REGULUS RESOURCES INC

(the "Company")

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2020 AND 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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

	June 30, 2020	September 30, 2019
ASSETS		
Current		
Cash	$ 4,575,361	$ 3,036,369
Receivables (Note 6)	158,315	831,292
Prepaid expenses and deposits	434,509	540,020
	5,168,185	4,407,681
Long-term investments (Note 7)	178,000	358,000
Property and equipment	500,764	474,481
Exploration and evaluation assets (Note 4)	50,187,512	44,430,445
	$ 56,034,461	$ 49,670,607
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 3, 6)	$ 774,349	$ 2,172,238
	774,349	2,172,238
Decommissioning liability	341,034	330,994
	1,115,383	2,503,232
Equity		
Capital stock (Note 5)	114,698,859	104,124,561
Accumulated other comprehensive loss	(4,214,863)	(5,308,264)
Share compensation reserve (Note 5)	13,801,916	11,753,485
Deficit	(69,366,834)	(63,402,407)
	54,919,078	47,167,375
	$ 56,034,461	$ 49,670,607

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

Approved by the Board:

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

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	Three months Ended June 30, 2020	Three months Ended June 30, 2019	Nine months Ended June 30, 2020	Nine months Ended June 30, 2019
EXPENSES				
Accounting and audit	$ 21,975	$ 37,307	$ 166,603	$ 177,120
Amortization	10,234	10,234	30,702	30,702
Bank charges and interest	2,222	1,151	7,321	2,738
Consulting fees	68,845	46,572	206,233	156,338
Fees and taxes	-	8,011	-	19,696
Finance expense	-	-	4,317	-
Insurance	7,038	4,219	21,063	23,792
Investor relations and shareholder information	11,668	50,031	130,409	211,166
Legal (Note 6)	42,863	73,665	137,420	161,207
Management fees (Note 6)	190,862	185,802	562,848	574,843
Office and administration	109,825	251,961	384,616	412,076
Rent	28,700	15,127	72,878	67,074
Share-based compensation (Note 5, 6)	486,520	1,715,592	2,048,431	2,761,744
Telephone	4,641	3,418	10,474	13,774
Transfer agent and listing fees	11,235	3,231	96,665	78,548
Travel	1,164	2,407	25,310	65,725
	(997,792)	(2,408,728)	(3,905,290)	(4,756,543)
OTHER ITEMS				
Loss on foreign exchange	(964,759)	(884,824)	(1,183,011)	(894,534)
Write-off of receivables	(178,093)	(179,814)	(899,928)	(771,983)
Recovery (write-off) of prepaids	143,402	-	(24,192)	-
Gain on transfer of spin-out assets	-	-	-	17,517,997
Gain on disposal of property (Note 5)	-	100,000	-	100,000
Interest income	2,278	-	47,994	-
(LOSS) INCOME FOR THE PERIOD	(1,994,962)	(3,373,366)	(5,964,427)	11,194,937
Items that may be reclassified subsequently to profit and loss:				
Change in fair market value of long-term investment	-	(20,000)	(180,000)	(527,000)
Items that will not be reclassified subsequently to profit and loss:				
Translation adjustment	2,424,688	957,006	1,273,401	(489,249)
Comprehensive (loss) income for the period	$ 429,726	$ (2,436,360)	$ (4,871,026)	$ 10,178,688
Income (loss) per common share – basic	$ (0.02)	$ (0.03)	$ (0.06)	$ 0.11
Income (loss) per common share – diluted	$ (0.02)	$ (0.03)	$ (0.06)	$ 0.11
Weighted average number of common shares outstanding - basic	101,844,844	90,994,624	98,360,092	90,994,624
Weighted average number of common shares outstanding - diluted	101,844,844	90,994,624	98,360,092	90,994,624

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

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
Balance, September 30, 2018	91,002,794	$ 122,323,481	$ (5,393,485)	$ 7,750,542	$ (70,272,153)	$ 54,408,385
Shares returned to treasury	(8,200)	-	-	-	-	-
Transfer of net assets pursuant to spin-out	-	(18,198,920)	-	-	-	(18,198,920)
Share-based compensation	-	-	-	2,761,744	-	2,761,744
Fair value adjustment to long-term investment	-	-	(527,000)	-	-	(527,000)
Foreign exchange adjustment	-	-	(489,249)	-	-	(489,249)
Income for the period	-	-	-	-	11,194,937	11,194,937
Balance, June 30, 2019	90,994,594	$ 104,124,561	$ (6,409,734)	$ 10,512,286	$ (59,077,216)	$ 49,149,897
Balance, September 30, 2019	90,994,594	$ 104,124,561	$ (5,308,264)	$ 11,753,485	$ (63,402,407)	$ 47,167,375
Shares issued pursuant to a public offering	7,783,875	8,250,908	-	-	-	8,250,908
Shares issued pursuant to a private placement	3,066,375	3,250,358				3,250,358
Share issuance costs	-	(926,968)	-	-	-	(926,968)
Share-based compensation	-	-	-	2,048,431	-	2,048,431
Fair value adjustment to long-term investment	-	-	(180,000)	-	-	(180,000)
Foreign exchange adjustment	-	-	1,273,401	-	-	1,273,401
Loss for the period	-	-	-	-	(5,964,427)	(5,964,427)
Balance, June 30, 2020	101,844,844	$ 114,698,859	$ (4,214,863)	$ 13,801,916	$ (69,366,834)	$ 54,919,078

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
For the nine months ended June 30,

	2020	2019
Cash Flows from Operating Activities		
Income (loss) for the period	$ (5,964,427)	$ 11,194,937
Items not affecting cash:		
Amortization	30,702	30,702
Gain on transfer of spin-out assets	-	(17,517,997)
Gain on sale of property	-	(100,000)
Share-based compensation	2,048,431	2,761,744
Write-off of receivables	899,928	771,983
Recovery of prepaids	(24,192)	-
Changes in non-cash working capital items:		
Receivables	(226,951)	(311,239)
Prepaid expenses and deposits	129,703	(156,076)
Accounts payable and accrued liabilities	497,900	(625,009)
Due to related parties	-	(254,761)
Net cash used in operating activities	(2,608,906)	(4,205,716)
Cash Flows from Financing Activities		
Proceeds from public offering	8,250,908	-
Proceeds from private placement	3,250,358	
Share issuance costs	(926,968)	-
Lease principal payments	4,317	-
Cash transferred to Aldebaran pursuant to the spin-out of assets	-	(192,867)
Repayment of loans payable	-	(894,956)
		-
Net cash provided by (used in) financing activities	10,578,615	(1,087,823)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	-	(167,028)
Exploration and evaluation assets, net of recoveries	(8,129,616)	(7,462,003)
Net cash used in investing activities	(8,129,616)	(7,629,031)
Effect of foreign exchange on cash	1,698,899	382,768
Change in cash for the period	1,538,992	(12,539,802)
Cash, beginning of period	3,036,369	19,678,786
Cash, end of period	$ 4,575,361	$ 7,138,984

Supplemental disclosures with respect to cash flows (Note 8)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

As at June 30, 2020, the Company had working capital of $4,393,836. Regulus recently completed a public offering via prospectus and a concurrent private placement financing (Note 5) to provide it with sufficient capital for the next 12 months or longer. The Company has no source of operating cash flows and as such the Company's ability to continue as a going concern is contingent on its ability to monetize assets or obtain additional financing. There can be no assurance that the Company will be able to obtain adequate financing or that the terms of such financing will be favourable.

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

Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company's condensed interim consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern and the carrying values of the Company's properties, equipment assets and exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company's equipment assets and exploration and evaluation assets and did not note any indicators as of June 30, 2020. Based on management's judgment, as at the date of these condensed interim consolidated financial statements, there has been no impact from COVID-19 on the Company's estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management's judgements in the future.

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

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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 year. 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 interim condensed consolidated financial statements:

Functional currencies

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

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations. Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, and consideration of whether the period for which the Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Estimates

Significant estimates, made by management, about the future and other sources of estimation uncertainty at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or disposition of the mineral properties. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could affect management's assessment of the overall viability of its properties or to the likelihood of generating future cash flows necessary to recover the carrying value of the Company's exploration and evaluation assets.

To the extent that any of management's assumptions change there could be a significant effect on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant effect on the Company's future operating results or on other components of shareholders' equity.

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 be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development or commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets and deferred income tax provisions or recoveries could be affected.

Decommissioning costs

Upon retirement of the Company's exploration and evaluation assets, decommissioning costs will be incurred by the Company. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. The liability, the related asset and the corresponding expense are affected by estimates with respect to the costs and timing of decommissioning.

Basis of consolidation

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

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and is determined for each entity within the Company. The functional currency for the entities within the Company are: the Canadian dollar (the Company) and the United States dollar ("U.S.$") (Pachamama (Bermuda) Ltd, Southern Legacy Minerals Inc., Southern Legacy Peru S.A.C., KoriAnta S.A.C., Anta Norte S.A.C., Maria Eugenia 2 Mina Volare de Cajamarca S.A.C., SMRL El Sinchao de Cajamara, Rita Margot de Cajamara S.A.C., Minas del Sinchao S.A., and Minera Southern Legacy Chile Limitada).

The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the entities' functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of an entity that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statements of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at September 30, 2019. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2019.

IFRS 16 – Leases ("IFRS 16")

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of October 1, 2019. The Company adopted IFRS 16 using the modified retrospective approach, and therefore, the comparative information has not been restated and continues to be reported under IAS 17, *Leases* and IFRIC 4, *Determining whether an arrangement contains a lease*. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize a right-of-use ("ROU") asset and a lease obligation at the lease commencement date.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Accounting policy applicable from October 1, 2019

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the earlier of the end of the useful life or the lease term using either the straight-line or units-of-production method, depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments. Future lease payments can arise from a change in an index or rate, if there is a change in the Company's estimate of the expected payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded to the statement of loss if the carrying amount of the ROU asset has been reduced to zero.

Transition to IFRS 16

The Company previously classified leases as operating, or finance leases based on the Company's assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset. The Company did not have any finance leases in the comparative periods.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at October 1, 2019. ROU assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Company has elected to apply the practical expedient to not recognize ROU assets and lease liabilities for shortterm leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

An incremental ROU asset and lease liability of $113,467 was recorded as of October 1, 2019, with no net impact on deficit. When measuring the lease liability, the Company discounted lease payments using the incremental borrowing rate of 4.29% at October 1, 2019.

The following table reconciles the Company's operating lease commitments at September 30, 2019, as previously disclosed in the Company's annual audited consolidated financial statements, to the lease liability recognized on initial application of IFRS 16 on October 1, 2019:

Operating lease commitments – September 30, 2019	$	113,467
Effect of discounting using the incremental borrowing rate – October 1, 2019		(14,021)
Lease liability recognized on adoption of IFRS 16 – October 1, 2019	$	99,446

For presentation on the interim condensed consolidated statement of financial position, the current portion of the lease liability was classified within trade and other payables. The ROU asset was included within property, plant and equipment.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

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

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

	Golden Brew, Nevada USA	AntaKori, Peru	Total
Balance, September 30, 2018	$ 1,222,938	$ 32,417,136	$ 33,640,074
Additions:			
Administrative services	9,799	7,843	17,642
Change in estimates related to decommissioning liability	-	330,994	330,994
Environmental costs	-	420,097	420,097
Field operations	708,078	8,776,402	9,484,480
Labour	-	225,467	225,467
Property payments	105,692	513,914	619,606
Recoveries	-	(335,052)	(335,052)
Third party services	45,699	950,927	996,626
	869,268	10,890,592	11,759,860
Foreign exchange movement	-	1,122,717	1,122,717
Write-off	(2,010,383)	-	(2,010,383)
Reclassify bond to receivables	(81,823)	-	(81,823)
Balance, September 30, 2019	-	44,430,445	44,430,445
Additions:			
Administrative services	-	7,727	7,727
Field operations	-	4,690,973	4,690,973
Labour	-	169,652	169,652
Property payments	-	392,016	392,016
Third party services	-	399,369	399,369
	-	5,659,737	5,659,737
Foreign exchange movement	-	97,330	97,330
Balance, June 30, 2020	$ -	$ 50,187,512	$ 50,187,512

AntaKori Project, Peru

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

(a) An option agreement was executed in December 2011 with certain members of the Santolalla family, providing a right to acquire 86.8% of the capital stock of Minas del Sinchao S.A., which owns 50% of the capital stock of SMRL Rita Margot de Cajamarca. SMRL Rita Margot de Cajamarca owns three mining rights and has a 50% interest in SMRL Maria Eugenia 2 Mina Volare de Cajamarca which owns an additional mining right that comprises a portion of the AntaKori project. The agreement also provides for a 1% net smelter return royalty for the Santolalla family which is subject to a US$4.5 million buy-out option. Payments made to date are US$3,038,000 with no payments remaining;

(Expressed in Canadian Dollars)

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

AntaKori Project, Peru (cont'd…)

(b) A second option agreement dated November 2013 provides the right to acquire an additional 7.7% interest in Minas del Sinchao S.A, which increases the Company's right to acquire an interest in Minas del Sinchao S.A. up to 94.5% of its capital stock. Payments made to date are US$233,926 with no payments remaining;

(c) Two option and usufruct agreements dated March 2012 were executed whereby two owners of a combined 12.5% ownership of SMRL Rita Margot De Cajamarca granted in favor of Regulus Peru a usufruct right over their 12.5% ownership of the entity. With the usufruct over the vendors' shares, Regulus Peru has an option to acquire 62.5% of the SMRL Rita Margot De Cajamarca capital stock. Each of these option and usufruct agreements provide the owners a net smelter royalty ("NSR") of 0.1875%. Payments made to date are US$877,000 with no payments remaining;

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

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

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

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

Payment Due Date		Amount (US$)
Paid during the year ended September 30, 2012	$	580,000
Paid during the year ended September 30, 2013		1,159,170
Paid during the year ending September 30, 2014		1,923,769
Paid during the year ending September 30, 2015		1,850,000
Paid during the year ending September 30, 2016		1,909,123
Paid during the year ending September 30, 2017		38,000
Total	$	7,460,062

During the year ended September 30, 2017, the Company's wholly owned Peruvian subsidiary, Southern Legacy Peru S.A.C, ("Regulus Peru"), finalized the execution of definitive agreements with Compañía Minera Coimolache S.A. ("Coimolache") and Compañía Minera Colquirrumi S.A. ("Colquirrumi"), companies that hold mineral concessions immediately adjacent to, and inter-fingering with the Company's AntaKori copper-gold project in northern Peru. These agreements allow for mutual access, mutual rights of expansion and collaborative exploration of the project area, providing benefit to all three parties.

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

AntaKori Project, Peru (cont'd…)

The Coimolache agreement has a term of five years, renewable with consent from both parties. The agreement is primarily designed to allow the parties to collaboratively explore the project area. In addition, Comolaiche has the right to expand its current Tantahuatay oxide pit by laying back onto certain concessions owned by Regulus (the "Regulus Concessions") but assigned to Coimolache for the specific purpose of exploiting oxide gold mineralization. Coimolache will pay a 5% NSR (the "Coimolache NSR Payments") to Regulus for any precious metals produced from oxide material mined on Regulus Concessions. The layback rights are retricted to oxide mineralization only and are further limited by a floor of 3,800 m above sea level. Coimolache commenced mining on certain of the Regulus Concessions in 2018 and during the year ended September 30, 2018, the Company received or accrued Coimolache NSR Payments for production from the Napoleon concession and Mina Volare concession. Some of the Regulus Concessions are subject to underlying NSR royalties (the "Underlying NSR Royalties") as indicated in the agreement section above. These Underlying NSR Royalties vary from 0-3% with buy out clauses for some of the royalties as indicated. In the event that the Company receives a Coimolache NSR Payment from a Regulus Concession with an Underlying NSR Royalty(ies), the Company must pay the Underlying NSR Royalty payment from proceeds received from the Coimolache NSR Payment. The Company must pay an Underlying NSR Royalty of 1.5% for the portion of the production from the Napoleon concession and of 3.0% for the portion of the production from the Mina Volare concession.

The Colquirrumi agreement allows Regulus to earn-in to a 70% interest in a 2,571 hectare block of ground held by Colquirrumi by completing 7,500 m of drilling within 3 years from obtaining necessary permits to drill. Regulus has up to 3 years to receive the necessary permits. The agreement assigns certain mining concessions to the Company's 99.9% owned Peruvian subsidiary, Anta Norte S.A.C. ("Anta Norte") to allow for exploration work to be performed on those claims by Anta Norte during the term of the agreement. Upon notification that Regulus has completed 7,500 m of drilling and elected to obtain a 70% interest in the property, Colquirrumi will have a one time option to claw-back to a 70% interest in the property (leaving 30% to Regulus) by paying Regulus the sum of US$9 million.

During the period ended June 30, 2020, the Company earned royalties of $Nil (year ended September 30, 2019 - $843,139) arising from the terms of the definitive agreement with Coimolache. The Company is also subject to pay NSR's ranging from 1.5% - 3% to the underlying holders of these same claims, which totaled $Nil (year ended September 30, 2019 – $508,087) in the current period. The net amount of $Nil (year ended September 30, 2019 - $335,052) has been offset to the balance of exploration and evaluation assets as a recovery in accordance with the Company's policy in the current period. As at June 30, 2020, accounts receivable included $Nil (September 30, 2019 - $616,116) relating to these royalties, and accounts payable includes $66,187 (September 30, 2019 - $49,016).

As at June 30, 2020, the Company has $404,404 (September 30, 2019 - $481,388) in drilling advances included in prepaid expenses and deposits.

Puchuldiza Property, Chile

During the year ended September 30, 2019, the Company sold its interest in its 100% owned Puchuldiza property for $100,000.

Golden Brew, Nevada, USA

On February 14, 2014, the Company signed an agreement with Highway 50 Gold Corp. ("Highway 50") whereby Highway 50 granted Regulus an option (the "Option") to earn a 50% interest in Highway 50's Golden Brew property. In order to exercise the Option, the Company must spend US$5,000,000 on exploration expenditures on the project by May 28, 2022. Upon earn-in the parties will form a joint venture on a 50/50 basis. The transaction was considered to be non-arms length under the rules of the TSX Venture Exchange by virtue of the fact that two of the directors of Regulus, John Leask and Gordon Leask, are also directors of Highway 50. This transaction was unanimously approved by the three other Regulus Board members, all of whom are independent of Highway 50, with John Leask and Gordon Leask both abstaining. During the year ended September 30, 2018, the Company amended and paid the annual option payment from US$50,000 to US$30,000. During the year ended September 30, 2019, the Company wrote-off the Golden Brew property and on October 31, 2019, the Company terminated its Option and returned the project to Highway 50 and therefore has no further commitments on the Option.

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

(Expressed in Canadian Dollars)

5. CAPITAL STOCK AND SHARE COMPENSATION RESERVE

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

Treasury shares: recorded at cost.

During the period ended June 30, 2020, the Company closed a financing comprised of 7,783,875 units of the Company, each comprising one common share and one-half of one common share purchase warrant, at a price of $1.06 per unit, for aggregate gross proceeds of $8,250,908. Pursuant to a concurrent non-brokered private placement, 3,066,375 units were sold to certain funds managed by Route One Investment Co. LP, the Company's largest shareholder, at the offering price, for additional aggregate gross proceeds of $3,250,358. Together with the public offering, the Company raised total gross proceeds of $11,501,266.

During the year ended September 30, 2019, the Company returned 8,200 common shares to treasury.

Stock Options

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

The following table summarized movements in stock options outstanding for the period ended June 30, 2020:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2018	2,250,000	$ 1.53
Options granted	5,950,000	1.60
Options expired/forfeited	(100,000)	1.50
Balance, September 30, 2019	8,100,000	$ 1.58
Options granted	1,900,000	0.86
Options expired/forfeited	(50,000)	1.50
Balance, June 30, 2020	9,950,000	$ 1.44
Number of options currently exercisable	5,062,500	$ 1.57

Share-based compensation

The Company recognizes compensation expense for all stock options and warrants granted and vested using the fair value based method of accounting. During the period ended June 30, 2020, the Company recognized $2,048,431 (2019 - $2,761,744) in share-based compensation expense with respect to options vested during the period.

The following table summarizes information about stock options outstanding at June 30, 2020:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$ 1.50	1,950,000	1,950,000	September 2, 2021
1.84	100,000	100,000	December 28, 2022
2.00	50,000	37,500	July 11, 2023
1.60	5,550,000	2,775,000	February 4, 2024
1.78	200,000	100,000	March 1, 2024
1.40	200,000	100,000	June 6, 2024
0.86	1,900,000	-	June 29, 2025
	9,950,000	5,062,500	

(Expressed in Canadian Dollars)

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

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

	Nine months ended June 30, 2020	Year ended September 30, 2019
Risk-free interest rate	0.33%	1.84%
Expected life of grant	5 years	5 years
Volatility	73.96%	88.27%
Dividend	0.00%	0.00%
Weighted average fair value per option	$0.51	$1.09

Warrants

The following table summarizes movements in warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2018 and September 30, 2019	4,404,759	$ 1.61
Warrants issued	5,425,125	1.70
Balance, June 30, 2020	9,829,884	$ 1.66

The following table summarizes information about warrants outstanding at June 30, 2020:

Exercise Price	Number Outstanding	Expiry Date
$ 1.60	4,217,452	January 27, 2021*
1.90	187,307	September 27, 2020
1.70	5,425,125	December 27, 2021
	9,829,884	

* During the period ended June 30, 2020, 4,217,452 warrants with an exercise price of $1.60 and an original expiry date of January 27, 2020, were extended with a new expiry date of January 27, 2021.

6. RELATED PARTY TRANSACTIONS

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

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

6. RELATED PARTY TRANSACTIONS (cont'd…)

During the period ended June 30, 2020, the Company entered into the following transactions with key management personnel and related parties.

a) Double Black Diamond Resources LLC. ("DBD Resources") is a private company controlled by Mr. John Black, CEO and a director of the Company. For the period ended June 30, 2020, DBD Resources was paid $177,325 (2019 - $183,746). Amounts paid to DBD Resources are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

   At June 30, 2020, the Company owed $Nil (September 30, 2019 – $Nil) to DBD Resources.

b) For the period ended June 30, 2020, Mr. Fernando Pickmann, President, COO and a director of the Company, was paid or accrued $177,301 in consulting fees (2019 – $174,753). Amounts paid or accrued to Mr. Pickmann are classified as management fees in the consolidated statements of operations and comprehensive loss. A law firm at which Mr. Pickmann was a partner was also paid or accrued $101,817 (2019 - $184,385) for legal services. Legal fees paid to Mr. Pickmann's law firm are classified as legal expenses in the interim condensed consolidated statements of operations and comprehensive loss.

   At June 30, 2020, the Company owed $Nil (September 30, 2019 – $Nil) to Mr. Pickmann and owed $Nil (September 30, 2019 – $Nil) to the law firm at which Mr. Pickmann was a partner.

c) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director of the Company. For the period ended June 30, 2020, Unicus was paid $56,250 (2019 – $50,000). Amounts paid to Unicus are classified as management fees expense in the interim condensed consolidated statements of operations and comprehensive loss.

   At June 30, 2020, the Company owed $Nil (September 30, 2019 – $Nil) to Unicus.

d) K.B. Heather & Socios Limitada (The Rock Doctor Limitada) ("K.B. Heather") is a private company controlled by Dr. Kevin B. Heather, Chief Geological Officer of the Company. For the period ended June 30, 2020, K.B. Heather was paid $151,973 (2019 – $166,343). Amounts paid to K.B. Heather are classified as management fees in the interim condensed consolidated statements of operations and comprehensive loss.

   At June 30, 2020, the Company owed $Nil (September 30, 2019 – $Nil) to K.B. Heather.

e) At June 30, 2020, the Company was owed $Nil (September 30, 2019 - $67,290) from Aldebaran. This balance is included in receivables at June 30, 2020 and September 30, 2019.

f) The Company holds 2,000,000 common shares (September 30, 2019 – 2,000,000 common shares) of Highway 50 Gold Corp., a company with a director in common, included within long term investments.

Key Management Personnel:

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

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd…)

The remuneration of directors and other members of key management personnel during the period ended June 30, 2020 and 2019 are as follows:

	Fees and Bonus	Share-based Benefits	Total
Period ended June 30, 2020			
Chief Executive Officer	$ 177,325	$ 317,334	$ 494,659
Chief Geological Officer	151,973	317,334	469,307
Chief Financial Officer	56,250	317,334	373,584
Chief Operating Officer	177,301	317,334	494,635
Non-executive directors	-	221,751	221,751
	$ 562,849	$ 1,491,087	$ 2,053,936
Period ended June 30, 2019			
Chief Executive Officer	$ 183,746	$ 433,522	$ 617,268
Chief Geological Officer	166,343	433,522	599,865
Chief Financial Officer	50,000	433,522	483,522
Chief Operating Officer	174,753	433,522	608,275
Non-executive directors	-	223,490	223,490
	$ 574,842	$ 1,957,578	$ 2,532,420

7. LONG-TERM INVESTMENT

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

	Fair Value	Cost
Balance as at September 30, 2018	$ 890,000	$ 740,000
Fair market value adjustments	(532,000)	-
Balance as at September 30, 2019	$ 358,000	$ 740,000
Fair market value adjustments	(180,000)	-
Balance as at June 30, 2020	$ 178,000	$ 740,000

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Other than disclosed elsewhere in these interim condensed consolidated financial statements, the significant non-cash transactions for the periods ended June 30, 2020 and 2019 included:

a) $309,729 (2019 - $1,484,711) in accounts payable and accrued liabilities related to exploration and evaluation assets.

For the period ended June 30	2020	2019
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

(Expressed in Canadian Dollars)

9. SEGMENTED INFORMATION

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

	Total Assets	Property, Plant and Equipment	Exploration and Evaluation Assets	Other Assets
June 30, 2020				
Canada	$ 4,672,719	$ -	$ -	$ 4,672,719
Peru	51,260,369	500,764	50,187,512	572,093
Chile	19,550	-	-	19,550
United States	81,823	-	-	81,823
	$ 56,034,461	$ 500,764	$ 50,187,512	$ 5,346,185

	Total Assets	Property and Equipment	Exploration and Evaluation Assets	Other Assets
September 30, 2019				
Canada	$ 2,656,644	$ -	$ -	$ 2,656,644
Peru	46,910,602	474,481	44,430,445	2,005,676
Chile	21,538	-	-	21,538
United States	81,823	-	-	81,823
	$ 49,670,607	$ 474,481	$ 44,430,445	$ 4,765,681

	2020	2019
Loss (income) for the period ended June 30		
Canada	$ 2,166,255	$ (12,949,304)
Peru	3,798,172	1,663,114
Chile	-	48,995
Argentina	-	42,258
	$ 5,964,427	$ (11,194,937)

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

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

10. 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 royalty payments receivable. The Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, the Company had a cash balance of $4,575,3261 to settle current liabilities of $774,349. Management believes that it has sufficient funds to meet its current liabilities as they become due however, as the COVID-19 pandemic has continued to spread, it has adversely affected workforces, economies, as well as financial markets globally, potentially leading to an economic downturn. This has impacted the Company's ability to raise necessary funds. It is not possible for the Company at this time to predict the duration or magnitude of the impact towards the Company's business or results from its operations.

Market risk

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

a) Interest rate risk

The Company has cash balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's debt which accrues interest is at a fixed rate and also does not expose the Company to interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US$, the Chilean peso ("C-Peso") and the Peruvian nuevo sol ("PEN"). A 10% fluctuation in the US$, C-Peso and PEN against the Canadian dollar would affect accumulated other comprehensive loss for the period by approximately $31,100.

c) Price risk

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

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.

10. 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.

11. COMMITMENTS

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

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