



(the "Company")

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SECOND QUARTER ENDED

MARCH 31, 2015

(Unaudited)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

CONSOLIDATED STATEMENTS OF EQUITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 CICA 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, 2015	September 30, 2014
ASSETS		
Current		
Cash (Note 4)	\$ 10,926,962	\$ 9,238,633
Marketable securities (Note 5)	-	-
Receivables (Note 6)	123,459	85,488
Prepaid expenses (Note 7)	<u>176,335</u>	<u>78,706</u>
	11,226,756	9,402,827
Long-term investment (Note 9)	284,000	744,000
Equipment	45,571	47,668
Exploration and evaluation assets (Note 8)	<u>12,538,495</u>	<u>10,990,664</u>
	\$ 24,094,822	\$ 21,185,159
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 1,401,599	\$ 1,350,330
Due to related parties (Note 12)	106,003	143,039
Decommissioning liability	<u>465,641</u>	<u>465,641</u>
	1,973,243	1,959,010
Decommissioning liability	<u>1,128,001</u>	<u>1,068,530</u>
	<u>3,101,244</u>	<u>3,027,540</u>
Shareholders' equity		
Capital stock (Note 11)	78,954,171	74,027,553
Accumulated other comprehensive loss	(8,844,980)	(7,943,502)
Share compensation reserve (Note 11)	4,726,772	4,665,087
Deficit	<u>(53,842,385)</u>	<u>(52,591,519)</u>
	<u>20,993,578</u>	<u>18,157,619</u>
	\$ 24,094,822	\$ 21,185,159

Nature and continuance of operations (Note 1)

Approved by the Board:

Director:

"John Black"

John Black

Director and Chairman of the Audit Committee:

"Mark Wayne"

Mark Wayne

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

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

(Unaudited –prepared by management)

Expressed in Canadian Dollars

For the period ended March 31

	3 months ended March 31, 2015	6 months ended March 31, 2015	3 months ended March 31, 2014	6 months ended March 31, 2014
EXPENSES				
Accounting and audit	\$ 131,581	\$ 147,605	\$ 41,281	\$ 42,187
Amortization	3,998	7,222	1,475	3,295
Bank charges and interest	9,091	17,124	6,044	19,610
Consulting fees	33,729	193,266	41,240	71,839
Fees and taxes	13,281	31,264	18,656	32,244
Insurance	39,478	79,402	2,187	26,112
Interest expense	8,008	15,837	9,753	19,450
Investor relations and shareholder information	15,761	52,428	11,288	19,159
Legal	(19,517)	56,778	10,579	20,198
Management fees	97,363	178,031	26,309	51,559
Office and administration	42,811	164,241	26,404	46,796
Rent	37,322	68,710	23,380	62,325
Share-based compensation	52,873	61,685	309,075	559,877
Telephone	2,227	4,481	3,899	7,874
Transfer agent and listing fees	7,891	48,574	6,860	7,701
Travel and entertainment	12,498	50,678	21,692	24,269
Wages and benefits	48,549	112,436	15,251	37,531
LOSS BEFORE OTHER ITEMS	(536,944)	(1,289,762)	(575,373)	(1,052,026)
OTHER ITEMS				
Gain (loss) on foreign exchange	(33,495)	161,788	85,377	281,425
Gain (loss) on disposal of marketable securities	(979)	(7,850)	588,105	639,924
Exploration and evaluation asset expensed	(57,613)	(166,761)	-	-
Unrealized loss on marketable securities	-	-	(223,050)	(240,000)
Interest income	24,887	51,719	36,972	76,105
LOSS FOR THE PERIOD	(604,144)	(1,250,866)	(87,969)	(294,572)
Change in fair market value of long-term investment	(468,000)	(460,000)	60,000	60,000
Translation adjustment	(1,053,406)	(441,478)	(2,954,431)	(4,641,820)
Comprehensive loss for the period	\$ (2,125,550)	\$ (2,152,344)	\$ (2,982,400)	\$ (4,876,392)
Gain (loss) per common share – basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.001)	\$ (0.003)
Weighted average number of common shares outstanding	56,390,577	54,131,725	99,881,603	99,881,603

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

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited –prepared by management)
Expressed in Canadian Dollars
For the period ended March 31, 2015

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
Balance, September 30, 2013	33,290,538	\$ 68,297,313	\$ (2,476,721)	\$ 4,002,189	\$ (6,301,943)	\$ 63,520,838
Share-based compensation	-	-	-	559,877	-	559,877
Fair value adjustment to long-term investment	-	-	60,000	-	-	60,000
Foreign exchange adjustment	-	-	(4,641,820)	-	-	(4,641,820)
Loss for the period	-	-	-	-	(294,572)	(294,572)
Balance, December 31, 2013	33,290,538	\$ 68,297,313	\$ (7,058,541)	\$ 4,562,066	\$ (6,596,515)	\$ 59,204,323
Balance, September 30, 2014	45,279,466	\$ 74,027,553	\$ (7,943,502)	\$ 4,665,087	(52,591,519)	18,157,619
Shares issued for:						
Private placement	11,111,111	4,999,999	-	-	-	4,999,999
Private placement expense	-	(73,381)	-	-	-	(73,381)
Share-based compensation	-	-	-	8,812	-	8,812
Fair value adjustment to long-term investment	-	-	8,000	-	-	8,000
Foreign exchange adjustment	-	-	611,928	-	-	611,928
Loss for the period	-	-	-	-	(646,722)	(646,722)
Balance, December 31, 2014	56,390,577	78,954,171	(7,323,574)	4,673,899	\$ (53,238,241)	\$ 23,066,255
Share-based compensation	-	-	-	52,873	-	52,873
Fair value adjustment to long-term investment	-	-	(468,000)	-	-	(468,000)
Foreign exchange adjustment	-	-	(1,053,406)	-	-	(1,053,406)
Gain for the period	-	-	-	-	(604,144)	(604,144)
Balance, March 31, 2015	56,390,577	\$ 78,954,171	\$ (8,844,980)	\$ 4,726,772	\$ (53,842,385)	\$ 20,993,578

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited –prepared by management)
Expressed in Canadian Dollars
For the period ended March 31

	2015 Year to Date	2014 Year to Date
Cash Flows from Operating Activities		
Net gain (loss) for the period	\$ (1,250,866)	\$ (234,572)
Items not affecting cash:		
Amortization	7,222	3,295
Interest expense	15,837	19,450
Share-based compensation	61,685	559,877
Unrealized loss (gain) on long-term investment	460,000	(60,000)
Unrealized loss on marketable securities	-	240,000
Loss (gain) on disposal of marketable securities	20,613	(639,924)
Foreign exchange gain on marketable securities	-	(107,773)
Changes in non-cash working capital items:		
Increase in receivables	(33,789)	(4,761)
Increase in prepaid expenses	(98,288)	-
Decrease in accounts payable and accrued liabilities	(113,024)	(32,487)
Decrease in due to related parties	(37,036)	(86,582)
Net cash used in operating activities	(967,646)	(343,477)
Cash Flows from Financing Activities		
Net proceeds from issuance of shares	4,926,618	-
Net cash provided by financing activities	4,926,618	-
Cash Flows from Investing Activities		
Acquisition of long-term investment	-	(740,000)
Acquisition of marketable securities	(402,413)	(853,238)
Disposal of marketable securities	805,129	2,235,909
Acquisition of exploration and evaluation assets	(1,416,790)	(348,394)
Net cash provided by (used in) investing activities	(1,014,074)	294,277
Effect of foreign exchange on cash	(1,256,569)	(153,823)
Increase (decrease) in cash	1,688,329	(203,023)
Cash, beginning of period	9,238,633	12,640,766
Cash, end of period	\$ 10,926,962	\$ 12,437,743

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, 2015

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 head office is located at Suite 2300, 1177 West Hastings Street, Vancouver, British Columbia, 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 May 28, 2015, the Company has working capital of \$9,253,513.

These interim condensed consolidated financial statements were authorized by the audit committee and by the board of directors of the Company on May 28, 2015.

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, 2014, 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. That of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates. The functional currency of each entity is disclosed below.

Impairment of exploration and evaluation assets

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

Estimates

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

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory 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.

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, 2015

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

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity 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 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, 2015

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, 2015	September 31, 2014
Cash on deposit	\$ 10,926,962	\$ 9,238,633

5. MARKETABLE SECURITIES

At March 31, 2015 and September 30, 2014, the Company did not hold any marketable securities.

	Fair Value	Cost
Balance as September 30, 2014	\$ -	\$ -
Additions	402,413	402,413
Disposals	(794,610)	(402,413)
Realized loss on disposal	(7,850)	-
Gain on foreign exchange	400,047	-
Balance as at March 31, 2015	\$ -	\$ -

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, 2015

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, 2015	September 30, 2014
Tax credits and advances receivable	\$ 123,459	\$ 85,488

7. PREPAID EXPENSES

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

	March 31, 2015	September 30, 2014
Rental damage deposit	\$ 2,088	\$ 1,919
Prepaid expenses	<u>174,247</u>	<u>76,787</u>
	\$ 176,335	\$ 78,706

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, 2015	September 30, 2014
Argentina properties	\$ 224,865	\$ 249,252
Peru properties		
Antakori and other properties	\$ 10,745,255	\$ 9,253,405
Puchuldiza property, Chile	\$ 1,394,466	\$ 1,394,466
Golden Brew property, Nevada, USA	\$ 173,909	\$ 93,541
	<u>\$ 12,538,495</u>	<u>\$ 10,990,664</u>

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, 2015

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

	Rio Grande, Argentina	Other, Argentina	Golden Brew, Nevada USA	AntaKori, Peru	Puchuldiza, Chile	Total
Balance, September 30, 2014	\$ -	\$ 249,252	\$ 93,541	\$ 9,253,405	\$ 1,394,466	\$ 10,990,664
Additions:						
Administrative services	-	-	-	25,590	-	25,590
Field operations	57,613	-	56,122	107,543	-	221,278
Labour	-	-	-	156,305	-	156,305
Property payments	-	8,283	24,246	1,120,940	-	1,153,469
Taxes and licences	-	-	-	1,469	-	1,469
	57,613	8,283	80,368	1,411,847	-	1,558,111
Foreign exchange movement	-	(32,670)	-	80,003	-	47,333
Exploration and evaluation asset expensed	(57,613)	-	-	-	-	(57,613)
Balance, March 31, 2015	\$ -	\$ 224,865	\$ 173,909	\$ 10,745,255	\$ 1,394,466	\$ 12,538,495

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"):

- (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\$1,500,000 with payments of US\$1,538,000 remaining to be paid up to December 31, 2016;
- (b) A second option agreement dated November 2013 provides the right to acquire an additional 7.7% interest in Minas del Sinchao S.A, which increases the Company's right to acquire an interest in Minas del Sinchao S.A. up to 94.5% of its capital stock. Payments made to date are US\$60,000 with payments of US\$173,926 remaining to be paid up to June 30, 2016;
- (c) Two option and usufruct agreements dated March 2012 were executed whereby two owners of a combined 12.5% ownership of SMRL Rita Margot De Cajamarca granted in favour of SLM Peru a usufruct right over their 12.5% ownership of the entity. With the usufruct over the vendors' shares, SLM Peru has an option to acquire 62.5% of the SMRL Rita Margot De Cajamarca capital stock. Each of these option and usufruct agreements provide the owners a net smelter royalty of 0.1875%. Payments made to date are US\$703,000 with payments of US\$174,000 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, 2015

8. EXPLORATION AND EVALUATION ASSETS (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\$1,175,475 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\$350,000 with payments of US\$1,400,000 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	1,213,608
Paid during the year ending September 30, 2014	1,871,247
Dec 31, 2014 (paid)	510,000
March 4, 2015 (paid)	350,000
June 30, 2015	540,000
September 4, 2015	350,000
September 6, 2015	50,000
September 15, 2015	50,000
December 31, 2015	550,000
March 4, 2016	350,000
June 30, 2016	583,926
September 4, 2016	350,000
September 6, 2016	37,000
September 15, 2016	37,000
December 31, 2016	38,000
	<u>7,460,781</u>

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, 2015 March 31, 2015

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, with exploration expenditures of US\$500,000 in the first year being a firm commitment. Upon earn-in the parties will form a joint venture on a 50/50 basis. The transaction was considered to be non-arms length under the rules of the TSX Venture Exchange by virtue of the fact that two of the directors of Regulus, John Leask and Gordon Leask, are also directors of Highway 50. This transaction was unanimously approved by the three other Regulus Board members, all of whom are independent of Highway 50, with John Leask and Gordon Leask both abstaining.

In addition to the AntaKori and Golden Brew properties, the Company holds a 100% interest in the Puchuldiza 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, 2014	\$	744,000	\$ 740,000
Additions		-	-
Fair market value adjustments		(460,000)	-
Balance as at March 31, 2015	\$	284,000	\$ 740,000

The Company also holds 2,000,000 share purchase warrants exercisable in the capital of Highway 50 Gold Corp. which were recently extended to February 28, 2016 at a price of \$0.60. These warrants have a fair value of \$Nil at March 31, 2015.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2015		September 30, 2014	
Trade payables	\$	1,401,599	\$	926,273
Accrued liabilities		-		424,057
	\$	1,401,599	\$	1,350,330

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

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, 2015

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.

Shares held in escrow

As at March 31, 2015, 548,772 common shares (September 30, 2014 – 645,615) are held in escrow and will be released on June 28, 2015.

Stock Options

The Company has a stock option plan (“the Plan”) for directors, officers, employees and consultants of the Company and its subsidiaries. The number of common shares subject to the stock options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company. The Plan provides for a maximum term of five years for stock options and sets the most favorable vesting terms as one-third of the total stock options granted on the day of the grant and on each of the first and second anniversaries of the date of grant. As at December 31, 2014, 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, 2015:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2013	7,592,000	\$ 1.02
Pre-consolidation options cancelled	(150,000)	0.95
Pre-consolidation options cancelled	(500,000)	1.00
Pre-consolidation options cancelled	(2,490,000)	1.07
Pre-consolidation options cancelled	(12,000)	1.19
Pre-consolidation options cancelled	(20,000)	1.24
Pre-consolidation options cancelled	<u>(4,420,000)</u>	1.00
Balance, September 30, 2014	Nil	
Post-consolidation options granted	<u>4,577,334</u>	\$ 0.45
Balance, March 31, 2015	4,577,334	\$ 0.45
Number of options currently exercisable	-	

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, 2015

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

The following table summarizes information about stock options outstanding at March 31, 2015:

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

Warrants

The following table summarizes movements in warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2013	12,461,731	\$ 1.60
Pre-consolidation warrants expired	(11,597,119)	1.60
Pre-consolidation compensation warrants expired	(864,612)	1.60
Balance, September 30, 2014	Nil	
Post-consolidation warrants granted	5,555,555	\$ 0.70
Balance, March 31, 2015	5,555,555	\$ 0.70

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, 2015, the Company recognized \$61,685 (six months ended March 31, 2014 - \$559,877) in share-based compensation expense with respect to options vested during the period.

12. RELATED PARTY TRANSACTIONS

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

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

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, 2015

12. TRANSACTIONS (cont'd...)

During the six months ended March 31, 2015, the Company entered into the following transactions with key management personnel:

- a) Double Black Diamond Resources LLC. (“DBD Resources”) is a private company controlled by Mr. John Black, CEO and a director to the Company. For the six months ended March 31, 2015, DBD Resources was paid \$71,318 (six months ended March 31, 2014 - \$26,921). Management services paid to DBD Resources are classified as management fees expense.

At March 31, 2015, the Company owed \$12,612 (March 31, 2014 - \$Nil) to DBD Resources.

- b) For the six months ended March 31, 2015, Mr. Fernando Pickmann, President, COO and a director to the Company, was paid or accrued \$71,318 (six months ended March 31, 2014 – \$Nil). Management services paid to Mr. Pickmann are classified as management fees expense.

At March 31, 2015, the Company owed \$71,318 (March 31, 2014 - \$Nil) to Mr. Pickmann.

- c) Unicus Funds Ltd. (“Unicus”) is a private company controlled by Mr. Mark Wayne, CFO and a director to the Company. For the six months ended March 31, 2014, Unicus was paid \$25,000 (six months ended March 31, 2014 – \$24,255). Management services paid to Unicus are classified as management fees expense.

At March 31, 2015, the Company owed \$Nil (March 31, 2014 - \$4,245) to Unicus.

Prior to the six month period ended March 31, 2015, 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 compensation:

	Salaries	Other Payments	Share-based Benefits	Total
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
Six months ended March 31, 2014				
Chief Executive Officer	\$ -	\$ 26,921	\$ -	\$ 26,921
Chief Financial Officer	-	24,255	-	24,255
Non-executive directors	-	-	-	-
	\$ -	\$ 51,176	\$ -	\$ 51,176

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

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, 2015

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Other than disclosed elsewhere in these consolidated financial statements, the significant non-cash transactions for the six months ended March 31, 2015 included:

- a) \$34,685 (six months ended March 31, 2014 - \$49,125) in accounts payable and accrued liabilities related to exploration and evaluation assets.

For the six months ended March 31	2015	2014
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:

	Total Assets		Exploration and Evaluation Assets		Other Assets
March 31, 2015					
Canada	\$ 11,197,084	\$ -	\$ -		11,197,084
Bermuda	4,941	-	-		4,941
Argentina	317,634	15,244	224,865		77,525
Peru	10,966,862	30,327	10,745,255		191,280
Chile	1,434,392	-	1,394,466		39,926
United States	173,909	-	173,909		-
	\$ 24,094,822	\$ 45,571	\$ 12,538,495	\$	11,510,756

	Total Assets	Equipment	Exploration and Evaluation Assets		Other Assets
September 30, 2014					
Canada	\$ 9,721,054	\$ -	\$ -		9,721,054
Bermuda	7,164	-	-		7,164
Argentina	449,401	15,982	249,252		184,167
Peru	9,479,607	31,686	9,253,405		194,516
Chile	1,434,392	-	1,394,466		39,926
United States	93,541	-	93,541		-
	\$ 21,185,159	\$ 47,668	\$ 10,990,664	\$	10,146,827

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, 2015

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

	2015	2014
Gain (loss) for the six months ended March 31:		
Canada	\$ 274,976	\$ (284,679)
Bermuda	(14,852)	(18,664)
Peru	(1,644,021)	-
Chile	133,596	-
Argentina	(565)	8,771
	\$ (1,250,866)	\$ (294,572)

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:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

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

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, 2015, the Company had a cash balance of \$10,926,653 to settle current liabilities of \$960,418. 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.

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, 2015

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

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 \$370,000.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required resulting in proceeds. A 10% fluctuation in market prices would affect comprehensive gain (loss) by \$28,000.

Capital management

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

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.