REGULUS RESOURCES INC

(the "Company")

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Regulus Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Regulus Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018, and the consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Stephen Hawkshaw.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

January 28, 2020

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

	September 30, 2019	September 30, 2018
ASSETS		
Current		
Cash	$ 3,036,369	$ 19,678,786
Receivables (Note 4)	831,292	597,686
Prepaid expenses and deposits (Note 6)	540,020	560,403
	4,407,681	20,836,875
Assets held for distribution to shareholders (Note 16)	-	2,564,846
	4,407,681	23,401,721
Long-term investments (Note 9)	358,000	890,000
Property and equipment	474,481	338,675
Exploration and evaluation assets (Note 6)	44,430,445	33,640,074
	$ 49,670,607	$ 58,270,470
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 2,172,238	$ 2,282,842
Due to related parties (Note 8)	-	272,552
Loans payable (Note 8)	-	894,956
	2,172,238	3,450,350
Decommissioning liability (Note 11)	330,994	-
Liabilities held for distribution to shareholders (Note 16)	-	411,735
	2,503,232	3,862,085
Equity		
Capital stock (Note 7)	104,124,561	122,323,481
Accumulated other comprehensive loss	(5,308,264)	(5,393,485)
Share compensation reserve (Note 7)	11,753,485	7,750,542
Deficit	(63,402,407)	(70,272,153)
	47,167,375	54,408,385
	$ 49,670,607	$ 58,270,470

Nature and continuance of operations (Note 1)
Commitments (Note 15)
Subsequent events (Note 18)

Approved by the Board:

Director:	**Director:**
”*John Black*”	“*Mark Wayne*”
John Black	Mark Wayne

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

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

		2019		2018
EXPENSES				
Accounting and audit	$	212,985	$	247,266
Amortization		40,936		38,536
Bank charges and interest		5,445		41,678
Consulting fees		193,989		200,091
Fees and taxes		273		70,163
Insurance		108,742		46,370
Interest expense		-		55,205
Investor relations and shareholder information		284,037		203,112
Legal (Note 8)		275,203		387,548
Management fees (Note 8)		758,951		822,154
Office and administration		925,765		523,891
Rent		88,676		155,331
Share-based compensation (Note 7, 8)		4,002,943		287,050
Telephone		25,199		22,357
Transfer agent and listing fees		94,500		134,284
Travel		104,149		83,921
Wages and benefits		-		61,528
		(7,121,793)		(3,380,485)
OTHER ITEMS				
Gain (loss) on foreign exchange		130,625		(7,094)
Impact of hyperinflation		-		50,367
(Write-off)/recovery of prepaid expenses		(10,137)		119,215
Write-off of receivables (Note 4)		(1,126,832)		(1,427,016)
Gain on transfer of spin-out assets (Note 5)		16,847,997		-
Gain on disposal of property (Note 6)		100,000		-
Write-off of property (Note 6)		(2,010,383)		-
Interest income		60,269		38,211
INCOME (LOSS) FOR THE YEAR		6,869,746		(4,606,802)
Items that may be reclassified subsequently to profit and loss:				
Change in fair market value of long-term investment		(532,000)		40,000
Items that will not be reclassified subsequently to profit and loss:				
Opening hyperinflation adjustment		-		(256,580)
Translation adjustment		(52,779)		1,531,455
Comprehensive income (loss) for the year	$	6,284,967	$	(3,291,927)
Income (loss) per common share – basic	$	0.08	$	(0.06)
Income (loss) per common share – diluted	$	0.07	$	(0.06)
Weighted average number of common shares outstanding - basic		90,994,616		74,928,131
Weighted average number of common shares outstanding - diluted		92,994,616		74,928,131

Regulus Resources Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(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 for private placement	10,852,039	20,596,374	-	-	-	20,596,374
Shares issuance costs	-	(582,298)	-	133,937	-	(448,361)
Shares issued on exercise of warrants	7,023,754	6,440,508	-	-	-	6,440,508
Shares issued on exercise of options	4,238,334	2,971,920	-	(1,064,670)	-	1,907,250
Share-based compensation	-	-	-	287,050	-	287,050
Fair value adjustment to long-term investment	-	-	40,000	-	-	40,000
Foreign exchange adjustment	-	-	1,531,455	-	-	1,531,455
Opening hyperinflation adjustment	-	-	(256,580)	-	-	(256,580)
Loss for the year	-	-	-	-	(4,606,802)	(4,606,802)
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	-	(18,198,920)	670,000	-	-	(17,528,920)
Share-based compensation	-	-	-	4,002,943	-	4,002,943
Fair value adjustment to long-term investment	-	-	(532,000)	-	-	(532,000)
Foreign exchange adjustment	-	-	(52,779)	-	-	(52,779)
Income for the year	-	-	-	-	6,869,746	6,869,746
Balance, September 30, 2019	90,994,594	$ 104,124,561	$ (5,308,264)	$ 11,753,485	$ (63,402,407)	$ 47,167,375

Regulus Resources Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the Years ended September 30,

	2019	2018
Cash Flows from Operating Activities		
Income (loss) for the year	$ 6,869,746	$ (4,606,802)
Items not affecting cash:		
Amortization	40,936	38,536
Gain on disposal of property	(100,000)	-
Gain on transfer of spin-out assets	(16,847,997)	-
Interest expense	-	55,205
Share-based compensation	4,002,943	287,050
Write-off of prepaid expenses (recovery)	10,137	(119,215)
Write-off of receivables	1,126,832	1,427,016
Write-off of property	2,010,383	-
Impact of hyperinflation	-	(50,367)
Changes in non-cash working capital items:		
Cash held for distribution to shareholders	-	(61,167)
Receivables	(1,360,438)	(1,517,559)
Prepaid expenses and deposits	10,246	(448,851)
Accounts payable and accrued liabilities	(439,849)	338,266
Due to related parties	(272,552)	235,419
Net cash used in operating activities	(4,949,613)	(4,422,469)
Cash Flows from Financing Activities		
Proceeds from private placement	-	19,902,063
Share issuance costs	-	(448,361)
Proceeds from exercise of stock options	-	1,907,250
Proceeds from exercise of warrants	-	6,440,508
Proceeds from loans payable	-	1,625,777
Repayment of loans payable	(894,200)	(65,655)
		-
Net cash provided by (used in) financing activities	(894,200)	29,361,582
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(166,375)	(219,054)
Proceeds on disposal of property	100,000	-
Exploration and evaluation assets, net of recoveries	(11,004,706)	(11,713,958)
Net cash used in investing activities	(11,071,081)	(11,933,012)
Effect of foreign exchange on cash	272,477	(143,034)
Change in cash for the year	(16,642,417)	(12,863,067)
Cash, beginning of year	19,678,786	6,815,719
Cash, end of year	$ 3,036,369	$ 19,678,786

Supplemental disclosures with respect to cash flows (Note 12)

1. NATURE AND CONTINUANCE OF OPERATIONS

Regulus Resources Inc. ("Regulus" or the "Company") is a mineral exploration company formed on December 16, 2010.

At the date of these 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 September 30, 2019, the Company had working capital of $2,235,443. Regulus recently completed a private placement financing (Note 18) 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 5).

These consolidated financial statements were authorized by the audit committee and approved by the board of directors of the Company on January 28, 2020.

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared on 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 consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year. 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 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 consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 8). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

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, 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

Financial instruments

IFRS 9 – Financial Instruments ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of October 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition.

A financial asset is measured at amortized cost if both of the following conditions are met:

a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

We may make an irrevocable election at initial recognition to carry at FVOCI particular investments in equity instruments that would otherwise be measured at FVTPL.

A financial asset is required to be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/ liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Investments	Available-for-sale	FVTOCI
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost

Measurement

<u>Financial assets at FVTOCI</u>

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

<u>Financial assets and liabilities at amortized cost</u>

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

<u>Financial assets and liabilities at FVTPL</u>

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of operations and comprehensive loss.

Exploration and evaluation assets

Costs related to pre-exploration are expensed as incurred while costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value the property is written down to its net realizable value.

Any option payments or royalties received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

Cash

Cash is comprised of cash on deposit.

Impairment

At the end of each reporting period the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but not to an amount that would exceed the original carrying amount in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provision for decommissioning liability

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment when those obligations result from the acquisition, construction, development or normal operation of assets. The net present value of future rehabilitation costs is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred.

Pre-tax discount rates that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets and the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the consolidated statement of operations and comprehensive loss for the period.

Property and equipment

Property and equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with such costs will flow to the Company and cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to operations and comprehensive loss during the period in which they are incurred.

The major categories of equipment are amortized as follows:

Vehicles - 30% declining balance basis
Office furnishings - 20% declining balance basis
Equipment - 30% declining balance basis

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of operations and comprehensive loss.

Share-based compensation

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

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital stock. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Earnings (loss) per share

For both continuing and discontinued operations, the Company presents basic and diluted earnings (loss) per share (EPS) data for its common shares. Basic EPS is calculated by dividing the results of operations attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the results of operations attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options.

Recent accounting pronouncements

Accounting Standards Issued but not yet effective:

IFRS 16 is a new standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting. The Company will apply IFRS 16 for the fiscal period beginning on October 1, 2019 using the modified retrospective approach with measurement of the right-of-use asset at an amount equal to the lease liability. On initial application, the Company will apply the following practical expedients: 1) only apply IFRS 16 to contracts that were previously identified as leases; and 2) not recognize a lease for which the underlying asset is of low value or considered to be a short-term lease. The Company expects that IFRS 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. This will result in an increase in depreciation and interest expenses. The Company also expects cash used in financing activities to increase as the principal portion of lease payments will be recorded as financing outflows in the Company's consolidated statement of cash flow.

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 consolidated financial statements.

New accounting standards adopted during the year:

- 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 consolidated 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.

(Expressed in Canadian Dollars)

4. RECEIVABLES

The Company's receivables arise from accrued royalty payments (Note 6), due from related party, and various tax credits receivable from the Canadian and Peruvian government taxation authorities and advances. These are broken down as follows:

	September 30, 2019	September 30, 2018
Royalty payments receivable (Note 6)	$ 616,116	$ 463,715
Due from related party (Note 8)	67,290	67,037
Tax credits and advances receivable	147,886	66,934
	$ 831,292	$ 597,686

During the year ended September 30, 2019, the Company wrote-off $1,126,832 (2018 - $1,427,016) of receivables to profit and loss. These receivables primarily related to Value Added Taxes ("VAT") in Peru for which recoverability is uncertain.

5. 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 and liabilities distributed	
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)**
Reclassification of accumulated translation adjustment	**670,000**
Gain on transfer of spin-out assets	**$16,847,997**

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 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)

6. 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.

	September 30, 2019	September 30, 2018
AntaKori property, Peru	$ 44,430,445	$ 32,417,136
Golden Brew property, Nevada, USA	$ -	$ 1,222,938
	$ 44,430,445	$ 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	-	-	9,799	7,843	17,642
Change in estimates related to decommissioning liability	-	-	-	330,994	330,994
Environmental costs	-	-	-	420,097	420,097
Field operations	-	-	708,078	8,776,402	9,484,480
Labour	-	-	-	225,467	225,467
Property payments	-	-	105,692	513,914	619,606
Recoveries	-	-	-	(335,052)	(335,052)
Third party services	-	-	45,699	950,927	996,626
	-	-	869,268	10,890,592	11,759,860
Foreign exchange movement	-	-	-	1,122,717	1,122,717
Write-off	-	-	(2,010,383)	-	(2,010,383)
Reclassify bond to receivables	-	-	(81,823)	-	(81,823)
Balance, September 30, 2019	$ -	$ -	$ -	$ 44,430,445	$ 44,430,445

(Expressed in Canadian Dollars)

6. 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

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.

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

AntaKori Project, Peru (cont'd…)

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 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.

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.

During the year ended September 30, 2019, the Company earned royalties of $843,139 (2018 - $1,059,979) arising from the terms of the definitive agreement with Coimolache. The Company is also subject to pay NSR's ranging from 1.5% - 3% to the underlying holders of these same claims, which totaled $508,087 (2018 – $536,527) during the year. The net amount of $335,052 (2018 - $523,452) has been offset to the balance of exploration and evaluation assets as a recovery in accordance with the Company's policy. As at September 30, 2019, accounts receivable included $616,116 (2018 - $463,715) relating to these royalties, and accounts payable includes $49,016 (2018 - $536,527).

As at September 30, 2019, the Company has $481,388 (2018 - $482,885) in drilling advances included in prepaid expenses and deposits.

Puchuldiza Property, Chile

The Company holds a 100% interest in the Puchuldiza Property. The Company was 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 year ended September 30, 2019, the Company sold its interest in the property for $100,000.

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. During the year ended September 30, 2019, the Company wrote-off the Golden Brew property and on October 31, 2019, the Company terminated its Option and returned the project to Highway 50 and therefore has no further commitments on the Option.

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 year ended September 30, 2019, Rio Grande, Aguas Calientes, El Camino, Catua, Oscuro and La Frontera properties in Argentina were spun-out into a separate company (Note 5). In connection with the spin-out, these properties was re-classified to assets held for distribution to shareholders as at September 30, 2018 (Note 16).

(Expressed in Canadian Dollars)

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

Rio Grande, Argentina

The Company held a 100% interest in the Rio Grande property in Salta Province, Argentina. During the year ended September 30, 2019, this property was spun-out into a separate company (Note 5).

7. 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 year ended September 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 year ended September 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, September 30, 2019	8,100,000	$ 1.58
Number of options currently exercisable	3,537,500	$ 1.55

(Expressed in Canadian Dollars)

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

Share-based compensation

The Company recognizes compensation expense for all stock options and warrants granted and vested using the fair value based method of accounting. During the year ended September 30, 2019, the Company recognized $4,002,943 (2018 - $287,050) in share-based compensation expense with respect to options vested during the year.

The following table summarizes information about stock options outstanding at September 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	25,000	July 11, 2023
1.60	5,550,000	1,387,500	February 4, 2024
1.78	200,000	50,000	March 1, 2024
1.40	200,000	-	June 6, 2024
	8,100,000	3,537,500	

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended September 30, 2019:

	2019	2018
Risk-free interest rate	1.84%	1.93%
Expected life of grant	5 years	5 years
Volatility	88.27%	143.19%
Dividend	0.00%	0.00%
Weighted average fair value per option	$1.09	$1.69

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 September 30, 2019	4,404,759	$ 1.61

(Expressed in Canadian Dollars)

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

The following table summarizes information about warrants outstanding at September 30, 2019:

Exercise Price	Number Outstanding	Expiry Date
$ 1.60	4,217,452	January 27, 2021*
1.90	187,307	September 27, 2020
	4,404,759	

*Subsequent to September 30, 2019, 4,217,452 warrants with an exercise price of $1.60 and an original expiry date of January 27, 2020, were extended with a new expiry date of January 27, 2021 (Note 18).

8. RELATED PARTY TRANSACTIONS

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

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Southern Legacy 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

During the year ended September 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 year ended September 30, 2019, DBD Resources was paid $241,622 (2018 - $257,408). Management services paid to DBD Resources are classified as management fees expense in the consolidated statements of operations and comprehensive loss.

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

b) For the year ended September 30, 2019, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $232,629 in consulting fees (2018 – $225,233). Consulting fees paid or accrued to Mr. Pickmann are classified as management fees in the consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was also paid or accrued $340,087 (2018 - $177,776) for legal services. Legal fees paid to Mr. Pickmann's law firm are classified as legal expenses in the consolidated statements of operations and comprehensive loss.

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

8. RELATED PARTY TRANSACTIONS (cont'd…)

c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the year ended September 30, 2019, Unicus was paid $68,750 (2018 – $50,000). Management services paid to Unicus are classified as management fees expense in the consolidated statements of operations and comprehensive loss.

At September 30, 2019, the Company owed $Nil (2018 – $Nil) to Unicus. During the year ended September 30, 2018, Mr. Mark Wayne loaned the Company $800,000. During the year ended September 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 year ended September 30, 2019, K.B. Heather was paid $215,950 (2018 – $257,408). Amounts paid to K.B. Heather are classified as management fees in the consolidated statements of operations and comprehensive loss.

At September 30, 2019, the Company owed $Nil (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 year ended September 30, 2018, the Company repaid the loan in full and during the year ended September 30, 2019, the Company paid the accrued interest of $4,767.

e) At September 30, 2019, the Company owed $Nil (2018 – $12,902) to non-executive directors.

f) For the year ended September 30, 2019, the Company incurred $234,275 of expenses on behalf of Aldebaran, a company with common directors and management which spun-out during the year ended September 30, 2019. At September 30, 2019, the Company was owed $67,290 (2018 - $67,037) from Aldebaran. This balance is included in receivables.

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

The named officers invested portions of their short term loans ("Short Term Loans") in the Company's September 27, 2018, 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..

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (cont'd…)

The remuneration of directors and other members of key management personnel during the year ended September 30, 2019 and 2018 are as follows:

	Fees and Bonus	Share-based Benefits (1)	Total
Year ended September 30, 2019			
Chief Executive Officer	$ 241,622	$ 625,109	$ 866,731
Chief Geological Officer	215,950	625,109	841,059
Chief Financial Officer	68,750	625,109	693,859
Chief Operating Officer	232,629	625,109	857,738
Non-executive directors	-	323,670	323,670
	$ 758,951	$ 2,824,106	$ 3,583,057

	Fees and Bonus	Share-based Benefits (1)	Total
Year ended September 30, 2018			
Chief Executive Officer	$ 257,408	$ 18,872	$ 276,280
Chief Geological Officer	257,408	18,872	276,280
Chief Financial Officer	50,000	18,872	68,872
Chief Operating Officer	225,233	18,872	244,105
Non-executive directors	32,105	37,744	69,849
	$ 822,154	$ 113,232	$ 935,386

(1) These are non-cash amounts calculated in accordance with the Black-Scholes valuation of stock options as per Note 7.

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.

9. LONG-TERM INVESTMENT

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

	Fair Value	Cost
Balance as at September 30, 2017	$ 850,000	$ 740,000
Fair market value adjustments	40,000	-
Balance as at September 30, 2018	$ 890,000	$ 740,000
Fair market value adjustments	(532,000)	-
Balance as at September 30, 2019	$ 358,000	$ 740,000

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	September 30, 2019	September 30, 2018
Trade payables	$ 2,171,038	$ 1,746,315
Accrued liabilities	1,200	536,527
	$ 2,172,238	$ 2,282,842

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

11. DECOMMISSIONING LIABILITY

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

	September 30, 2019	September 30, 2018
Asset retirement obligation – beginning of year	$ -	$ 356,356
Remediation performed	-	-
Change in estimates	330,994	5,696
Interest expense	-	29,369
Foreign exchange movement	-	14,093
Liabilities held for distribution to shareholders	-	(405,514)
Asset retirement obligation – end of year	$ 330,994	$ -

The total amount of estimated undiscounted cash flows required to settled the Company's estimated obligation is $363,067 as at September 30, 2019 (2018 - $548,498), which has been discounted using a credit adjusted rate of 1.4% (2018 - 10%) and an inflation rate of 1.92% (2018 - 2%). The present value of the decommissioning liabilities may be subject to change based on management's estimates, changes in remediation technology or changes to applicable laws and regulations. The decommissioning liability relates to the Company's Peru properties during the year ended September 30, 2019 and the Argentinean properties during the year ended September 30, 2018. The decommissioning liability is expected to be settled at various dates which are currently expected to extend up to 2022.

During the year ended September 30, 2019, the properties associated with the Argentinean decommissioning liability were spun-out into a separate company (Note 5). In connection with the spin-out, the decommissioning liability was re-classified to liabilities held for distribution to shareholders (Note 16) as at September 30, 2018.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Other than disclosed elsewhere in these consolidated financial statements, the significant non-cash transactions for the years ended September 30, 2019 and 2018 included:

a) $1,963,677 (2018 - $1,621,340) in accounts payable and accrued liabilities related to exploration and evaluation assets.
b) $680,293 (2018 - $Nil) of net assets transferred upon spin-out.
c) $330,994 (2018 - $Nil) recorded to decommissioning liability.
d) $Nil (2018 - $463,715) in receivables related to exploration and evaluation assets.
e) $Nil (2018 - $1,064,670) transferred to share capital on exercise of 2,575,000 stock options.
f) $Nil (2018 - $2,564,846) of assets and $Nil (2018 - $411,735) of liabilities were reclassified as held for distribution to shareholders.
g) $Nil (2018 - $694,311) of loans payable were settled in lieu of cash proceeds for common shares issued in the private placement.
h) $Nil (2018 - $1,801,829) in mineral property additions were the result of hyperinflation adjustments.
i) $532,000 (2018 - $40,000) change in fair value of long-term investment.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd…)

For the year ended September 30	2019	2018
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ 30,445	$ -

13. 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
September 30, 2019				
Canada	$ 2,656,644	$ -	$ -	$ 2,656,644
Peru	46,910,602	474,481	44,430,445	2,005,676
Chile	21,538	-	-	21,538
United States	81,823	-	-	81,823
	$ 49,670,607	$ 474,481	$ 44,430,445	$ 4,765,681

	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 year ended September 30		
Canada	$ (10,174,362)	$ 1,544,398
Bermuda	-	22,824
Peru	3,146,524	2,544,682
Chile	158,092	119,750
Argentina	-	375,148
	$ (6,869,746)	$ 4,606,802

14. 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 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.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had a cash balance of $3,036,369 to settle current liabilities of $2,172,238.

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 $55,000.

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

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required resulting in proceeds, which approximate the carrying amount of these investments. A 10% fluctuation in market prices would affect comprehensive income (loss) by approximately $35,800.

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.

15. COMMITMENTS

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

		Peru
2020	$	97,240
2021		16,207
	$	113,467

(Expressed in Canadian Dollars)

16. 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 as at September 30, 2018	$	2,564,846
Distribution		(2,564,846)
Total assets held for distribution to shareholders as at September 30, 2019	$	-
Current liabilities	$	6,221
Decommissioning liability		405,514
Total liabilities held for distribution to shareholders as at September 30, 2018	$	411,735
Distribution		(411,735)
Total assets held for distribution to shareholders as at September 30, 2019	$	-

17. INCOME TAXES

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

		2019		2018
Gain (Loss) for the year	$	6,869,746	$	(4,606,802)
Expected income recovery	$	1,855,000	$	(1,232,000)
Change in statutory, foreign tax, foreign exchange rates and other		(177,000)		159,000
Permanent difference		1,564,000		710,000
Impact of spin-out		(7,129,000)		-
Share issuance cost		(12,000)		(120,000)
Adjustment to prior years' provision versus statutory returns		(688,000)		276,000
Change in unrecognized deductible temporary differences		4,587,000		207,000
	$	-	$	-

(Expressed in Canadian Dollars)

17. INCOME TAXES (cont'd…)

The significant components of the Company's deferred tax assets (liabilities) that have been recognized on the consolidated statements of financial position are as follows:

	2019	2018
Deferred tax assets (liabilities)		
Long term investment	$ -	$ (20,000)
Non-capital losses available for future periods	-	20,000
Unrecognized deferred tax assets	-	-
Net deferred tax assets	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2019	Expiry dates	2018	Expiry dates
Temporary differences				
Proprty and equipment	$ 173,000	No expiry date	$ 196,000	No expiry date
Share issue costs	476,000	No expiry date	713,000	No expiry date
Exploration and evaluation assets	5,964,000	No expiry date	-	No expiry date
Marketable securities	341,000	No expiry date	-	No expiry date
Allowable capital losses	11,515,000	No expiry date	-	No expiry date
Non-capital losses available for future periods	28,325,000	2025 to 2039, indefinite	29,115,000	2019 to 2038, indefinite
	$ 46,794,000		$ 30,024,000	

18. SUBSEQUENT EVENTS

a) On October 31, 2019, the Company terminated its option agreement on the Golden Brew property and returned the project to Highway 50 Gold Corp.

b) On December 20, 2019, 4,217,452 warrants with an exercise price of $1.60 and an original expiry date of January 27, 2020, were extended with a new expiry date of January 27, 2021.

c) On December 27, 2019, the Company closed a financing comprised of 7,783,875 units of the Company, each comprising one common share and one-half of one common share purchase warrant, at a price of $1.06 per unit, for aggregate gross proceeds of approximately $8,250,908. Pursuant to a concurrent non-brokered private placement, 3,066,375 units were sold to certain funds managed by Route One Investment Co. LP, the Company's largest shareholder, at the offering price, for additional aggregate gross proceeds of approximately $3,250,358. Together with the public offering, the Company raised total gross proceeds of approximately $11,501,266.

Management's Discussion and Analysis

For the Year Ended September 30, 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 January 27, 2020 and should be read in conjunction with the consolidated financial statements for the years ended September 30, 2019 and 2018, the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), and all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.regulusresources.com.

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

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

Description of Business and Overview

Regulus was formed in December 2010 in connection with the sale of Antares Minerals Inc. to First Quantum Minerals Ltd. 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 updated 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 granms 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) 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. See press release dated October 25, 2018 for further details.

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. See press release dated March 1, 2019 for further details.

Drill Results

Drill results for the period under review are discussed under "Mineral Property Review" below.

<u>Outlook for 2020</u>

Exploration activities will continue to focus primarily on the AntaKori project in 2020. An updated NI 43-101 mineral resource estimate was completed as scheduled in March 2019 including all results from the Phase I drilling program. The Phase II 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. A total of 16,368 m of drilling have been completed to date as part of the Phase II drilling program; of which 14,162 m were completed on Regulus claims, 2,014 m on the Colquirrumi joint venture claims and 191 m on Coimolache claims. The Company has released results from all holes from the 2019 portion of the Phase II program.

In November 2019, the Company received the Declaración de Impacto Ambiental permit ("DIA") which allows up to 40 drill pads for the Anta Norte portion of the project. This offers an opportunity to properly test the various geophysical anomalies which the Company believes may represent mineralization related to a porphyry centre (the magnetic low) surrounded by an annular ring of magnetite-bearing skarns (the magnetic highs). To date, the Company has not been able to adequately test the geophysical anomalies and has been drilling along the southern edges of the targets from currently permitted drill pads. With the DIA in hand, the Company can now apply for the Authorization to Initiate Exploration Activities ("AIEA") which will be required to begin drilling. Receiving the AIEA is an administrative procedure and should take no more than 45 days, once submitted. The Company anticipates it will mobilize to newly permitted drill setups covered by the DIA towards the end of Q1 2020.

In addition to drill testing various exploration targets on the Anta Norte portion of the project, the Company also intends to drill additional holes from current drill setups in the main portion of the AntaKori project for the purpose of expanding the current resource. This portion of the 2020 drill progem is expected to start during Q1 2020.

The Company has projected a 2020 exploration budget of $9.3 MM with the majority of the budget dedicated to completing approximately 9,000 m of diamond drilling. The Company will also seek to acquire additional surface rights in key areas during 2020. In addition, the Company will continue to invest in projects, programs and activities to enhance community relations and development in the areas close to the project. The Company has a dedicated community relations team that maintains constant contact with the principal communities in the area of influence of the project.

At the date of this MD&A, the Company has approximately $9 MM in cash and cash equivalents. The Company anticipates that additional capital will be raised during 2020 by means of an equity financing or a strategic alliance. If additional financing is not completed, the Phase II drilling program budget at AntaKori will be reduced to approximately $7 MM. This would involve reducing the drill program to about 6,500 m along with reducing expenditures on surface rights and community projects. The only firm commitments for the AntaKori project include 2020 annual concession fees, remediation costs estimated at $50,000 annually and one public works project at an estimated cost of US$300,000.

<u>Longer-term Outlook</u>

Following the completion of the AntaKori Phase II drilling program, the Company plans to prepare an updated mineral resource estimate in the second half of 2020. If the extent of the deposit is largely defined by the Phase II program, the Company would plan to complete a PEA in early 2021. If the extent of the deposit is not defined by the Phase II drilling program, additional drilling (Phase III) 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, including the ability of the Company to raise additional capital in a timely manner.

<u>Changes to Executive Team</u>

Effective March 1, 2019, the Company appointed Adam Greening to the position of Vice President, Coporate 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) in Geology 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 had been a director of the Company since 2012.

Effective June 6, 2019, Jason Attew was appointed to the Board of Directors and as Chair of the Audit Committee. Jason most recently served as the Chief Financial Officer at Goldcorp Inc. where, in addition to leading the finance and investor relations operations, he was also responsible for Goldcorp's corporate development and strategy culminating in the US$32 billion merger with Newmont Mining Corp. in April 2019. Jason also has extensive capital markets experience from his time in investment banking with the BMO Global Metals and

Mining Group where he was at the forefront of structuring and raising significant growth capital as well as advising on both formative and transformational mergers and acquisitions for corporations that have become industry leaders over the past two decades. Jason holds a Master of Business Administration, Queen's University and a Bachelor of Science (Honours), University of British Columbia.

Effective August 13, 2019, Joe Fernandez was appointed to the position of Vice President, Project Development. Mr. Fernandez has been with Regulus since 2016 in the role of Manager, Project Development. Prior to that, he served with the Company's senior management team in Antares as the Vice President, Project Development of the Haquira project in Peru where he was responsible for the completion of the PEA. Mr. Fernandez is tasked with overseeing the project development and future engineering and metallurgical study-work at AntaKori.

Financing

On December 27, 2019, the Company announced the closing of a bought deal financing, including the exercise in full of the underwriter's option. A total of 7,783,875 units of the Company, each comprising one common share and one half of one common share purchase warrant ("Units"), were sold at a price of C$1.06 per Unit (the "Offering Price"), for aggregate gross proceeds of approximately $8.25 million (the "Public Offering"). Pursuant to a concurrent non-brokered private placement, 3,066,375 Units were sold to certain funds managed by Route One Investment Co. LP, the Company's largest shareholder, at the Offering Price, for additional aggregate gross proceeds of approximately $3.25 million. Together with the Public Offering, the Company raised total gross proceeds of approximately $11.5 million (the "Offering"). BMO Capital Markets acted as the sole underwriter for the Offering. The net proceeds of the Offering will be used to fund exploration and development activities at the Company's AntaKori project, for working capital, and general corporate purposes.

Warrant Extension

In December 2019, the TSX Venture Exchange consented to the extension of the expiry date of 4,217,452 common share purchase warrants (the "Warrants") that were issued pursuant to a private placement which closed on July 27, 2016 for an additional year to January 27, 2021. The Warrants are exercisable into common shares of the Company at an exercise price of $1.60 per common share. All other terms of the Warrants remain the same.

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.

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.

Table 1 - Summary of AntaKori Mineral Resource Estimate at a 0.3% CuEq Cut-off

Resource Category	Million Tonnes	Cu Grade (%)	Au Grade (g/t)	Ag Grade (g/t)	CuEq Grade (%)	Cu B lbs	Au M oz	Ag M oz	CuEq B lbs
Indicated	250	0.48	0.29	7.5	0.74	2.6	2.3	61	4.1
Inferred	267	0.41	0.26	7.8	0.66	2.4	2.2	67	3.9

Notes to accompany Indicated and Inferred Mineral Resource table assuming open pit mining methods for AntaKori Project:

1. *Mineral Resources have an effective date of 22 February 2019; Douglas Reid, P. Eng., a Wood employee, is the Qualified Person responsible for the Mineral Resource estimate.*
2. *Inputs to costs for cut-off grade assumes a conventional truck and shovel open pit mine handling and feeding a 60,000 t/d concentrator and producing a copper-gold concentrate with arsenic for sale to specialists in concentrate trading, third-party smelters and refineries.*
3. *Mineral Resources are reported based on a CuEq cut-off of 0.30% constrained within a pit shell.*
4. *Mineral Resources are only reported within Regulus concessions.*
5. *CuEq and AuEq grades and metal contents in this table are mutually exclusive and are not additive.*
6. *Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.*
7. *Copper price used is US$6,614/t (US$3.00/lb), gold price is US$1,400/oz, silver price is US$18.00/oz.*
8. *Assumed metallurgical recoveries: copper 85%, gold 55%, silver 50%.*
9. *Assumed pit slope of 45 degrees.*
10. *Assumed open pit mining cost of US$1.85/t plus lift charge to average US$2.00/t, processing cost of US$7.18/t, G&A cost US$1.00/t.*

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 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 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 NNW 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 34,477 m of drilling completed in 50 drill holes on AntaKori concessions by Regulus to date.
- 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.
- 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 Regulus AntaKori mineral concessions. 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 Tantahuatay 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 Tantahuatay 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 I drill program at AntaKori was completed in October 2018 with a total of 22,140 m drilled through hole AK-18-027 (20,325.72m within Regulus concessions). Drilling continued directly into the Phase II program with an additional seventeen holes completed to date (16,369 m from AK-18-028 through AK-18-043). The Phase I 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). 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-18-022:
    - 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

- 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-18-024:
    - 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-18-025:
    - 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 predominanty as skarn in underlying Cretaceous sedimentary sequence.

- 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/

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). 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.

<u>Highlights from drill holes AK-18-028 through AK-18-030 – AntaKori Project:</u>

- 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
  - 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.

In July 2019, the Company announced the results from Phase II drill holes AK-19-031 and AK-19-032 (see news release dated July 25, 2019).

<u>Highlights from drill holes AK-19-031 and AK-19-032 – AntaKori Project:</u>

- AK-19-031:
    - 610.20 m with 0.84 % Cu, 1.02 g/t Au and 10.28 g/t Ag (1.66 % CuEq) from 3.7 m depth
        - Including 291.25 m with 1.13 % Cu, 1.74 /t Au and 12.77 g/t Ag (2.49 % CuEq)
            - Further including 176.50 m with 1.48 % Cu, 2.72 g/t Au and 18.62 g/t Ag (3.59 % CuEq)
    - Intersected both high-sulphidation epithermal and skarn, as well as breccia mineralization
    - Successfully infilled and upgraded resources

- AK-19-032:
    - 372.33 m with 0.32 % Cu, 0.19 g/t Au and 7.21 g/t Ag (0.58 % CuEq)
        - Including 15.60 m with 0.43 % Cu, 0.23 g/t Au and 13.78 g/t Ag (0.72 % CuEq)
        - And 15.60 m with 0.44 % Cu, 0.24 g/t Au 11.77 g/t Ag (0.72 % CuEq)
        - And 14.16 m with 0.81 % Cu, 0.35 g/t Au and 13.19 Ag (1.18 % CuEq)
    - 14.25 m with 1.24 % Cu, 0.25 g/t Au and 6.98 g/t Ag (1.48% CuEq)
    - Intersected both high-sulphidation epithermal and skarn mineralization, with majority of higher-grade material being low-arsenic skarn
    - Successfully infilled resources

In September 2019, the Company announced the results from Phase II drill holes AK-19-033 and AK-19-034 (see news release dated September 5, 2019). Hole AK19-034 was successful in expanding the footprint of the AntaKori system to an area that had never been tested previously.

Highlights from drill holes AK-19-033 and AK-19-034 – AntaKori Project:

- AK-19-033:
    - 140.40 m of 0.39% Cu, 0.30 g/t Au and 10.35 g/t Ag (0.69% CuEq) from 200.30 m
        - Including 57.90 m of 0.46% Cu, 0.47 g/t Au and 11.16 g/t Ag (0.89% CuEq) from 228.10 m

- AK-19-034:
    - 819.90 m of 0.53% Cu, 0.24 g/t Au and 7.83 g/t Ag (0.77% CuEq) from 165.25 m
        - Including 80.45 m of 2.47% Cu, 0.78 g/t Au and 10.79 g/t Ag (3.12% CuEq) from 532.60 m (high sulphidation epithermal mineralization overprint)
    - Mineralization hosted dominantly in low-As skarn and porphyry material
    - Hole ended in mineralization, as the last 3.5 metres of drilling returned 0.61% CuEq
    - From 1,010.05 m to a total depth of 1,524.22 m the hole was drilled on claims belonging to the Colquirrumi earn in agreement, representing the first drilling towards the Company earning up to a 70% interest in this ground (see news release of April 3, 2017)

In November 2019, the Company announced the results from Phase II drill holes AK-19-033A and AK-19-035 to AK-19-037 (see news release dated November 19, 2019).

<u>Highlights from drill holes AK-19-033A, AK-19-035, AK-19-036 and AK-19-037 - AntaKori Project:</u>

- AK-19-033A:
    - 253.90 m of 0.36% Cu, 0.32 g/t Au and 10.15 g/t Ag (0.68% CuEq) from 235.40 m
        - Including 46.00 m of 0.52% Cu, 0.43 g/t Au and 9.75 g/t Ag (0.91% CuEq) from 235.90 m
        - And 28.25 m of 0.40% Cu, 0.35 g/t Au and 19.54 g/t Ag (0.83% CuEq) from 305.55 m
        - And 48.90 m of 0.48% Cu, 0.26 g/t Au and 15.84 g/t Ag (0.81% CuEq) from 342.90 m
    - 113.82 m of 0.27 Cu, 0.17g/t Au and 3.35 g/t Ag (0.42% CuEq) from 502.08 m

- AK-19-035:
    - 110.37 m of 0.27% Cu, 0.17 g/t Au and 4.92 g/t Ag (0.43% CuEq) from 238.15 m
    - 151.05 m of 0.28% Cu, 0.19 g/t Au and 4.15 g/t Ag (0.45% CuEq) from 371.80 m
        - Including 38.00 m 0.43% Cu, 0.33 g/t Au and 10.08 g/t Ag (0.75% CuEq) from 394.10 m
    - 625.30 m of 0.33% Cu, 0.17 g/t Au and 2.67 g/t Ag (0.48% CuEq) from 570.70 m
        - Including 504.15 m of 0.36% Cu, 0.19 g/t Au, 2.91 g/t Ag (0.53% CuEq)
            - Including 28.58 m of 0.33% Cu, 0.51 g/t Au and 3.90 g/t Ag (0.73% CuEq) from 734.92
            - And 54.15 m of 0.71% Cu, 0.15 g/t Au and 1.81 g/t Ag (0.83% CuEq) from 1046.05 m
    - Mineralization hosted primarily in low-As skarn and porphyry material throughout entire hole

    - From 1,200.78 m to a total depth of 1,321.98 m the hole was drilled on claims belonging to the Colquirrumi earn in agreement (see news release of April 3, 2017)

- AK-19-036:
    - 18.30 m of 0.40% Cu, 0.19 g/t Au and 8.92 g/t Ag (0.62% CuEq) from 312.40 m
    - 10.80 m of 0.50% Cu, 0.57 g/t Au and 10.31 g/t Ag (1.00% CuEq) from 390.80 m
    - Defined the eastern most limits of the deposit

- AK-19-037:
    - 69.60 m of 0.31% Cu, 0.15 g/t Au and 15.6 g/t Ag (0.56% CuEq) from 234.80 m
    - 179.90 m of 0.22% Cu, 0.22 g/t Au and 6.95 g/t Ag (0.44% CuEq) from 360.00 m
        - Including 38.20 m of 0.35% Cu, 0.50 g/t Au and 18.14 g/t Ag (0.87% CuEq) from 413.10 m
    - 178.70 m of 0.21% Cu, 0.29 g/t Au and 2.74 g/t Ag (0.45% CuEq) from 570.35 m
    - 63.35 m of 0.36% Cu, 0.07 g/t Au and 2.43 g/t Ag (0.43% CuEq) from 1229.75 m
    - Mineralization hosted primarily in low-As skarn and porphyry material throughout entire hole
    - From 600.13 m to a total depth of 1,489.30 m, the hole was drilled on claims belonging to the Colquirrumi earn in agreement (see news release of April 3, 2017)

In January 2020, the Company announced the results from Phase II drill holes AK-19-038 to AK-19-043 (see news release dated January 16, 2020).

Highlights from drill holes AK-19-038 through AK-19-043 - AntaKori Project:

- AK-19-038:
    - 15.38 m of 2.14% Cu, 0.38 g/t Au and 24.96 g/t Ag (2.63% CuEq) from 374.82 m

- AK-19-039:
    - 168.75 m of 0.38% Cu, 0.65 g/t Au and 32.69 g/t Ag (1.15% CuEq) from 111.45 m
        - Including 14.10 m of 0.95% Cu, 0.80 g/t Au and 24.92 g/t Ag (1.75% CuEq) from 246.60 m
    - 51.50 m of 0.21% Cu, 0.55 g/t Au and 5.38 g/t Ag (0.65% CuEq) from 383.60 m
        - Including 12.15 m of 0.38% Cu, 1.02 g/t Au and 10.37 g/t Ag (1.20% CuEq)
    - Represents discovery of multiple wide zones of base metal carbonate style epithermal mineralization with significant precious metal content
    - Provides new targets to follow up with future drilling

- AK-19-040:
    - 15.30 m of 0.77% Cu, 0.18 g/t Au and 7.89 g/t Ag (0.97% CuEq) from 370.60 m

- AK-19-041:
    - 341.00 m of 0.57% Cu, 0.28 g/t Au and 9.29 g/t Ag (0.85% CuEq) from 202.00 m
    - Including 64.15 m of 1.71% Cu, 0.79 g/t Au and 13.89 g/t Ag (2.40% CuEq) hosted within a high-sulphidation epithermal zone overprinting skarn
    - 172.13 m of 0.35% Cu, 0.14 g/t Au and 4.11 g/t Ag (0.48% CuEq) from 575.95 m
        - Including 52.00 m of 0.51% Cu, 0.22 g/t Au and 8.35 g/t Ag (0.75% CuEq) hosted in a high-sulphidation epithermal overprint
    - 539.43 m of 0.41% Cu, 0.09 g/t Au and 2.59 g/t Ag (0.50% CuEq) from 1040.10 m
    - Intersected mineralization and grades as expected, similar to the results previously reported for AK-19-034 (which was drilled from the same platform)

- AK-19-042:
    - 417.40 m of 0.23% Cu, 0.13 g/t Au and 3.90 g/t Ag (0.35% CuEq) from 470.60 m
    - 87.35 m of 0.21% Cu, 0.12 g/t Au and 3.12 g/t Ag (0.32% CuEq) from 929.35 m
    - Hosted predominantly in low arsenic skarn and porphyry mineralization

- AK-19-043:
    - 22.50 m of 0.93% Cu, 0.33 g/t Au and 11.71 g/t Ag (1.27% CuEq) from 290.80 m

Further details regarding the mineralized intercepts encoumtered in drill holes AK-18-022 to AK-18-030, AK-19-031 to AK-19-033, AK19-033A and AK-19-034 to AK-19-043 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

In August 2019, the Company announced the results of its drill program at Golden Brew explored under an option agreement with Highway 50 Gold Corp. ("Highway 50") whereby the Company could earn a 50% interest in the central Nevada project. The Company completed three holes for a total of 2,280 m to test potential for a covered Carlin style system to meet a work commitment of US$750,000 in exploration expenditures that had to be completed by May 28th, 2019 to maintain the option agreement in good standing, for a total of US1,250,000 in expenditures by that date. After reviewing the results of the drill program, the Company terminated the option agreement in October 2019 and returned the project to Highway 50.

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

Selected Annual Information

The following selected annual financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with IFRS guidelines.

All in 1,000's except Loss per share and Number of shares	2019	2018	2017
Working capital	$ 2,235	$ 17,387	$ 4,604
General and administration expenses	7,122	3,380	3,846
Net gain/(loss)	6,870	(4,607)	(3,493)
Gain/(Loss) per share	0.08	(0.06)	(0.05)
Gain/(Loss) per share (fully diluted)	0.07	(0.06)	(0.05)
Total assets	49,671	58,270	31,592
Exploration and evaluation assets	44,430	33,640	23,665
Other non-current assets	832	3,794	1,005
Total liabilities	2,503	3,862	2,674
Share capital(1)(2)	104,125	122,323	92,897
Number of shares(1)(2)	90,994,594	91,002,794	68,888,667
Accumulated deficit	63,402	70,272	65,655

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

Results of Operations for the Year Ended September 30, 2019 Compared to the Year Ended September 30, 2018

During the year ended September 30, 2019, income from operating activities was $6,869,746 compared to loss from operating activities of $4,606,802 for the year ended September 30, 2018. Significant variances from the same period in the prior year are as follows:

- During the year ended September 30, 2019, the Company recorded a gain on transfer of spin-out assets of $16,847,997 (2018 - $Nil), a write-off of receivables of $1,126,832 related to VAT taxes in Peru (2018 - $1,427,016) and a write-off of property of $2,010,383 (2018 - $nil). 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 consolidated financial statements. The write-off of the Golden Brew property is a non-cash item. See Note 6 of the accompanying consolidated financial statements.

- An increase of $3,715,893 in share-based compensation. Share-based compensation was $4,002,943 for the year ended September 30, 2019 compared to $287,050 for the year ended September 30, 2018 due to the timing of vesting of stock options issued. During the year ended September 30, 2019, the Company issued 5,550,000 stock options at an exercise price of $1.60 expiring on February 24, 2024, 200,000 stock options at an exercise price of $1.78 expiring on March 1, 2024 and 200,000 stock options at an exercise price of $1.40 expiring on June 6, 2024.

- An increase of $80,925 in investor relations and shareholder information. Investor relations and shareholder information was $284,037 for the year ended September 30, 2019 compared to $203,112 for the year ended September 30, 2018. The increase is mainly due to the increased activity related to conferences and other investor presentations.

- A gain of of $130,625 on foreign exchange for the year ended September 30, 2019 compared to a loss of $7,094 for the year ended September 30, 2018. The difference was mainly the result of fluctuations of the US$, the Peruvian Nuevo Sol and the CAD$ in the current period as compared to the prior period.

Results of Operations for the Three Months Ended September 30, 2019 Compared to the Three Months Ended September 30, 2018

During the three months ended September 30, 2019, loss from operating activities was $4,325,191 compared to loss from operating activities of $2,324,164 for the three months ended September 30, 2018. Significant variances from the same period in the prior year are as follows:

- An increase of $1,199,203 in share-based compensation. Share-based compensation was $1,241,199 for the period ended September 30, 2019 compared to $41,996 for the period ended September 30, 2018 due to the timing of vesting of stock options issued.

- A decrease of $21,152 in consulting fees. Consulting fees was $37,651 for the period ended September 30, 2019 compared to $58,803 for the period ended September 30, 2018. The decrease is mainly due to fewer consultants used in the current period as compared to the same period of the prior period.

- A gain of $1,025,159 on foreign exchange for the period ended September 30, 2019 compared to a loss of $1,041,355 for the period ended September 30, 2018. The difference was mainly the result of fluctuations of the US$, 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 $4,949,613 for the year ended September 30, 2019 compared to cash outflow of $4,422,469 for the year ended September 30, 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 $894,200 for the year ended September 30, 2019 compared to cash inflow of $29,361,582 for the year ended September 30, 2018. The cash outflows in the current period are the result of the repayment of loans payable and the cash inflows from the previous period are primarily from proceeds received from private placements and the exercise of warrants and stock options.

Investing Activities

Cash outflow from investing activities was $11,071,081 for the year ended September 30, 2019 compared to $11,933,012 for the year ended September 30, 2018. The cash outflows are primarily from expenditures on exploration and evaluation assets in the current and previous year.

Summary of Quarterly Results

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

All in $1,000's except loss (gain) per share	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Working capital (deficiency)	$2,235	$6,269	$10,342	$13,470
Loss (gain)	$2,325	$5,373	$2,165	$(16,733)
Loss (gain) per share	$0.04	$0.05	$0.03	$(0.17)
Loss (gain) per common share (diluted)	$0.04	$0.05	$0.03	$(0.17)
Total assets	$49,671	$50,872	$51,758	$54,438
Total liabilities	$2,503	$1,722	$1,887	$2,861
Deficit	$63,402	$59,077	$55,704	$53,539

All in $1,000's except loss (gain) per share	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Working capital (deficiency)	$17,387	$(3,124)	$617	$4,297
Loss (gain)	$2,324	$1,309	$392	$582
Loss (gain) per share	$0.01	$0.02	$0.01	$0.01
Loss (gain) per common share (diluted)	$0.01	$0.02	$0.01	$0.01
Total assets	$58,270	$35,880	$34,061	$34,158
Total liabilities	$3,862	$4,471	$2,696	$2,360
Deficit	$70,272	$67,948	$66,639	$66,247

During the period ended December 31, 2018, the Company recorded a gain on transfer of spin-out assets of $16,847,997 and a reduction in share capital of $18,198,920.

Liquidity and Capital Resources

Cash at September 30, 2019 totaled $3,036,369 compared to $19,678,786 at September 30, 2018. Working capital at September 30, 2019 was $2,235,443 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 2020" above for further details.

On December 27, 2019, the Company closed a financing comprised of 7,783,875 units of the Company, each comprising one common share and one-half of one common share purchase warrant, at a price of $1.06 per unit, for aggregate gross proceeds of approximately $8,250,908. Pursuant to a concurrent non-brokered private placement, 3,066,375 units were sold to certain funds managed by Route One Investment Co. LP, the Company's largest shareholder, at the offering price, for additional aggregate gross proceeds of approximately $3,250,358. Together with the public offering, the Company raised total gross proceeds of approximately $11,501,266.

Exploration and evaluation of assets at September 30, 2019 totaled $44,430,445 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 101,844,844 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
$ 1.40	200,000	June 6, 2024
	8,100,000	

Warrants

Exercise Price	Number Outstanding	Expiry Date
$ 1.90	187,307	September 27, 2020
$ 1.60	4,217,452	January 27, 2021
$ 1.70	3,891,938	December 27, 2021
$ 1.70	1,533,188	January 16, 2022
	9,829,885	

Related Party Transactions

During the year ended September 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 year ended September 30, 2019, DBD Resources was paid $241,622 (2018 - $257,408). Management services paid to DBD Resources are classified as management fees expense in the consolidated statements of operations and comprehensive loss.

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

b) For the year ended September 30, 2019, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $232,629 in consulting fees (2018 – $225,233). Consulting fees paid or accrued to Mr. Pickmann are classified as management fees in the consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was also paid or accrued $340,087 (2018 - $177,776) for legal services. Legal fees paid to Mr. Pickmann's law firm are classified as legal expenses in the consolidated statements of operations and comprehensive loss.

   At September 30, 2019, the Company owed $Nil (2018 - $94,078) to Mr. Pickmann and owed $Nil (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 year ended September 30, 2019, Unicus was paid $68,750 (2018 – $50,000). Management services paid to Unicus are classified as management fees expense in the consolidated statements of operations and comprehensive loss.

   At September 30, 2019, the Company owed $Nil (2018 – $Nil) to Unicus. During the year ended September 30, 2018, Mr. Mark Wayne loaned the Company $800,000. During the year ended September 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 year ended September 30, 2019, K.B. Heather was paid $215,950 (2018 – $257,408). Amounts paid to K.B. Heather are classified as management fees in the consolidated statements of operations and comprehensive loss.

   At September 30, 2019, the Company owed $Nil (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 year ended September 30, 2018, the Company repaid the loan in full and during the year ended September 30, 2019, the Company paid the accrued interest of $4,767.

e) At September 30, 2019, the Company owed $Nil (2018 – $12,902) to non-executive directors.

f) The Company incurred $234,275 of expenses on behalf of Aldebaran, a company with common directors and management which spun-out during the year ended September 30, 2019. At September 30, 2019, the Company was owed $67,290 (2018 - $67,037) from Aldebaran. This balance is included in receivables.

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

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.

The remuneration of directors and other members of key management personnel during the years ended September 30, 2019 and 2018 are as follows:

	Fees and Bonus	Share-based Benefits (1)	Total
Year ended September 30, 2019			
Chief Executive Officer	$ 241,622	$ 625,109	$ 866,731
Chief Geological Officer	215,950	625,109	841,059
Chief Financial Officer	68,750	625,109	693,859
Chief Operating Officer	232,629	625,109	857,738
Non-executive directors	-	323,670	323,670
	$ 758,951	$ 2,824,106	$ 3,583,057

	Fees and Bonus	Share-based Benefits (1)	Total
Year ended September 30, 2018			
Chief Executive Officer	$ 257,408	$ 18,872	$ 276,280
Chief Geological Officer	257,408	18,872	276,280
Chief Financial Officer	50,000	18,872	68,872
Chief Operating Officer	225,233	18,872	244,105
Non-executive directors	32,105	37,744	69,849
	$ 822,154	$ 113,232	$ 935,386

(1) These are non-cash amounts calculated in accordance with the Black-Scholes valuation of stock options as per Note 7.

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.

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 September 30, 2019 consolidated financial statements on www.sedar.com.

Recent Accounting Policies

Please refer to the September 30, 2019 consolidated financial statements on 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).

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.

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.

Disclosure for Venture Issuers without Significant Revenue

A breakdown of the components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the year ended September 30, 2019 to which this MD&A relates. A breakdown of the components of the exploration and evaluation assets of the Company is disclosed in the consolidated financial statements for the year ended September 30, 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 consolidated financial statements for the year ended September 30, 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 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, 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 will 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.

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.

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).