

DALRADIAN RESOURCES

Dalradian Resources Inc.

Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2011 and
the three and six months ended June 30, 2010

(unaudited)

Dalradian Resources Inc.
(An exploration stage company)

Consolidated Balance Sheets

(Expressed in Canadian dollars)

(Unaudited)

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
ASSETS		
Current assets:		
Cash	\$ 27,092,914	\$ 33,173,152
Amounts receivable	583,198	641,422
Prepaid expenses	641,459	508,416
	<u>28,317,571</u>	<u>34,322,990</u>
Plant and equipment (note 4)	849,314	497,702
Mineral properties (note 5).....	13,372,588	9,075,580
	<u>\$ 42,539,473</u>	<u>\$ 43,896,272</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,465,681	\$ 2,126,268
Deferred income taxes	229,767	213,366
	<u>1,695,448</u>	<u>2,339,634</u>
Shareholders' equity:		
Share capital (note 6)	42,704,232	41,420,039
Warrants (note 6).....	5,679,964	5,862,545
Contributed surplus	2,516,224	1,620,537
Accumulated deficit	(10,056,395)	(7,346,483)
	<u>40,844,025</u>	<u>41,556,638</u>
	<u>\$ 42,539,473</u>	<u>\$ 43,896,272</u>

Commitments and contingencies (note 10) and subsequent events (note 12)

See accompanying notes, which are an integral part of these consolidated interim financial statements.

Dalradian Resources Inc.
(An exploration stage company)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Operating expenses:				
Salaries and wages	\$ 455,388	\$ 270,491	\$ 778,716	\$ 299,982
Professional fees and consulting	334,437	111,400	468,234	249,688
Stock-based compensation	701,604	—	838,882	—
Travel and investor relations	181,505	101,649	372,937	159,777
Office, regulatory and general	151,732	76,026	313,878	108,459
Amortization of administrative assets	49,233	275	67,020	550
Foreign exchange loss (gain)	6,472	11,166	4,421	(17,094)
Interest and bank charges	1,520	232	3,085	1,825
	<u>1,881,891</u>	<u>571,239</u>	<u>2,847,173</u>	<u>803,187</u>
Interest income	72,686	—	153,662	—
Deferred income tax (expense) recovery	(19,868)	32,468	(16,401)	(75,560)
	<u>52,818</u>	<u>32,468</u>	<u>137,261</u>	<u>(75,560)</u>
Loss and comprehensive loss for the period	<u>\$ (1,829,073)</u>	<u>\$ (538,771)</u>	<u>\$ (2,709,912)</u>	<u>\$ (878,747)</u>
Loss per share – basic and diluted (note 8)	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>69,475,275</u>	<u>42,155,750</u>	<u>69,286,215</u>	<u>42,155,750</u>

See accompanying notes, which are an integral part of these consolidated interim financial statements.

Dalradian Resources Inc.
(An exploration stage company)

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)
(Unaudited)

	Six months ended	
	June 30, 2011	June 30, 2010
Share capital:		
Balance, beginning of period	\$ 41,420,039	\$ 9,855,166
Options exercised	218,061	—
Warrants exercised	1,066,132	—
Balance, end of period	<u>\$ 42,704,232</u>	<u>\$ 9,855,166</u>
Warrants:		
Balance, beginning of period	\$ 5,862,545	\$ 209,197
Warrants issued	208,751	—
Warrants exercised	(391,332)	—
Balance, end of period	<u>\$ 5,679,964</u>	<u>\$ 209,197</u>
Contributed surplus:		
Balance, beginning of period	\$ 1,620,537	\$ —
Increase from stock-based compensation	979,373	—
Options exercised	(83,686)	—
Balance, end of period	<u>\$ 2,516,224</u>	<u>\$ —</u>
Accumulated deficit:		
Balance, beginning of period	\$ (7,346,483)	\$ (1,243,229)
Loss for the period	(2,709,912)	(878,747)
Balance, end of period	<u>\$ (10,056,395)</u>	<u>\$ (2,121,976)</u>
Total shareholders' equity	<u>\$ 40,844,025</u>	<u>\$ 7,942,387</u>

See accompanying notes, which are an integral part of these consolidated interim financial statements.

Dalradian Resources Inc.
(An exploration stage company)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)
(Unaudited)

	Six months ended	
	June 30, 2011	June 30, 2010
Cash flows from (used in) operating activities:		
Loss for the period	\$ (2,709,912)	\$ (878,747)
Items not effecting cash:		
Unrealized foreign exchange loss (gain)	17,138	(16,906)
Amortization of administrative assets	67,020	550
Stock-based compensation	838,882	—
Interest income	(153,662)	—
Deferred income tax expense	16,401	75,560
Change in non-cash operating working capital:		
Amounts receivable	58,224	(43,351)
Prepaid expenses	(9,171)	(94,695)
Accounts payable and accrued liabilities	(1,170,866)	69,217
Cash flows from operating activities	<u>\$ (3,045,946)</u>	<u>\$ (888,372)</u>
Cash flows from financing activities:		
Issuance of share capital from exercise of options, net of issue costs	\$ 134,375	\$ —
Issuance of share capital from exercise of warrants, net of issue costs..	839,768	—
Cash flows from financing activities	<u>\$ 974,143</u>	<u>\$ —</u>
Cash flows used in investing activities:		
Expenditures on mineral properties	\$ (3,726,325)	\$ (594,160)
Additions to plant and equipment	(446,277)	(7,007)
Interest received	159,651	—
Cash flows used in investing activities	<u>\$ (4,012,951)</u>	<u>\$ (601,167)</u>
Decrease in cash	(6,084,754)	(1,489,539)
Cash, beginning of period	33,173,152	2,694,471
Effect of exchange rate fluctuations on cash held	4,516	—
Cash, end of period	<u>\$ 27,092,914</u>	<u>\$ 1,204,932</u>
Represented by:		
Cash on hand and bank deposits	<u>\$ 27,092,914</u>	<u>\$ 1,204,932</u>

See accompanying notes, which are an integral part of these consolidated interim financial statements.

Notes to Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Dalradian Resources Inc. (the "Company") was incorporated on March 27, 2009, in the Province of Ontario, Canada, and is involved in the acquisition, exploration and development of mineral properties in Northern Ireland. The registered address of the Company's head office is 155 Wellington Street West, Suite 2920, Toronto, Ontario, M5V 3H1. All of the Company's efforts are devoted to the exploration of its properties. The recoverability of the amounts paid for the acquisition of, and investment in, mineral properties (note 5) is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying prospecting licences, the ability to obtain necessary financing and the attainment of profitable operations or, alternatively, the disposal of properties or the Company's interests therein on an advantageous basis.

While the Company has no source of revenue, it believes it has sufficient cash resources to meet its exploration and administrative overhead and maintain its mineral investments planned through December 31, 2012. In order to meet future expenditures and cover administrative and exploration costs beyond that point, the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

The unaudited consolidated condensed interim financial statements ("consolidated interim financial statements") have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Accordingly certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. This is the first year that the Company has adopted IFRS in its interim consolidated financial statements and IFRS 1, *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 13.

These financial statements have been prepared on the going concern basis. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with IFRS and follow the same accounting policies and methods as noted in Note 2 to the unaudited interim consolidated financial statements for the three months ended March 31, 2011.

3. RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9 *Financial Instruments*

IFRS 9 (2009) replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Dalradian Resources Inc.

(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in the statement of loss and comprehensive loss for the period.

IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 except for financial liabilities measured at fair value, which is not expected to be applicable to the Company.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 9 (2010) to have a material impact on the financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 (2010) because of the nature of the Company's operations and the types of financial assets that it holds.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IAS 27 (2008) survives as IAS 27 (2011) *Separate Financial Statements*, only to carry forward the existing accounting requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. When applied, it is expected that the amendment to IFRS 12 will increase the current level of disclosure of interests in other entities.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs,

Dalradian Resources Inc.
(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

the effect of the measurements on the statement of loss and comprehensive loss or other comprehensive income.

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

4. PLANT AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
June 30, 2011			
Furniture and office equipment	\$ 234,397	\$ 32,607	\$ 201,790
Computer equipment	38,568	9,034	29,534
Leasehold improvements	585,543	54,118	531,425
Automobiles	105,639	19,074	86,565
	<u>\$ 964,147</u>	<u>\$ 114,833</u>	<u>\$ 849,314</u>
December 31, 2010			
Furniture and office equipment	\$ 18,888	\$ 6,529	\$ 12,359
Computer equipment	30,271	3,465	26,806
Leasehold improvements	363,072	4,968	358,104
Automobiles	105,639	5,206	100,433
	<u>\$ 517,870</u>	<u>\$ 20,168</u>	<u>\$ 497,702</u>

5. MINERAL PROPERTIES

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Northern Ireland	\$ 13,372,588	\$ 9,075,580
	<u>\$ 13,372,588</u>	<u>\$ 9,075,580</u>

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Balance, beginning of period	\$ 11,222,126	\$ 6,994,080	\$ 9,075,580	\$ 6,701,662
Option and acquisition costs	—	(6,978)	—	17,299
Licences and permits	50,475	52,880	100,519	85,268
Drilling and assays	1,497,305	182,461	2,793,522	264,175
Personnel, administration and travel	487,557	78,541	1,062,193	187,296
Environmental	52,481	—	109,394	—
Studies and evaluation reports	21,196	12,137	47,105	57,421
Stock-based compensation	41,448	—	140,492	—
Warrants	—	—	43,783	—
	<u>\$ 13,372,588</u>	<u>\$ 7,313,121</u>	<u>\$ 13,372,588</u>	<u>\$ 7,313,121</u>

The mineral properties balance of \$13,372,588 at June 30, 2011 includes \$13,328,805 in relation to exploration and evaluation assets and \$43,783 in relation to warrants issued to landowners.

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

Pursuant to a royalty agreement (the "Royalty Agreement") dated December 13, 2004, between Ulster Minerals Limited (now DGL) and Minco Plc, a company duly incorporated under the laws of the Republic of Ireland, a 2% net smelter return royalty on a portion of the Curraghinalt Deposit (as defined in the Royalty Agreement) is payable by DGL to Minco Plc, or its nominee. A 4% royalty will be payable by DGL to the Crown Estate Commissioners ("CEC") on all mineral prospecting licences that comprise the Tyrone Project, upon production of silver and/or gold on the Tyrone Project.

Renewals for the Department of Enterprise, Trade and Investment ("DETI") mineral prospecting licence areas DG3 and DG4 were recently submitted and remain active. The Company has been informed by DETI that it will process these applications as expeditiously as possible.

The Company was informed by the CEC in April 2011 that it had undertaken a review of its Mines Royal policy and indicated its desire to replace mineral prospecting licences with Mining Lease Option Agreements as they become due for renewal. There is no material change in rights or fees between the mineral prospecting licences and Mining Lease Option Agreements. Accordingly, CEC mineral prospecting licences TG3 and TG4 (which correspond to the DETI DG3 and DG4 licences respectively) were renewed as Option Agreements in July 2011.

6. SHARE CAPITAL, WARRANTS AND STOCK OPTIONS

(a) Common shares:

The Company is authorized to issue an unlimited number of common shares with no par value. As at June 30, 2011, 69,887,261 (December 31, 2010: 69,089,916) common shares were issued and outstanding.

	Number of shares issued	Amount
Balance, January 1, 2010	42,155,750	\$ 9,855,166
Public offering	26,100,000	33,903,900
Issuance on exercise of warrants	821,666	1,622,959
Issuance on exercise of options	12,500	5,066
Issuance costs of public offering.....	—	(3,967,052)
Balance, December 31, 2010	69,089,916	\$ 41,420,039
Issuance on exercise of options	12,500	5,066
Balance, March 31, 2011	69,102,416	\$ 41,425,105
Issuance on exercise of options	225,000	212,995
Issuance on exercise of warrants (ii)	559,845	1,066,132
Balance, June 30, 2011	<u>69,887,261</u>	<u>\$ 42,704,232</u>

Dalradian Resources Inc.
(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

(b) Warrants:

	Number of Warrants	Amount	Weighted average exercise price
Balance, January 1, 2010	480,000	\$ 209,197	\$ 0.75
Warrants issued on public offering	13,050,000	5,246,100	2.25
Warrants issued on exercise of broker warrants	130,500	76,908	2.25
Broker warrants issued	1,696,500	1,185,854	1.50
Exercised	(405,000)	(245,198)	(1.23)
Issuance costs of public offering	—	(610,316)	—
Balance, December 31, 2010	14,952,000	\$ 5,862,545	\$ 2.14
Warrants issued (i)	30,000	43,783	2.17
Balance, March 31, 2011	14,982,000	\$ 5,906,328	\$ 2.14
Warrants issued on exercise of broker warrants (ii)	279,922	164,968	2.25
Exercised	(559,845)	(391,332)	(1.50)
Balance, June 30, 2011	<u>14,702,077</u>	<u>\$ 5,679,964</u>	<u>\$ 2.17</u>

(i) On January 1, 2011, the Company issued 30,000 warrants to two landowners at an exercise price of \$2.17 per share. The warrants expire on January 1, 2016 and have a fair value of \$43,783.

(ii) On May 31, 2011, the Company issued 559,845 common shares and 279,922 common share purchase warrants as a result of the exercise of 559,845 broker warrants. The cash proceeds from the warrant exercise was \$839,768 of which \$727,239 was allocated to common shares and \$112,529 was allocated to common share purchase warrants. The fair value on issuance recorded in warrants of \$391,332 was allocated between common shares \$338,893 and common share purchase warrants \$52,439.

As at June 30, 2011, the following warrants were issued and outstanding:

Type	Expiry Date	Number of Warrants	Shares Issuable	Value	Exercise Price
Warrants	December 18, 2011	336,000	336,000	\$ 146,438	\$ 0.75
Warrants	August 10, 2011	13,460,422	13,460,422	4,877,660	2.25
Broker warrants	February 10, 2012	875,655	1,313,483	612,083	1.50
Warrants	January 1, 2016	30,000	30,000	43,783	2.17
		<u>14,702,077</u>	<u>15,139,905</u>	<u>\$ 5,679,964</u>	<u>\$ 2.17</u>

Each warrant entitles the holder to purchase one common share at the stated exercise price up to the expiry date. Each broker warrant entitles the holder to purchase one common share and one-half of one common share purchase warrant at the stated exercise price until August 10, 2011 and thereafter to purchase one common share at the stated exercise price up to February 10, 2012.

Dalradian Resources Inc.
(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

The fair value of the Company's warrants granted during the six months ended June 30, 2011 was estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	100.0%
Risk-free interest rate	1.55% to 1.70%
Expected life (years).....	1.5 to 3
Dividend yield	nil

(c) Stock options:

On April 27, 2010, the Company adopted a new stock option plan under which it is authorized to grant options to senior officers, directors, employees and consultants.

As at June 30, 2011, stock options granted and still outstanding were as follows:

<u>Grant Date</u>	<u>Fair Value of Options Outstanding</u>	<u>Number of Non-Vested Options</u>	<u>Weighted average remaining life in years</u>	<u>Number of Vested Options ²</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
November 16, 2009 ¹	\$ 100,955	137,500	4.12	512,500	\$ 0.25	August 10, 2015
April 15, 2010	1,239,122	766,667	4.12	1,633,333	0.75	August 10, 2015
June 9, 2010	256,575	200,000	4.12	350,000	0.75	August 10, 2015
August 19, 2010	345,556	200,000	4.14	100,000	1.85	August 19, 2015
October 18, 2010	177,237	83,333	4.30	41,667	2.28	October 18, 2015
January 14, 2011	122,178	66,666	4.55	33,334	1.96	January 14, 2016
March 30, 2011	685,250	333,333	4.75	166,667	2.19	March 30, 2016
May 13, 2011	120,345	83,333	4.87	41,667	1.54	May 13, 2016
May 27, 2011	249,632	-	4.91	250,000	1.60	May 27, 2016
	<u>\$ 3,296,850</u>	<u>1,870,832</u>	<u>4.25</u>	<u>3,129,168</u>		

¹ Replacement options were issued on April 28, 2010, following the adoption of the new stock option plan, which replace these options. Under the old plan, as the shares were not listed on any stock exchange, the fair value was determined by the Board of Directors, at their discretion, and options had a term of ten years.

² The weighted average exercise price of vested stock options at June 30, 2011 is \$0.89 (Dec 31, 2010: \$0.77).

On March 30, 2011, 500,000 options were granted to an employee, effective April 6, 2011, with an exercise price of \$2.19 per share. One third of these options vest immediately with the remaining thirds each vesting on the first and second anniversaries of the date they were issued. The options expire March 30, 2016.

On May 13, 2011, 125,000 options were granted to an employee with an exercise price of \$1.54 per share. One third of these options vest immediately with the remaining thirds each vesting on the first and second anniversaries of the date they were issued. The options expire May 13, 2016.

On May 27, 2011, 250,000 options were granted to a director with an exercise price of \$1.60 per share. These options vested on May 27, 2011 and expire May 27, 2016.

Dalradian Resources Inc.
(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

The fair value of the Company's options granted to employees in the six months ended June 30, 2011 was estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	100.0%
Risk-free interest rate	1.68% to 2.13%
Expected life (years).....	3
Dividend yield	nil
Vesting (years)	0 to 3

The Company estimated the future volatility of 100% by reference to the historic volatility of comparable listed companies on the Toronto Stock Exchange.

<u>Grant Date</u>	<u>Three months ended June 30, 2011</u>		<u>Twelve months ended December 31, 2010</u>	
	<u>Number of Options</u>	<u>Weighted average exercise price</u>	<u>Number of Options</u>	<u>Weighted average exercise price</u>
Balance, beginning of period.....	4,350,000	0.81	750,000	0.25
Granted	875,000	1.93	3,625,000	0.94
Exercised.....	(225,000)	(0.58)	(12,500)	(0.25)
Forfeited	—	—	(66,666)	(2.28)
Balance, end of period.....	<u>5,000,000</u>	<u>1.02</u>	<u>4,295,834</u>	<u>0.80</u>

7. RELATED PARTY TRANSACTIONS

Related party transactions comprised:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Management salaries.....	339,247	218,750	612,326	218,750
Directors' fees.....	82,500	—	147,500	—
Stock-based compensation.....	673,713	—	784,686	—
Consulting fees.....	—	31,500	—	63,000
	<u>1,095,460</u>	<u>250,250</u>	<u>1,544,512</u>	<u>281,750</u>

Dalradian Resources Inc.
(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

8. BASIC AND DILUTED LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Numerator:				
Loss for the period and comprehensive loss.....	\$ (1,829,073)	\$ (538,771)	\$ (2,709,912)	\$ (878,747)
Numerator for basic and diluted loss per share.....	<u>\$ (1,829,073)</u>	<u>\$ (538,771)</u>	<u>\$ (2,709,912)</u>	<u>\$ (878,747)</u>
Denominator:				
Weighted average number of common shares.....	69,475,275	42,155,750	69,286,215	42,155,750
Denominator for basic and diluted loss per share.....	<u>69,475,275</u>	<u>42,155,750</u>	<u>69,286,215</u>	<u>42,155,750</u>
Basic and diluted loss per share.....	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>

The stock options and share purchase warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

9. FINANCIAL INSTRUMENTS AND CURRENCY RISK

The carrying values of cash, amounts receivable and accounts payable and accrued liabilities reflected in the consolidated balance sheet approximate fair value because of the short-term maturity of these financial instruments.

On December 16, 2009, the Company issued 416,666 warrants which are exercisable into one common share at an exercise price of U.S. \$0.45. The warrants have been classified as financial liabilities at fair value through the statement of loss and comprehensive loss. They were valued at \$99,952 using the Black-Scholes option pricing on the date of issue. Prior to their exercise on September 30, 2010, a loss of \$662,130 was recorded to adjust the carrying value to fair value.

10. COMMITMENTS AND CONTINGENCIES

The Company may be subject to various contingent liabilities that occur in the normal course of operations.

Dalradian Resources Inc.
(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

11. SEGMENTED REPORTING

The Company has one operating segment, the exploration of gold properties in Northern Ireland, with a head office in Canada. The geographical segmentation of the Company's assets and revenues are as follows:

	<u>Canada</u>	<u>Northern Ireland</u>	<u>Total</u>
As at June 30, 2011			
Current assets	\$ 27,193,448	\$ 1,124,123	\$ 28,317,571
Mineral properties	—	13,372,588	13,372,588
Plant and equipment.....	687,613	161,701	849,314
Total assets	<u>\$ 27,881,061</u>	<u>\$ 14,658,412</u>	<u>\$ 42,539,473</u>
Three months ended June 30, 2011			
Revenue	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net loss.....	<u>\$ 1,486,363</u>	<u>\$ 342,710</u>	<u>\$ 1,829,073</u>
Six months ended June 30, 2011			
Revenue	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net loss.....	<u>\$ 2,243,241</u>	<u>\$ 466,671</u>	<u>\$ 2,709,912</u>
As at December 31, 2010			
Current assets	\$ 33,341,555	\$ 981,435	\$ 34,322,990
Mineral properties	—	9,075,580	9,075,580
Plant and equipment.....	308,488	189,214	497,702
Total assets	<u>\$ 33,650,043</u>	<u>\$ 10,246,229</u>	<u>\$ 43,896,272</u>
Three months ended June 30, 2010			
Revenue	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net loss (income).....	<u>\$ 555,322</u>	<u>\$ (16,551)</u>	<u>\$ 538,771</u>
Six Months ended June 30, 2010			
Revenue	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net loss.....	<u>\$ 789,106</u>	<u>\$ 89,641</u>	<u>\$ 878,747</u>

12. SUBSEQUENT EVENTS

On August 2, 2011, 150,000 options were granted to two employees with an exercise price of \$1.66 per share. One third of these options vest immediately with the remaining thirds each vesting on the first and second anniversaries of the date they were issued. The options expire August 2, 2016.

The common share purchase warrants exercisable at \$2.25 per share expired at 5:00 pm (Toronto time) on August 10, 2011.

Notes to Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

13. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 1, these financial statements are prepared in accordance with IAS 34.

The accounting policies, as noted in Note 2 to the unaudited interim consolidated financial statements for the three months ended March 31, 2011, have been applied in preparing the financial statements for the quarter ended June 30, 2011, the comparative information presented in these financial statements for the quarter ended June 30, 2010, year ended December 31, 2010 and in the preparation of an opening IFRS balance sheet as at January 1, 2010 (the transition date).

In preparing its opening IFRS balance sheet and the comparative information for the quarter ended June 30, 2010 and the year ended December 31, 2010, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with Pre-Changeover Accounting Standards ("PCAS"). An explanation of how the transition from PCAS to IFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables. There were no material changes to the Company's statement of cash flows as a result of the changeover to IFRS.

Dalradian Resources Inc.
(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

Reconciliation of Equity

	PCAS	Warrants (Note a)	Deferred Income Tax (Note c)	IFRS
June 30, 2010				
ASSETS				
Current assets:				
Cash	\$ 1,204,932	\$ —	\$ —	\$ 1,204,932
Amounts receivable	45,266	—	—	45,266
Prepaid expenses	95,950	—	—	95,950
Prepaid expenses	378,279	—	—	378,279
	<u>1,724,427</u>	<u>—</u>	<u>—</u>	<u>1,724,427</u>
Plant and equipment	7,857	—	—	7,857
Mineral properties	7,570,374	—	(257,253)	7,313,121
	<u>\$ 9,302,658</u>	<u>\$ —</u>	<u>\$ (257,253)</u>	<u>\$ 9,045,405</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 870,692	\$ —	\$ —	\$ 870,692
Deferred income taxes	257,253	—	(124,879)	132,374
Warrants	—	99,952	—	99,952
	<u>1,127,945</u>	<u>99,952</u>	<u>(124,879)</u>	<u>1,103,018</u>
Shareholders' equity:				
Share capital	9,855,166	—	—	9,855,166
Warrants	309,149	(99,952)	—	209,197
Contributed surplus	—	—	—	—
Accumulated deficit	(1,989,602)	—	(132,374)	(2,121,976)
	<u>8,174,713</u>	<u>(99,952)</u>	<u>(132,374)</u>	<u>7,942,387</u>
	<u>\$ 9,302,658</u>	<u>\$ —</u>	<u>\$ (257,253)</u>	<u>\$ 9,045,405</u>

Dalradian Resources Inc.
(An exploration stage company)

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

Reconciliation of Comprehensive Income

	PCAS	Deferred Income Tax (Note c)	IFRS	PCAS	Deferred Income Tax (Note c)	IFRS
	Three months ended June 30, 2010			Six months ended June 30, 2010		
Operating expenses:						
Professional fees and consulting.....	\$ 111,400	\$ —	\$ 111,400	\$ 249,688	\$ —	\$ 249,688
Salaries and wages.....	270,491	—	270,491	299,982	—	299,982
Travel and investor relations.....	101,649	—	101,649	159,777	—	159,777
Office, regulatory and general.....	76,026	—	76,026	108,459	—	108,459
Interest and bank charges.....	232	—	232	1,825	—	1,825
Amortization of administrative assets.....	275	—	275	550	—	550
Foreign exchange loss (gain).....	11,166	—	11,166	(17,094)	—	(17,094)
	<u>571,239</u>	<u>—</u>	<u>571,239</u>	<u>803,187</u>	<u>—</u>	<u>803,187</u>
Interest income.....	—	—	—	—	—	—
Deferred income tax credit (expense).....	—	32,468	32,468	—	(75,560)	(75,560)
	<u>—</u>	<u>32,468</u>	<u>32,468</u>	<u>—</u>	<u>(75,560)</u>	<u>(75,560)</u>
Loss and comprehensive loss for the period.....	<u>\$ (571,239)</u>	<u>\$ 32,468</u>	<u>\$ (538,771)</u>	<u>\$ (803,187)</u>	<u>\$ (75,560)</u>	<u>\$ (878,747)</u>
Loss per share – basic and diluted.....	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding.....	<u>\$ 42,155,750</u>	<u>\$ 42,155,750</u>	<u>\$ 42,155,750</u>	<u>\$ 42,155,750</u>	<u>\$ 42,155,750</u>	<u>\$ 42,155,750</u>

Notes to Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

13. EXPLANATION OF TRANSITION TO IFRS (continued)

Notes to the reconciliation of equity and statements of loss and comprehensive loss

- (a) Under PCAS, the Company treated all warrants as equity instruments. However under IFRS, the 416,666 of U.S. dollar denominated share purchase warrants are considered to be a financial instrument. The Company's functional currency is the Canadian dollar. As a result, these warrants are indexed to both the Company's stock price and the foreign exchange rate. The impact of this is to reclassify the U.S. dollar denominated share purchase warrants from equity to liabilities at their fair value and to adjust them to fair value at each period end, with the changes in fair value being recorded in the statements of loss and comprehensive loss.

At the transition date, the impact of the warrants re-classification from equity to liabilities was \$99,952. The warrants were exercised on September 30, 2010 and the impact of this has resulted in a charge to the statement of loss and comprehensive loss of \$662,130 with a corresponding increase in share capital for the year ended December 31, 2010.

- (b) In accordance with IFRS 2, the Company has considered options granted to an individual considered to be a non-employee under PCAS, to be an employee for the purposes of accounting for stock-based compensation. The impact of this is that these options will now be measured by reference to the fair value of the option itself under IFRS, whereas under PCAS the options were adjusted to fair value at each period end.

Based on the vesting terms of stock-based compensation, the Company did not recognize any amounts for stock-based compensation prior to the completion of its initial public offering on August 10, 2010. As such, there is no impact of this difference on the Company's opening balance sheet as at January 1, 2010 or the balance sheet at June 30, 2010. However the impact on the closing balance sheet at December 31, 2010 is a reduction in the charge to the statement of loss and comprehensive loss of \$32,679 with a corresponding reduction in contributed surplus.

In addition, during the year ended December 31, 2010, the Company accelerated the vesting of options issued to former officers of the Company. Under PCAS, this modification was accounted for by reversing previous compensation costs and recognizing the difference in fair value immediately before and after the modification in earnings. IFRS requires that only the previously unrecognized stock compensation costs for the options be recorded in earnings on the date of modification. This difference resulted in a decrease of stock-based compensation costs of \$280,544 during the year ended December 31, 2010.

- (c) Under PCAS, the Company recorded a deferred income tax liability in relation to the acquisition of DGL with a corresponding increase in the mineral property. However under IAS 12, a deferred income tax liability is not recognized when an asset is acquired in a transaction which is not a business combination and affects neither accounting profit nor taxable profit.

In addition, under IFRS the Company has recognized the deferred income taxes related to the difference between the book value of the non-monetary assets and the underlying tax basis, translated to the functional currency using the current foreign exchange rate. Under PCAS, the tax

Notes to Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and six months ended June 30, 2011 and June 30, 2010 (unaudited)

effect of such temporary differences related to translation gains or losses were specifically exempted from being recognized.

At the transition date, the impact of the above has resulted in a reduction in mineral properties of \$274,552, a decrease in the deferred income tax liability of \$217,738 and a decrease in retained earnings of \$56,814. In the six months ended June 30, 2010, the impact is a reduction in mineral properties of \$257,253, a decrease in the deferred income tax liability of \$124,879 and a decrease in retained earnings of \$132,374.

Mandatory and Optional Exemptions

IFRS 1 provides several optional and mandatory exemptions to retrospective application of IFRS. The IFRS 1 exemptions applied by the Company in its conversion from PCAS to IFRS are:

Mandatory Exemptions

Estimates made at the transition date under PCAS must be consistent with estimates made under IFRS, unless they need to be adjusted to reflect a revised accounting policy. At the transition date, the Company did not use hindsight to create or revise estimates.

Optional Exemptions

IAS 32 *Financial Instruments: Presentation* requires an entity to split a compound financial instrument at inception into separate liability and equity components. However under this IFRS, a first-time adopter need not separate these two components if the liability component is no longer outstanding at the date of transition to IFRS. The Company applied this exemption to the convertible debentures which the Company issued during the year ended December 31, 2009 and had been converted to equity by its transition date of January 1, 2010. As a result, the accounting for these debentures under PCAS was unchanged in the changeover to IFRS.