



(the “Company”)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

MARCH 31, 2016 AND 2015

(Unaudited – Prepared by Management)

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, the statements 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 management. The Company’s independent auditor has not performed a review of the accompanying unaudited interim condensed consolidated financial statements in accordance with standards established by the Canadian 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 Funds

	March 31, 2016	September 30, 2015
ASSETS		
Current		
Cash (Note 4)	\$ 4,224,010	\$ 7,876,643
Receivables (Note 6)	12,897	8,339
Prepaid expenses (Note 7)	<u>73,399</u>	<u>14,329</u>
	4,310,306	7,899,311
Long-term investment (Note 9)	491,000	302,000
Equipment	111,853	127,091
Exploration and evaluation assets (Note 8)	<u>16,778,208</u>	<u>15,401,835</u>
	\$ 21,691,367	\$ 23,730,237
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 572,841	\$ 380,980
Decommissioning liability	<u>1,168,568</u>	<u>1,464,374</u>
	1,741,409	1,845,354
Decommissioning liability	<u>212,909</u>	<u>212,909</u>
	<u>1,954,318</u>	<u>2,058,263</u>
Shareholders' equity		
Capital stock (Note 11)	78,954,171	78,954,171
Accumulated other comprehensive loss	(6,028,900)	(6,437,428)
Share compensation reserve (Note 11)	5,406,064	5,118,168
Deficit	<u>(58,594,286)</u>	<u>(55,962,937)</u>
	<u>19,737,049</u>	<u>21,671,974</u>
	\$ 21,691,367	\$ 23,730,237

Nature and continuance of operations (Note 1)
Subsequent event (Note 16)

Approved by the Board:
Director:

“John Black”

John Black

Director and Chairman of the Audit Committee:

“Mark Wayne”

Mark Wayne

Regulus Resources Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE GAIN (LOSS)

(Unaudited –prepared by management)

Expressed in Canadian Dollars

	3 months ended March 31, 2016	3 months ended March 31, 2015	6 months ended March 31, 2016	6 months ended March 31, 2015
EXPENSES				
Accounting and audit	\$ 113,294	\$ 131,581	\$ 133,894	\$ 147,605
Amortization	6,093	3,998	11,517	7,222
Bank charges and interest	6,771	9,091	18,130	17,124
Consulting fees	31,628	33,729	83,414	193,266
Fees and taxes	23,356	13,281	86,423	31,264
Insurance	15,645	39,478	38,409	79,402
Interest expense	9,420	8,008	23,780	15,837
Investor relations and shareholder information	5,513	15,761	10,356	52,428
Legal	36,923	(19,517)	103,083	56,778
Management fees	134,011	97,363	266,666	178,031
Office and administration	3,339	42,811	170,032	164,241
Rent	41,554	37,322	117,597	68,710
Share-based compensation	143,161	52,873	287,896	61,685
Telephone	5,148	2,227	11,155	4,481
Transfer agent and listing fees	10,539	7,891	10,539	48,574
Travel and entertainment	18,292	12,498	25,814	50,678
Wages and benefits	55,880	48,549	94,010	112,436
LOSS BEFORE OTHER ITEMS	(660,567)	(536,944)	(1,492,715)	(1,289,762)
OTHER ITEMS				
Gain (loss) on foreign exchange	(1,336,937)	(33,495)	(901,587)	161,788
Loss on disposal of marketable securities	(151)	(979)	(10,799)	(7,850)
Gain on option payments	2,500	-	2,500	-
Exploration and evaluation asset expensed	(58,720)	(57,613)	(241,067)	(166,761)
Interest income	4,618	24,887	12,319	51,719
LOSS FOR THE PERIOD	(2,049,257)	(604,144)	(2,631,349)	(1,250,866)
Change in fair market value of long-term investment	345,000	(468,000)	189,000	(460,000)
Translation adjustment	(529,779)	(1,053,406)	219,528	(441,478)
Comprehensive loss for the period	\$ (2,234,036)	\$ (2,125,550)	\$ (2,222,821)	\$ (2,152,344)
Loss per common share – basic and diluted	\$ (0.04)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average number of common shares outstanding	56,390,583	56,390,583	56,390,583	54,131,725

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

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited –prepared by management)
Expressed in Canadian Dollars

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
Balance, September 30, 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	-	-	-	61,685	-	61,685
Fair value adjustment to long-term investment	-	-	(460,000)	-	-	(460,000)
Foreign exchange adjustment	-	-	(441,478)	-	-	(441,478)
Loss for the period	-	-	-	-	(1,250,866)	(1,250,866)
Balance, March 31, 2015	56,390,583	\$ 78,954,171	\$ (8,844,980)	\$ 4,726,772	\$ (53,842,385)	\$ 20,993,578
Balance, September 30, 2015	56,390,583	\$ 78,954,171	\$ (6,437,428)	\$ 5,118,168	\$ (55,962,937)	\$ 21,671,974
Share-based compensation	-	-	-	287,896	-	287,896
Fair value adjustment to long-term investment	-	-	189,000	-	-	189,000
Foreign exchange adjustment	-	-	219,528	-	-	219,528
Loss for the period	-	-	-	-	(2,631,349)	(2,631,349)
Balance, March 31, 2016	56,390,583	\$ 78,954,171	\$ (6,028,900)	\$ 5,406,064	\$ (58,594,286)	\$ 19,737,049

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

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – prepared by management)
Expressed in Canadian Dollars

	Six months ended March 31, 2016	Six months ended March 31, 2015
Cash Flows from Operating Activities		
Net loss for the period	\$ (2,631,349)	\$ (1,250,866)
Items not affecting cash:		
Amortization	11,517	7,222
Interest expense	23,780	15,837
Share-based compensation	287,896	61,685
Unrealized loss (gain) on long-term investment	-	460,000
Loss (gain) on disposal of marketable securities	10,648	20,613
Foreign exchange gain on marketable securities	(231,319)	-
Foreign exchange loss	451,528	-
Changes in non-cash working capital items:		
Receivables	(1,891)	(33,789)
Prepaid expenses	(54,042)	(98,288)
Accounts payable and accrued liabilities	126,599	(113,024)
Due to related parties	-	(37,036)
Net cash used in operating activities	<u>(2,006,633)</u>	<u>(967,646)</u>
Cash Flows from Financing Activities		
Net proceeds from issuance of shares	<u>-</u>	<u>4,926,618</u>
Net cash provided by financing activities	<u>-</u>	<u>4,926,618</u>
Cash Flows from Investing Activities		
Acquisition of equipment	(3,257)	-
Acquisition of marketable securities	(132,579)	(402,413)
Disposal of marketable securities	353,250	805,129
Acquisition of exploration and evaluation assets	<u>(1,375,950)</u>	<u>(1,416,790)</u>
Net cash used in investing activities	<u>(1,158,536)</u>	<u>(1,014,074)</u>
Effect of foreign exchange on cash	<u>(487,464)</u>	<u>(1,256,569)</u>
Change in cash	(3,652,633)	1,688,329
Cash, beginning of period	<u>7,876,643</u>	<u>9,238,633</u>
Cash, end of period	<u>\$ 4,224,010</u>	<u>\$ 10,926,962</u>

Supplemental disclosures with respect to cash flows (Note 13)

Regulus Resources Inc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – prepared by management)

Expressed in Canadian Dollars

For the period ended March 31, 2016

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 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 March 31, 2016, the Company had working capital of \$2,568,897.

These interim condensed consolidated financial statements were authorized by the audit committee and by the board of directors of the Company on May 26, 2016.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. Accordingly, they do not include all of the information and disclosures required by IFRS for annual consolidated financial statements.

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company’s most recent annual audited consolidated financial statements. They should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended September 30, 2015, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

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. 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 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 factors 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.

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.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 12). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the entities within the Company are: the Canadian dollar (the Company and Pachamama Resources Ltd), the Argentine peso ("A-Peso") (Regulus Argentina S.A. and Minera El Toro S.A.), and 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 gain (loss).

3. 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).

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

(Unaudited – prepared by management)

Expressed in Canadian Dollars

For the period ended March 31, 2016

3. 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

4. CASH

	March 31, 2016	September 30, 2015
Cash on deposit	\$ 4,224,010	\$ 7,876,643

5. MARKETABLE SECURITIES

At March 31, 2016 and September 30, 2015, the Company did not hold any marketable securities.

	Fair Value	Cost
Balance as September 30, 2015	\$ -	\$ -
Additions	132,579	132,579
Disposals	(353,250)	(132,579)
Realized loss on disposal	(10,648)	-
Gain on foreign exchange	231,319	-
Balance as at March 31, 2016	\$ -	\$ -

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

(Unaudited – prepared by management)

Expressed in Canadian Dollars

For the period ended March 31, 2016

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:

	March 31, 2016	September 30, 2015
Tax credits and advances receivable	\$ 12,897	\$ 8,339

7. PREPAID EXPENSES

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

	March 31, 2016	September 30, 2015
Rental damage deposit	\$ 1,288	\$ 2,065
Prepaid expenses	<u>72,111</u>	<u>12,264</u>
	\$ 73,399	\$ 14,329

8. 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.

	March 31, 2016	September 30, 2015
Argentina properties	\$ 157,231	\$ 298,874
AntaKori property, Peru	\$ 16,365,959	\$ 14,879,624
Golden Brew property, Nevada, USA	<u>\$ 255,018</u>	<u>\$ 223,337</u>
	\$ 16,778,208	\$ 15,401,835

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

(Unaudited – prepared by management)

Expressed in Canadian Dollars

For the period ended March 31, 2016

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

	Rio Grande, Argentina	Other, Argentina	Golden Brew, Nevada USA	AntaKori, Peru	Puchuldiza, Chile	Total
Balance, September 30, 2015	\$ -	\$ 298,874	\$ 223,337	\$ 14,879,624	\$ -	\$ 15,401,835
Additions:						
Administrative services	14,672	-	-	32,147	-	46,819
Field operations	9,053	-	-	56,288	-	65,341
Labour	173,504	-	-	314,712	-	488,216
Property payments	-	3,360	16,959	2,331,763	-	2,352,082
Taxes and licences	32,637	-	-	692	10,651	43,980
Third party services	550	-	14,722	-	-	15,272
	230,416	3,360	31,681	2,735,602	10,651	3,011,710
Foreign exchange movement	-	(145,003)	-	(1,249,267)	-	(1,394,270)
Exploration and evaluation asset expensed	(230,416)	-	-	-	(10,651)	(241,067)
Balance, March 31, 2016	\$ -	\$ 157,231	\$ 255,018	\$ 16,365,959	\$ -	\$ 16,778,208

AntaKori Project, Peru

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

- 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;
- 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;
- 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;

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

(Unaudited – prepared by management)

Expressed in Canadian Dollars

For the period ended March 31, 2016

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

- (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\$386,381 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\$1,400,000 with payments of US\$350,000 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:

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
December 31, 2015 (paid)	550,000
Sub-total	\$ 6,062,939
March 4, 2016 (paid)	351,197
June 30, 2016 (paid)	583,926
September 4, 2016	350,000
September 6, 2016	37,000
September 15, 2016	37,000
December 31, 2016 (paid)	38,000
Total	\$ 7,460,781

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

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

(Unaudited – prepared by management)

Expressed in Canadian Dollars

For the period ended March 31, 2016

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Golden Brew, Nevada, USA**

On February 14, 2014, the Company signed an agreement with Highway 50 Gold Corp. (“Highway 50”) whereby Highway 50 granted Regulus an option (the “Option”) to earn a 50% interest in Highway 50’s Golden Brew property. In order to exercise the Option, the Company must spend US\$5,000,000 on exploration expenditures on the project over 5 years. 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.

In addition to the AntaKori and Golden Brew properties, the Company holds a 100% interest in the Puchuliza property in Chile, a 100% interest in the Rio Grande, Aguas Calientes, El Camino, Catua, Oscuro and La Frontera properties in Argentina and the Fireweed property in British Columbia, Canada.

9. LONG-TERM INVESTMENT

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

	Fair Value		Cost
Balance as at September 30, 2015	\$	302,000	\$ 740,000
Fair market value adjustments		<u>189,000</u>	<u>-</u>
Balance as at March 31, 2016	\$	491,000	\$ 740,000

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, 2017 at a price of \$0.60. These warrants have a fair value of \$Nil at March 31, 2016.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2016		September 30, 2015
Trade payables	\$	572,841	\$ 380,980

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

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11. CAPITAL STOCK AND SHARE COMPENSATION RESERVE

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

Treasury shares: recorded at cost.

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 March 31, 2016, 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 period ended March 31, 2016:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2014	Nil	
Options issued	4,577,334	\$ 0.45
Balance, September 31, 2015 and March 31, 2016	4,577,334	\$ 0.45
Number of options currently exercisable	2,288,667	\$ 0.45

The following table summarizes information about stock options outstanding at March 31, 2016:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
\$ 0.45	4,577,334	2,288,667	December 13, 2019

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11. 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, 2014	Nil	
Warrants granted	5,555,555	\$ 0.70
Balance, September 30, 2015 and March 31, 2016	5,555,555	\$ 0.70

The following table summarizes information about warrants outstanding at March 31, 2016:

Exercise Price	Number Outstanding	Expiry Date
\$ 0.70	5,405,555	November 3, 2017
0.70	150,000	November 6, 2017
	5,555,555	

Share-based compensation

The Company recognizes compensation expense for all stock options and warrants granted using the fair value based method of accounting. During the six months ended March 31, 2016, the Company recognized \$287,896 (2015 - \$61,685) in share-based compensation expense with respect to options vested during the period.

12. RELATED PARTY TRANSACTIONS

The 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 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

During the six months ended March 31, 2016, the Company entered into the following transactions with key management personnel. Amounts due to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

Regulus Resources Inc.

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12. RELATED PARTY TRANSACTIONS (cont'd...)

- 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 six months ended March 31, 2016, DBD Resources was paid \$80,555 (2015 - \$71,318). Management services paid to DBD Resources are classified as management fees expense in the condensed consolidated statements of operations and comprehensive gain (loss).

At March 31, 2016, the Company owed \$13,023 (September 30, 2015 – \$Nil) to DBD Resources.

- b) For the six months ended March 31, 2016, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued \$80,555 (2015 – \$71,318). Management services paid to Mr. Pickmann are classified as management fees expense in the condensed consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann is a partner was paid \$78,970 (2015 - \$38,260) for legal services. Legal fees paid to Mr. Pickmann’s law firm are classified as legal expenses in the condensed consolidated statements of operations and comprehensive gain (loss).

At March 31, 2016, the Company owed \$13,023 (September 30, 2015 – \$Nil) to Mr. Pickmann.

- c) Unicus Funds Ltd. (“Unicus”) is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the six months ended March 31, 2016, Unicus was paid \$25,000 (2015 – \$25,000). Management services paid to Unicus are classified as management fees expense in the condensed consolidated statements of operations and comprehensive gain (loss).

At March 31, 2016, the Company owed \$4,375 (September 30, 2015 – \$Nil) to Unicus.

- d) The Rock Doctor (“Rock Doctor”) is a private company controlled by Mr. Kevin Heather, CGO of the Company. For the six months ended March 31, 2016, Rock Doctor was paid \$80,555 (2015 – \$58,706). Amounts paid to Rock Doctor are classified as management fees in the condensed consolidated statements of operations and comprehensive gain (loss).

At March 31, 2016, the Company owed \$13,023 (September 30, 2015 – \$Nil) to Rock Doctor.

Prior to the six month period ended March 31, 2016, 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.

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 six months ended March 31, 2016 and March 31, 2015 are as follows:

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12. RELATED PARTY TRANSACTIONS (cont'd...)

	Other Payments	Share-based Benefits	Total
Six months ended March 31, 2016			
Chief Executive Officer	\$ 80,556	\$ 44,027	\$ 124,583
Chief Operating Officer	80,555	44,027	124,582
Chief Financial Officer	25,000	44,027	69,027
Chief Geological Officer	80,555	44,027	124,582
Non-executive directors	-	50,317	50,317
	\$ 266,666	\$ 226,425	\$ 493,091
Six months ended March 31, 2015			
Chief Executive Officer	\$ 71,318	\$ 9,433	\$ 80,751
Chief Operating Officer	71,318	9,433	80,751
Chief Financial Officer	25,000	9,433	34,433
Non-executive directors	-	10,781	10,781
	\$ 167,636	\$ 39,080	\$ 206,716

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

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Other than disclosed elsewhere in these condensed consolidated financial statements, the significant non-cash transactions for the six months ended March 31, 2016 included:

- a) \$35,852 (September 30, 2015 - \$34,685) in accounts payable and accrued liabilities related to exploration and evaluation assets.

For the six months ended March 31	2016	2015
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

14. SEGMENTED INFORMATION

The Company operates under one segment, that being the exploration and development of exploration and evaluation assets. Geographical information is as follows:

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14. SEGMENTED INFORMATION (cont'd...)

	Total Assets	Equipment	Exploration and Evaluation Assets	Other Assets
March 31, 2016				
Canada	\$ 2,377,586	\$ -	\$ -	\$ 2,377,586
Bermuda	1,297	-	-	1,297
Argentina	241,890	7,100	157,231	77,559
Peru	18,815,576	104,752	16,365,959	2,344,865
United States	<u>255,018</u>	<u>-</u>	<u>255,018</u>	<u>-</u>
	\$ 21,691,367	\$ 111,852	\$ 16,778,208	\$ 4,801,307

	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
United States	<u>223,337</u>	<u>-</u>	<u>223,337</u>	<u>-</u>
	\$ 23,730,237	\$ 127,091	\$ 15,401,835	\$ 8,201,311

	2016	2015
Loss (gain) for the six months ended March 31:		
Canada	\$ 1,278,967	\$ 274,976
Bermuda	20,005	(14,852)
Peru	1,133,388	(1,644,021)
Chile	-	133,596
Argentina	<u>198,989</u>	<u>(565)</u>
	\$ 2,631,349	\$ (1,250,866)

15. 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:

15. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

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 condensed 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.

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 March 31, 2016, the Company had a cash balance of \$4,224,010 to settle current liabilities of \$1,741,409. 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 US\$, the A-Peso, the Chilean peso ("C-Peso") and the Peruvian nuevo sol ("PEN"). A 10% fluctuation in the US\$, A-Peso, C-Peso and PEN against the Canadian dollar would affect accumulated other comprehensive gain (loss) for the period by approximately \$374,000.

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15. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices 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 gain (loss) by \$50,550.

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.

16. SUBSEQUENT EVENT

Subsequent to the period ended March 31, 2016, the Company announced that its wholly owned Peruvian subsidiary, Southern Legacy Peru S.A.C. ("SLP-Regulus"), has entered into binding Memorandum of Understanding ("MOU") 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 SLP-Regulus AntaKori copper-gold project in northern Peru. These agreements will allow for mutual access, mutual rights of expansion and collaborative exploration of the project area, providing benefit to all three parties.