REGULUS
RESOURCES INC

(the "Company")

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 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

	June 30, 2019	September 30, 2018
ASSETS		
Current		
Cash	$ 7,138,984	$ 19,678,786
Receivables (Note 7)	136,941	597,686
Prepaid expenses and deposits	715,058	560,403
	7,990,983	20,836,875
Assets held for distribution to shareholders (Note 12)	-	2,564,846
	7,990,983	23,401,721
Long-term investments (Note 7)	363,000	890,000
Property and equipment	487,254	338,675
Exploration and evaluation assets (Note 5)	42,030,418	33,640,074
	$ 50,871,655	$ 58,270,470
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 1,703,967	$ 2,282,842
Due to related parties (Note 7)	17,791	272,552
Loans payable (Note 7)	-	894,956
	1,721,758	3,450,350
Liabilities held for distribution to shareholders (Note 12)	-	411,735
	1,721,758	3,862,085
Equity		
Capital stock (Note 6)	104,124,561	122,323,481
Accumulated other comprehensive loss	(6,409,734)	(5,393,485)
Share compensation reserve (Note 6)	10,512,286	7,750,542
Deficit	(59,077,216)	(70,272,153)
	49,149,897	54,408,385
	$ 50,871,655	$ 58,270,470

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

Approved by the Board:

Director:	**Director:**
"John Black"	*"Mark Wayne"*
John Black	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 June 30, 2019	Three months ended June 30, 2018	Nine months ended June 30, 2019	Nine months ended June 30, 2018
EXPENSES				
Accounting and audit	$ 37,307	$ 44,539	$ 177,120	$ 207,130
Amortization	10,234	10,169	30,702	28,111
Bank charges and interest	1,151	7,978	2,738	22,014
Consulting fees	46,572	106,942	156,338	141,288
Fees and taxes	8,011	19,656	19,696	70,135
Insurance	4,219	16,556	23,792	40,146
Interest expense	-	7,384	-	21,885
Investor relations and shareholder information	50,031	41,520	211,166	125,338
Legal (Note 7)	73,665	54,722	161,207	138,340
Management fees (Note 7)	185,802	232,124	574,843	622,933
Office and administration	251,961	148,028	412,076	393,324
Rent	15,127	34,975	67,074	114,274
Share-based compensation (Note 6, 7)	1,715,592	46,429	2,761,744	245,054
Telephone	3,418	6,352	13,774	17,590
Transfer agent and listing fees	3,231	3,813	78,548	40,746
Travel	2,407	12,279	65,725	76,260
Wages and benefits	-	8,610	-	43,977
	(2,408,728)	(802,076)	(4,756,543)	(2,348,545)
OTHER ITEMS				
Gain (loss) on foreign exchange	(884,824)	(33,050)	(894,534)	1,034,261
Write-off of prepaid expenses	-	(104,287)	-	(12,956)
Write-off of receivables	(179,814)	(371,326)	(771,983)	(993,609)
Gain on transfer of spin-out assets (Note 4)	-	-	17,517,997	-
Gain on disposal of property (Note 5)	100,000	-	100,000	-
Interest income	-	2,201	-	38,211
INCOME (LOSS) FOR THE PERIOD	(3,373,366)	(1,308,538)	11,194,937	(2,282,638)
Items that may be reclassified subsequently to profit and loss:				
Change in fair market value of long-term investment	(20,000)	247,000	(527,000)	(51,000)
Items that will not be reclassified subsequently to profit and loss:				
Translation adjustment	957,006	(99,354)	(489,249)	(321,487)
Comprehensive income (loss) for the period	$ (2,436,360)	$ (1,160,892)	$ 10,178,688	$ (2,655,125)
Income (loss) per common share – basic and diluted	$ (0.03)	$ (0.02)	$ 0.11	$ (0.04)
Weighted average number of common shares outstanding	90,994,624	74,240,949	90,994,624	73,764,705

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
Shares issued on exercise of options	2,575,000	1,805,590	-	(646,840)	-	1,158,750
Share-based compensation	-	-	-	245,054	-	245,054
Fair value adjustment to long-term investment	-	-	(51,000)	-	-	(51,000)
Foreign exchange adjustment	-	-	(321,487)	-	-	(321,487)
Loss for the period	-	-	-	-	(2,282,638)	(2,282,638)
Balance, June 30, 2018	76,801,722	$ 98,445,955	$ (7,080,847)	$ 7,992,439	$ (67,947,989)	$ 31,409,558

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
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	-	-	-	2,761,744	-	2,761,744
Fair value adjustment to long-term investment	-	-	(527,000)	-	-	(527,000)
Foreign exchange adjustment	-	-	(489,249)	-	-	(489,249)
Income for the period	-	-	-	-	11,194,937	11,194,937
Balance, June 30, 2019	90,994,594	$ 104,124,561	$ (6,409,734)	$ 10,512,286	$ (59,077,216)	$ 49,149,897

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 nine months ended June 30,

	2019	2018
Cash Flows from Operating Activities		
Net income (loss) for the period	$ 11,194,937	$ (2,282,638)
Items not affecting cash:		
Amortization	30,702	28,111
Gain on transfer of spin-out assets	(17,517,997)	-
Gain on sale of property	(100,000)	-
Interest expense	-	21,885
Share-based compensation	2,761,744	245,054
Write-off of prepaid expenses	-	12,956
Write-off of receivables	771,983	993,609
Changes in non-cash working capital items:		
Receivables	(311,239)	(1,387,111)
Prepaid expenses and deposits	(156,076)	(19,001)
Accounts payable and accrued liabilities	(625,009)	1,272,308
Due to related parties	(254,761)	150,992
Net cash used in operating activities	(4,205,716)	(963,835)
Cash Flows from Financing Activities		
Cash transferred to Aldebaran pursuant to the spin-out of assets	(192,867)	-
Proceeds from exercise of stock options	-	1,158,750
Proceeds from exercise of warrants	-	3,743,388
Repayment of loans payable	(894,956)	-
		-
Net cash provided by (used in) financing activities	(1,087,823)	4,902,138
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(167,028)	(227,730)
Exploration and evaluation assets, net of recoveries	(7,462,003)	(9,126,566)
Net cash used in investing activities	(7,629,031)	(9,354,296)
Effect of foreign exchange on cash	382,768	(972,018)
Change in cash for the period	(12,539,802)	(6,388,011)
Cash, beginning of period	19,678,786	6,815,719
Cash, end of period	$ 7,138,984	$ 427,708

Supplemental disclosures with respect to cash flows (Note 8)

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 June 30, 2019 the Company had working capital of $6,269,225. 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 approved by the board of directors of the Company on August 29, 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.

<u>Judgments</u>

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.

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.

(Expressed in Canadian Dollars)

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 June 30, 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:

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

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.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

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

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

	June 30, 2019	September 30, 2018
AntaKori property, Peru	$ 39,968,403	$ 32,417,136
Golden Brew property, Nevada, USA	$ 2,062,015	$ 1,222,938
	$ 42,030,418	$ 33,640,074

	Rio Grande, Argentina	Other, Argentina	Golden Brew, Nevada USA	AntaKori, Peru	Total
Balance, September 30, 2017	$ 682,735	$ 168,419	$ 1,017,561	$ 21,796,140	$23,664,855
Additions:					
Administrative services	16,059	89	1,807	84,241	102,196
Change in estimates related to decommissioning liability	-	5,696	-	-	5,696
Field operations	7,380	956	111,362	9,063,403	9,183,101
Labour	285,169	-	-	921,829	1,206,998
Property payments	-	-	71,061	75,569	146,630
Recoveries	(44,885)	-	-	(523,452)	(568,337)
Taxes and licences	34,625	53,944	-	-	88,569
Third party services	128,627	872	21,147	594,118	744,764
	426,975	61,557	205,377	10,215,708	10,909,617
Foreign exchange movement	(468,594)	(229,676)	-	405,288	(292,982)
Effects of hyperinflation	173,855	1,627,974	-	-	1,801,829
Assets held to be distributed to shareholders	(814,971)	(1,628,274)	-	-	(2,443,245)
Balance, September 30, 2018	-	-	1,222,938	32,417,136	33,640,074
Additions:					
Administrative services	-	-	8,830	431,863	440,693
Field operations	-	-	714,930	6,317,083	7,032,013
Labour	-	-	-	91,597	91,597
Property payments	-	-	69,618	262,245	331,863
Recoveries	-	-	-	(804,092)	(804,092)
Third party services	-	-	45,699	799,701	845,400
	-	-	839,077	7,098,397	7,937,474
Foreign exchange movement	-	-	-	452,870	452,870
Balance, June 30, 2019	$ -	$ -	$ 2,062,015	$ 39,968,403	$ 42,030,418

(Expressed in Canadian Dollars)

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. Each of these option and usufruct agreements provide the owners a net smelter royalty ("NSR") of 0.1875%. Payments made to date are US$877,000 with no payments remaining;

(d) Six option and usufruct agreements were executed in December 2012, whereby 30 owners of a combined 62.5% ownership of SMRL El Sinchao De Cajamarca ("El Sinchao") granted in favour of SLM Peru a usufruct right over their 62.5% ownership of the entity with the payment terms set out in the table below. El Sinchao owns 100% of three mining concessions that compose a portion of the AntaKori project. With the usufruct over the vendors' shares, Regulus Peru has an option to acquire 62.5% of El Sinchao capital stock. No smelter royalties or back-in rights exist as part of this option agreement. Payments made to date are US$1,173,558 with no payments remaining;

(e) Two option and usufruct agreements were executed in March 2013, whereby four owners of a combined 20.63% ownership of El Sinchao granted in favour of Regulus Peru a usufruct right over their 20.63% ownership of the entity. With the usufruct over the vendors' shares, Regulus Peru increased to 83.13% the total of El Sinchao's capital stock it has options to acquire. These option agreements do not contain smelter royalties or back-in rights clauses. Payments made to date are US$386,381 with no payments remaining;

(f) An option and usufruct agreement were executed in September 2014, whereby Regulus Peru purchased 25% of the outstanding shares of Rita Margot de Cajamarca for a total of US$1,750,000. Payments made to date are US$1,750,000 with no payments remaining.

A summary of the payments made 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

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, Comolaiche 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 retricted 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 Napoileon 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.

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. During the period ended June 30, 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 June 30, 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 was re-classified to assets held for distribution to shareholders as at September 30, 2018 (Note 12).

(Expressed in Canadian Dollars)

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 June 30, 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 June 30, 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	5,950,000	1.60
Options expired/forfeited	(100,000)	1.50
Balance, June 30, 2019	8,100,000	$ 1.58
Number of options currently exercisable	2,087,500	$ 1.52

The following table summarizes information about stock options outstanding at June 30, 2019:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$ 1.50	2,000,000	2,000,000	September 2, 2021
1.84	100,000	75,000	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
1.40	200,000	-	June 6, 2024
	8,100,000	2,087,500	

(Expressed in Canadian Dollars)

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 June 30, 2019:

	2019	2018
Risk-free interest rate	1.84%	-
Expected life of grant	5 years	-
Volatility	88.27%	-
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 June 30, 2019, the Company recognized $2,761,744 (2018 - $245,054) 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 June 30, 2019	4,404,759	$ 1.61

The following table summarizes information about warrants outstanding at June 30, 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	

(Expressed in Canadian Dollars)

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 June 30, 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 June 30, 2019, DBD Resources was paid $183,746 (2018 - $192,462). Management services paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

   At June 30, 2019, the Company owed $Nil (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 June 30, 2019, the Company repaid the loan in full, including accrued interest of $8,224 ($6,374 USD).

b) For the period ended June 30, 2019, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $174,753 in consulting fees (2018 – $168,404). 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 $184,385 (2018 - $97,281) 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 June 30, 2019, the Company owed $Nil (September 30, 2018 - $94,078) to Mr. Pickmann and owed $1,433 (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 June 30, 2019, Unicus was paid $50,000 (2018 – $37,500). Management services paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

   At June 30, 2019, the Company owed $Nil (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 June 30, 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 June 30, 2019, K.B. Heather was paid $166,343 (2018 – $192,462). Amounts paid to K.B. Heather are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

   At June 30, 2019, the Company owed $16,358 (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 June 30, 2019, the Company repaid the loan in full, including accrued interest of $4,767.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (cont'd…)

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

f) The Company incurred $46,093 of expenses on behalf of Aldebaran, a company with common directors and management which spun-out during the period ended June 30, 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, purchasing157,894 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 June 30, 2019 and 2018 are as follows:

	Fees and Bonus	Share-based Benefits	Total
Period ended June 30, 2019			
Chief Executive Officer	$ 183,746	$ 433,522	$ 617,268
Chief Geological Officer	166,343	433,522	599,865
Chief Financial Officer	50,000	433,522	483,522
Chief Operating Officer	174,753	433,522	608,275
Non-executive directors and officers	-	223,490	223,490
	$ 574,842	$ 1,957,578	$ 2,532,420

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (cont'd…)

	Fees and Bonus	Share-based Benefits	Total
Period ended June 30, 2018			
Chief Executive Officer	$ 192,462	$ 18,872	$ 211,334
Chief Geological Officer	192,462	18,872	211,334
Chief Financial Officer	37,500	18,872	56,372
Chief Operating Officer	168,404	18,872	187,276
Non-executive directors and officers	32,105	37,744	69,849
	$ 622,933	$ 113,232	$ 736,165

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 June 30, 2019 and 2018 included:

a) $1,614,387 (2018 - $164,997) in accounts payable and accrued liabilities related to exploration and evaluation assets.

For the period ended June 30	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
June 30, 2019				
Canada	$ 7,529,958	$ -	$ -	$ 7,529,958
Peru	41,258,168	487,254	39,968,403	802,511
Chile	21,514	-	-	21,514
United States	2,062,015	-	2,062,015	-
	$ 50,871,655	$ 487,254	$ 42,030,418	$ 8,353,983

(Expressed in Canadian Dollars)

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 June 30		
Canada	$ (12,949,304)	$ 182,243
Bermuda	-	18,694
Peru	1,663,114	1,677,963
Chile	48,995	98,856
Argentina	42,258	304,882
	$ (11,194,937)	$ 2,282,638

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.

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 June 30, 2019, the Company had a cash balance of $7,138,984 to settle current liabilities of $1,721,758.

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 $99,000.

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 $36,300.

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.

(Expressed in Canadian Dollars)

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
	$	111,296

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 Compnay 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 probably 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

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