Management's Discussion and Analysis

First Quarter Report for the Period Ending December 31, 2013

February 28, 2014

This report provides an analysis of the financial and operating results of Regulus Resources Inc. ("Regulus" or the "Company") for the three month periods ended December 31, 2013 and December 31, 2012 and should be read in conjunction with the Consolidated Financial Statements and the related Notes for the three months then ended (the "Financial Statements").

This MD&A has been approved by the Board of Directors. The Financial Statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is Canadian dollars.

Information herein is current as of February 28, 2014 unless otherwise noted.

The reader is encouraged to review Company statutory filings on www.sedar.com and to review general information including reports and maps on the Company's website at www.regulusresources.com.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

DESCRIPTION OF BUSINESS AND OVERVIEW

The Company is an exploration stage company engaged principally in the acquisition and exploration of exploration and evaluation assets. The recovery of the Company's investment in its exploration and evaluation assets is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance this operation. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

Regulus is a well-funded mineral exploration company formed in December 2010 in connection with the sale of Antares Minerals Inc. to First Quantum Minerals Ltd. The Antares team responsible for the discovery of the Haquira porphyry copper deposit, that lead to the sale of Antares, is seeking to build on that experience and make another major discovery. Regulus was initially established to continue exploration at the 100% held Rio Grande Au-Cu-Mo porphyry project in northern Argentina. However, the Company now finds itself in a fortunate position with a good balance sheet ($12 million on hand) as many new opportunities are emerging and aggressive efforts are underway to capture additional opportunities with good potential for significant discoveries. The recently acquired Golden Brew JV represents one such opportunity with potential for the discovery of a new Carlin style gold district in central Nevada. We anticipate the acquisition of additional opportunities in the near future.

The following is a summary of the significant milestones that have occurred since the beginning of the year:

- In December 2013, the Company announced it had entered into an option agreement with Highway 50 Gold Corp. ("Highway 50") to earn a 50% interest in the Golden Brew Project in central Nevada by expending US$5.0 million on exploration over a five year period with a minimum UR$500,000 firm commitment in the first year.

- In conjunction with the Highway 50 agreement, the Company subscribed to a private placement for 2,000,000 units ("Units") in Highway 50 for a total of $740,000. Each Unit consists of one common share and one non-transferable common share purchase warrant, each warrant entitling the holder to purchase one additional common share at an exercise price of $0.60 for one year. 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.

MINERAL PROPERTY REVIEW

This review has been prepared by John Black, CEO and Director of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Mineral Projects).

The Company currently owns, or has the right to acquire an interest in, a project located in Argentina (the Rio Grande Property) and a project located in Nevada (the Golden Brew Property).

Rio Grande Overview

Rio Grande is a large porphyry copper-gold prospect located in Salta Province, northwestern Argentina. Copper-gold mineralization at Rio Grande occurs within the eroded central core of a mid-Miocene intrusive center and is best expressed by a large area (2 km by 2 km) of well-defined, coincident copper-in-soil, gold-in-soil, and induced polarization (IP) chargeability anomalies. Rio Grande has a number of named mineralized zones arranged around a central core as follows: (clockwise): North Zone, Sofia Zone, Discovery Zone, Southwest Zone, and No. 7 Zone. These zones form lenses in an annulus around a suspected deep magmatic source. To the northeast sits the separate and less-explored Cerro Cori Zone (formerly called the Northeast Zone).

The Rio Grande Project is located approximately 55 km southwest of the Taca Taca porphyry copper deposit of Lumina Copper and 11 km northwest of the Lindero gold deposit of Goldrock Mines (formerly Mansfield Minerals) in Salta Province, northwestern Argentina.

On December 6, 2011, Regulus announced the results of an initial 43-101 resource estimate for the Rio Grande project as prepared by Wardrop Engineering Inc. (a Tetra Tech Company). The estimate was calculated using a 0.4% Cu equivalent cut-off and is based on drilling on the project through to the end of 2008 including a total of 78 drill holes (33,015 m) and 11,294 metres of surface trenches. ***None of the drill results from 2011, 2012 or 2013 are included in this resource estimate.*** A copy of the resource estimate report was filed on the Company's SEDAR profile on January 19, 2012.

Highlights of the resource estimate are as follows:

Resource Highlights

Resource Class	Cut-off (% Cu Eq)*	Tonnes	Cu Grade (%)	Au Grade (g/t)	Ag Grade (g/t)	lbs Cu ('000s)	Oz Au	Oz Ag	Cu Eq Grade (%)
Indicated	0.4	55,257,862	0.342	0.359	4.38	416,240	637,025	7,787,342	0.576
Inferred	0.4	101,088,174	0.303	0.308	4.45	674,405	1,002,458	14,449,042	0.511

*Copper equivalent calculation uses $1,100/Oz Au, $3/lb Cu and $20/Oz Ag and is not adjusted for metallurgical recoveries as these remain uncertain. The formula to calculate Cu equivalent is Cu Eq = (Cu x 1) + (Au x 0.5437) + (Ag x 0.0097).

To date, a total of 120 holes (68,218 m) have been drilled at Rio Grande. An ongoing re-evaluation of all previous drilling on the Rio Grande Project is continuing to provide a better understanding of this large copper-gold-molybdenum system and define additional targets. This low-cost work will be completed in Q2 2014 and will enable us to determine the best pathway forward for the Rio Grande project.

Golden Brew Overview

Golden Brew is located at the intersection of the southern flank of the Eastgate volcanic trough and the Western Nevada riff in north-central Nevada. Gold mineralization at Golden Brew is hosted within jasperoid and silicified breccias over a strike length of 2,500 feet and widths up to 200 feet. The jasperoid is developed in thin-bedded limestones and limey siltstones and is anomalous in Carlin-type pathfinder elements of arsenic, antimony and mercury with gold values ranging from 0.1 grams/tonne to 4 grams/tonne. The priority target on the property is the edges of a structural horst block horst located one mile outboard of the jasperoid outcrop under shallow to moderate thicknesses of pediment cover. Drilling in 2011 intersected a 150 foot section of elevated arsenic and antimony at the south-east corner of the horst block within the favourable carbonate section. The horst block is coincident with the projected intersection of a set of crustal scale structures and a strong magnetic low. This magnetic low may reflect magnetic destruction of alteration related to the mineralizing system. Follow-up drilling will focus on the northeastern and southeastern structural corners of the horst block, areas of gravity lows within the gravity high. Gravity lows in this setting may be a function of alteration (decalcification) related to Carlin-type gold mineralization. Additional geological mapping and a detailed review of all available geophysical and geological data will be completed in Q2 2014 to refine drill target selection. A drill program is planned for Q3 2014 on BLM land with subsequent drilling on U.S. Forest Service land possible as soon as the requisite drilling permits are received.

OPERATIONS AND FINANCIAL CONDITION

Summary of Quarterly Results

The following is a summary of certain selected unaudited financial information for the most recent eight fiscal quarters.

Unaudited Fiscal Quarter of the Fiscal Year ended September 30, 2014

All in $1,000's except Loss per Share		**1st Quarter**
Working capital	$	13,097
Loss	$	206
Loss per share	$	0.002
Loss per share (fully diluted)	$	0.002
Total assets	$	62,425
Total liabilities	$	565
Deficit	$	6,508

Unaudited Fiscal Quarters of the Fiscal Year ended September 30, 2013

All in $1,000's except loss per share		**First Quarter**		**Second Quarter**		**Third Quarter**		**Fourth Quarter**
Working capital	$	15,582	$	14,903	$	13,685	$	13,240
Loss (income)	$	605	$	675	$	726	$	(27)
Loss (income) per share	$	0.006	$	0.007	$	0.007	$	(0.000)
Loss (income) per share fully diluted	$	0.006	$	0.007	$	0.007	$	(0.000)
Total assets	$	67,418	$	67,136	$	66,547	$	64,240
Total liabilities	$	1,437	$	1,226	$	1,121	$	719
Deficit	$	4,928	$	5,603	$	6,329	$	6,302

Unaudited Fiscal Quarters of the Fiscal Year ended September 30, 2012

All in $1,000's except loss per share		**4th Quarter**
Working capital	$	16,462
Loss	$	1,055
Loss per share	$	0.01
Loss per share (fully diluted)	$	0.01
Total assets	$	67,986
Total liabilities	$	2,039
Deficit	$	4,323

First Quarter ended December 31, 2013

The Company's loss for the quarter ended December 31, 2013 totaled $206,603, a loss of $0.002 per share, as compared to a loss of $605,655, a loss of $0.006 per share, for the quarter ended December 31, 2012. Interest income of $39,133 reduced the current quarter's loss (December 31, 2012 - $44,725). Administrative expenses for the quarter totaled $476,653 (December 31, 2012 quarter - $681,121). The significant quarterly expenses were share-based compensation of $250,802 (December 31, 2012 quarter - $375,167), legal fees of $9,619 (December 31, 2012 quarter - $33,938), management fees of $25,250 (December 31, 2012 quarter - $58,176), and wages and benefits of $22,280 (December 31, 2012 quarter - $15,610).

The Company's cash increased by $4,575 during the quarter ended December 31, 2013, as compared to a decrease of $1,465,140 during the quarter ended December 31, 2012. Cash resources used in operations during the quarter ended December 31, 2013 totaled $19,067

(December 31, 2012 - $458,065). Cash resources provided by investing activities totaled $196,057 for the quarter ended December 31, 2013 (December 31, 2012 – cash resources used of $1,982,905).

The Company's activities are now focused on acquiring new assets, and exploration activity at Rio Grande has been reduced. The breakdown of material field operations components of exploration and evaluation of assets as at December 31, 2013 and September 30, 2013 are as follows:

	Balance, December 31, 2013	Balance, September 30, 2013
Acquisition costs	$ 39,371,273	$ 39,371,273
Field operations	2,535,406	2,535,501
Assays	946,116	946,116
Administrative services	1,222,370	1,207,654
Labour	4,108,704	3,975,313
Geophysics	202,744	202,744
Roads and trenches	1,029,173	1,029,173
Taxes and licenses	327,822	317,844
Drilling	9,649,186	9,649,186
Third party services	2,663,542	2,661,657
Less: Recoveries and transfers	(4,387,626)	(4,387,626)
	$ 57,668,710	$ 57,508,835

The breakdown of material components of general and administrative expenses for the quarters and years to date ended December 31, 2013 and December 31, 2012 are as follows:

	2013		2012	
	Quarter to Date	Year to Date	Quarter to Date	Year to Date
General and administrative expenses				
Accounting and audit	$ 906	$ 906	$ 5,581	$ 5,581
Bank charges and interest	13,566	13,566	26,898	26,898
Consulting fees	30,599	30,599	32,478	32,478
Fees and taxes	13,588	13,588	19,974	19,974
Insurance	23,925	23,925	10,266	10,266
Investor relations and shareholder information	7,871	7,871	26,054	26,054
Legal	9,619	9,619	33,938	33,938
Management fees	25,250	25,250	58,176	58,176
Office and administration	20,392	20,392	25,493	25,493
Rent	38,945	38,945	29,336	29,336
Telephone	3,975	3,975	2,339	2,339
Transfer agent and listing fees	841	841	2,086	2,086
Travel and entertainment	2,577	2,577	14,661	14,661
Wages and benefits	22,280	22,280	15,610	15,610
	$ 214,334	$ 214,334	$ 302,890	$ 302,890

Liquidity and Capital Resources

Cash at December 31, 2013 totaled $12,645,341 compared to $15,771,625 at December 31, 2012. Working capital at December 31, 2013 was $13,097,356 compared to $15,582,487 as at December 31, 2012. Additions to exploration and evaluation of assets incurred during the period ended December 31, 2013, all in Argentina, totaled $159,875 compared to $1,982,905 incurred for the period ended December 31, 2012. The reduction in costs added to exploration assets reflects the reduced activity level at Rio Grande in the current quarter. The Company has sufficient working capital to continue operations for at least the next 12 months.

The ability of the Company to realize the costs it has incurred to date on its exploration and evaluation assets is dependent upon the Company being able to finance its exploration and development expenditures and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned revenues and is considered to be in the exploration stage.

The Company's authorized capital consists of an unlimited number of common shares without par value.

As at December 31, 2013 and February 28, 2014, the Company had 99,881,603 common shares issued and outstanding (December 31, 2012 – 99,881,603).

During the quarter ended December 31, 2013, there were no stock options granted, exercised or expired and 1,050,000 stock options were cancelled. As at December 31, 2013, the Company had 6,542,000 stock options outstanding at exercise prices ranging from $1.00 to $1.24 with expiry dates ranging from January 31, 2016 to May 18, 2017. Subsequent to the end of the quarter, up to February 28, 2014, there were no options granted or exercised.

During the quarter ended December 31, 2013, there were no warrants issued or exercised. At December 31, 2013, there were 11,597,119 warrants and 864,612 compensation warrants outstanding with an exercise price of $1.60 and a two year period with an expiry date of March 6, 2014.

Related Party Transactions

During the three months ended December 31, 2013, 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 three months ended December 31, 2013, DBD Resources was paid $13,123 (three months ended December 31, 2012 - $24,707). Amounts paid to DBD Resources are classified as management fees in the consolidated statements of operations and comprehensive loss.

   At December 31, 2013, the Company owed $Nil (December 31, 2012 - $Nil) to DBD Resources.

b) Unicus Funds Ltd. ("Unicus") is a private company controlled by Mr. Mark Wayne, CFO and a director to the Company. For the three months ended December 31, 2013, Unicus was paid $12,127 (three months ended December 31, 2012 – $24,255). Amounts paid to Unicus are classified as management fees in the consolidated statements of operations and comprehensive loss.

   At December 31, 2013, the Company owed $4,245 (December 31, 2012 - $Nil) to Unicus.

c) For the three months ended December 31, 2013, Mr. Wayne Hewgill, former COO and a former director to the Company, was paid $Nil (three months ended December 31, 2012 – $33,750). Amounts paid to Mr. Hewgill are classified as management fees in the consolidated statements of operations and comprehensive loss.

   At December 31, 2013, the Company owed $76,238 (December 31, 2012 - $303) to Mr. Hewgill as final payment relating to the termination of his employment contract.

d) The Rock Doctor ("Rock") is a private company controlled by Mr. Kevin Heather, CGO and a former director to the Company. For the three months ended December 31, 2013, Rock was paid $19,427 (three months ended December 31, 2012 – $61,196). Amounts paid to Rock are included in the consolidated statements of financial position in exploration and evaluation assets (2013 – 9,452; 2012 - $61,196) or are classified as consulting fees (2013 - $9,975; 2012 - $Nil) in the consolidated statements of operations and comprehensive loss.

   At December 31, 2013, the Company owed $12,873(December 31, 2012 - $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 three months ended December 31, 2013 and December 31, 2012 are as follows:

		Dec 31, 2013		Dec 31, 2012
Salaries and benefits	$	-	$	33,750
Consultants		44,677		130,249
Share-based compensation		88,573		340,201
	$	133,250	$	504,200

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

Investor Relations

Investor relations activities are performed by directors and officers of the Company.

Financial and Capital Risk Management

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

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

The fair value of the Company's receivables, accounts payable and accrued liabilities and due to related parties approximate carrying value, which is the amount payable 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 a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of tax credits receivable from the governments of Canada and Argentina. As such, the Company does not believe it is subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities are due within one year.

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 and cash equivalents and accounts payable and accrued liabilities that are denominated in United States dollars (“U.S.$”) and the Argentinean Peso (“Peso”). A 10% fluctuation in the U.S.$ and the Peso against the Canadian dollar would affect net loss for the period by approximately $65,000.

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.

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 evaluation of its mineral properties, acquire additional exploration and evaluation assets 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 its cash and cash equivalent balances and 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.

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.

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*.

<u>Effective for annual periods beginning on or after January 1, 2014:</u>

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.

<u>Effective for annual periods beginning on or after January 1, 2015:</u>

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.

Forward Looking Statements

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the volatility of the Company's common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com).