



**Management's Discussion and Analysis**

**First Quarter Report for the  
Three Months Ending December 31, 2014**

February 28, 2015

*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, 2014 and December 31, 2013 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, 2015 unless otherwise noted.

The reader is encouraged to review Company statutory filings on [www.sedar.com](http://www.sedar.com) and to review general information including reports and maps on the Company’s website at [www.regulusresources.com](http://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**

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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 Haqira porphyry copper deposit, that led 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. During the past year, the Company put the Rio Grande project on “hold” and began pursuing new mineral project opportunities with good potential for significant discoveries. In September 2014, the Company completed a merger (the “Merger”) with Southern Legacy pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the “Plan of Arrangement”). The Plan of Arrangement provided for an exchange ratio of 0.1883 shares of the resulting amalgamated company (“Amalco”) for each share of Southern Legacy and an exchange ratio of 0.3333 of Amalco for each share of Regulus. Amalco retained the name *Regulus Resources Inc.* Upon completion of the Plan of Arrangement, Regulus had approximately 45.3 million shares issued and outstanding, of which approximately 74% of were held by former Regulus shareholders and 26% were held by former Southern Legacy shareholders. All of the outstanding common share purchase options of the former Regulus and Southern Legacy were cancelled as part of the Plan of Arrangement for no consideration.

Since the beginning of the year to date, the Company has made the following progress.

### **Private Placement**

In November 2014, the Company completed a non-brokered private placement offering for gross proceeds of approximately \$5,000,000 by issuing 11,111,111 units at \$0.45. Each unit consisted of one common share of the Company and one half of a common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at \$0.70 per share for 3 years.

### **Options**

In December 2014, the Company granted certain directors, officers, consultants and employees incentive stock options to purchase up to 4,577,344 common shares at a price of \$0.45 per share for a period of five years pursuant to its Stock Option Plan.

## 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 owns, or has the right to acquire controlling interests in, a project located in Peru (the AntaKori Property), a project located in Chile (the Puchuldiza Property), a project located in Argentina (the Rio Grande Property) and a project located in Nevada (the Golden Brew Property). The Company also holds several other early stage prospects in northwestern Argentina and Canada.

### AntaKori Overview

The AntaKori project is located in northern Peru and hosts a large telescoped Cu-Au-Ag porphyry system with associated skarn, breccias and porphyry-style mineralization developed in sedimentary and intrusive rocks, and an overprint of epithermal, high-sulphidation mineralization in the overlying volcanic rocks. The project has a preliminary 43-101 inferred resource of 294 million tonnes grading 0.48% Cu and 0.36 g/t Au (see Table 1 below and refer to the Southern Legacy news release of July 3, 2012). The resource is based on only 17,952 m of drilling, is only reported for the portion of the mineralized system that is owned or controlled by the Company, and is open for expansion in several directions.

**Table 1. Summary of NI 43-101 compliant resources for the AntaKori, Rio Grande and Puchuldiza Projects**

Resource	Category	Tonnes millions	Au (g/t)	Cu (%)	Ag (g/t)	Au (M ozs)	Cu (B lbs)	Ag (M ozs)	Au Eq (M ozs)	Cu Eq (B lbs)
AntaKori Cu-Au-Ag	Inferred	294.70	0.36	0.48	10.16	3.40	3.10	93.30	12.81	5.10
Rio Grande Cu- Au	Indicated	55.30	0.36	0.34	4.38	0.64	0.40	7.80	1.81	0.70
	Inferred	101.10	0.31	0.30	4.40	1.00	0.70	14.40	2.93	1.20
Puchuldiza Au	Inferred	30.10	0.71			0.69			0.69	

\*Au Equivalent and Cu Equivalent values were calculated using the following metal prices: Au = US\$1200/oz, Cu = US\$3.00/lb, and Ag = US\$20/oz.

The AntaKori Cu-Au-Ag project is located 60 km north of the city of Cajamarca in the Hualgayoc District, northern Peru. The project is located in a world-class Au-Cu province which hosts a number of nearby deposits, as described below.

- Immediately adjacent to the producing Tantahuatay Gold Mine (Buenaventura-Southern Copper)
- 7 km to the NW of the Cerro Corona Gold-Copper Mine (Goldfields)
- 35 km to the NW of the Yanacocha Gold Mine (Newmont-Buenaventura)
- 40 km to the SE of the La Granja Porphyry Copper deposit (Rio Tinto)
- 50 km to the NW of the Michiquillay Porphyry Copper deposit (Peruvian Government)

Highlights of the AntaKori Project include the following:

- The Company owns or controls 20 mineral concessions, totalling 289 hectares, which cover most, but not all of the currently known AntaKori mineralized system. Further consolidation of mineral tenure is in process.
- A total of 17,952 m of drilling has been completed in 70 drill holes (22 RCDH and 48 DDH).
- Several of the more significant drill intercepts reported to date include:
  - SRC-07 106 m with 0.85 g/t Au and 1.42% Cu from surface
  - DDH-37 202.1 m with 1.00 g/t Au and 1.89% Cu
  - DDH-44 103.2 m with 1.03 g/t Au and 1.38% Cu from surface
  - DDH-50 84 m with 1.11 g/t Au and 1.47% Cu
- An Independent 43-101 report has documented a large telescoped Au-Cu porphyry system with associated, mineralized breccias, skarns, and porphyry-style mineralization hosted in sedimentary and intrusive rocks, and associated epithermal, high-sulphidation mineralization in the overlying volcanic rocks.
- Zones of mineralization have been intercepted by the previous drilling within large geophysical anomalies, thus confirming the utility of the geophysics used in identifying future exploration targets.
- Indication that the mineralized system is open in all directions, and has potential for expansion through future exploration programs.

The Company is currently establishing a new office and expanded team in Peru to explore the AntaKori project. This project is now the flagship project for Regulus and will be the primary focus of our activities. A project budget for 2015 will be finalized in Q1 2015. The focus of our activity in the upcoming year at the AntaKori project will be as follows: 1) continued consolidation of mineral concessions, 2) formation of Community Relations plan and team, 3) negotiation of surface access agreements for areas of interest, 4) preparation and submission of EIA exploration and drilling permit (approximately June, 2015), 5) review of all technical data to establish drilling plan, 6) remediation of some previous mining and exploration sites with community involvement, 7) completion of surface geological mapping and additional geophysical surveys and 8) significant engagement with surrounding communities to plan for upcoming exploration.

We will be submitting a permit application to allow the completion of a major drilling program (approximately 20,000 m of drilling in the first year and considerably more in subsequent years). Approval of this type of permit will likely not be received until early 2016. Accordingly, we do not contemplate drilling activity at the project until Q1 2016. The scope of the mineralized system at AntaKori offers significant upside potential but it will require several years and extensive drilling to fully develop this project.

### **Puchuldiza Overview**

The Puchuldiza Au project is 100% owned by the Company and is located 230 km NW of Iquique in the Comuna de Colchane, Tamarugal Province, Region I, Chile. The Puchuldiza project belongs to a class of gold deposits called "hot spring gold deposits". An example of this style of deposit is at McLaughlin, CA, USA, where approximately 27 million tonnes of 4.49 g/t gold (3.5 million troy ounces) were mined. A total of 35 diamond drill holes (6,097 m) have been completed at the Puchuldiza project and form the basis for an initial NI 43-101 compliant, inferred resource estimate of 30 Mt @ 0.71 g/t Au (using a cut-off grade of 0.5 g/t Au) for a total of 686,000 contained ounces of Au (see Table 1 and the NI 43-101 Technical Report, Pulchuldiza Project, 1 Region, Chile, dated May 15, 2011 under the Southern Legacy profile at [www.sedar.com](http://www.sedar.com)).

The Company plans initial field review of this project in Q1 2015 with emphasis on determination of potential for a higher grade feeder zone. Drilling to date is quite limited with significant areas yet to be tested. The results of this field review will determine subsequent exploration plans for the year.

### **Golden Brew Overview**

The Company has an option agreement with 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 US\$500,000 firm commitment in the first year. The project offers potential for the discovery of a new Carlin style gold deposit beneath post-mineral gravel cover.

Golden Brew is located at the intersection of the southern flank of the Eastgate volcanic trough and the Western Nevada rift 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 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. The targeted areas straddle the boundary between lands administered by the Bureau of Land Management (BLM) and the US Forest Service. Drill permitting is in place for the BLM portion of the property and permitting is well advanced for the U.S. Forest Service lands. The drilling program is anticipated to comprise eight to ten holes for a total of 16,000 feet and a cost of approximately US\$400,000. We currently anticipate that this drilling program will commence in Q2 2015 upon receipt of permits for the targets on U.S. Forest Service land.

### **Rio Grande Overview**

The Company suspended drilling activity at the main Rio Grande Project in late 2012 to conserve cash and re-evaluate the exploration strategy in light of challenging market conditions. During the past year a major project data review has been completed, including re-logging of all drill core from the project. This data review has confirmed potential for further exploration at depth. The Company has currently placed the project on hold and will evaluate the best options and timing to recommence exploration in the future. We also took a number of steps to substantially reduce our overall expenditures at both project and corporate levels. At the same time, we began a process of examining new project opportunities, which resulted in the Merger with Southern Legacy.

### **Other Projects Overview**

In addition to the four principal projects described above, the Company holds 5 early stage exploration projects in Argentina and one early stage project in British Columbia that is currently optioned to Shamrock Enterprises Inc. Details of these projects can be found on the Company's website. There has been no work completed on any of these projects in the past year. We currently plan field reviews of most of the Argentine projects in the first half of 2015 to determine if the projects warrant further work by the Company or if they have potential to be offered to other companies.

## **OPERATIONS AND FINANCIAL CONDITION**

The following selected annual financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with Canadian IFRS guidelines.

<b>All in 1,000's except Loss per Share and # of Shares</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Working capital	\$ 7,444	\$ 13,240	\$ 16,462
General & administration expenses	1,724	3,143	2,967
Net loss	46,290	1,979	2,948
Loss per share	1.39	0.02	0.05
Loss per share (fully diluted)	1.39	0.02	0.05
Total assets	21,185	64,240	67,986
Exploration and evaluation assets	10,991	50,587	50,482
Other non-current assets	792	69	95
Total long term liabilities	1,068	375	1,092
Share capital: <sup>(1)</sup> / <sup>(2)</sup>	74,027	68,297	68,297
Number of Shares: <sup>(1)</sup> / <sup>(2)</sup>	45,279,466	99,881,603	99,881,603
Retained deficit	52,592	6,302	4,323

<sup>(1)</sup> The Company has only one kind and class of shares issued and outstanding, being common shares.

<sup>(2)</sup> No dividends were paid during the years reported above.

### **Summary of Quarterly Results**

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

#### **Unaudited Fiscal Quarters of the Fiscal Year ended September 30, 2015**

<b>All in \$1,000's except loss per share</b>	<b>First Quarter</b>
Working capital	\$ 11,187
Loss	\$ 646
Loss per share	\$ 0.01
Loss per share (fully diluted)	\$ 0.01
Total assets	\$ 25,381
Total liabilities	\$ 2,315
Deficit	\$ 53,238

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

All in \$1,000's except Loss per Share	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Working capital	\$ 13,097	\$ 12,362	\$ 11,354	\$ 7,443
Loss	\$ 206	\$ 28	\$ 281	\$ 45,775
Loss per share	\$ 0.01	\$ 0.00	\$ 0.01	\$ 1.37
Loss per share (fully diluted)	\$ 0.01	\$ 0.00	\$ 0.01	\$ 1.37
Total assets	\$ 62,425	\$ 59,647	\$ 58,642	\$ 21,185
Total liabilities	\$ 565	\$ 443	\$ 424	\$ 3,027
Deficit	\$ 6,508	\$ 6,536	\$ 6,817	\$ 52,592

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

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

**Results of Operations for the Three Months Ended December 31, 2014 Compared to the Three Months Ended December 31, 2013**

During the three months ended December 31, 2014, loss from operating activities was \$646,722 compared to \$206,603 for the three months ended December 31, 2013. The increase in loss from operating activities is due to:

- An increase of \$15,118 in accounting and audit for the three months ended December 31, 2014 compared to the three months ended December 31, 2013 (\$16,024 as compared to \$906). During the three months ended December 31, 2014, the Company incurred higher costs relating to the annual audit.
- An increase of \$128,938 in consulting fees for the three months ended December 31, 2014 compared to the three months ended December 31, 2013 (\$159,537 as compared to \$30,599). A large portion of this increase was attributed to the allocation of administrative costs in the Company's Peruvian and Chilean operations.
- An increase of \$55,418 in management fees for the three months ended December 31, 2014 compared to the three months ended December 31, 2013 (\$80,668 as compared to \$25,250). reflecting the Company's increased activities and the acquisition of Southern Legacy.
- The Company gained \$26,832 in finance income for the three months ended December 31, 2014 compared to \$39,133 for the three months ended December 31, 2013.

**Cash Flow**

*Operating Activities*

Cash used in operating activities was \$1,568,819 for the three months ended December 31, 2014 compared to \$19,067 for the three months ended December 31, 2013. The increase in cash used resulted primarily from the decrease in accounts payable and accrued liabilities.

### Financing Activities

The Company completed a private placement in the three months ended December 31, 2014 with net proceeds of \$4,926,618. The Company did not have any financing activities in the three months ended December 31, 2013.

### Investing Activities

Cash used in investing activities was \$991,674 for the three months ended December 31, 2014 compared to \$196,057 for the three months ended December 31, 2013. During the three months ended December 31, 2014, the Company focused on reorganization of the Company after the Southern Legacy acquisition.

The Company's activities are now focused on developing its new assets in Peru and Chile. The breakdown of material field operations components of exploration and evaluation of assets as at December 31, 2014 are as follows:

	Rio Grande, Argentina	Other	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

### Liquidity and Capital Resources

Cash at December 31, 2014 totaled \$12,146,372 compared to \$12,645,341 at December 31, 2013. Working capital at December 31, 2014 was \$11,187,055 compared to \$13,097,356 as at December 31, 2013. Additions to exploration and evaluation of assets incurred during the period ended December 31, 2014 totaled \$1,058,896 compared to \$159,875 for the period ended December 31, 2013. The majority of the increase reflected the activity in Peru. 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, 2014 and February 28, 2015, the Company had 56,390,577 common shares issued and outstanding (December 31, 2013 – 99,881,603).

### Shares held in escrow

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

During the three months ended December 31, 2014, 4,577,344 stock options were granted at a price of \$0.45 per share all expiring December 17, 2019. As at December 31, 2014, the Company had 4,577,344 stock options outstanding at an exercise price of \$0.45, expiring December 17, 2019. If exercised, the 4,577,344 stock options would increase the Company's available cash by \$2,059,800. Subsequent to the end of the quarter, up to February 28, 2015, there were no options granted or exercised.

During the three months ended December 31, 2014, 11,111,111 units (each a "Unit") were issued at a purchase price of \$0.45 per Unit pursuant to a non-brokered private placement financing for cash proceeds of \$5,000,000. Each Unit consists of one common share of the Company and one half of a common share purchase warrant (each full warrant a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.70 per share. 5,405,555 of the Warrants are exercisable until November 3, 2017 and 150,000 of the Warrants are exercisable until November 6, 2017. If exercised, the 5,555,555 warrants would increase the Company's available cash by \$3,783,888. Subsequent to the end of the quarter and up to February 28, 2015, there were no warrants granted or exercised.

### **Related Party Transactions**

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 31, 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.

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
<b>December 31, 2014</b>				
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
<b>December 31, 2013</b>				
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.

### **Investor Relations**

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

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 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 a large Canadian and Argentinean 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, Chile and Argentina. 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 its accounts 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 the U.S. dollar, the Argentine peso, the Chilean peso and the Peruvian nuevo sol. A 10% fluctuation in the U.S. dollar, Argentine peso, Chilean peso and Peruvian nuevo sol 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.

### *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 exploration and evaluation assets, 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 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**

Effective June 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.

### *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](http://www.SEDAR.com)).