REGULUS RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

CANADIAN DOLLARS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Regulus Resources Inc.

We have audited the accompanying consolidated financial statements of Regulus Resources Inc., which comprise the consolidated statements of financial position as at September 30, 2015 and 2014 and the consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Regulus Resources Inc. as at September 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

January 28, 2016

REGULUS RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN CANADIAN DOLLARS

		Sep 30, 2015		Sep 30, 2014
ASSETS				
Current				
Cash	$	7,876,643	$	9,238,633
Receivables (Note 6)		8,339		85,488
Prepaid expenses (Note 7)		14,329		78,706
		7,899,311		9,402,827
Long-term investment (Note 10)		302,000		744,000
Equipment (Note 8)		127,091		47,668
Exploration and evaluation assets (Note 9)		15,401,835		10,990,664
	$	23,730,237	$	21,185,159
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 11)	$	380,980	$	1,350,330
Due to related parties (Note 14)		-		143,039
Decommissioning liability (Note 12)		1,464,374		465,641
		1,845,354		1,959,010
Decommissioning liability (Note 12)		212,909		1,068,530
		2,058,263		3,027,540
Shareholders' equity				
Capital stock (Note 13)		78,954,171		74,027,553
Accumulated other comprehensive loss		(6,437,428)		(7,943,502)
Share compensation reserve (Note 13)		5,118,168		4,665,087
Deficit		(55,962,937)		(52,591,519)
		21,671,974		18,157,619
	$	23,730,237	$	21,185,159

Nature and continuance of operations (Note 1)
Commitments (Note 19)
Subsequent event (Note 20)

On behalf of the Board:

"John Black" Director — John Black

"Mark Wayne" Director — Mark Wayne

REGULUS RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
EXPRESSED IN CANADIAN DOLLARS
YEARS ENDED SEPTEMBER 30

		2015		2014
EXPENSES				
Accounting and audit	$	249,135	$	74,513
Amortization (Note 8)		15,741		6,255
Bank charges and interest		61,023		41,498
Consulting fees		130,361		122,089
Fees and taxes		116,581		75,809
Insurance		112,905		44,633
Interest expense (Note 12)		51,295		38,154
Investor relations and shareholder information		93,047		65,317
Legal		138,894		38,863
Management fees		431,475		116,214
Office and administration		655,534		187,950
Rent		224,006		116,003
Share-based compensation (Note 13)		453,081		662,898
Telephone		16,037		17,118
Transfer agent and listing fees		29,370		16,748
Travel and entertainment		59,696		33,298
Wages and benefits		261,993		66,814
Loss before the following		(3,100,174)		(1,724,174)
Gain on foreign exchange		2,097,225		524,518
Gain (loss) on disposal of marketable securities		(30,678)		398,064
Write-off of exploration and evaluation assets (Note 9)		(2,373,574)		(45,455,158)
Write-off of receivables		(50,816)		-
Expense of decommissioning liability		-		(189,697)
Gain on option payments		-		16,500
Finance income		86,599		140,371
		(271,244)		(44,565,402)
LOSS FOR THE YEAR		(3,371,418)		(46,289,576)
Change in fair market value of long-term investment (Note 10)		(442,000)		(55,000)
Translation adjustment		1,948,074		(5,411,781)
Comprehensive loss for the year	$	(1,865,344)	$	(51,756,357)
Loss per common share – basic and diluted	$	(0.06)	$	(1.39)
Weighted average number of common shares outstanding		55,353,110		33,323,384

REGULUS RESOURCES INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
EXPRESSED IN CANADIAN DOLLARS
YEARS ENDED SEPTEMBER 30

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
Balance, September 30, 2013	33,290,538	$ 68,297,313	$ (2,476,721)	$ 4,002,189	$ (6,301,943)	$ 63,520,838
Share-based compensation	-	-	-	662,898	-	662,898
Fair value adjustment to long-term investment	-	-	(55,000)	-	-	(55,000)
Foreign exchange adjustment	-	-	(5,411,781)	-	-	(5,411,781)
Share issuance – Southern Legacy	11,988,935	5,730,240	-	-	-	5,730,240
Loss for the year	-	-	-	-	(46,289,576)	(46,289,576)
Balance, September 30, 2014	45,279,473	$ 74,027,553	$ (7,943,502)	$ 4,665,087	$ (52,591,519)	$ 18,157,619
Shares issued for:						
Private placement	11,111,110	5,000,000	-	-	-	5,000,000
Private placement expense	-	(73,382)	-	-	-	(73,382)
Share-based compensation	-	-	-	453,081	-	453,081
Fair value adjustment to long-term investment (Note 10)	-	-	(442,000)	-	-	(442,000)
Foreign exchange adjustment	-	-	1,948,074	-	-	1,948,074
Loss for the year	-	-	-	-	(3,371,418)	(3,371,418)
Balance, September 30, 2015	56,390,583	$ 78,954,171	$ (6,437,428)	$ 5,118,168	$ (55,962,937)	$ 21,671,974

REGULUS RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS
YEARS ENDED SEPTEMBER 30

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (3,371,418)	$ (46,289,576)
Items not affecting cash:		
Amortization	15,741	6,255
Interest expense	51,295	38,154
Share-based compensation	453,081	662,898
Write-off of exploration and evaluation assets	2,373,574	45,455,158
Net gain on option payments	-	(16,500)
Recovery of decommissioning liability	-	189,697
(Gain) loss on disposal of marketable securities	30,678	(398,064)
Foreign exchange gain on marketable securities	(948,502)	(503,736)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	79,816	(10,357)
Decrease in prepaid expenses	69,405	-
Increase (decrease) in accounts payable and accrued liabilities	(1,025,831)	607,482
Decrease in due to related parties	(143,039)	(42,668)
Net cash used in operating activities	(2,415,200)	(301,257)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	5,000,000	-
Share issuance costs	(73,382)	-
Net cash provided by financing activities	4,926,618	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(88,258)	(2,487)
Acquisition of marketable securities	(852,368)	(1,172,023)
Acquisition of long-term investment	-	(740,000)
Acquisition of exploration and evaluation assets	(4,337,313)	(233,514)
Disposal of marketable securities	1,770,192	2,948,796
Cash advanced to Southern Legacy (Note 4)	-	(2,800,000)
Cash acquired from Southern Legacy (Note 4)	-	133,078
Transaction costs (Note 4)	-	(594,870)
Net cash used in investing activities	(3,507,747)	(2,461,020)
Effect of foreign exchange on cash	(365,661)	(639,856)
Decrease in cash for the year	(1,361,990)	(3,402,133)
Cash, beginning of year	9,238,633	12,640,766
Cash, end of year	$ 7,876,643	$ 9,238,633

Supplemental disclosure with respect to cash flows (Note 15)

1. NATURE AND CONTINUANCE OF OPERATIONS

Regulus Resources Inc. ("Regulus" or the "Company") is a mineral exploration company formed on December 16, 2010 in connection with the sale of Antares Minerals Inc. ("Antares") to First Quantum Minerals Ltd. ("First Quantum") pursuant to a plan of arrangement (the "Arrangement"). As part of this transaction, Regulus acquired a 50% interest in the Rio Grande copper-gold porphyry project in Salta Province, Argentina ("Rio Grande"), held through its wholly-owned subsidiary Mineras Antares Argentina S.A, and $5 million in cash from Antares. All the rights, title and interest of Antares in Rio Grande and the shares of Mineras Antares Argentina S.A were transferred and assigned to Regulus. In conjunction with the Arrangement, Regulus issued 0.4505 of a common share to each holder of an Antares common share, representing 90.1% of its outstanding common shares at that time, and the remaining 9.9% of the outstanding common shares were issued to First Quantum.

The acquisition of Mineras Antares Argentina S.A and its related mining interest was deemed an acquisition of a group of assets that does not constitute a business.

The Company is domiciled and incorporated in Canada, and its registered and records office is located at Suite 2400, 525 8th Ave SW, Calgary, Alberta, Canada.

On May 16, 2012, the Company announced the successful completion of the merger with Pachamama Resources Ltd ("Pachamama"). Under the terms of the merger, the Company issued 39,905,131 common shares to the former shareholders of Pachamama and in return the Company acquired all of the outstanding shares of Pachamama. The acquisition of Pachamama was deemed to be an acquisition of a group of assets that does not constitute a business. As a result, the Company now owns a 100% interest in Rio Grande.

On September 30, 2014, the Company acquired, by way of three-cornered amalgamation, 100% of the issued and outstanding capital of Southern Legacy Minerals Inc. (Note 4). In connection with the transaction, the Company consolidated its common shares on the basis of 0.3333 new common shares for each old common share. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

As at September 30, 2015, the Company has working capital of $6,053,957. Management believes that the Company has sufficient working capital to maintain its operations and its activities for the next fiscal year.

These consolidated financial statements were approved by the board of directors of the Company on January 27, 2016.

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 accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements.

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 period. Actual results could differ from these estimates.

2. BASIS OF PREPARATION (cont'd…)

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 consolidated financial statements:

Functional currencies

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. That 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.

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are a subjective process involving judgment and a number of estimates and interpretations in many cases. Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: 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 about the future and other sources of estimation uncertainty that management has made 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 proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factor and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

To the extent that any of management's assumptions change, there could be a significant impact 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 impact on the Company's future operating results or on other components of shareholders' equity.

2. BASIS OF PREPARATION (cont'd…)

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 not 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 and 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 expense are impacted by estimates with respect to the costs and timing of decommissioning. See Note 12 for further details.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 14). 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 operations and has been determined for each entity within the Company. The functional currency for the entities within the Company is the Canadian dollar (the Company and Pachamama Resources Ltd), the Argentine peso ("A-Peso") (Regulus Argentina S.A. and Minera El Toro S.A.), the United States dollar ("U.S.$") (Pachamama (Bermuda) Ltd, Argex Mining Samenta Ltd and Argex Cerro Gordo Ltd., Southern Legacy Peru S.A.C., Kori Anta S.A.C., SMRL Maria Eugenia 2 Mina Volare de Cajamarca, 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, the monetary assets and liabilities of the 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

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statement of operations and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of operations and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of operations and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statement of operations and comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payables and accrued liabilities which are recognized at amortized cost.

The Company has classified its cash and marketable securities as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's long-term investments are classified as available-for-sale. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

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, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Any option payments 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 the impairment loss is recognized in the 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 to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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 the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate 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 with a corresponding entry to 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment

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 the item 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 the consolidated statements of 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.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

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.

Deferred financing costs

Expenditures directly related to share issuances are recorded as a deferred financing cost until such time as the shares are issued. When shares are issued, the deferred financing cost is recognized as a reduction of the net proceeds from the share issuance. If no shares are issued, these deferred financing costs are recognized as a component of comprehensive loss.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Effective June 1, 2014, the following standard was adopted but has had no material impact on the financial statements:

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2015. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.
- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

4. ASSET ACQUISITION

Effective September 30, 2014, the Company acquired 100% of the outstanding shares of Southern Legacy Minerals Inc. ("Southern Legacy"). Pursuant to the Arrangement, shareholders of Southern Legacy received 11,988,928 common shares of the Company. At the date of acquisition, Southern Legacy held interests in the AntaKori property (Peru), and the Puchuldiza property (Chile) as well as additional mineral exploration and evaluation assets in Peru.

EXPRESSED IN CANADIAN DOLLARS

4. ASSET ACQUISITION (cont'd…)

The acquisition of Southern Legacy was treated as an asset acquisition. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

Cash	$	133,078
Receivables		24,577
Prepaid expenses		76,787
Equipment		31,686
Exploration and evaluation assets		10,647,871
Accounts payable and accrued liabilities		(638,729)
Due to related parties		(99,252)
Decommissioning liability – current		(465,641)
Decommissioning liability – non-current		(585,267)
Net assets acquired	$	9,125,110
Consideration paid:		
Value of 11,988,928 common shares	$	5,730,240
Transaction costs		594,870
Loans advanced to Southern Legacy		2,800,000
	$	9,125,110

5. MARKETABLE SECURITIES

At September 30, 2015, the Company held $Nil marketable securities. A summary of marketable securities held during the years presented is as follows:

	Fair Value	Cost
Balance as at September 30, 2013	874,973	634,973
Additions	1,172,023	1,172,023
Disposals	(2,948,796)	(1,806,996)
Realized gain on disposal	398,064	-
Gain on foreign exchange	503,736	-
Balance as at September 30, 2014	$ -	$ -
Additions	852,368	852,368
Disposals	(1,770,192)	(852,368)
Realized loss on disposal	(30,678)	-
Gain on foreign exchange	948,502	-
Balance as at September 30, 2015	$ -	$ -

EXPRESSED IN CANADIAN DOLLARS

6. RECEIVABLES

The Company's receivables arise from various tax credits receivable from the Canadian, Peruvian and Argentinean government taxation authorities and advances. These are broken down as follows:

		Sep 30, 2015		Sep 30, 2014
Tax credits and advances receivable	$	8,339	$	85,488

7. PREPAID EXPENSES

The prepaid expenses for the Company are broken down as follows:

		Sept 30, 2015		Sep 30, 2014
Rental damage deposit	$	2,065	$	1,919
Prepaid expenses		12,264		76,787
	$	14,329	$	78,706

Prepaid expenses consist principally of advances to suppliers in Peru.

EXPRESSED IN CANADIAN DOLLARS

8. EQUIPMENT

		Vehicles		Office Furnishings		Equipment		Total
Cost								
Balance September 30, 2013		17,781		6,545		24,303		48,629
Additions		-		-		2,487		2,487
Additions on acquisition of Southern Legacy		-		31,686		-		31,686
Foreign exchange movement		(4,538)		(1,670)		(6,442)		(12,650)
Balance, September 30, 2014	$	13,243	$	36,561	$	20,348	$	70,152
Additions		-		11,911		76,347		88,258
Foreign exchange movement		1,002		7,165		1,539		9,706
Balance, September 30, 2015	$	14,245	$	55,637	$	98,234	$	168,116
Accumulated amortization								
Balance September 30, 2013		7,622		3,074		11,901		22,597
Amortization		2,210		597		3,448		6,255
Foreign exchange movement		(2,062)		(956)		(3,350)		(6,368)
Balance, September 30, 2014	$	7,770	$	2,715	$	11,999	$	22,484
Amortization		1,724		11,588		2,429		15,741
Foreign exchange movement		630		1,174		996		2,800
Balance, September 30, 2015	$	10,124	$	15,477	$	15,424	$	41,025
Carrying amounts								
As at September 30, 2013	$	10,159	$	3,471	$	12,402	$	26,032
As at September 30, 2014	$	5,473	$	33,846	$	8,349	$	47,668
As at September 30, 2015	$	4,121	$	40,160	$	82,810	$	127,091

9. 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 Argentina, Peru, Chile, 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 Argentina, Peru, Chile, the U.S. and Canada.

Rio Grande, Argentina

The Company holds a 100% interest in the Rio Grande property in Salta Province, Argentina. During the year ended September 30, 2015, the Company wrote off the capitalized costs of $602,108 (September 30, 2014 - $45,455,158) associated with the Rio Grande property as a result of management not planning any significant work on the property in the near future, as well as the Company shifting its focus to properties recently acquired in the acquisition of Southern Legacy (Note 4).

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

AntaKori Property, 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. ("SLM 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$2,000,000 with payments of US$1,038,000 remaining to be paid up to December 31, 2016;

(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$100,000 with payments of US$133,926 remaining to be paid up to June 30, 2016;

(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 favour of SLM Peru a usufruct right over their 12.5% ownership of the entity. With the usufruct over the vendors' shares, SLM 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 of 0.1875%. Payments made to date are US$803,000 with payments of US$74,000 remaining to be paid up to September 6, 2016;

(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, SLM 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 payments of US$1,917 outstanding;

(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 SLM Peru a usufruct right over their 20.63% ownership of the entity. With the usufruct over the vendors' shares, SLM Peru increased to 83.17% 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$386,380 with no payments remaining;

(f) An option and usufruct agreement were executed in September 2014, whereby SLM Peru has the option to purchase 25% of the outstanding shares of Rita Margot de Cajamarca for a total of US$1,750,000. Payments made to date are US$1,050,000 with payments of US$700,000 remaining to be paid up to September 4, 2016.

A summary of the payments made and due under the option agreements described above is outlined below:

EXPRESSED IN CANADIAN DOLLARS

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

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
Dec 31, 2014 (paid)		510,000
March 4, 2015 (paid)		350,000
June 30, 2015 (paid)		540,000
September 4, 2015 (paid)		350,000
September 6, 2015 (paid)		50,000
September 15, 2015 (paid)		50,000
	$	5,512,938
December 31, 2015 (paid subsequent to year end)		550,000
March 4, 2016		351,917
June 30, 2016		583,926
September 4, 2016		350,000
September 6, 2016		37,000
September 15, 2016		37,000
December 31, 2016		38,000
Total	$	7,460,781

The AntaKori property is in good standing with regard to its option payments.

Puchuldiza Property, Chile

The Company holds a 100% interest in the Puchuldiza property. The Company is required to pay a royalty of 1.5% of the net smelter return from commercial production up to a cumulative total of US$5,000,000.

During the year ended September 30, 2015, the Company wrote off the capitalized costs of $1,771,466 (September 30, 2014 - $Nil) associated with the Pulchuldiza property as a result of management not planning any significant work on the property in the near future, as well as the Company shifting its focus to properties recently acquired in the acquisition of Southern Legacy (Note 4).

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 addition, the Company entered into a private placement for 2,000,000 units in Highway 50 at $0.37 per unit. In order to exercise the Option, the Company must spend US$5,000,000 on exploration expenditures on the project over 5 years, with exploration expenditures of US$500,000 in the first year being a firm commitment. 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.

EXPRESSED IN CANADIAN DOLLARS

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

	Rio Grande, Argentina	Other, Argentina	Golden Brew, Nevada USA	AntaKori, Peru	Puchuldiza, Chile	Total
Balance, September 30, 2013	$ 50,243,465	$ 343,533	$ -	$ -	$ -	$ 50,586,998
Additions:						
Acquisitions	-	-	-	9,253,405	1,394,466	10,647,871
Administrative services	35,614	1,199	8,238	-	-	45,051
Field operations	24,175	-	2,907	-	-	27,082
Labour	540,433	6,222	34,050	-	-	580,705
Roads and trenches	(189,697)	-	-	-	-	(189,697)
Taxes and licences	1,313	16,850	-	-	-	18,163
Third party services	17,257	-	-	-	-	17,257
Property payments	-	-	48,346	-	-	48,346
	429,095	24,271	93,541	9,253,405	1,394,466	11,194,778
Foreign exchange movement	(5,217,402)	(118,552)	-	-	-	(5,335,954)
Write-off of exploration and evaluation asset	(45,455,158)	-	-	-	-	(45,455,158)
Balance, September 30, 2014	$ -	$ 249,252	$ 93,541	$ 9,253,405	1,394,466	$ 10,990,664
Additions:						
Administrative services	81,358	213	-	61,106	29,618	172,295
Field operations	19,607	-	1,209	185,343	-	206,159
Labour	494,908	-	2,587	379,464	-	876,959
Taxes and licences	-	-	-	70,861	52,915	123,776
Third party services	(8,147)	8,087	68,790	147,343	12,341	228,414
Property payments	1,434	21,728	57,210	2,640,980	-	2,721,352
	589,160	30,028	129,796	3,485,097	94,874	4,328,955
Foreign exchange movement	12,948	19,594	-	2,141,122	282,126	2,455,790
Write-off of exploration and evaluation asset	(602,108)	-	-	-	(1,771,466)	(2,373,574)
Balance, September 30, 2015	$ -	$ 298,874	$ 223,337	$ 14,879,624	$ -	$ 15,401,835

10. LONG-TERM INVESTMENT

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

	Fair Value	Cost
Balance as at September 30, 2013	$ 42,500	$ -
Additions	756,500	740,000
Fair market value adjustments	(55,000)	-
Balance as at September 30, 2014	$ 744,000	$ 740,000
Fair market value adjustments	(442,000)	-
Balance as at September 30, 2015	$ 302,000	$ 740,000

EXPRESSED IN CANADIAN DOLLARS

10. LONG-TERM INVESTMENT (continued…)

The Company also holds 2,000,000 share purchase warrants exercisable in the capital of Highway 50 Gold Corp. which were extended to February 28, 2016 at a price of $0.60. These warrants have a fair value of $Nil at September 30, 2015.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payables and accrued liabilities for the Company are broken down as follows:

		2015		2014
Trade payables	$	380,980	$	926,273
Accrued liabilities		-		424,057
	$	380,980	$	1,350,330

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

12. 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.

		2015		2014
Asset retirement obligation – beginning of year	$	1,534,171	$	374,768
Additions from Southern Legacy (Note 4)		-		1,050,908
Change in estimates		-		22,686
Interest expense		51,295		38,154
Foreign exchange movement		91,817		47,655
Asset retirement obligation – end of year	$	1,677,283	$	1,534,171

The total amount of estimated undiscounted cash flows required to settled the Company's estimated obligation is $1,833,060 (September 30, 2014 - $1,597,578), which has been discounted using a credit adjusted rate of 10% and an inflation rate of 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. Of the total decommissioning liability, $1,064,551 relates to the Antakori property and $612,732 relates to the Company's Argentinean properties. $1,464,374 is expected to be paid within the next 12 months, and the remaining liabilities are expected to be settled at various dates which are currently expected to extend up to 2018.

During the year ended September 30, 2014, the Company revised its estimates with respect to its decommissioning liabilities as the Company began estimating its decommissioning costs using United States dollars where previously it was estimated using the Argentine Peso.

EXPRESSED IN CANADIAN DOLLARS

13. CAPITAL STOCK AND SHARE COMPENSATION RESERVE

Authorized: unlimited number of common shares. All issued shares are fully paid.

Treasury shares: recorded at cost.

Shares held in escrow

As at September 30, 2015, there were no shares remaining in escrow (September 30, 2014 – 645,615). The remaining 645,615 common shares were released from escrow during the year ended September 30, 2015.

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. As at September 30, 2015, the Company had options outstanding to purchase 4,577,334 common shares at a price of $0.45 per share and all with a term of five years from the date of grant, subject to early expiry under certain conditions and subject to specified vesting periods.

The following table summarized movements in stock options outstanding for the year ended September 30, 2015:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2013	7,592,000	$ 1.02
Options cancelled	(150,000)	0.95
Options cancelled	(500,000)	1.00
Options cancelled	(2,490,000)	1.07
Options cancelled	(12,000)	1.19
Options cancelled	(20,000)	1.24
Options cancelled	(4,420,000)	1.00
Balance, September 30, 2014	Nil	
Options issued	4,577,334	$ 0.45
Balance, September 30, 2015	4,577,334	$ 0.45
Number of options currently exercisable	1,144,334	$ 0.45

The following table summarizes information about stock options outstanding at September 30, 2015:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$ 0.45	4,577,334	1,144,334	December 13, 2019

EXPRESSED IN CANADIAN DOLLARS

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

Warrants

The following table summarizes movements in warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2013	12,461,731	$ 1.60
Warrants expired	(11,597,119)	1.60
Warrants expired	(864,612)	1.60
Balance, September 30, 2014	Nil	
Warrants granted	5,555,555	$ 0.70
Balance, September 30, 2015	5,555,555	$ 0.70

Share-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. During the year ended September 30, 2015, the Company recognized $453,081 (2014 - $662,898) in share-based compensation expense with respect to options vested during the year. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended September 30, 2015:

	2015	2014
Expected forfeiture rate	-	-
Risk-free interest rate	1.35%	-
Expected life of grant	5 Years	-
Volatility	154.5%	-
Dividend	-	-
Weighted average fair value per option	$0.25	-

14. 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 Peru S.A.C.	Peru	99.9%	Mineral exploration
Kori Anta S.A.C.	Peru	100%	Holding company
SMRL Maria Eugenia 2 Mina Volare de Cajamarca	Peru	50%	Holding company
Minera Southern Legacy Chile Limitada	Chile	99%	Mineral exploration
Regulus Argentina S.A.	Argentina	100%	Mineral exploration
Pachamama (Bermuda) Ltd.	Bermuda	100%	Holding company
Argex Mining Samenta Ltd.	Barbados	100%	Holding company
Argex Cerro Gordo Ltd.	Barbados	100%	Holding company
Minera El Toro S.A.	Argentina	100%	Mineral exploration

14. RELATED PARTY TRANSACTIONS (continued…)

During the year ended September 30, 2015, the Company entered into the following transactions with key management personnel:

a) Double Black Diamond Resources LLC. ("DBD Resources") is a private company controlled by Mr. John Black, CEO and a director to the Company. For the year ended September 30, 2015, DBD Resources was paid $147,466 (year ended September 30, 2014 - $54,162). Amounts paid to DBD Resources are classified as management fees in the consolidated statements of operations and comprehensive loss.

   At September 30, 2015, the Company owed $Nil (September 30, 2014 - $Nil) to DBD Resources.

b) For the year ended September 30, 2015, Mr. Fernando Pickmann, President, COO and a director to the Company, was paid or accrued $147,466 (year ended September 30, 2014 – $Nil). Management services paid to Mr. Pickmann are classified as management fees expense in the consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann is a partner was paid $152,487 (2014 - $Nil) 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, 2015, the Company owed $Nil (September 30, 2014 - $99,252) to Mr. Pickmann.

c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director to the Company. For the year ended September 30, 2015, Unicus was paid $50,000 (year ended September 30, 2014 – $48,510). Amounts paid to Unicus are classified as management fees in the consolidated statements of operations and comprehensive loss.

   At September 30, 2015, the Company owed $Nil (September 30, 2014 - $Nil) to Unicus.

d) The Rock Doctor ("Rock Doctor") is a private company controlled by Mr. Kevin Heather, CGO of the Company. For the year ended September 30, 2015, Rock Doctor was paid $147,466 (year ended September 30, 2014 – $81,591). Amounts paid to Rock Doctor are included in the consolidated statements of financial position in exploration and evaluation assets (2015 - $Nil; 2014 - $40,200) or are classified as management fees (2015 – 147,466; 2014 - $41,391) in the consolidated statements of operations and comprehensive loss.

   At September 30, 2015, the Company owed $Nil (September 30, 2014 - $43,786) to Rock Doctor.

During the years ended September 30, 2015 and September 30, 2014, the Company entered into the following transactions with related parties:

a) The Company is involved in an arbitration process to settle a dispute between Southern Legacy and a former officer who is claiming an amount of US$200,000 for lost consulting fees. The Company believes the claim has no merit and is actively disputing the claim. The Company has not accrued for this amount.

b) During the year ended September 30, 2014, the Company acquired 2,000,000 units with a historical cost of $720,000 and a fair value at September 30, 2015 of $290,000 in Highway 50, a corporation which has two directors who are also directors of the Company (Note 9).

Key Management Personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

The remuneration of directors and other members of key management personnel during the years ended September 30, 2015 and September 30, 2014 are as follows:

EXPRESSED IN CANADIAN DOLLARS

14. RELATED PARTY TRANSACTIONS (continued…)

	Salaries	Other Payments	Share-based Benefits	Total
Year ended September 30, 2015				
Chief Executive Officer	$ -	$ 147,466	$ 69,289	$ 216,755
Chief Operating Officer	-	147,466	69,289	216,755
Chief Financial Officer	-	50,000	69,289	119,289
Chief Geological Officer	-	147,466	69,289	216,755
Non-executive Directors	-	-	79,187	79,187
	$ -	$ 492,398	$ 356,343	$ 848,741
September 30, 2014				
Chief Executive Officer	$ -	$ 54,162	$ 114,213	$ 168,375
Chief Financial Officer	-	48,510	114,213	162,723
Chief Geological Officer	-	81,591	114,213	195,804
Non-executive Directors	-	-	252,900	252,900
Former VP, Exploration	-	68,245	65,264	133,509
Former Chief Operating Officer	-	-	(58,272)	(58,272)
	$ -	$ 252,508	$ 602,531	$ 855,039

Amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

15. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Other than disclosed elsewhere in these consolidated financial statements, the significant non-cash transactions for the year ended September 30, 2015 and September 30, 2014 included:

a) $35,429 (2014 - $43,787) in accounts payable and accrued liabilities related to exploration and evaluation assets.

b) The acquisition of Southern Legacy as disclosed in Note 4.

c) A fair value adjustment to long-term investment of $442,000 (2014 - $55,000) was recorded to accumulated other comprehensive loss.

d) $985,095 (2014 - $Nil) was reclassified from long-term to current decommissioning liability.

For the years ended September 30	2015	2014
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

EXPRESSED IN CANADIAN DOLLARS

16. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets. Geographic information is as follows:

	Total Assets	Equipment	Exploration and Evaluation Assets	Other Assets
September 30, 2015				
Canada	$ 4,130,053	$ -	$ -	$ 4,130,053
Bermuda	3,498	-	-	3,498
Argentina	453,585	12,958	298,874	141,753
Peru	18,919,764	114,133	14,879,624	3,926,007
Chile	-	-	-	-
United States	223,337	-	223,337	-
	$ 23,730,237	$ 127,091	$ 15,401,835	$ 8,201,311
September 30, 2014				
Canada	$ 9,721,054	$ -	$ -	$ 9,721,054
Bermuda	7,164	-	-	7,164
Argentina	449,401	15,982	249,252	184,167
Peru	9,479,607	31,686	9,253,405	194,516
Chile	1,434,392	-	1,394,466	39,926
United States	93,541	-	93,541	-
	$ 21,185,159	$ 47,668	$ 10,990,664	$ 10,146,827

	2015	2014
Loss (gain) for the year:		
Canada	$ 84,487	$ 81,697
Bermuda	26,913	25,562
Argentina	368,832	46,182,317
Peru	405,901	-
Chile	2,485,285	-
	$ 3,371,418	$ 46,289,576

17. INCOME TAXES

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

	2015	2014
Loss for the year	$ (3,371,418)	$ (46,289,576)
Expected income recovery	$ (877,000)	$ (12,035,000)
Change in statutory, foreign tax, foreign exchange rates and other	(58,000)	(56,000)
Permanent difference	208,000	11,875,000
Share issuance cost	(19,000)	-
Change in unrecognized deductible temporary differences	746,000	216,000
Income tax recovery	$ -	$ -

EXPRESSED IN CANADIAN DOLLARS

17. INCOME TAXES (cont'd…)

The Canadian income tax rate increased during the year due to changes in the law that increased corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statements of financial position are as follows:

	Sep 30, 2015	Sep 30, 2014
Deferred tax assets (liabilities)		
Equipment	$ 50,000	$ 46,000
Share issue costs	127,000	213,000
Marketable securities	57,000	11,000
Exploration and evaluation assets	24,000	-
Non-capital losses available for future periods	5,785,000	6,435,000
	6,043,000	6,705,000
Unrecognized deferred tax assets	(6,043,000)	(6,705,000)
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:

	Sep 30, 2015	Expiry dates	Sep 30, 2014	Expiry dates
Temporary differences				
Equipment	$ 205,000	No expiry date	$ 204,000	No expiry date
Share issue costs	489,000	2036 to 2039	819,000	2035 to 2036
Exploration and evaluation assets	94,000	No expiry date		
Marketable securities	442,000	No expiry date	87,000	No expiry date
Non-capital losses available for future periods	21,154,000	2026 to 2035	22,262,000	2015 to 2034
	$ 22,384,000		$ 23,372,000	

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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

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

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 tax credits due from the governments of Canada, Peru, Argentina and Chile. As such, 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, 2015, the Company had a cash balance of $7,876,643 to settle current liabilities of $1,845,354. Management believes that it has sufficient funds to meet its current liabilities as they become due.

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 U.S.$, the A-Peso, the Chilean peso ("C-Peso") and the Peruvian neuvo sol ("PEN"). A 10% fluctuation in the US$, A-Peso, C-Peso and PEN against the Canadian dollar would affect accumulated other comprehensive loss for the period by approximately $408,000.

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 of gold, 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. A 10% fluctuation in market prices would affect comprehensive income (loss) by $30,000.

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.

EXPRESSED IN CANADIAN DOLLARS

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

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.

19. COMMITMENTS

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

	Argentina	Peru
2016	$ 80,938	$ 171,057
2017	85,768	164,094
2018	-	79,816
2019	-	31,480
	$ 166,706	$ 446,447

20. SUBSEQUENT EVENT

In December 2015, the Company agreed to amend the terms of the option agreement with Shamrock Enterprises Inc. ("Shamrock") on the Company's Fireweed project ("Fireweed") located in British Columbia. For consideration of 500,000 shares of the capital stock of Shamrock, the Company agreed to amend the agreement such that the Shamrock can earn a 50% interest in the project instead of a 70% interest on a revised payment schedule. In addition, Shamrock has made a firm commitment to spend $100,000 on a 1,500 feet drilling program on Fireweed by December 17, 2016 and revisions to the cash payment schedule, share issuance schedule and exploration work expenditure schedule are as follows:

	Cash Payments	Share Issuances	Annual Work Expenditure	Cumulative Work Expenditure Total
Upon Listing		100,000 (issued)		
February 17, 2010	$50,000 (paid)		$200,000	$200,000
February 17, 2011	$50,000 (paid)	200,000 (issued)	$450,000	$650,000
February 17, 2012	$100,000 (paid)	200,000 (issued)		
February 17, 2013		250,000 (issued)		
February 17, 2014		250,000 (issued)		
August 17, 2014			$200,000	$850,000 (completed)
December 17, 2016		100,000	$100,000	$950,000
December 17, 2017		100,000	$200,000	$1,150,000
December 17, 2018	$100,000	200,000	$300,000	$1,450,000
December 17, 2019	$200,000	200,000	$400,000	$1,850,000
December 17, 2020		400,000	$500,000	$2,350,000
Total	**$500,000**	**2,000,000**	**$2,350,000**	**$2,350,000**