REGULUS
RESOURCES INC

(the "Company")

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED

DECEMBER 31, 2014

(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

	December 31, 2014	September 30, 2014
ASSETS		
Current		
Cash (Note 5)	$ 12,146,372	$ 9,238,633
Marketable securities (Note 6)	-	-
Receivables (Note 7)	105,505	85,488
Prepaid expenses (Note 8)	155,281	78,706
	12,407,158	9,402,827
Long-term investment (Note10)	752,000	744,000
Equipment	46,095	47,668
Exploration and evaluation assets (Note 9)	12,175,594	10,990,664
	$ 25,380,847	$ 21,185,159
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	$ 758,844	$ 1,350,330
Due to related parties (Note 13)	48,652	143,039
Decommissioning liability	412,607	465,641
	1,220,103	1,959,010
Decommissioning liability	1,094,489	1,068,530
	2,314,592	3,027,540
Shareholders' equity		
Capital stock (Note 12)	78,954,171	74,027,553
Accumulated other comprehensive loss	(7,323,574)	(7,943,502)
Share compensation reserve (Note 12)	4,673,899	4,665,087
Deficit	(53,238,241)	(52,591,519)
	23,066,255	18,157,619
	$ 25,380,847	$ 21,185,159

Nature and continuance of operations (Note 1)

Approved by the Board:

Director:

"John Black"

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John Black

Director and Chairman of the Audit Committee:

"Mark Wayne"

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Mark Wayne

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited –prepared by management)
Expressed in Canadian Dollars
For the period ended December 31

	2014		2013	
	Quarter to Date	Year to Date	Quarter to Date	Year to Date
EXPENSES				
Accounting and audit	$ 16,024	$ 16,024	$ 906	$ 906
Amortization	3,224	3,224	1,820	1,820
Bank charges and interest	8,033	8,033	13,566	13,566
Consulting fees	159,537	159,537	30,599	30,599
Fees and taxes	17,983	17,983	13,588	13,588
Insurance	39,924	39,924	23,925	23,925
Interest expense	7,829	7,829	9,697	9,697
Investor relations and shareholder information	36,667	36,667	7,871	7,871
Legal	76,295	76,295	9,619	9,619
Management fees	80,668	80,668	25,250	25,250
Office and administration	121,430	121,430	20,392	20,392
Rent	31,388	31,388	38,945	38,945
Share-based compensation	8,812	8,812	250,802	250,802
Telephone	2,254	2,254	3,975	3,975
Transfer agent and listing fees	40,683	40,683	841	841
Travel and entertainment	38,180	38,180	2,577	2,577
Wages and benefits	63,887	63,887	22,280	22,280
LOSS BEFORE OTHER ITEMS	(752,818)	(752,818)	(476,653)	(476,653)
OTHER ITEMS				
Gain on foreign exchange	195,283	195,283	196,048	196,048
Gain (loss) on disposal of marketable securities	(6,871)	(6,871)	51,819	51,819
Unrealized loss on marketable securities	-	-	(16,950)	(16,950)
Interest income	26,832	26,832	39,133	39,133
Write-down of exploration & evaluation assets	(109,148)	(109,148)	-	-
LOSS FOR THE PERIOD	(646,722)	(646,722)	(206,603)	(206,603)
Translation adjustment	611,928	611,928	(1,687,389)	(1,687,389)
Comprehensive loss for the period	$ (34,794)	$ (34,794)	$ (1,893,992)	$ (1,893,992)
Loss per common share – basic and diluted	$ (0.01)	$ (0.01)	$ (0.002)	$ (0.002)
Weighted average number of common shares outstanding	**51,921,978**	**51,921,978**	**99,881,603**	**99,881,603**

Regulus Resources Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited –prepared by management)
Expressed in Canadian Dollars
For the period ended December 31, 2014

	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	-		-		-		250,802		-		250,802
Fair value adjustment to long-term investment	-		-		(17,000)		-		-		(17,000)
Foreign exchange adjustment	-		-		(1,687,389)		-		-		(1,687,389)
Loss for the period	-		-		-		-		(206,603)		(206,603)
Balance, December 31, 2013	33,290,538	$	68,297,313	$	(4,181,110)	$	4,252,991	$	(6,508,546)	$	61,860,648

	Number of Shares		Capital Stock		Accumulated Other Comprehensive Loss		Share Compensation Reserve		Deficit		Total
Balance, September 30, 2013	33,290,538	$	68,297,313	$	(2,476,721)	$	4,002,189	$	(6,301,943)	$	63,520,838
Share-based compensation	-		-		-		662,898		-		662,898
Fair value adjustment to long-term investment	-		-		(55,000)		-		-		(55,000)
Foreign exchange adjustment	-		-		(5,411,781)		-		-		(5,411,781)
Share issuance – Southern Legacy	11,988,928		5,730,240		-		-		-		5,730,240
Loss for the year	-		-		-		-		(46,289,576)		(46,289,576)
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

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

	2014 Year to Date	2013 Year to Date
Cash Flows from Operating Activities		
Net loss for the period	$ (646,722)	$ (206,603)
Items not affecting cash:		
Amortization	3,224	1,820
Interest expense	7,829	9,697
Share-based compensation	8,812	250,802
Unrealized loss (gain) on long-term investment	(8,000)	16,950
Loss (gain) on disposal of marketable securities	6,871	(51,819)
Foreign exchange gain on marketable securities	-	(40,889)
Changes in non-cash working capital items:		
Increase in receivables	(18,344)	(4,770)
Increase in prepaid expenses	(77,234)	-
Decrease in accounts payable and accrued liabilities	(750,868)	(6,649)
Increase (decrease) in due to related parties	(94,387)	12,394
Net cash used in operating activities	(1,568,819)	(19,067)
Cash Flows from Financing Activities		
Proceeds from issuance of shares	4,926,618	-
Net cash provided by financing activities	4,926,618	4,926,618
Cash Flows from Investing Activities		
Acquisition of marketable securities	(112,894)	(300,848)
Disposal of marketable securities	180,116	656,780
Acquisition of exploration and evaluation assets	(1,058,896)	(159,875)
Net cash provided by (used in) investing activities	(991,674)	196,057
Effect of foreign exchange on cash	541,614	(172,415)
Increase in cash	2,907,739	4,575
Cash, beginning of period	9,238,633	12,640,766
Cash, end of period	$ 12,146,372	$ 12,645,341

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

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

As at February 28, 2015, the Company has working capital of $11,187,055.

These interim condensed consolidated financial statements were authorized by the audit committee and by the board of directors of the Company on February 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 factor and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

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

Fair value of stock options and warrants

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

3. BASIS OF PREPARATION (cont'd…)

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Decommissioning costs

Upon retirement of the Company's exploration and evaluation assets, decommissioning costs will be incurred by the Company. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. The liability, the related asset and the expense are impacted by estimates with respect to the costs and timing of decommissioning. See Note 12 for further details.

Basis of consolidation

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

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for the entities within the Company is the Canadian dollar (the Company and Pachamama Resources Ltd), the Argentine peso ("A-Peso") (Regulus Argentina S.A. and Minera El Toro S.A.), the United States dollar ("U.S.$") (Pachamama (Bermuda) Ltd, Argex Mining Samenta Ltd and Argex Cerro Gordo Ltd., Southern Legacy Peru S.A.C., Kori Anta S.A.C., SMRL Maria Eugenia 2 Mina Volare de Cajamarca, and Minera Southern Legacy Chile Limitada). The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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

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

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

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

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

Financial liabilities

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

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

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

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

Exploration and evaluation assets

Costs related to pre-exploration are expensed as incurred while costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Cash

Cash is comprised of cash on deposit.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for decommissioning liability

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the consolidated statement of operations and comprehensive loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

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

Share-based compensation

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

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Deferred financing costs

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

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Comprehensive income (loss)

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

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Effective October 1, 2013, the following standards were adopted but have had no material impact on the financial statements.

- IAS 1 (Amendment): This standard is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.
- IFRS 7 (Amendment): This standard is amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.
- IFRS 10: New standard to establish principles for the presentation and preparation of consolidated financial statements, effective for annual periods beginning on or after January 1, 2013.
- IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013.
- IFRS 12: New standard for the disclosure of interest in other entities not within the scope of IFRS 9 / IAS 39, effective for annual periods on or after January 1, 2013.
- IFRS 13: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013.
- IAS 27 (Amendment): As a result of the issue of IFRS 10, IFRS 11 and IFRS 12. IAS 27 deals solely with separate financial statements, effective for annual periods beginning on or after January 1, 2013.
- IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the application of the equity method to investments in associates and joint ventures, effective for annual periods beginning on or after January 1, 2013.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2014. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

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

IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), issued and effective as of December 31, 2014 and 2013.

Expressed in Canadian Dollars

4. ASSET ACQUISITION

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

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

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

5. CASH

	December 31, 2014	September 30, 2014
Cash on deposit	$ 12,146,372	$ 9,238,633

6. MARKETABLE SECURITIES

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

	Fair Value	Cost
Balance as September 30, 2014	-	-
Additions	112,894	112,894
Disposals	(180,116)	(112,894)
Realized loss on disposal	(6,871)	-
Gain on foreign exchange	74,093	-
Balance as at December 31, 2014	$ -	$ -

Expressed in Canadian Dollars

7. 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:

	December 31, 2014	September 30, 2014
Tax credits and advances receivable	$ 105,505	$ 85,488

8. PREPAID EXPENSES

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

	December 31, 2014	September 30, 2014
Rental damage deposit	$ 1,991	$ 1,919
Prepaid expenses	153,290	76,787
	$ 155,281	$ 78,706

9. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, title to its property is in good standing. The exploration and evaluation assets in which the Company has an interest are located in Argentina, Peru, Chile, the U.S. and Canada and the Company is therefore relying on title opinions by legal counsel who are basing such opinions on the laws of Argentina, Peru, Chile, the U.S. and Canada.

	December 31, 2014	September 30, 2014
Argentina properties		
Rio Grande	$ -	$ -
Other properties	224,862	249,252
Total Argentina	$ 224,862	$ 249,252
Peru properties		
Antakori and other properties	$ 10,454,048	$ 9,253,405
Puchuldiza property, Chile	$ 1,394,466	$ 1,394,466
Golden Brew property, Nevada, USA	$ 102,218	$ 93,541
	$ 12,175,594	$ 10,990,664

Expressed in Canadian Dollars

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

	Rio Grande, Argentina	Other, Argentina	Golden Brew, Nevada USA	AntaKori, Peru	Puchuldiza, Chile	Total
Balance, September 30, 2014	$ -	$ 249,252	$ 93,541	$ 9,253,405	$ 1,394,466	$ 10,990,664
Additions:						
Administrative services	4,778	-	-	-	-	4,778
Field operations	9,213	-	103	-	-	9,316
Labour	94,147	-	-	-	-	94,147
Taxes and licences	1,010	7,684	-	-	-	8,694
Third party services	-	-	8,574	1,200,643	-	1,209,217
	$ 109,148	$ 7,684	$ 8,677	$ 1,200,643	$ -	$ 1,326,152
Foreign exchange movement	-	(32,074)	-	-	-	(32,074)
Write-off of exploration and evaluation asset	(109,148)	-	-	-	-	(109,148)
Balance, December 31, 2014	$ -	$ 224,862	$ 102,218	$ 10,454,048	$ 1,394,466	$ 12,175,594

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% 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 93.8% 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;

Expressed in Canadian Dollars

9. 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 83.16% 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		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
	$	7,460,781

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

Expressed in Canadian Dollars

9. 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.

10. LONG-TERM INVESTMENT

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

	Fair Value	Cost
Balance as at September 30, 2014	$ 744,000	$ 740,000
Additions	-	-
Fair market value adjustments	8,000	-
Balance as at December 31, 2014	$ 752,000	$ 740,000

The Company also holds 2,000,000 share purchase warrants exercisable in the capital of Highway 50 Gold Corp. until Feb 28, 2015 at a price of $0.60. These warrants have a fair value of $Nil at December 31, 2014.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2014	September 30, 2013
Trade payables	$ 758,844	$ 926,273
Accrued liabilities	-	424,057
	$ 758,844	$ 1,350,330

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

Expressed in Canadian Dollars

12. 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 December 31, 2014, 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 December 31, 2014:

	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	(4,420,000)	1.00
Balance, September 30, 2014	Nil	
Post-consolidation options granted	4,577,334	$ 0.45
Balance, December 31, 2014	4,577,334	$ 0.45
Number of options currently exercisable	-	

Expressed in Canadian Dollars

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

The following table summarizes information about stock options outstanding at December 31, 2014:

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, December 31, 2014	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 period ended December 31, 2014, the Company recognized $8,812 (December 31, 2013 - $250,802) in share-based compensation expense with respect to options vested during the period.

13. 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

13. RELATED PARTY TRANSACTIONS (cont'd…)

During the three months ended December 31, 2014, 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 three month period ended December 31, 2014, DBD Resources was paid $34,084 (three months ended December 31, 2013 - $13,123). Amounts paid to DBD Resources are classified as management fees in the consolidated statements of operations and comprehensive loss.

   At December 31, 2014, the Company owed $Nil (December 31, 2013 - $Nil) to DBD Resources.

b) For the three month period ended December 31, 2014, Mr. Fernando Pickmann, President, COO and a director to the Company, was paid 34,084 (three months ended December 31, 2013 – $Nil). Amounts paid to Mr. Pickmann are classified as consulting fees in the consolidated statements of operations and comprehensive loss.

   At December 31, 2014, the Company owed $32,752 (December 31, 2013 - $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 three month period ended December 31, 2014, Unicus was paid $12,500 (three months ended December 31, 2013 – $12,127). Amounts paid to Unicus are classified as management fees in the consolidated statements of operations and comprehensive loss.

   At December 31, 2014, the Company owed $Nil (December 31, 2013 - $4,245) to Unicus.

d) The Rock Doctor ("Rock Doctor") is a private company controlled by Mr. Kevin Heather, CGO and a former director to the Company. For the three month period ended December 31, 2014, Rock Doctor was paid $34,084 (three months ended December 3, 2013 – $19,427). Amounts paid to Rock Doctor are included in the consolidated statements of financial position in exploration and evaluation assets (three months ended December 31, 2014 - $Nil; three months ended December 31, 2013 - $9,452), in management fees (three months ended December 31, 2014 - $34,084; three months ended December 31, 2013 - $Nil) or are classified as consulting fees (three months ended December 31, 2014 - $Nil; three months ended December 31, 2013 - $9,975) in the consolidated statements of operations and comprehensive loss.

   At December 31, 2014, the Company owed $15,900 (December 31, 2013 - $12,873) to Rock Doctor.

e) For the three month period ended December 31, 2014, Mr. Javier Robeto, former Vice President, Exploration to the Company, was paid $17,894 (three months ended December 31, 2013 – $16,535). Amounts paid to Mr. Robeto are included in the consolidated statements of financial position in exploration and evaluation assets for the three months ended December 31, 2013 and are classified as wages for the three months ended December 31, 2014.

   At December 31, 2014, the Company owed $Nil (December 31, 2013 - $Nil) to Mr. Robeto.

Prior to the three month period ended December 31, 2014, the Company entered into the following transactions with related parties:

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

Expressed in Canadian Dollars

13. RELATED PARTY TRANSACTIONS (cont'd…)

Key Management Personnel:

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

The remuneration of directors and other members of key management personnel during the three month period ended December 31, 2014 and December 31, 2013 are as follows:

	Salaries	Other Payments	Share-based Benefits	Total
December 31, 2014				
Chief Executive Officer	$ -	$ 34,084	$ 1,348	$ 35,432
Chief Operating Officer	-	34,084	1,348	35,432
Chief Financial Officer	-	12,500	1,348	13,848
Chief Geological Officer	-	34,084	1,348	35,432
Non-executive directors	-	-	1,540	1,540
Former VP, Exploration	-	17,894	433	18,327
	$	$ 132,646	$ 7,365	$ 140,011
December 31, 2013				
Chief Executive Officer	$ -	$ 13,122	$ 48,949	$ 62,071
Chief Financial Officer	-	4,042	48,949	52,991
Chief Geological Officer	-	19,427	48,949	68,376
Non-executive directors	-	-	108,386	108,386
Former VP, Exploration	-	16,535	27,971	44,506
	$ -	$ 53,126	$ 283,204	$ 336,330

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

14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Other than disclosed elsewhere in these consolidated financial statements, the significant non-cash transactions for the three months ended December 31, 2014 included:

a) $5,007 (three months ended December 31, 2013 - $17,310) in accounts payable and accrued liabilities related to exploration and evaluation assets.

For the three months ended December 31	2014	2013
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

Expressed in Canadian Dollars

15. 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	Equipment	Exploration and Evaluation Assets	Other Assets
December 31, 2014				
Canada	$ 12,729,927	$ -	$ -	12,729,927
Bermuda	4,526	-	-	4,526
Argentina	329,598	15,554	224,862	89,182
Peru	10,780,186	30,541	10,454,048	295,597
Chile	1,434,392	-	1,394,466	39,926
United States	102,218	-	102,218	-
	$ 25,380,847	$ 46,095	$ 12,175,594	$ 13,159,158
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

	2014	2013
Loss for the three months ended December 31:		
Canada	$ 121,378	$ 81,103
Bermuda	14,196	5,381
Peru	139,269	-
Chile	133,596	-
Argentina	238,283	120,119
	$ 646,722	$ 206,603

16. 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.

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

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 December 31, 2014, the Company had a cash balance of $12,146,372 to settle current liabilities of $1,220,103. Management believes that it has sufficient funds to meet its current liabilities as they become due.

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

   The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US$, the A-Peso, the Chilean peso ("C-Peso") and the Peruvian neuvo sol ("PEN"). A 10% fluctuation in the US$, A-Peso, C-Peso and PEN against the Canadian dollar would affect accumulated other comprehensive loss for the period by approximately $380,000.

c) Price risk

   The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company currently maintains investments in certain publicly listed companies. There can be no assurance that the Company can exit these positions if required resulting in proceeds. A 10% fluctuation in market prices would affect comprehensive income (loss) by $75,000.

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

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.