(the "Company")

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SECOND QUARTER ENDED

MARCH 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

	March 31, 2014	September 30, 2013
ASSETS		
Current		
Cash *(Note 5)*	$ 12,437,743	$ 12,640,766
Marketable securities *(Note 6)*	-	874,973
Receivables *(Note 7)*	57,349	66,387
Prepaid expenses *(Note 8)*	2,004	2,577
	12,497,096	13,584,703
Long-term investment *(Note10)*	842,500	42,500
Equipment	17,383	26,032
Exploration and evaluation assets *(Note 9)*	46,290,240	50,586,998
	$ 59,647,219	$ 64,240,233
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities *(Note 11)*	$ 85,542	$ 258,092
Due to related parties *(Note 13)*	49,125	86,535
	134,667	344,627
Decommissioning liability	308,229	374,768
	442,896	719,395
Shareholders' equity		
Capital stock *(Note 12)*	68,297,313	68,297,313
Accumulated other comprehensive loss	(7,118,541)	(2,476,721)
Share compensation reserve *(Note 12)*	4,562,066	4,002,189
Deficit	(6,536,515)	(6,301,943)
	59,204,323	63,520,838
	$ 59,647,219	$ 64,240,233

Nature and continuance of operations *(Note 1)*
Subsequent event *(Note 17)*
Approved by the Board:

Director:

"*John Black*"
________________________ Director
John Black

Director:

"*Mark Wayne*"
________________________ Director
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 March 31

	2014		2013	
	Quarter to Date	Year to Date	Quarter to Date	Year to Date
EXPENSES				
Accounting and audit	$ 41,281	$ 42,187	$ 84,876	$ 90,457
Amortization	1,475	3,295	2,984	6,048
Bank charges and interest	6,044	19,610	7,801	34,699
Consulting fees	41,240	71,839	32,522	65,000
Fees and taxes	18,656	32,244	33,444	53,418
Insurance	2,187	26,112	38,603	48,869
Interest expense	9,753	19,450	-	-
Investor relations and shareholder information	11,288	19,159	27,369	53,423
Legal	10,579	20,198	18,083	52,021
Management fees	26,309	51,559	(9,495)	48,681
Office and administration	26,404	46,796	18,113	43,606
Rent	23,380	62,325	26,754	56,090
Share-based compensation	309,075	559,877	374,840	750,007
Telephone	3,899	7,874	3,104	5,443
Transfer agent and listing fees	6,860	7,701	8,593	10,679
Travel and entertainment	21,692	24,269	26,542	41,203
Wages and benefits	15,251	37,531	94,559	110,169
LOSS BEFORE OTHER ITEMS	(575,373)	(1,052,026)	(788,692)	(1,469,813)
OTHER ITEMS				
Gain on foreign exchange	85,377	281,425	46,896	77,637
Interest income	36,972	76,105	42,667	87,392
Gain on option payments			24,500	24,500
Gain on disposal of marketable securities	588,105	639,924	-	-
Unrealized gain on long-term investment	60,000	60,000	-	-
Unrealized loss on marketable securities	(223,050)	(240,000)	-	-
LOSS FOR THE PERIOD	(27,969)	(234,572)	(674,629)	(1,280,284)
Translation adjustment	(2,954,431)	(4,641,820)	228,200	493,002
Comprehensive loss for the period	$ (2,982,400)	$ (4,876,392)	$ (446,429)	$ (787,282)
Loss per common share – basic and diluted	$ (0.000)	$ (0.002)	$ (0.007)	$ (0.01)
Weighted average number of common shares outstanding	**99,881,603**	**99,881,603**	**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 March 31, 2014

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
Balance, September 30, 2012	99,881,603	$ 68,297,313	$ (563,207)	$ 2,535,607	$ (4,323,166)	$ 65,946,547
Share-based compensation	-	-	-	750,007	-	750,007
Foreign exchange adjustment	-	-	493,002	-	-	493,002
Loss for the period	-	-	-	-	(1,280,284)	(1,280,284)
Balance, March 31, 2013	99,881,603	$ 68,297,313	$ (70,205)	$ 3,285,614	$ (5,603,450)	$ 65,909,272

	Number of Shares	Capital Stock	Accumulated Other Comprehensive Loss	Share Compensation Reserve	Deficit	Total
Balance, September 30, 2012	99,881,603	$ 68,297,313	$ (563,207)	$ 2,535,607	$ (4,323,166)	$ 65,946,547
Share-based compensation	-	-	-	1,466,582	-	1,466,582
Fair value adjustment to long-term investment	-	-	(32,000)	-	-	(32,000)
Foreign exchange adjustment	-	-	(1,881,514)	-	-	(1,881,514)
Loss for the period	-	-	-	-	(1,978,777)	(1,978,777)
Balance, September 30, 2013	99,881,603	68,297,313	(2,476,721)	4,002,189	(6,301,943)	63,520,838
Share-based compensation	-	-	-	559,877	-	559,877
Foreign exchange adjustment	-	-	(4,641,820)	-	-	(4,641,820)
Loss for the period	-	-	-	-	(234,572)	(234,572)
Balance, March 31, 2014	99,881,603	$ 68,297,313	$ (7,118,541)	$ 4,562,066	$ (6,536,515)	$ 59,204,323

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

	2014 Year to Date	2013 Year to Date
Cash Flows from Operating Activities		
Net loss for the period	$ (234,572)	$ (1,280,284)
Items not affecting cash:		
Amortization	3,295	6,048
Interest expense	19,450	-
Share-based compensation	559,877	750,007
Option payments	-	(24,500)
Unrealized gain on long-term investment	(60,000)	-
Unrealized loss on marketable securities	240,000	-
Gain on disposal of marketable securities	(639,924)	-
Foreign exchange gain on marketable securities	(107,773)	-
Changes in non-cash working capital items:		
Increase in receivables	(4,761)	(52,929)
Decrease in accounts payable and accrued liabilities	(32,487)	(88,752)
Decrease in due to related parties	(86,582)	(106,615)
Net cash used in operating activities	(343,477)	(797,025)
Cash Flows from Investing Activities		
Acquisition of long-term investment	740,000	-
Acquisition of marketable securities	(853,238)	-
Disposal of marketable securities	2,235,909	-
Acquisition of exploration and evaluation assets	(348,394)	(3,226,514)
Net cash provided by (used in) investing activities	294,277	(3,226,514)
Effect of foreign exchange on cash	(153,823)	1,662,503
Decrease in cash	(203,023)	(2,361,036)
Cash, beginning of period	12,640,766	17,236,765
Cash, end of period	$ 12,437,743	$ 14,875,729

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's common shares commenced trading on the TSX Venture Exchange in Canada on December 20, 2010 under the trading symbol "REG". 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.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. The Company has sufficient cash to cover at least the next 12 months of operations. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

These interim condensed consolidated financial statements were authorized by the audit committee and by the board of directors of the Company on May 30, 2014.

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, 2013, 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…)

Significant assumptions 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 properties 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.

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.

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.

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 future income tax provisions or recoveries could be affected.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 13). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 ("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.). 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 Canadian dollar 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 Company 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.

Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of operations and comprehensive loss during the period in which they are incurred.

The major categories of equipment are amortized as follows:

Vehicles - 30% declining balance basis
Office furnishings - 20% declining balance basis
Equipment - 30% declining balance basis

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of operations and comprehensive loss.

Financial instruments

<u>Financial assets</u>

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

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 statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

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.

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 statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations.

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 as fair value through profit and loss. The Company's long-term investments are classified as available-for-sale. The Company's receivables are classified as loans and receivables. 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 the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. The Company's mineral property is considered to be a cash generating unit. If commercially profitable ore reserves are developed, capitalized costs of the 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.

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 mineral property. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 environmental rehabilitation

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 for the period.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 statement of financial position 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.

New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2013 and have not been applied in preparing these financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

<u>Effective for annual periods beginning on or after January 1, 2013:</u>

Amended standard IFRS 7 Financial Instruments: Disclosures

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities.

New standard IFRS 10 Consolidated Financial Statements

IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements.

New standard IFRS 11 Joint Arrangements

IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement.

New standard IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity's interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity's financial position, financial performance and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standard IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements.

Amended standard IAS 27 Separate Financial Statements

IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, nonconsolidated, financial statements. The previous standard was titled *IAS 27 Consolidated and Separate Financial Statements*.

Amended standard IAS 28 Investments in Associates and Joint Ventures

IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting in investments in associates and joint ventures. The previous standard was titled *IAS 28 Investments in Associates*.

Effective for annual periods beginning on or after January 1, 2014:

Amended standard IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.

Effective for annual periods beginning on or after January 1, 2015:

Amended standard IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 outlines the disclosures required when initially applying *IFRS 9 Financial instruments.*

New standard IFRS 9 Financial Instruments

Partial replacement.

4. ASSET ACQUISITION

Effective May 16, 2012, the Company acquired 100% of the outstanding shares of Pachamama in exchange for the issue of 39,905,131 common shares at a value of $0.75 per share. At the date of acquisition, Pachamama held a 50% interest in Rio Grande (Note 1) as well as additional mineral exploration and evaluation assets in Argentina and Canada.

Expressed in Canadian Dollars

4. ASSET ACQUISITION (cont'd…)

The acquisition of Pachamama 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	$	1,981,363
Receivables		78,536
Equipment		22,770
Long-term investment		50,000
Performance bond		1,500
Exploration and evaluation assets		28,973,142
Accounts payable and accrued liabilities		(19,833)
Decommissioning liability		(1,158,630)
Net assets acquired	$	29,928,848
Consideration paid:		
Value of 39,905,131 common shares of the Company	$	29,928,848

5. CASH

		March 31, 2014		September 30, 2013
Cash on deposit	$	12,437,743	$	12,640,766

6. MARKETABLE SECURITIES

The Company did not hold any marketable securities at March 31, 2014 or March 31, 2013.

Expressed in Canadian Dollars

7. RECEIVABLES

The Company's receivables arise from various tax credits receivable from the Canadian and Argentine government taxation authorities, and advances receivable, as follows:

	March 31, 2014	September 30, 2013
Tax credits and advances receivable	$ 57,349	$ 66,387

8. PREPAID EXPENSES

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

	March 31, 2014	September 30, 2013
Rental damage deposit	$ 2,004	$ 2,577

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 and Canada and the Company is therefore relying on title opinions by legal counsel who are basing such opinions on the laws of Argentina and Canada.

	March 31, 2014	September 30, 2013
Argentina properties		
Rio Grande	$ 46,020,688	$ 50,243,465
Other properties	269,552	343,533
Total Argentina	$ 46,290,240	$ 50,586,998

Expressed in Canadian Dollars

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

	Balance, Sep 30, 2013	Additions	Balance, Mar 31, 2014
Acquisition costs	$ 39,371,273	$ -	$ 39,371,273
Field operations	2,535,501	12,620	2,548,121
Assays	946,116	-	946,116
Administrative services	1,207,654	22,970	1,230,624
Labour	3,975,313	298,891	4,274,204
Geophysics	202,744	-	202,744
Roads and trenches	1,029,173	3,010	1,032,183
Taxes and licenses	317,844	9,170	327,014
Drilling	9,649,186	-	9,649,186
Third party services	2,661,657	1,733	2,663,390
Less: recoveries and transfers	(4,387,626)	-	(4,387,626)
	57,508,835	348,394	57,857,229
Foreign exchange adjustment	(6,921,837)	(4,645,152)	(11,566,989)
	$ 50,586,998	$ (4,296,758)	$ 46,290,240

In addition to Rio Grande, the Company holds a 100% interest in the Aguas Calientes, El Camino, Catua, Oscuro and La Frontera properties in Argentina and the Fireweed property in British Columbia, Canada, and an option to earn a 50% interest in the Golden Brew property in Nevada.

10. LONG-TERM INVESTMENT

Long-term investment is comprised of the following:

	March 31, 2014	September 30, 2013
Fair value of shares of publicly listed entities	$ 842,500	$ 42,500
Historical acquisition cost	$ 899,500	$ 159,500

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2014	September 30, 2013
Trade payables	$ 134,667	$ 240,092
Accrued liabilities		18,000
	$ 134,667	$ 258,092

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.

Stock Options

The Company has a stock option plan ("the Plan") for directors, officers, employees and consultants of the Company and its subsidiaries. The number of common shares subject to the stock options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company. The Plan provides for a maximum term of five years for stock options and sets the most favorable vesting terms as one-third of the total stock options granted on the day of the grant and on each of the first and second anniversaries of the date of grant. As at March 31, 2014, the Company had options outstanding to purchase 6,542,000 common shares at prices ranging from $1.00 to $1.24 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, 2014.

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2012	7,649,000	$ 1.02
Options expired	(12,000)	1.19
Options cancelled	(30,000)	1.00
Options cancelled	(15,000)	0.60
Balance, September 30, 2013	7,592,000	$ 1.02
Options cancelled	(150,000)	0.95
Options cancelled	(500,000)	1.00
Options cancelled	(400,000)	1.07
Balance, March 31, 2014	6,542,000	$ 1.02
Number of options currently exercisable	6,542,000	$ 1.02

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

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$ 1.07	2,090,000	2,090,000	January 31, 2016
1.19	12,000	12,000	May 13, 2016
1.24	20,000	20,000	September 6, 2016
1.00	4,420,000	4,420,000	May 18, 2017
$ 1.02	6,542,000	6,542,000	

Expressed in Canadian Dollars

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

Warrants

The following table summarizes movements in warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2012 and 2013	12,461,731	$ 1.60
Expired	12,461,731	$ 1.60
Balance, March 31, 2014	-	-

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 March 31, 2014, the Company recognized $559,877 (March 31, 2013 - $750,007) 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
Regulus Argentina S.A.	Argentina	100%	Mineral exploration
Pachamama Resources Ltd.	Canada	100%	Holding company
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

All transactions with related parties are in the normal course of operations and are measured at their fair value as determined by management.

During the six months ended March 31, 2014, the Company entered into the following transactions with related parties:

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, 2014, DBD Resources was paid $26,921 (six months ended March 31, 2013 - $49,923). Amounts paid to DBD Resources are classified as management fees in the consolidated statements of operations and comprehensive loss in the current year. In the period ended March 31, 2013, the amount was included in the consolidated statements of financial position in exploration and evaluation assets.

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

Expressed in Canadian Dollars

13. RELATED PARTY TRANSACTIONS (cont'd…)

b) 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 $24,255 (six months ended March 31, 2013 – $48,510). Amounts paid to Unicus are classified as management fees in the consolidated statements of operations and comprehensive loss.

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

c) For the six months ended March 31, 2014, Mr. Wayne Hewgill, former COO and a former director to the Company, was paid $Nil (six months ended March 31, 2013 – $70,015). Amounts paid to Mr. Hewgill are classified as management fees in the consolidated statements of operations and comprehensive loss.

At March 31, 2014, the Company owed $Nil (March 31, 2013 - $5,832) to Mr. Hewgill.

d) The Rock Doctor ("Rock") is a private company controlled by Mr. Kevin Heather, CGO and a former director to the Company. For the six months ended March 31, 2014, Rock was paid $59,209 (six months ended March 31, 2013 – $102,077). Amounts paid to Rock are included in the consolidated statements of financial position in exploration and evaluation assets (March 31, 2014 - $30,976; March 31, 2013 - $102,077) or are classified as consulting fees (March 31, 2014 - $28,233; March 31, 2013 - $Nil) in the consolidated statements of operations and comprehensive loss.

At March 31, 2014, the Company owed $49,125 (March 31, 2013 - $Nil) to Rock.

Key Management Personnel:

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

The remuneration of directors and other members of key management personnel during the six months ended March 31, 2014 and March 31, 2013 are as follows:

	March 31, 2014	March 31, 2013
Salaries and benefits	$ -	$ 70,016
Consultants	144,306	241,781
Share-based compensation	263,389	679,370
	$ 407,695	$ 991,167

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

Expressed in Canadian Dollars

14. 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, 2014 included:

a) $49,125 (six months ended March 31, 2013 - $71,953) in accounts payable and accrued liabilities related to exploration and evaluation assets.

For the six months ended March 31	2014	2013
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

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
March 31, 2014				
Canada	$ 13,258,192	$ -	$ -	$ 13,258,192
Bermuda	2,942	-	-	2,942
Argentina	46,386,085	17,383	46,290,240	78,462
	$ 59,647,219	$ 17,383	$ 46,290,240	$ 13,339,596

	Total Assets	Equipment	Exploration and Evaluation Assets	Other Assets
September 30, 2013				
Canada	$ 13,538,616	$ -	$ -	$ 13,538,616
Bermuda	5,660	-	-	5,660
Argentina	50,695,957	26,032	50,586,998	82,927
	$ 64,240,233	$ 26,032	$ 50,586,998	$ 13,627,203

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.

The fair value of the Company's receivables, prepaid expenses, accounts payable and accrued liabilities, and due to related parties approximate carrying value, which is the amount payable on the consolidated statements of financial position. The Company's other financial instrument, cash and cash equivalents, 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 and cash equivalents are held at large Canadian financial institutions with a portion 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 and Argentina and interest receivable on short-term investments held by the Company's bank. 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, 2014, the Company had a cash balance of $12,437,743 (September 30, 2013 - $12,640,766) to settle current liabilities of $134,667 (September 30, 2013 - $344,627). 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 financial instruments that are denominated in United States dollars ("U.S.$") and the Argentina Peso (Peso). A 10% fluctuation in the U.S.$ and Peso against the Canadian dollar would affect accumulated other comprehensive loss for the period by approximately $40,000.

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 and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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.

17. SUBSEQUENT EVENT

On May 20, 2014 the Company and Southern Legacy Minerals Inc. ("Southern Legacy", LCY TSX.V) announced the signing of a binding agreement dated May 19, 2014 (the "Agreement") that provides for a merger of the two companies (the "Merger"). The Agreement provides that the Merger will be based on an exchange ratio of 0.565 shares of Regulus for each share of Southern Legacy. This ratio was agreed to on arms-length basis by the respective management teams and boards of the two companies based primarily on the relative market capitalization of each company. The specific structure of the Merger has not yet been finalized but the parties will agree on the best way to effect the Merger having regard to all applicable corporate, tax and securities issues, including applicable laws and regulations in Peru. Completion of the Merger is subject to several conditions including execution of formal documentation, regulatory approvals including approval of the TSX Venture Exchange, shareholder approvals and confirmatory diligence. No assurance can be given at this time that the proposed Merger will be completed or that the terms of the Merger will not change materially from those described in the Company's press release dated May 20, 2014.