-based compensation	1,046,152	198,625
Recovery of prepaid expenses	-	(91,331)
Write-off of receivables	592,169	622,283
Changes in non-cash working capital items:		
Receivables	(89,966)	(631,013)
Prepaid expenses and deposits	(31,160)	74,152
Accounts payable and accrued liabilities	(418,208)	(36,523)
Due to related parties	(167,065)	35,052
Net cash used in operating activities	<u>(1,997,304)</u>	<u>(770,412)</u>
<b>Cash Flows from Financing Activities</b>		
Cash transferred to Aldebaran pursuant to the spin-out of assets	(192,867)	-
Proceeds from exercise of warrants	-	3,743,388
Repayment of loans payable	(894,200)	-
Net cash provided by (used in) financing activities	<u>(1,087,067)</u>	<u>3,743,388</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(167,028)	(192,981)
Exploration and evaluation assets, net of recoveries	(4,209,589)	(5,692,950)
Net cash used in investing activities	<u>(4,376,617)</u>	<u>(5,885,931)</u>
<b>Effect of foreign exchange on cash</b>	<u>(674,208)</u>	<u>(1,128,819)</u>
<b>Change in cash for the period</b>	(8,135,196)	(4,041,774)
<b>Cash, beginning of period</b>	<u>19,678,786</u>	<u>6,815,719</u>
<b>Cash, end of period</b>	<u>\$ 11,543,590</u>	<u>\$ 2,773,945</u>

Supplemental disclosures with respect to cash flows (Note 8)

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

**Regulus Resources Inc.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

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

At the date of these interim condensed consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on these exploration and evaluation assets is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned revenues and is considered to be in the exploration stage.

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

As at March 31, 2019 the Company had working capital of \$10,341,879. Management recently completed a private placement financing in the Company to provide it with sufficient capital for the next 12 months or longer. The Company has no source of operating cash flows and as such the Company’s ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing. There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favourable.

On November 2, 2018, the Company closed the spin-out of its Argentinian subsidiaries into Aldebaran Resources Inc. (Note 4).

These interim condensed consolidated financial statements were authorized by the audit committee and by the board of directors of the Company on May 30, 2019.

**2. BASIS OF PREPARATION**

These unaudited interim condensed consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of application as the Company’s most recent annual audited consolidated financial statements. They should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended September 30, 2018, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

Judgments

In the process of applying the Company’s accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in interim condensed consolidated financial statements:

*Functional currencies*

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

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

*Impairment of exploration and evaluation assets*

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

Estimates

Significant estimates, made by management, about the future and other sources of estimation uncertainty at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

*Carrying value and recoverability of exploration and evaluation assets*

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

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

*Fair value of stock options and warrants*

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

*Income taxes*

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

*Decommissioning costs*

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



**Regulus Resources Inc.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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

Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 7). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Foreign exchange

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at September 30, 2018. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended September 30, 2018.

**New standards, interpretations and amendments not yet effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2019 or later periods. The following new standards, amendments and interpretations that have not been early adopted in these interim condensed consolidated financial statements are not expected to have a material effect on the Company’s future results and financial position:

- IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption has not yet been determined.
- IFRIC 23 Uncertainty over Income Tax Treatments: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated statements.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**New accounting standards adopted during the period**

- IFRS 15, Revenue Recognition - Revenue from Contracts with Customers establishes the principles that an entity shall apply to financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer, effective for annual periods beginning on or after January 1, 2018. The amended standard was adopted on October 1, 2018 and did not have an impact on the condensed consolidated interim financial statements.
- IFRS 9 – Financial Instruments ("IFRS 9") - On October 1, 2018, the Company adopted IFRS 9 which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

The following is the new accounting standard adopted during the period:

**Financial instruments**

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive.

The classification determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. Receivables and reclamation bonds are measured at amortized cost with subsequent impairments recognized in profit or loss and cash and investments are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)***Financial liabilities*

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the balance sheet at amortized cost.

As at March 31, 2019, the Company does not have any derivative financial liabilities.

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

**4. PLAN OF ARRANGEMENT**

Upon receiving final approval from the TSX-Venture Exchange on November 2, 2018, the Company completed the spin-out of its wholly owned Argentinian subsidiaries, Regulus Argentina S.A. and Minera El Toro S.A. (the "Argentine subsidiaries") into Aldebaran Resources Inc. ("Aldebaran").

The spin-out was completed by way of a statutory plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement") wherein, Regulus transferred its Argentine subsidiaries to Aldebaran in exchange for 30,331,534 common shares ("Aldebaran Shares") of Aldebaran, which were distributed to Regulus shareholders on the basis of one Aldebaran Share for each three Regulus common shares held as of the close of business on September 28, 2018.

The carrying value of the net assets transferred to Aldebaran, pursuant to the Arrangement consisted of the following assets and liabilities:

<b>Assets acquired and liabilities assumed</b>	
Cash	\$ 192,867
Receivables	7,504
Prepays	1,085
Equipment	879
Exploration and evaluation assets	913,055
Accounts payable and accrued liabilities	(11,010)
Site resoration	(423,457)
<b>Net assets acquired:</b>	<b>680,923</b>
<b>Fair value of net assets distributed</b>	<b>18,198,920</b>
<b>Gain on transfer of spin-out assets</b>	<b>\$17,517,997</b>

In accordance with IFRIC 17, Distribution of Non-cash Assets to Owners, the Company recognized the distribution of net assets to Regulus shareholders at fair value with the difference between that value and the carrying amount of the net assets recorded to the interim condensed consolidated statements of operations and comprehensive income (loss).

The fair value of the net assets distributed was based on a share price of Aldebaran of \$0.60 per share multiplied by the total number of shares issued, 30,331,534. The \$0.60 price was based on the trading price of the Aldebaran shares on the measurement date, being the date Aldebaran commenced trading on the TSXV Venture Exchange on November 2, 2018. The Arrangement resulted in a reduction of share capital amounting to \$18,198,920.



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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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

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

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

A summary of the payments made 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
Paid during the year ending September 30, 2015	1,850,000
Paid during the year ending September 30, 2016	1,909,123
Paid during the year ending September 30, 2017	38,000
Total	\$ 7,460,062

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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

During the year ended September 30, 2017, the Company's wholly owned Peruvian subsidiary, Southern Legacy Peru S.A.C. ("Regulus Peru"), finalized the execution of definitive agreements with Compañía Minera Coimolache S.A. ("Coimolache") and Compañía Minera Colquirrumi S.A. ("Colquirrumi"), companies that hold mineral concessions immediately adjacent to, and inter-fingering with the Company's AntaKori 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 Coimolache agreement has a term of five years, renewable with consent from both parties. The agreement is primarily designed to allow the parties to collaboratively explore the project area. In addition, Coimolache has the right to expand its current Tantahuatay oxide pit by laying back onto certain concessions owned by Regulus (the "Regulus Concessions") but assigned to Coimolache for the specific purpose of exploiting oxide gold mineralization. Coimolache will pay a 5% NSR (the "Coimolache NSR Payments") to Regulus for any precious metals produced from oxide material mined on Regulus Concessions. The layback rights are restricted to oxide mineralization only and are further limited by a floor of 3,800 m above sea level. Coimolache commenced mining on certain of the Regulus Concessions in 2018 and during the year ended September 30, 2018, the Company received or accrued Coimolache NSR Payments for production from the Napoleon concession and Mina Volare concession. Some of the Regulus Concessions are subject to underlying NSR royalties (the "Underlying NSR Royalties") as indicated in the agreement section above. These Underlying NSR Royalties vary from 0-3% with buy out clauses for some of the royalties as indicated. In the event that the Company receives a Coimolache NSR Payment from a Regulus Concession with an Underlying NSR Royalty(ies), the Company must pay the Underlying NSR Royalty payment from proceeds received from the Coimolache NSR Payment. The Company must pay an Underlying NSR Royalty of 1.5% for the portion of the production from the Napoleon concession and of 3.0% for the portion of the production from the Mina Volare concession. A total of \$552,292 has been included in accrued liabilities to reflect amounts owing under these royalties at March 31, 2019.

The Colquirrumi agreement allows Regulus to earn-in to a 70% interest in a 2,571 hectare block of ground held by Colquirrumi by completing 7,500 m of drilling within 3 years from obtaining necessary permits to drill. Regulus has up to 3 years to receive the necessary permits. The agreement assigns certain mining concessions to the Company's 99.9% owned Peruvian subsidiary, Anta Norte S.A.C. ("Anta Norte") to allow for exploration work to be performed on those claims by Anta Norte during the term of the agreement. Upon notification that Regulus has completed 7,500 m of drilling and elected to obtain a 70% interest in the property, Colquirrumi will have a one time option to claw-back to a 70% interest in the property (leaving 30% to Regulus) by paying Regulus the sum of US\$9 million.

**Puchuldiza Property, Chile**

The Company holds a 100% interest in the Puchuldiza Property. The Company is required to pay a royalty of 1.5% of the net smelter return from commercial production up to a cumulative total of US\$5,000,000. Subsequent to March 31, 2019, the Company sold its interest in the property for \$100,000.

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

**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 by May 28, 2022. Upon earn-in the parties will form a joint venture on a 50/50 basis. The transaction was considered to be non-arms length under the rules of the TSX Venture Exchange by virtue of the fact that two of the directors of Regulus, John Leask and Gordon Leask, are also directors of Highway 50. This transaction was unanimously approved by the three other Regulus Board members, all of whom are independent of Highway 50, with John Leask and Gordon Leask both abstaining. During the year ended September 30, 2018, the Company amended and paid the annual option payment from US\$50,000 to US\$30,000.

In addition to the AntaKori and Golden Brew properties, the Company holds a 100% interest in the Fireweed property in British Columbia, Canada.

During the period ended March 31, 2019, Rio Grande, Aguas Calientes, El Camino, Catua, Oscuro and La Frontera properties in Argentina were spun-out into a separate company (Note 4). In connection with the spin-out, these properties were re-classified to assets held for distribution to shareholders as at September 30, 2018 (Note 12).

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

**6. CAPITAL STOCK AND SHARE COMPENSATION RESERVE****Authorized:** unlimited common shares without par value. All issued shares are fully paid.**Treasury shares:** recorded at cost.

During the year ended September 30, 2018, the Company closed a private placement of 10,852,039 common shares at \$1.90 per share for proceeds of \$20,596,374. The Company paid finder's fees of \$448,361 cash and 187,307 broker warrants at a fair value of \$133,937 exercisable at a price of \$1.90 until September 27, 2020. The Company also issued 11,842 of the common shares included in the private placement as a finance fee for no proceeds. 2,502,040 of the common shares were restricted from trading for four months as at September 30, 2018, but such restrictions were removed on November 14, 2018.

During the year ended September 30, 2018, the Company received proceeds of \$1,907,250 from the exercise of 4,238,334 options at a price of \$0.45 per option and received proceeds of \$6,440,508 from the exercise of 7,023,754 warrants at an average price of \$0.92 per warrant.

During the period ended March 31, 2019, the Company returned 8,200 common shares to treasury.

**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.

The following table summarized movements in stock options outstanding for the period ended March 31, 2019:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2017	6,393,334	\$ 0.81
Options granted	150,000	1.89
Options exercised	(4,238,334)	0.45
Options expired/forfeited	(55,000)	0.55
Balance, September 30, 2018	2,250,000	1.53
Options granted	5,750,000	1.61
Options expired/forfeited	(50,000)	1.50
Balance, March 31, 2019	7,950,000	\$ 1.58
Number of options currently exercisable	2,112,500	\$ 1.51

The following table summarizes information about stock options outstanding at March 31, 2019:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
\$ 1.50	2,050,000	2,050,000	September 2, 2021*
1.84	100,000	50,000	December 28, 2022
2.00	50,000	12,500	July 11, 2023
1.60	5,550,000	-	February 4, 2024
1.78	200,000	-	March 1, 2024
	7,950,000	2,112,500	

\*Subsequent to March 31, 2019, 50,000 options expired unexercised.

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended March 31, 2019:

	2019	2018
Risk-free interest rate	1.86%	-
Expected life of grant	5 years	-
Volatility	88.52%	-
Dividend	0.00%	-
Weighted average fair value per option	\$1.09	-

**Share-based compensation**

The Company recognizes compensation expense for all stock options and warrants granted using the fair value based method of accounting. During the period ended March 31, 2019, the Company recognized \$1,046,152 (2018 - \$198,625) in share-based compensation expense with respect to options vested during the period.

**Warrants**

The following table summarizes movements in warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2017	11,241,206	\$ 1.17
Warrants issued	187,307	1.90
Warrants exercised	(7,023,754)	0.92
Balance, September 30, 2018 and March 31, 2019	4,404,759	\$ 1.61

The following table summarizes information about warrants outstanding at March 31, 2019:

Exercise Price	Number Outstanding	Expiry Date
\$ 1.60	4,217,452	January 27, 2020
1.90	187,307	September 27, 2020
	4,404,759	



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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

**7. RELATED PARTY TRANSACTIONS**

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

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Southern Legacy Minerals Inc.	USA	100%	Holding company
Southern Legacy Peru S.A.C.	Peru	100%	Mineral exploration
KoriAnta S.A.C.	Peru	100%	Holding company
SMRL El Sinchao de Cajamara	Peru	83.13%	Holding company
Anta Norte S.A.C.	Peru	99.90%	Mineral exploration
Minera Southern Legacy Chile Limitada	Chile	100%	Mineral exploration
Pachamama (Bermuda) Ltd.	Bermuda	100%	Holding company
Argex Mining Samenta Ltd.	Barbados	100%	Holding company
Argex Cerro Gordo Ltd.	Barbados	100%	Holding company

During the period ended March 31, 2019, the Company entered into the following transactions with key management personnel and related parties.

- a) Double Black Diamond Resources LLC. (“DBD Resources”) is a private company controlled by Mr. John Black, CEO and a director of the Company. For the period ended March 31, 2019, DBD Resources was paid \$124,684 (2018 - \$127,238). Management services paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

At March 31, 2019, the Company owed \$19,464 (September 30, 2018 – \$21,503) to DBD Resources. During the year ended September 30, 2018, Mr. John Black loaned the Company \$460,122 (\$350,000 USD). During the period ended March 31, 2019, the Company repaid the loan in full, including accrued interest of \$8,224 (\$6,374 USD).

- b) For the period ended March 31, 2019, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$116,339 in consulting fees (2018 – \$111,333). Consulting fees paid or accrued to Mr. Pickmann are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was also paid or accrued \$119,627 (2018 - \$81,379) for legal services. Legal fees paid to Mr. Pickmann’s law firm are classified as legal expenses in the interim condensed consolidated statements of operations and comprehensive loss.

At March 31, 2019, the Company owed \$19,464 (September 30, 2018 - \$94,078) to Mr. Pickmann and owed \$944 (September 30, 2018 – \$101,062) to the law firm at which Mr. Pickmann was a partner.

- c) Unicus Funds Ltd. (“Unicus”) is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the period ended March 31, 2019, Unicus was paid \$31,250 (2018 – \$25,000). Management services paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

At March 31, 2019, the Company owed \$6,563 (September 30, 2018 – \$Nil) to Unicus. During the year ended September 30, 2018, Mr. Mark Wayne loaned the Company \$800,000. During the period ended March 31, 2019, the loan was paid in full, including accrued interest of \$17,454.

- d) K.B. Heather & Socios Limitada (The Rock Doctor Limitada) (“K.B. Heather”) is a private company controlled by Dr. Kevin B. Heather, Chief Geological Officer of the Company. For the period ended March 31, 2019, K.B. Heather was paid \$116,769 (2018 – \$127,238). Amounts paid to K.B. Heather are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

At March 31, 2019, the Company owed \$50,052 (September 30, 2018 – \$43,007) to K.B. Heather. During the year ended September 30, 2018, Dr. Kevin B. Heather loaned the Company \$300,000. During the period ended March 31, 2019, the Company repaid the loan in full, including accrued interest of \$4,767.

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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

- e) At March 31, 2019, the Company owed \$Nil (September 30, 2018 – \$12,209) to non-executive directors.
- f) The Company incurred \$15,397 of expenses on behalf of Aldebaran, a company with common directors and management which spun-out during the period ended March 31, 2019. This balance is included in receivables.
- g) The Company holds 2,000,000 common shares (September 30, 2018 – 2,000,000 common shares) of Highway 50 Gold Corp., a company with directors in common, included within long term investments.

The loans described in a), c) and d) above were made by certain officers of the Company to allow the continuation of drilling at its AntaKori project while the spin-out of its Argentina assets to Aldebaran was progressing. The negotiations and completion of the spin-out transaction took significantly longer than expected and the Company was unable to raise capital during this process.

The named officers invested portions of their short term loans (“Short Term Loans”) in the Company’s \$1.90 private placement financing as follows:

- John Black invested \$400,000 of his \$460,544 loan repayment in the financing, purchasing 210,526 shares at \$1.90. The remaining principal of \$60,544 was repaid to Mr. Black in cash, together with \$8,224 of accrued interest.
- Mark Wayne was repaid the full amount of his loan in cash, including accrued interest of \$17,454. He also invested in the financing, purchasing 175,000 shares at \$1.90.
- Kevin B. Heather invested all \$300,000 of his loan repayment in the financing, purchasing 157,894 shares at \$1.90. He received a payment of \$4,767 for accrued interest.

The Short Term Loans accrued simple interest at 10% per annum and were unsecured. The interest rate was determined by an assessment of what the Company would have to pay if it was able to borrow funds from an unrelated party. The terms of the loans, including the interest rate, were approved by the independent directors of the Issuer.

**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 period ended March 31, 2019 and 2018 are as follows:

	Fees and Bonus	Share-based Benefits	Total
Six months ended March 31, 2019			
Chief Executive Officer	\$ 124,684	\$ 163,313	\$ 287,997
Chief Geological Officer	116,769	163,313	280,082
Chief Financial Officer	31,250	163,313	194,563
Chief Operating Officer	116,339	163,313	279,652
Non-executive directors and officers	-	68,764	68,764
	\$ 389,042	\$ 722,016	\$ 1,111,058

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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

	Fees and Bonus	Share-based Benefits	Total
Six months ended March 31, 2018			
Chief Executive Officer	\$ 127,238	\$ 18,872	\$ 146,110
Chief Geological Officer	127,238	18,872	146,110
Chief Financial Officer	25,000	18,872	43,872
Chief Operating Officer	111,333	18,872	130,205
Non-executive directors and officers	-	37,744	37,744
	<u>\$ 390,809</u>	<u>\$ 113,232</u>	<u>\$ 504,041</u>

Aside from loans with terms specifically disclosed above, amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

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

Other than disclosed elsewhere in these interim condensed consolidated financial statements, the significant non-cash transactions for the periods ended March 31, 2019 and 2018 included:

- a) \$1,484,711 (2018 - \$67,726) in accounts payable and accrued liabilities related to exploration and evaluation assets.

For the period ended March 31	2019	2018
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

**9. 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	Property, Plant and Equipment	Exploration and Evaluation Assets	Other Assets
March 31, 2019				
Canada	\$ 11,703,192	\$ -	\$ -	\$ 11,703,192
Peru	38,711,848	497,458	37,327,309	887,081
Chile	21,941	-	-	21,941
United States	1,321,019	-	1,321,019	-
	<u>\$ 51,758,000</u>	<u>\$ 497,458</u>	<u>\$ 38,648,328</u>	<u>\$ 12,612,214</u>

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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

	Total Assets	Property and Equipment	Exploration and Evaluation Assets	Other Assets
September 30, 2018				
Canada	\$ 19,762,295	\$ -	\$ -	\$ 19,762,295
Peru	34,699,277	338,675	32,417,136	1,943,466
Chile	21,114	-	-	21,114
United States	1,222,938	-	1,222,938	-
Argentina	2,564,846	-	-	2,564,846
	\$ 58,270,470	\$ 338,675	\$ 33,640,074	\$ 24,291,721

	2019	2018
Loss (income) for the period ended March 31		
Canada	\$ (15,741,216)	\$ 249,258
Bermuda	-	8,013
Peru	1,089,267	518,596
Chile	41,388	(13,397)
Argentina	42,258	211,630
	\$ (14,568,303)	\$ 974,100

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

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 royalty payments receivable. The Company does not believe it is subject to significant credit risk.

**Regulus Resources Inc.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

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

*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 March 31, 2019, the Company had a cash balance of \$11,543,590 to settle current liabilities of \$1,887,335.

*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. The Company's debt which accrues interest is at a fixed rate and also does not expose the Company to interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US\$, the Chilean peso ("C-Peso") and the Peruvian nuevo sol ("PEN"). A 10% fluctuation in the US\$, C-Peso and PEN against the Canadian dollar would affect accumulated other comprehensive loss for the period by approximately \$702,000.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required resulting in proceeds, which approximate the carrying amount of these investments. A 10% fluctuation in market prices would affect comprehensive income (loss) by approximately \$38,300.

*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.

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the periods ended March 31, 2019 and 2018

**11. COMMITMENTS**

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

	Peru
2018	\$ 79,816
2019	31,480
	<u>\$ 111,296</u>

If the Company does not complete the US\$5,000,000 of expenditures on the Golden Brew property in accordance with the terms of the Option described in Note 5, the Company will forfeit its right to earn an interest in the property and will have to writedown the full amount that such property is recorded at on its Statement of Financial Position at such time.

**12. ASSETS HELD FOR DISTRIBUTION TO SHAREHOLDERS**

The disposal group reclassified for distribution to shareholders at September 30, 2018 consists of the Company's Argentine subsidiaries and certain associated costs which were spun-out on October 25, 2018. The disposal group is part of the Company's only segment, which is the exploration and development of exploration and evaluation assets.

Accounting Policy

Non-current assets held for sale and disposal groups are presented separately in the current section of the statement of financial position when management is committed to immediately distributing the asset or disposal group in its present condition, and this distribution is highly probable and expected to be completed within one year. Immediately before the initial classification of the asset and disposal groups as held for sale or for distribution, the carrying amounts of the assets, or all the assets and liabilities in the disposal groups, are measured in accordance with the applicable accounting policy:

Current assets	Amortized cost
Equipment	Amortized cost
Exploration and evaluation assets	Amortized cost
Current liabilities	Other financial liabilities at amortized cost
Decommissioning liability	Other financial liabilities at amortized cost

<b>Assets and liabilities held for distribution to shareholders:</b>	September 30, 2018
Current assets	\$ 121,061
Equipment	540
Exploration and evaluation assets	<u>2,443,245</u>
Total assets held for distribution to shareholders	\$ 2,564,846
Current liabilities	\$ 6,221
Decommissioning liability	<u>405,514</u>
Total liabilities held for distribution to shareholders	\$ 411,735



**Management's Discussion and Analysis**  
**For the Three and Six Months Ended March 31, 2019**

### **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 May 30, 2019 and should be read in conjunction with the interim condensed consolidated financial statements for the three and six months ended March 31, 2019 and 2018, the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The following should also be read in conjunction with the audited annual consolidated financial statements for the year ended September 30, 2018 and all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.regulusresources.com](http://www.regulusresources.com).

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

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

### **Description of Business and Overview**

Regulus was formed in December 2010 in connection with the sale of Antares Minerals Inc. to First Quantum Minerals Ltd. Regulus is managed by the Antares team responsible for the discovery of the Haquira East porphyry copper deposit, which led to the sale of Antares. The goal of the Company is to discover and de-risk a large scale deposit that could ultimately be sold to a major mining company, similar to what was achieved with Antares. Regulus was initially established to continue exploration at its Rio Grande Au-Cu-Mo porphyry project in northern Argentina. The Company put the Rio Grande project on hold in 2012 in response to challenging market conditions and began pursuing opportunities for new mineral projects with good potential for significant discoveries. In September 2014, the Company completed a merger with Southern Legacy Minerals Inc. ("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 in a region with several large-scale gold and copper mines and deposits and adjacent to two operating mines (Tantahuatay and Cerro Corona). In March 2019, the Company released an interim NI 43-101 resource for AntaKori containing Indicated Resources of 250 million tonnes with a copper grade of 0.48%, gold grade of 0.29 grams per tonne and silver grade of 7.5 grams per tonne, and Inferred Resources of 267 million tonnes with a copper grade of 0.41%, gold grade of 0.26 grams per tonne and silver grade of 7.8 grams per tonne. Management is confident that further work will expand the current deposit to a size that will be of interest to major mining companies. All of the Company's assets in Argentina, including the Rio Grande project, were transferred to Aldebaran Resources Inc. as part of the "spin-out" transaction described below.

The following is a summary of the significant milestones since October 1, 2018 to date.

### **Spin-Out**

Upon receiving final approval from the TSX-Venture Exchange on November 2, 2018, the Company completed the spin-out of its wholly owned Argentinian subsidiaries, Regulus Argentina S.A. and Minera El Toro S.A. (the "Argentine subsidiaries") into Aldebaran Resources Inc. ("Aldebaran").

The spin-out was completed by way of a statutory plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement") wherein Regulus transferred its Argentine subsidiaries to Aldebaran in exchange for 30,331,534 common shares ("Aldebaran Shares") of Aldebaran, which were distributed to Regulus shareholders on the basis of one Aldebaran Share for each three Regulus common shares held as of the close of business on September 28, 2018.

### **Updated Mineral Resource Estimate**

In March 2019, the Company reported an updated mineral resource estimate at its AntaKori copper-gold project in Northern Peru. This is the first mineral resource estimate prepared for Regulus at the project and supercedes a previous estimate prepared for Southern Legacy Minerals Inc. Regulus engaged Wood (formerly AMEC Foster Wheeler) to independently estimate the mineral resources at AntaKori. The estimate relies on new data from drilling completed by Regulus through November 2018 and drilling data provided through a collaborative agreement established in 2017 with the adjoining property holder. See more below under Property Review/AntaKori Project.



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

**Outlook for 2019**

Exploration activities will continue to focus primarily on the AntaKori project in 2019. An updated NI 43-101 mineral resource estimate was completed as scheduled in Q1-2019 including all results from the Phase 1 drilling program. Subject to financing, the Phase 2 drilling program is anticipated to consist of approximately 25,000 metres of additional drilling and will form the basis for an additional updated mineral resources estimate in 2020. Phase 2 has recently recommenced with one rig currently drilling and a second rig ready to start drilling shortly. The plan is to increase the rig count to 4 to 5 drill rigs to allow the completion of the planned drilling by the end of 2019. The Phase 2 drill program will initially focus on immediate extensions to the current resource including drill holes in the vicinity of recently reported AK-18-26 and will include drilling to offset the mineralization reported in AK-18-030. Approval of an additional drilling permit is anticipated by Q3-2019 that will allow drilling further to the north and northwest to test geophysical targets that may represent additional skarn and/or porphyry style mineralization. With the initiation of significant and nearly non-stop drilling and exploration activity at the AntaKori project, the Company has projected a 2019 drilling budget of \$13,000,000. The 2019 exploration program will also see increased emphasis on acquisition of surface rights as the drilling extends to the north in previously un-drilled areas. As a result of the level of exploration activity at the project, the Issuer anticipates an increased investment in social benefits, programs and activities to enhance community relations and development in the areas close to the project. The Issuer has a dedicated community relations team that maintains constant contact with the principal communities in the area of influence of the project. In 2019, the Company has committed to complete its first larger public works project to provide improved water services for the community of Chencho at a projected cost of approximately US\$300,000 with completion scheduled for mid-2019.

A 3,000 m drilling program has commenced at the Golden Brew project in Nevada to follow up on encouraging results from 2017 drilling with a projected budget of \$470,000.

At the date of this MD&A, the Company has \$9.7 MM in cash and cash equivalents. The Company anticipates that additional capital will be raised during 2019 by means of an equity financing. If additional financing is not completed, the Phase 2 drilling program at AntaKori will be reduced to approximately 15,000 m. The only firm commitments for the AntaKori project include 2019 annual concession fees and remediation costs estimated at \$215,000.

**Longer-term Outlook**

Following the completion of the AntaKori Phase 2 drilling program, the Company plans to prepare an additional mineral resource estimate update by mid 2020. If the extent of the deposit is largely defined by Phase 2, the Company plans to complete a PEA, at the earliest by late 2020. If the extent of the deposit is not defined by the 2019 Phase 2 drilling program, an additional year of drilling would occur prior to the completion of the PEA. Once the PEA is completed, 1-2 years of infill drilling, metallurgy and other pre-feasibility level field investigations would be completed, leading to a Pre-feasibility Study at the earliest possible date of 2022. Completion of all of the Company's objectives is subject to the Risks and Uncertainties listed at the conclusion of this MD&A.

**Changes to Executive Team**

Effective March 1, 2019, the Company appointed Adam Greening to the position of Vice President, Corporate Development. Mr. Greening joined Regulus from Yamana Gold Inc. where he played a key role in that company's evaluation and execution of several successful acquisitions and sales. He is a professional geologist with over 12 years experience in the mining industry having also worked with Goldcorp and MPH Consulting. Mr. Greening has a B.Sc. (Honors) from Memorial University of Newfoundland and an MBA from the Rotman School of Management, University of Toronto.

Effective May 22, 2019, Gordon P. Leask stepped down as a non-executive director of the Company. Mr. Leask has been a director of the Company since 2012. The Company is reviewing potential candidates to replace him on the Board.

**Mineral Property Review**

*This review has been prepared by John Black, CEO and Director of the Company. The scientific and technical data contained in the section has been reviewed and approved by Dr. Kevin B. Heather, BSc (Hons), MSc, PhD, FAusIMM, Chief Geological Officer of the Company, who serves as a qualified person (QP) under the definitions of National Instrument 43-101.*

The Company owns a project located in Peru (the AntaKori Property) and the right to acquire an interest in a project located in Nevada (the Golden Brew Property). The Company also holds an early stage prospect in Canada.

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

*AntaKori Project*

The flagship project for Regulus is the AntaKori Cu-Au-Ag project located in northern Peru. This project has a NI 43-101 resource containing Indicated Resources of 250 million tonnes grading 0.48% Cu, 0.29g/t Au and 7.5g/t Ag, and Inferred Resources of 267 million tonnes grading 0.41% Cu, 0.26g/t Au and 7.8g/t Ag (please refer to Regulus news release of March 1, 2019 and table below). The resource estimate is based on historical drilling completed by El Misti Gold (1997-98) and Sinchao Metals (2007-08), as well as new drilling completed through November 2018 by Regulus and drilling data provided through a collaborative agreement established in 2017 with the adjoining property holder (see press release by Regulus dated January 24, 2017). The reported resource is only reported for the portion of the mineralization system that is owned or controlled by Regulus and is open for expansion in several directions.

<b>Summary of AntaKori Mineral Resource Estimate at a 0.3% CuEq Cut-off</b>											
<b>Resource Category</b>	<b>Million Tonnes</b>	<b>Cu Grade (%)</b>	<b>Au Grade (g/t)</b>	<b>Ag Grade (g/t)</b>	<b>CuEq Grade (%)</b>	<b>AuEq Grade (g/t)</b>	<b>Cu B lbs</b>	<b>Au M oz</b>	<b>Ag M oz</b>	<b>CuEq B lbs</b>	<b>AuEq M oz</b>
Indicated	250	0.48	0.29	7.5	0.74	1.09	2.6	2.3	61	4.1	8.8
Inferred	267	0.41	0.26	7.8	0.66	0.96	2.4	2.2	67	3.9	8.2

*Note that the CuEq and AuEq grades and metal contents in this table are mutually exclusive and are not additive. See Table 3 for additional notes.*

*AntaKori Overview*

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

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

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

Highlights of the AntaKori project include the following:

- The Company owns or controls 20 mineral concessions, for a total of 438 hectares, which cover most, but not all of the currently known AntaKori mineralized system. Further consolidation of mineral tenure is in process.
- A total of 17,954 m of drilling was completed in 70 drill holes (22 reverse circulation drill holes and 48 diamond drill holes ) by previous operators El Misti Gold (1997-98) and Sinchao Metals (2007-08).
- A total of 25,102 m of drilling completed in 30 drill holes by Regulus to date, with drilling ongoing.
- An Independent NI 43-101 report has documented a large Cu-Au-Ag skarn system with associated mineralized breccias and porphyry-style mineralization hosted in sedimentary and intrusive rocks, and associated epithermal, high-sulphidation mineralization in the overlying volcanic rocks.
- Zones of mineralization have been intercepted by the previous drilling within large geophysical anomalies, thus confirming the utility of the geophysics used in identifying future exploration targets.
- Indication that the mineralized system is open in all directions, and has potential for expansion through future exploration programs.

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

- Access to infrastructure as property is located adjacent to two operating mines.

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

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

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

The Phase 1 drill program at AntaKori was completed in October 2018 with a total of 22,140 m drilled through hole AK-18-027. Drilling continued directly into the Phase 2 program with an additional three holes completed to date (2,961 m from AK-18-028 through AK-18-030). The Phase 1 program successfully completed the objective of confirming and extending the previously reported resource at AntaKori and provided the basis for the preparation of an updated mineral Resource Estimate which was completed in Q1-2019.

In January 2019, the Company announced the results from Phase I drill holes AK-18-022 through AK-18-027 (see news release dated January 30, 2019 at [www.regulusresources.com](http://www.regulusresources.com)). All of the holes encountered significant mineralization with the most notable results from hole AK-18-026 along the northern margin of drilling completed to date.

Highlights from drill holes AK-18-022 through AK-18-027 – AntaKori Project:

- AK-18-026:
  - 236.35 m with 0.53% Cu, 0.63 g/t Au and 12.09 g/t Ag (1.09% CuEq) from 87.55 m depth including
  - 33.96 m with 2.46% Cu, 3.02 g/t Au and 37.92 g/t Ag (4.96% CuEq) from 153.15 m depth
  - Both high-sulphidation epithermal and skarn with overprint of carbonate base metal intermediate sulphidation veining
  
  - and
  - 145.10 m with 0.35% Cu, 0.14 g/t Au and 10.17 g/t Ag (0.54% CuEq) from 351.30 m depth
  - Skarn mineralization
  
  - and
  - 473.20 m with 1.16% Cu, 0.21 g/t Au and 8.43 g/t Ag (1.39% CuEq) from 640.50 m depth including
  - 88.00 m with 1.50% Cu, 0.38 g/t Au and 19.32 g/t Ag (1.95% CuEq) from 647.00 m depth and
  - 51.80 m with 1.95% Cu, 0.49 g/t Au and 12.61 g/t Ag (2.41% CuEq) from 762.30 m depth and
  - 42.10 m with 2.24% Cu, 0.15 g/t Au and 5.13 g/t Ag (2.39% CuEq) from 890.40 m depth and
  - 55.55 m with 1.93% Cu, 0.09 g/t Au and 4.12 g/t Ag (2.04% CuEq) from 968.00 m depth
  - Well developed breccia in Farrat Formation quartzite that is cemented by pyrite, chalcopyrite, bornite, chalcocite and magnetite with minor late infilling of enargite and tennantite. The orientation of the breccia body is currently undetermined. This is the most significant occurrence of bornite encountered to date at the project.
  
- AK-18-027:
  - 344.9 m with 0.30% Cu, 0.16 g/t Au and 7.89 g/t Ag (0.49% CuEq) from 266.90 m depth
  - Predominantly as skarn
  - and
  - 160.65 m with 0.29% Cu, 0.12 g/t Au and 1.22 g/t Ag (0.39% CuEq) from 764.65 m depth
  - Zone of abundant porphyry dikes cutting skarn and quartzite

## REGULUS RESOURCES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

- **AK-18-025:**
  - 514.85 m with 0.27% Cu, 0.37 g/t Au and 10.78 g/t Ag (0.63% CuEq) from 104.80 m depth
  - Drilled from same platform as AK-18-026 and AK-18-023 but oriented to north
  - Mineralization is predominantly as skarn in underlying Cretaceous sedimentary sequence
- **AK-18-024:**
  - 601.09 m with 0.35% Cu, 0.17 g/t Au and 5.22 g/t Ag (0.51% CuEq) from 68.38 m depth and
  - 120.50 m with 0.43% Cu, 0.10 g/t Au and 2.62 g/t Ag (0.52% CuEq) from 768.65 m depth
  - The upper interval is predominantly skarn but the lower interval is hosted in brecciated Farrat Formation quartzites with notably higher copper grades associated with pyrite-chalcopyrite-bornite as fracture filling and breccia matrix.
- **AK-18-023:**
  - 270.91 m with 0.18% Cu, 0.22 g/t Au and 8.92 g/t Ag (0.42% CuEq) from 104.19 m depth and
  - 86.60 m with 0.23% Cu, 0.11 g/t Au and 4.03 g/t Ag (0.34% CuEq) from 415.50 m depth
  - Drilled from same platform as AK-18-026 but at a more shallow angle to the north
  - Hole was lost prior to full target depth due to difficult drilling conditions
- **AK-18-022:**
  - 332.67 m with 0.35% Cu, 0.34 g/t Au and 7.68 g/t Ag (0.66% CuEq) from 119.63 m depth including
  - 71.66 m with 0.76% Cu, 0.91 g/t Au and 8.94 g/t Ag (1.50% CuEq) from 178.74 m depth further including
  - 13.50 m with 1.63% Cu, 2.44 g/t Au and 21.21 g/t Ag (3.56% CuEq) from 221.50 m depth
  - High-sulphidation style mineralization in Miocene volcanic sequence to a depth of 252.60 m with low to moderate grade skarn below

Further details regarding the mineralized intercepts encountered in drill holes AK18-022 to AK-18-027 together with a discussion of the results can be found on the Regulus website.

In April 2019, the Company announced the results from Phase II drill holes AK-18-028 through AK-18-030 (see news release dated April 2, 2019 at [www.regulusresources.com](http://www.regulusresources.com)). All of the holes encountered significant mineralization with the most notable results from hole AK-18-030 which is the first hole to step-out significantly to the northwest of the area of the current resource and encountered an extensive zone of low arsenic copper-gold mineralization in porphyritic intrusive rocks and skarn.

#### **Highlights from drill holes AK-18-028 through AK-18-030 – AntaKori Project:**

- **AK-18-028:**
  - 274.00 m with 0.42% Cu, 0.39 g/t Au and 11.52 g/t Ag (0.80% CuEq) from 226.60 m depth including
  - 18.65 m with 0.44% Cu, 3.47 g/t Au and 42.70 g/t Ag (3.30% CuEq) from 226.60 m depth and
  - 25.49 m with 0.71% Cu, 0.24 g/t Au and 31.91 g/t Ag (1.17% CuEq) from 274.00 m depth and
  - 35.87 m with 1.00% Cu, 0.38 g/t Au and 20.36 g/t Ag (1.46% CuEq) from 312.90 m depth and
  - 67.03 m with 0.28% Cu, 0.13 g/t Au and 3.80 g/t Ag (0.41% CuEq) from 568.47 m depth and
  - 94.37 m with 0.37% Cu, 0.08 g/t Au and 1.91 g/t Ag (0.44% CuEq) from 794.50 m depth
  - Mineralization is predominantly skarn with increasing breccia at depth
- **AK-18-029:**
  - 398.45 m with 0.26% Cu, 0.13 g/t Au and 3.66 g/t Ag (0.39% CuEq) from 217.00 m depth including
  - 63.25 m with 0.47% Cu, 0.21 g/t Au and 4.19 g/t Ag (0.66% CuEq) from 527.60 m depth and
  - 202.05 m with 0.41% Cu, 0.13 g/t Au and 3.43 g/t Ag (0.53% CuEq) from 643.20 m depth including
  - 35.15 m with 0.77% Cu, 0.22 g/t Au and 11.85 g/t Ag (1.04% CuEq) from 670.15 m depth

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

- Mineralization in this hole occurs both as high sulphidation epithermal mineralization in the Miocene volcanic sequence to a depth of approximately 343 m and skarn style mineralization in the underlying Cretaceous calcareous sedimentary sequence with increasing breccia at depth.
- **AK-18-030:**
  - 68.10 m with 0.26% Cu, 0.36 g/t Au and 10.87 g/t Ag (0.61% CuEq) from 225.70 m depth and
  - 307.60 m with 0.25% Cu, 0.17 g/t Au and 2.67 g/t Ag (0.39% CuEq) from 566.00 m depth
  - This hole is located approximately 500 m to the northwest of any previous drilling reported by Regulus. The hole was altered and mineralized over the entire length. Although grades are not high, the mineralization is persistent throughout the hole and with notably low arsenic contents in the porphyritic intrusive and skarn mineralization in the lower portion of the drill hole (see table 2 below).

AK-18-028 and AK-18-029 were collared to test Regulus mineral concessions, within the footprint of the newly reported AntaKori NI 43-101 Indicated and Inferred Mineral Resources (see news release of March 1, 2019), to confirm and extend the known, but only partially delineated resource. AK-18-030 is located more than 500 m to the northwest of any drilling to date and encountered extensive mineralization both as high sulphidation epithermal mineralization in Miocene volcanic rocks at the top of the hole and also as lower grade but extensive copper-gold mineralization in underlying intrusive rocks and skarn.

Further details regarding the mineralized intercepts encountered in drill holes AK18-028 to AK-18-030 together with a discussion of the results can be found on the Regulus website.

***Puchuldiza Overview***

The Puchuldiza Au project, located in Tamarugal Province, Chile, was 100% owned by the Company. The Company completed an initial field review of this project in 2015 with emphasis on determination of potential for higher grade mineralization and to better understand the social and environmental setting of the project. Based upon this review, the Company determined that the project did not fit the criteria for further exploration and in May 2019 concluded the sale of the project to Metalla Royalty & Streaming Ltd. for proceeds of \$100,000.

***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 spending US\$5.0 million on exploration over an initial five-year period. Upon earn-in the parties will form a joint venture on a 50/50 basis. A minimum US\$500,000 firm commitment in the first year was delayed by Force Majeure when the permitting process for the project was slowed as the requisite agencies dealt with a request by the U.S. Fish and Wildlife Service to have the Sage-Grouse designated as a species of interest. The Company received guidance from U.S. Forest Service personnel that noise restriction parameters will be observed within 3 miles of active Sage-Grouse mating grounds ("Leks") between the dates of March 1 and June 30. An active Lek is located within this distance from planned exploration activities at the Property. The Company received the final permit allowing the parties to commence drilling on August 1, 2017. As such, the firm commitment of US\$500,000 in exploration expenditures was due 120 days from August 1, 2017 (obligation met by September 30, 2017) with all subsequent annual work commitments deferred accordingly. An additional work commitment of US\$750,000 in exploration expenditures must be completed by May 28<sup>th</sup>, 2019 (the "Additional Work Commitment") to maintain the option agreement in good standing for a total of US\$1,250,000 in expenditures by that date. In April 2019, the Company commenced a 3,000 metre 4-hole drilling program and to date has completed the Additional Work Commitment. The Company must spend additional exploration expenditures of US\$1,000,000 (total of US\$2,250,000) by May 28, 2020 or the Company will forfeit its right to earn any interest in the Golden Brew project.

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

In January 2018, the Company announced the results of the 2017 five hole reverse circulation drill program comprised of 2,939 metres (9,640 feet). Drilling at Golden Brew is testing a Carlin type arsenic-antimony-gold system located within an uplifted horst block on the western edge of a shallowly buried Lower-plate Window. The area of interest is outboard of a large zone of auriferous (to 4 g/t gold) jasperoid exposed on the lower slopes of the Toiyabe Mountain Range. Bedrock was intersected in all holes beneath 207 to 466 metres (680 to 1,530 feet) of postmineral valley fill. Drilling was widely spaced, targeting zones of structural complication, gravity lows, and magnetic lows as

## REGULUS RESOURCES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

indicated by geophysical surveys. All the drill holes intersected deeply oxidized sections of thin-bedded silty limestone with oxidation consisting of pervasive limonite/hematite staining and accompanied by local weak to moderate decalcification. Locally, this alteration has highly elevated values in arsenic (to 828 ppm) and antimony (to 812 ppm) with anomalous gold (to 67 ppb). Of note, drill hole GBR-17-07 in the southwest corner of the area bottomed in a zone of pyritic carbonaceous gouge from 1,980 feet to 2,000 feet, which has highly anomalous arsenic (to 829 ppm), antimony (to 130 ppm), and elevated gold (to 55 ppb).

In summary, drilling to date at Golden Brew has established a substantial area of altered, oxidized and geochemically-anomalous thin-bedded silty limestones – favourable hosts for Carlin-style mineralization, within a structurally complex lower-plate window. Mineralization here exhibits all the characteristics of a large Carlin-type system. Based upon these results, a 3,000 m drilling program commenced in April 2019 and results are pending.

#### *Other Projects Overview*

##### *Fireweed, British Columbia, Canada*

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

#### **Operations and Financial Condition**

##### *Results of Operations for the Six Months Ended March 31, 2019 Compared to the Six Months Ended March 31, 2018*

During the six months ended March 31, 2019, income from operating activities was \$14,568,303 compared to loss from operating activities of \$974,100 for the six months ended March 31, 2018. Significant variances from the same period in the prior year are as follows:

- An increase of \$847,527 in share-based compensation. Share-based compensation was \$1,046,152 for the period ended March 31, 2019 compared to \$198,625 for the period ended March 31, 2018 due to the timing of vesting of stock options issued. During the period ended March 31, 2019, the Company issued 5,550,000 stock options at an exercise price of \$1.60 expiring on February 24, 2024 and 200,000 stock options at an exercise price of \$1.78 expiring on March 1, 2024.
- An increase of \$75,420 in consulting fees. Consulting fees was \$109,766 for the period ended March 31, 2019 compared to \$34,346 for the period ended March 31, 2018. The increase is mainly due to the addition of new consultants in the current period as compared to the same period of the previous year.
- An increase of \$77,317 in investor relations and shareholder information. Investor relations and shareholder information was \$161,135 for the period ended March 31, 2019 compared to \$83,818 for the period ended March 31, 2018. The increase is mainly due to the increased activity related to conferences and the addition of new investor relations consultants.
- A decrease of \$85,181 in office and administration. Office and administration was \$160,115 for the period ended March 31, 2019 compared to \$245,296 for the period ended March 31, 2018. The decrease was primarily a result of the Company no longer maintaining an office in Argentina after the Spinout Transaction.
- A loss of \$9,710 on foreign exchange for the period ended March 31, 2019 compared to a gain of \$1,067,311 for the period ended March 31, 2018. The difference was mainly the result of fluctuations of the US\$, the Peruvian Nuevo Sol and the CAD\$ in the current period as compared to the prior period.

During the period ended March 31, 2019, the Company recorded a gain on transfer of spin-out assets of \$17,517,997 (2018 - \$Nil) and a write-off of receivables of \$592,169 (2018 - \$622,283). The gain recorded is a non-cash item that reflects the value of the Aldebaran shares received by the Company in exchange for the spinout of its Argentina projects. See Note 4 of the accompanying condensed consolidated interim financial statements.

##### *Results of Operations for the Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018*

During the three months ended March 31, 2019, loss from operating activities was \$2,165,100 compared to loss from operating activities of \$392,301 for the three months ended March 31, 2018. Significant variances from the same period in the prior year are as follows:

- An increase of \$967,075 in share-based compensation. Share-based compensation was \$1,046,152 for the period ended March 31, 2019 compared to \$79,077 for the period ended March 31, 2018 due to the timing of vesting of stock options issued. During the period ended March 31, 2019, the Company issued 5,550,000 stock options at an exercise price of \$1.60 expiring on February 24, 2024 and 200,000 stock options at an exercise price of \$1.78 expiring on March 1, 2024.

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

- An increase of \$131,346 in consulting fees. Consulting fees was \$145,807 for the period ended March 31, 2019 compared to \$14,461 for the period ended March 31, 2018. The increase is mainly due to the addition of new consultants in the current period as compared to the same period of the previous year.
- An increase of \$31,861 in investor relations and shareholder information. Investor relations and shareholder information was \$91,084 for the period ended March 31, 2019 compared to \$59,223 for the period ended March 31, 2018. The increase is mainly due to the increased activity related to conferences and the addition of a new investor relations consultant.
- A decrease of \$130,985 in office and administration. Office and administration was \$82,910 for the period ended March 31, 2019 compared to \$213,895 for the period ended March 31, 2018. The decrease was primarily a result of the Company no longer maintaining an office in Argentina after the Spinout Transaction.
- A loss of of \$44,405 on foreign exchange for the period ended March 31, 2019 compared to a gain of \$802,133 for the period ended March 31, 2018. The difference was mainly the result of fluctuations of the US\$, the Peruvian Nuevo Sol and the CAD\$ in the current period as compared to the prior period.

**Cash Flow***Operating Activities*

Cash outflow from operating activities was \$1,997,304 for the period ended March 31, 2019 compared to cash outflow of \$770,412 for the period ended March 31, 2018. 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 outflow from financing activities was \$1,087,067 for the period ended March 31, 2019 compared to cash inflow of \$3,743,388 for the period ended March 31, 2018. The cash outflows in the current period are primarily the result of the repayment of loans payable and the cash inflows from the previous period are primarily from proceeds received from exercise of warrants.

*Investing Activities*

Cash outflow from investing activities was \$4,376,617 for the period ended March 31, 2019 compared to \$5,885,931 for the period ended March 31, 2018. The cash outflows are primarily from expenditures on exploration and evaluation assets in the current and previous periods.

**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	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Working capital (deficiency)	\$10,342	\$13,470	\$17,387	\$(3,124)
Loss (gain)	\$2,165	\$(16,733)	\$2,324	\$1,309
Loss (gain) per share	\$(0.03)	\$(0.17)	\$0.01	\$0.02
Loss (gain) per common share (diluted)	\$(0.03)	\$(0.17)	\$0.01	\$0.02
Total assets	\$51,758	\$54,438	\$58,270	\$35,880
Total liabilities	\$1,887	\$2,861	\$3,862	\$4,471
Deficit	\$55,704	\$53,539	\$70,272	\$67,948

All in \$1,000's except loss (gain) per share	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Working capital (deficiency)	\$617	\$4,297	\$4,604	\$8,085
Loss (gain)	\$392	\$582	\$1,051	\$1,522
Loss (gain) per share	\$0.01	\$0.01	\$0.01	\$0.02
Loss (gain) per common share (diluted)	\$0.01	\$0.01	\$0.01	\$0.02
Total assets	\$34,061	\$34,158	\$31,592	\$30,654
Total liabilities	\$2,696	\$2,360	\$2,674	\$1,577
Deficit	\$66,639	\$66,247	\$65,665	\$64,615

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

During the period ended December 31, 2018, the Company recorded a gain on transfer of spin-out assets of \$17,517,997 and a reduction in share capital of \$18,198,920.

**Liquidity and Capital Resources**

Cash at March 31, 2019 totaled \$11,543,590 compared to \$19,678,786 at September 30, 2018. Working capital at March 31, 2019 was \$10,341,879 compared to \$17,386,525 as at September 30, 2018. The Company has no source of operating cash flows and as such the Company's ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing. There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favourable. See "Outlook for 2019" above for further details.

Exploration and evaluation of assets at March 31, 2019 totaled \$38,648,328 compared to \$33,640,074 as at September 30, 2018.

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

**Share Capital**

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

As at the date of this report, the Company had 90,994,594 common shares issued and outstanding and the following stock options and warrants outstanding:

*Stock Options*

Exercise Price	Number Outstanding	Expiry Date
\$ 1.50	2,000,000	September 2, 2021
\$ 1.84	100,000	December 28, 2022
\$ 2.00	50,000	July 11, 2023
\$ 1.60	5,550,000	February 4, 2024
\$ 1.78	200,000	March 1, 2024
	7,900,000	

*Warrants*

Exercise Price	Number Outstanding	Expiry Date
\$ 1.60	4,217,452	January 27, 2020
\$ 1.90	187,307	September 27, 2020
	4,404,759	

**Related Party Transactions**

During the period ended March 31, 2019, the Company entered into the following transactions with key management personnel and related parties.

- a) Double Black Diamond Resources LLC. ("DBD Resources") is a private company controlled by Mr. John Black, CEO and a director of the Company. For the period ended March 31, 2019, DBD Resources was paid \$124,684 (2018 - \$127,238). Management services paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

At March 31, 2019, the Company owed \$19,464 (September 30, 2018 – \$21,503) to DBD Resources. During the year ended September 30, 2018, Mr. John Black loaned the Company \$460,122 (\$350,000 USD). During the period ended March 31, 2019, the Company repaid the loan in full, including accrued interest of \$8,224 (\$6,374 USD).



## REGULUS RESOURCES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

- b) For the period ended March 31, 2019, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$116,339 in consulting fees (2018 – \$111,333). Consulting fees paid or accrued to Mr. Pickmann are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was also paid or accrued \$119,627 (2018 - \$81,379) for legal services. Legal fees paid to Mr. Pickmann's law firm are classified as legal expenses in the interim condensed consolidated statements of operations and comprehensive loss.

At March 31, 2019, the Company owed \$19,464 (September 30, 2018 - \$94,078) to Mr. Pickmann and owed \$944 (September 30, 2018 – \$101,062) to the law firm at which Mr. Pickmann was a partner.

- c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the period ended March 31, 2019, Unicus was paid \$31,250 (2018 – \$25,000). Management services paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

At March 31, 2019, the Company owed \$6,563 (September 30, 2018 – \$Nil) to Unicus. During the year ended September 30, 2018, Mr. Mark Wayne loaned the Company \$800,000. During the period ended March 31, 2019, the loan was paid in full, including accrued interest of \$17,454.

- d) K.B. Heather & Socios Limitada (The Rock Doctor Limitada) ("K.B. Heather") is a private company controlled by Dr. Kevin B. Heather, Chief Geological Officer of the Company. For the period ended March 31, 2019, K.B. Heather was paid \$116,769 (2018 – \$127,238). Amounts paid to K.B. Heather are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

At March 31, 2019, the Company owed \$50,052 (September 30, 2018 – \$43,007) to K.B. Heather. During the year ended September 30, 2018, Dr. Kevin B. Heather loaned the Company \$300,000. During the period ended March 31, 2019, the Company repaid the loan in full, including accrued interest of \$4,767.

- e) At March 31, 2019, the Company owed \$Nil (September 30, 2018 – \$12,209) to non-executive directors.

- f) The Company incurred \$15,397 of expenses on behalf of Aldebaran, a company with common directors and management which spun-out during the period ended March 31, 2019. This balance is included in receivables.

- g) The Company holds 2,000,000 common shares (September 30, 2018 – 2,000,000 common shares) of Highway 50 Gold Corp., a company with directors in common, included within long term investments.

The loans described in a), c) and d) above were made by certain officers of the Company to allow the continuation of drilling at its AntaKori project while the spin-out of its Argentina assets to Aldebaran was progressing. The negotiations and completion of the spin-out transaction took significantly longer than expected and the Company was unable to raise capital during this process.

The named officers invested portions of their short term loans ("Short Term Loans") in the Company's \$1.90 private placement financing as follows:

- John Black invested \$400,000 of his \$460,544 loan repayment in the financing, purchasing 210,526 shares at \$1.90. The remaining principal of \$60,544 was repaid to Mr. Black in cash, together with \$8,224 of accrued interest.
- Mark Wayne was repaid the full amount of his loan in cash, including accrued interest of \$17,454. He also invested in the financing, purchasing 175,000 shares at \$1.90.
- Kevin B. Heather invested all \$300,000 of his loan repayment in the financing, purchasing 157,894 shares at \$1.90. He received a payment of \$4,767 for accrued interest.

The Short Term Loans accrued simple interest at 10% per annum and were unsecured. The interest rate was determined by an assessment of what the Company would have to pay if it was able to borrow funds from an unrelated party. The terms of the loans, including the interest rate, were approved by the independent directors of the Issuer.

#### 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.

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

The remuneration of directors and other members of key management personnel during the period ended March 31, 2019 and 2018 are as follows:

	Fees	Share-based Benefits	Total
Six months ended March 31, 2019			
Chief Executive Officer	\$ 124,684	\$ 163,313	\$ 287,997
Chief Geological Officer	116,769	163,313	280,082
Chief Financial Officer	31,250	163,313	194,563
Chief Operating Officer	116,339	163,313	279,652
Non-executive directors	-	68,764	68,764
	\$ 389,042	\$ 722,016	\$ 1,111,058

	Fees	Share-based Benefits	Total
Six months ended March 31, 2018			
Chief Executive Officer	\$ 127,238	\$ 18,872	\$ 146,110
Chief Geological Officer	127,238	18,872	146,110
Chief Financial Officer	25,000	18,872	43,872
Chief Operating Officer	111,333	18,872	130,205
Non-executive directors	-	37,744	37,744
	\$ 390,809	\$ 113,232	\$ 504,041

Aside from the Short Term Loans with terms specifically disclosed above, amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

**Investor Relations**

In January 2019, the Company amended an agreement with Ms. Laura Brangwin to provide investor relations services to the Company (the "IR Agreement"). Ms. Brangwin is now paid USD\$2,500 per month and in February 2019, was granted an additional 25,000 stock options of the Company at \$1.60 for a 5-year period under the terms and conditions of the Company's Stock Option Plan. Ms. Brangwin does not own any shares of Regulus.

**Financial and Capital Risk Management**

Please refer to the March 31, 2019 interim condensed consolidated financial statements on [www.sedar.com](http://www.sedar.com).

**Recent Accounting Policies**

Please refer to the March 31, 2019 interim condensed consolidated financial statements on [www.sedar.com](http://www.sedar.com).

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

**Proposed Transactions**

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

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

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

**Critical Accounting Estimates**

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

**Contingencies**

There are no contingent liabilities.

**Internal Controls Over Financial Reporting**

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

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

**Other MD&A Requirements**

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

**Disclosure for Venture Issuers without Significant Revenue**

A breakdown of the material components of the Company's general and administrative expenses is disclosed in the condensed interim consolidated financial statements for the period ended March 31, 2019 to which this MD&A relates. A breakdown of the material components of the exploration and evaluation assets of the Company is disclosed in the condensed interim consolidated financial statements for the period ended March 31, 2019 to which this MD&A relates.

**Risks and Uncertainties**

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

The more significant risks, as they relate to the Company's unaudited interim consolidated financial statements for the period ended March 31, 2019 and this MD&A, include:

*Exploration and Development Risk*

The Company's properties are in the exploration stage and are without a known body of commercial ore. Exploration for Mineral Resources involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The risks and uncertainties inherent in exploration activities include but are not limited to: legal and political risk arising from operating in certain developing countries, civil unrest, general economic, market and business conditions, the regulatory process and actions, failure to obtain necessary permits and approvals, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade, metallurgy and proximity to infrastructure and labour), the interpretation of geological data obtained from drilling and sampling, feasibility studies, the cost of water and power; anticipated climatic conditions; cyclical metal prices; fluctuations in inflation and currency exchange rates; higher input commodity and

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

labour costs, commodity prices, government regulations, including regulations relating to prices, taxes, royalties, land tenure and use, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. Development projects will also be subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may adversely affect the Company's business.

*Negative Operating Cash Flow*

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

Mineral Resource Estimates

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

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

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

*Title Risk*

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

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

*Foreign Operations Risk*

The Company conducts exploration activities in foreign countries, including Peru and the United States. Each of these countries exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks vary from country to country and for Peru in particular include, but are not limited to, civil unrest or war, terrorism, illegal mining, changing political conditions, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes,

## REGULUS RESOURCES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties. Changes in mining or investment policies or shifts in political attitudes may also adversely affect Corporation's existing assets and operations. Real and perceived political risk may also affect Corporation's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities.

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

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

#### *Metal Price Risk*

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

#### *Uncertainty of Funding*

The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of property interest. If the Company needs to raise additional funds, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

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

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

#### *Currency Risk*

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

#### *Internal Controls*

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

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

*Information Systems and Cyber Security*

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

*Corruption and Bribery*

The Company is required to comply with anti-corruption and anti-bribery laws, including the Extractive Sector Transparency Measures Act, the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act, as well as similar laws in the countries in which the Company conducts its business. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company. The Company has adopted a comprehensive Anti-Corruption Policy in order to mitigate this risk.

*Competition*

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

*Uninsurable Risks*

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

*Environmental Risks*

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

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

*Tax*

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

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

**Cautionary Note Forward Looking Statements**

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

All statements other than statements of historical fact may be forward-looking statements. Forward-looking information is necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks and uncertainties relating to, among other things, the inherent uncertainties regarding mineral resource estimates, cost estimates, changes in commodity prices, currency fluctuation, financings, unanticipated resource grades, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations as well as other risks, and uncertainties and other factors, including, without limitation, those referred to in the "Risks and Uncertainties" section of the MD&A, and elsewhere, which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

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

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

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