



**(the “Company”)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2021 AND 2020**

**(Expressed in Canadian Dollars)**

**(Unaudited – Prepared by Management)**

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

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

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

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

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

	December 31, 2021	September 30, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 7,858,461	\$ 9,501,237
Receivables	112,065	110,735
Prepaid expenses and deposits	152,045	20,596
Due from related party (Note 6)	2,441	20,698
	8,125,012	9,653,266
<b>Long-term investments</b>	415,000	625,250
<b>Property and equipment</b>	781,460	813,940
<b>Exploration and evaluation assets (Note 4)</b>	42,051,474	40,910,648
	\$ 51,372,946	\$ 52,003,104
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 6)	\$ 1,260,099	\$ 1,298,465
Decommissioning liability	365,625	365,625
	1,625,724	1,664,090
<b>Decommissioning liability</b>	613,375	613,375
	2,239,099	2,277,465
<b>Equity</b>		
Capital stock (Note 5)	114,707,360	114,707,360
Accumulated other comprehensive loss	(7,711,588)	(7,452,350)
Share compensation reserve (Note 5)	16,657,593	16,561,364
Deficit	(74,519,518)	(74,090,735)
	49,133,847	49,725,639
	\$ 51,372,946	\$ 52,003,104

**Nature and continuance of operations (Note 1)**  
**Commitments (Note 10)**

**Approved by the Board:**  
**Director:**

”John Black”  
John Black

**Director:**

“Mark Wayne”  
Mark Wayne

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

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

For the Three Months Ended December 31,

	2021	2020
<b>EXPENSES</b>		
Accounting and audit	\$ 21,975	\$ 41,975
Amortization	25,365	8,048
Bank charges and interest (recovery)	(10,677)	1,180
Consulting fees	-	19,785
Insurance	8,982	7,428
Interest expense	6,150	454
Investor relations and shareholder information	20,651	25,376
Legal (Note 6)	18,375	156,514
Management fees (Note 6)	176,383	181,396
Office and administration	97,708	201,981
Share-based compensation (Note 5, 6)	96,229	489,324
Transfer agent and listing fees	9,991	68,267
Travel	8,326	7,954
	(479,458)	(1,209,682)
<b>OTHER ITEMS</b>		
Interest income	1,471	16,939
Gain on debt settlement	26,966	-
Gain (loss) on foreign exchange	116,714	(326,247)
Write-off of receivables	(94,476)	(34,356)
	(428,783)	(1,553,346)
<b>LOSS FOR THE PERIOD</b>		
<b>Items that may be reclassified subsequently to profit and loss:</b>		
Change in fair market value of long-term investment	(210,250)	360,000
<b>Items that will not be reclassified subsequently to profit and loss:</b>		
Translation adjustment	(48,988)	(14,995)
<b>Comprehensive loss for the period</b>	<b>\$ (688,021)</b>	<b>\$ (1,208,341)</b>
<b>Loss per common share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>101,849,844</b>	<b>101,849,844</b>

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

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
Balance, September 30, 2020	101,849,844	\$ 114,707,360	\$ (5,272,470)	\$ 14,366,232	\$ (68,645,636)	\$ 55,155,486
Share-based compensation	-	-	-	489,324	-	489,324
Fair value of warrants issued	-	-	-	1,177,235	-	1,177,235
Fair value adjustment to long-term investment	-	-	360,000	-	-	360,000
Foreign exchange adjustment	-	-	(14,995)	-	-	(14,995)
Loss for the period	-	-	-	-	(1,553,346)	(1,553,346)
<b>Balance, December 31, 2020</b>	<b>101,849,844</b>	<b>\$ 114,707,360</b>	<b>\$ (4,927,465)</b>	<b>\$ 16,032,791</b>	<b>\$ (70,198,982)</b>	<b>\$ 55,613,704</b>
Balance, September 30, 2021	101,849,844	\$ 114,707,360	\$ (7,452,350)	\$ 16,561,364	\$ (74,090,735)	\$ 49,725,639
Share-based compensation	-	-	-	96,229	-	96,229
Fair value adjustment to long-term investment	-	-	(210,250)	-	-	(210,250)
Foreign exchange adjustment	-	-	(48,988)	-	-	(48,988)
Loss for the period	-	-	-	-	(428,783)	(428,783)
<b>Balance, December 31, 2021</b>	<b>101,849,844</b>	<b>\$ 114,707,360</b>	<b>\$ (7,711,588)</b>	<b>\$ 16,657,593</b>	<b>\$ (74,519,518)</b>	<b>\$ 49,133,847</b>

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

**Regulus Resources Inc.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
For the Three Months Ended December 31,

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Loss for the period	\$ (428,783)	\$ (1,553,346)
Items not affecting cash:		
Amortization	25,365	8,048
Share-based compensation	96,229	489,324
Interest expense	6,150	454
Write-off of receivables	94,476	34,356
Changes in non-cash working capital items:		
Receivables	(95,806)	81,523
Prepaid expenses and deposits	(131,449)	24,806
Accounts payable and accrued liabilities	(248,333)	(122,077)
Due from related party	18,257	-
Net cash used in operating activities	<u>(663,894)</u>	<u>(1,036,912)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	-	(38,430)
Lease payments	(27,519)	(7,565)
Exploration and evaluation assets	(973,613)	(2,000,551)
Sale of mineral property interest	-	16,198,750
Net cash provided by (used in) investing activities	<u>(1,001,132)</u>	<u>14,152,204</u>
<b>Effect of foreign exchange on cash</b>	<u>22,250</u>	<u>(40,706)</u>
<b>Change in cash for the period</b>	(1,642,776)	13,074,586
<b>Cash, beginning</b>	<u>9,501,237</u>	<u>2,750,410</u>
<b>Cash, end</b>	<u>\$ 7,858,461</u>	<u>\$ 15,824,996</u>

Supplemental disclosures with respect to cash flows (Note 7)

**Regulus Resources Inc.**

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

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

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

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

As at December 31, 2021, the Company had working capital of \$6,499,288. During the year ended September 30, 2021, the Company received a cash payment of \$16,198,751 (USD \$12,500,000) from its royalty agreement with Osisko Royalties Ltd. (Note 4) to provide it with sufficient capital for the next 12 months or longer. The Company has no source of operating cash flows, such that 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.

During the year ended September 30, 2020, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company’s interim condensed consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern and the carrying values of the Company’s properties, equipment assets and exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company’s equipment assets and exploration and evaluation assets and did not note any significant indicators as of December 31, 2021. Based on management’s judgment, as at the date of these interim condensed consolidated financial statements, there has been no impact from COVID-19 on the Company’s estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management’s judgments in the future.

These interim condensed consolidated financial statements were authorized by the audit committee and approved by the board of directors of the Company on March 1, 2022.

**2. BASIS OF PREPARATION**

These unaudited interim condensed consolidated financial statements, including comparatives have been prepared using accounting policies in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

**Regulus Resources Inc.**

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

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**2. BASIS OF PREPARATION (continued)**

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 the interim condensed consolidated financial statements:

*Functional currencies*

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

*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.



**Regulus Resources Inc.**

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

(Unaudited – Prepared by Management)

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For the Three Months Ended December 31, 2021 and 2020

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**2. BASIS OF PREPARATION (continued)**

*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.

Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 6). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and is determined for each entity within the Company. The functional currency for the entities within the Company are: the Canadian dollar (the Company) and the United States dollar ("U.S.\$") Southern Legacy Minerals Inc., Regulus Resources Peru S.A.C., KoriAnta S.A.C., Anta Norte S.A.C., SMRL El Sinchao de Cajamarca and Centaurus Holding S.A.C. During the year ended September 30, 2021, the Company recorded a gain on derecognition of subsidiary of \$12,738 on its former subsidiary, 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 interim condensed consolidated statements of operations and comprehensive (loss) income.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at September 30, 2021. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2021.

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

**4. 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 and Canada and the Company is therefore relying on title opinions by legal counsel who are basing such opinions on the laws of Peru and Canada.

	AntaKori, Peru
Balance, September 30, 2020	\$ 51,891,535
Additions:	
Administrative services	8,770
Change in estimates related to decommissioning liability	585,000
Field operations	5,311,954
Labour	225,886
Sale of royalty interest	(15,021,515)
Third party services	415,409
	<u>(8,474,496)</u>
Foreign exchange movement	<u>(2,506,391)</u>
Balance, September 30, 2021	<u>40,910,648</u>
Additions:	
Administrative services	259
Field operations	1,074,012
Labour	57,644
Third party services	59,914
	<u>1,191,829</u>
Foreign exchange movement	<u>(51,003)</u>
Balance, December 31, 2021	<u>\$ 42,051,474</u>

**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, Regulus Resources Peru S.A.C. (formerly 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;

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

**4. EXPLORATION AND EVALUATION ASSETS (continued)****AntaKori Project, Peru (continued)**

- (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 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 ended September 30, 2014	1,923,769
Paid during the year ended September 30, 2015	1,850,000
Paid during the year ended September 30, 2016	1,909,123
Paid during the year ended September 30, 2017	38,000
<b>Total</b>	<b>\$ 7,460,062</b>

During the year ended September 30, 2017, the Company's wholly owned Peruvian subsidiary, 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 project. These agreements allow for mutual access, mutual rights of expansion and collaborative exploration of the project area, providing benefit to all three parties.

The Coimolache agreement has a term of five years, renewable with consent from both parties. The agreement is primarily designed to allow the parties to collaboratively explore the project area. In addition, Comolache has the right to expand its current Tantauatay oxide pit by laying back onto certain concessions owned by Regulus (the "Regulus Concessions") but assigned to Coimolache for the specific purpose of exploiting oxide gold mineralization. Coimolache will pay a 5% NSR (the "Coimolache NSR Payments") to Regulus for any precious metals produced from oxide material mined on Regulus Concessions. The layback rights are restricted to oxide mineralization only and are further limited by a floor of 3,800 m above sea level. 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.

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

**4. EXPLORATION AND EVALUATION ASSETS (continued)****AntaKori Project, Peru (continued)**

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 received the drilling permits in Q4-2019. 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.

The Company is also subject to pay NSR's ranging from 1.5% - 3% to the underlying holders of these same claims. As at December 31, 2021, accounts payable includes \$61,233 (September 30, 2021 - \$61,233) relating to these royalties.

The Coimalache agreement expired under its own terms on January 19, 2022.

**Osisko Partnership**

During the year ended September 30, 2021, the Company closed a previously announced strategic partnership whereby it agreed to grant certain rights to Osisko Gold Royalties Ltd. ("Osisko") in exchange for an upfront cash payment (the "Upfront Payment") of US\$12,500,000 (\$16,198,751). These rights include the following: (i) in the event Regulus acquires any existing royalties within the current AntaKori project area or within a 1 km area of interest surrounding the project on claims owned 100% by Regulus, Osisko has the option to acquire 50% of the acquired royalty by paying 75% of Regulus' purchase price for the royalty; (ii) Osisko will have a right of first refusal on all future royalty or stream transactions in relation to claims on the AntaKori project where Regulus has 100% ownership, or on any additional claims Regulus might acquire with 100% ownership within the area of interest described above; and (iii) should Regulus receive a royalty or stream as consideration for the sale of AntaKori, Osisko will have a right of first refusal should Regulus later choose to sell that royalty or stream. As a significant initial transaction under the Osisko agreement, Osisko elected to acquire 50% of a royalty on the Mina Volare claim of the AntaKori project, which represents a 1.5% or 3% NSR, depending on location royalty, for 75% of Regulus' purchase price for the royalty, with Osisko's acquisition cost for the royalty included in the Upfront Payment. Regulus has retired the remaining 50% of the royalty. As such, the Royalty on the Mina Volare claim is now reduced to a 0.75% or 1.5%, depending on location, in favour of Osisko. In addition, the Company issued Osisko 5,500,000 warrants having a term of three years and an exercise price equal to \$2.25 per share. The Company recorded a fair value of \$1,177,236 for the 5,500,000 warrants to share compensation reserve, and the residual value of the remaining consideration to \$15,021,515 to exploration and evaluation assets. The warrants were valued using the Black-Scholes pricing model with the following assumptions: term of 3 years; expected volatility of 62.33%; risk-free rate of 0.30%; and expected dividends of Nil.

The parties agreed that the obligations of Regulus would be secured by the following:

- a pledge of all the shares in the capital of Regulus Resources Peru S.A.C.;
- an assignment by Regulus and Southern Legacy Minerals, Inc. of all intercompany loans and other amounts owing by Regulus Peru; and
- a first ranking mortgage in respect of the royalty and any surface rights or other rights relating thereto registerable or otherwise recordable in all relevant public registries and places where the property subject to the royalty is recorded. The mortgage is expected to be registered in the first quarter of 2022, at which time the share pledge referred to above will terminate.

**Fireweed**

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

**Gold Fields Option Agreement**

During the year ended September 30, 2021, the Company entered into an option agreement whereby the Company can earn up to a 60% interest in certain claims from Gold Fields La Cima S.A., a subsidiary company of Gold Fields Ltd (the "GF Claims").

**Regulus Resources Inc.**

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

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**4. EXPLORATION AND EVALUATION ASSETS (continued)**

**Gold Fields Option Agreement (continued)**

The terms of the option agreement are summarized as follows:

- The Company can earn a 60% interest in the GF Claims by incurring US\$3,500,000 in exploration expenditures over a 3-year term, including completing at least 2,500 m of diamond drilling and producing a 43-101 resource estimate incorporating the GF Claims. Upon completion, the Company and Gold Fields will form a joint venture with the Company having a 60% interest and Gold Fields a 40% interest.
- Upon formation of the joint venture, Gold Fields will have a 60-day window to decide if they wish to acquire an additional 20% interest in the joint venture (“Claw Back Right”), bringing their total interest to 60% and the Company’s position to 40%, in exchange for:
  - A cash payment of US\$7,500,000 to be paid to the Company.
  - Sole funding US\$5,000,000 in exploration commitments over a 5-year period.
- Upon finalizing the ownership structure of the joint venture, both parties will be required to fund their respective portions towards future exploration activities, and standard dilution policies will apply.
  - Any party that dilutes below a 10% interest in the joint venture will effectively relinquish their pro rata ownership and will maintain a 1.5% Net Smelter Return Royalty (“NSR”) interest, 0.5% of which can be bought back by the other party for US\$2,500,000 within 60 days of the announcement of commercial production on the property.
- If Gold Fields exercises its Claw Back Right, the Company will maintain a right to expand a mining operation from its existing claims onto the GF Claims (“Development Right”) subject to the general principle that it does not interfere with current or planned mining activities of the joint venture at the time.
  - Upon exercising the Development Right, the Company would pay the joint venture a 5% NSR (effectively a 3% NSR payable to Gold Fields, and a 2% NSR payable to the Company) for any minerals processed from the GF Claims.
  - In addition, the Company would be responsible for all development costs, all operating costs, and all environmental and closure costs (closure costs and environmental costs for any stand-alone mining operation on the GF claims, would be paid by the joint venture).

The Development Right will also be available to the Company if Gold Fields does not exercise its Claw-Back Right, with a 5% NSR payable by the Company to the joint venture (effectively 2% NSR payable to Gold Fields and 3% NSR payable to the Company) on any minerals processed from the GF Claims, and the Company will be responsible for all development costs, all operating costs and all environmental and closure costs.

**5. CAPITAL STOCK AND SHARE COMPENSATION RESERVE**

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

**Treasury shares:** recorded at cost.

There were no shares issued during the three months ended December 31, 2021 or the year ended September 30, 2021.

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

**5. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (continued)****Stock Options**

The Company has a stock option plan (“the Plan”) for directors, officers, employees and consultants of the Company and its subsidiaries. The number of common shares subject to the stock options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company. The Plan provides for a maximum term of five years for stock options and sets the most favorable vesting terms as one-third of the total stock options granted on the day of the grant and on each of the first and second anniversaries of the date of grant.

The following table summarized movements in stock options outstanding for the period ended December 31, 2021:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2020	9,850,000	\$ 1.44
Options granted	400,000	1.19
Options expired/forfeited	(2,325,000)	1.49
Balance, September 30, 2021 and December 31, 2021	7,925,000	\$ 1.41
Number of options currently exercisable	7,218,750	\$ 1.46

**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 period ended December 31, 2021, the Company recognized \$96,229 (year ended September 30, 2021 - \$1,017,896) in share-based compensation expense with respect to options vested during the period.

The following table summarizes information about stock options outstanding at December 31, 2021:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
\$ 0.86	215,000	161,250	June 29, 2023
2.00	50,000	50,000	July 11, 2023
1.60	5,250,000	5,250,000	February 4, 2024
1.78	200,000	200,000	March 1, 2024
1.40	200,000	200,000	June 6, 2024
0.86	1,610,000	1,207,500	June 29, 2025
1.49	200,000	100,000	October 19, 2025
0.89	200,000	50,000	April 13, 2026
	7,925,000	7,218,750	

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

**5. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (continued)**

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	Period ended December 31, 2021	Year ended September 30, 2021
Risk-free interest rate	-	0.65%
Expected life of grant	-	5 years
Volatility	-	71.56%
Dividend	-	0.00%
Weighted average fair value per option	-	\$0.68

**Warrants**

The following table summarizes movements in warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2020	9,637,576	\$ 1.66
Warrants issued	5,500,000	2.25
Warrants expired/forfeited	(4,217,452)	1.60
Balance, September 30, 2021 and December 31, 2021	10,920,124	\$ 1.98

The following table summarizes information about warrants outstanding at December 31, 2021:

Exercise Price	Number Outstanding	Expiry Date
\$ 1.70	5,420,124	December 27, 2022 <sup>1)</sup>
2.25	5,500,000	December 1, 2023
	10,920,124	

<sup>1)</sup> During the period ended December 31, 2021, these warrants were extended from December 27, 2021 to December 27, 2022.

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

**6. RELATED PARTY TRANSACTIONS**

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

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Southern Legacy Minerals Inc.	USA	100%	Holding company
Southern Legacy Peru S.A.C.	Peru	100%	Mineral exploration
KoriAnta S.A.C.	Peru	100%	Holding company
SMRL El Sinchao de Cajamara	Peru	83.13%	Holding company
Anta Norte S.A.C.	Peru	99.90%	Mineral exploration
Centaurus Holding S.A.C.	Peru	100%	Holding company

During the period ended December 31, 2021, the Company entered into the following transactions with key management personnel and related parties.

- a) Double Black Diamond Resources LLC. (“DBD Resources”) is a private company controlled by Mr. John Black, CEO and a director of the Company. For the period ended December 31, 2021, DBD Resources was paid \$55,172 (2020 - \$56,926). Amounts paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of profit and loss.

At December 31, 2021, the Company owed \$Nil (September 30, 2021 – \$Nil) to DBD Resources.

- b) For the period ended December 31, 2021, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$55,172 in consulting fees (2020 – \$56,926). Amounts paid to Mr. Pickmann are classified as management fees in the interim condensed consolidated statements of profit and loss. A law firm at which Mr. Pickmann was a partner was also paid or accrued \$Nil (2020 - \$44,655) for legal services. Legal fees paid to Mr. Pickmann’s law firm are classified as legal expenses in the interim condensed consolidated statements of profit and loss.

At December 31, 2021, the Company owed \$Nil (September 30, 2021 – \$Nil) to Mr. Pickmann and owed \$Nil (September 30, 2021 – \$1,793) to the law firm at which Mr. Pickmann was a partner which is included in accounts payable and accrued liabilities.

- c) Unicus Funds Ltd. (“Unicus”) is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the period ended December 31, 2021, Unicus was paid \$18,750 (2020 – \$18,750). Amounts paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of profit and loss.

At December 31, 2021, the Company owed \$Nil (September 30, 2021 – \$Nil) to Unicus.

- d) K.B. Heather & Socios Limitada (The Rock Doctor Limitada) (“K.B. Heather”) is a private company controlled by Dr. Kevin B. Heather, Chief Geological Officer of the Company. For the period ended December 31, 2021, K.B. Heather was paid \$47,290 (2020 – \$48,794). Amounts paid to K.B. Heather are classified as management fees in the interim condensed consolidated statements of profit and loss.

At December 31, 2021, the Company owed \$nil (September 30, 2021 – \$Nil) to K.B. Heather.

- e) At December 31, 2021, the Company is owed \$2,441 (September 30, 2021 - \$20,698) from Aldebaran, a company with common directors and management.

- f) The Company holds 2,000,000 common shares (September 30, 2021 – 2,000,000 common shares) of Highway 50 Gold Corp., a company with a director in common, included within long term investments.

**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.



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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

**6. RELATED PARTY TRANSACTIONS (continued)**

The remuneration of directors and other members of key management personnel during the periods ended December 31, 2021 and 2020 are as follows:

	Fees and Bonus	Share-based Benefits	Total
<b>Period ended December 31, 2021</b>			
Chief Executive Officer	\$ 55,172	\$ 7,431	\$ 62,603
Chief Geological Officer	47,290	7,431	54,721
Chief Financial Officer	18,750	7,431	26,181
Chief Operating Officer	55,172	7,431	62,603
Non-executive directors	-	21,878	21,878
	<u>\$ 176,384</u>	<u>\$ 51,602</u>	<u>\$ 227,986</u>
<b>Period ended December 31, 2020</b>			
Chief Executive Officer	\$ 56,926	\$ 59,174	\$ 116,100
Chief Geological Officer	48,794	59,174	107,968
Chief Financial Officer	18,750	59,174	77,924
Chief Operating Officer	56,926	59,174	116,100
Non-executive directors	-	79,264	79,264
	<u>\$ 181,396</u>	<u>\$ 315,960</u>	<u>\$ 497,356</u>

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

Other than disclosed elsewhere in these interim condensed consolidated financial statements, the significant non-cash transactions for the periods ended December 31, 2021 and 2020 included:

- a) \$872,711 (2020 - \$nil) in accounts payable and accrued liabilities related to exploration and evaluation assets.
- b) \$210,250 decrease (2020 - \$360,000 increase) in fair value of long-term investment.

For the period ended December 31	2021	2020
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

**8. 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
December 31, 2021				
Canada	\$ 8,278,118	\$ -	\$ -	\$ 8,278,118
Peru	43,094,828	781,460	42,051,474	261,894
	\$ 51,372,946	\$ 781,460	\$ 42,051,474	\$ 8,540,012

	Total Assets	Property and Equipment	Exploration and Evaluation Assets	Other Assets
September 30, 2021				
Canada	\$ 10,077,034	\$ -	\$ -	\$ 10,077,034
Peru	41,926,070	813,940	40,910,648	201,482
	\$ 52,003,104	\$ 813,940	\$ 40,910,648	\$ 10,278,516

	2021	2020
Loss (income) for the period ended December 31		
Canada	\$ 429,556	\$ 1,347,756
Peru	(773)	205,590
	\$ 428,783	\$ 1,553,346

**9. 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 and accounts payable and accrued liabilities 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.

**Regulus Resources Inc.**

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

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**9. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

The Company's receivables consist mainly of tax credits and advances 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 December 31, 2021, the Company had a cash balance of \$7,858,461 to settle current liabilities of \$1,625,724. Management believes that it has sufficient funds to meet its current liabilities as they become due however, as the COVID-19 pandemic has continued to spread, it may adversely affected workforces, economies, as well as financial markets globally, potentially leading to an economic downturn. This has impacted the Company's ability to raise necessary funds. It is not possible for the Company at this time to predict the duration or magnitude of the impact towards the Company's business or results from its operations.

*Market risk*

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

a) Interest rate risk

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

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US\$, the 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 \$628,000.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required resulting in proceeds, which approximate the carrying amount of these investments. A 10% fluctuation in market prices would not have a significant affect on comprehensive (loss) income.

*Capital management*

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

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

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

**Regulus Resources Inc.**

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

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2021 and 2020

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**10. COMMITMENTS**

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

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		Peru
2022	\$	82,558
2023		160,529
2024		13,760
	\$	256,847

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