

Management's Discussion and Analysis

**DALRADIAN RESOURCES INC.**

(AN EXPLORATION STAGE COMPANY)

For the three and six months ended June 30, 2010, and  
the three months ended June 30, 2009, and the period from the date of incorporation on  
March 27, 2009, to June 30, 2009

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## **INTRODUCTION**

Unless the context suggests otherwise, references to “Dalradian Resources,” “Dalradian,” “the Company” or similar terms refer to Dalradian Resources Inc. and its wholly-owned subsidiary, Dalradian Gold Limited (“DGL”).

This management’s discussion and analysis (“MD&A”) dated, and, unless otherwise noted, as at, August 12, 2010, should be read in conjunction with the Company’s unaudited interim consolidated financial statements and related notes for the three and six months ended June 30, 2010, and for the three months ended June 30, 2009, and the period from the date of incorporation on March 27, 2009, to June 30, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). All amounts are in Canadian dollars unless otherwise noted.

Each of the following persons is a “qualified person” as defined under the guidelines of National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) of the Canadian Securities Administrators, and has been responsible for preparing the technical report listed below, upon which certain scientific and technical information concerning the Company’s mineral projects has been included.

“A Mineral Resource Estimate for the Curraghinalt Gold Deposit and a Review of a Proposed Exploration Program for the Tyrone Project, County Tyrone and County Londonderry, Northern Ireland” dated May 10, 2010, prepared by B. Terrence Hennessey, P. Geo., and Dinya Kanti Mukhopadhyay, M.Sc., MAusIMM, of Micon International Limited.

Vaughan Williams, P. Geo, Eur. Geol., Project Manager, Aurum Exploration Services is the Qualified Person who supervised the preparation of the technical data in this MD&A.

## **FORWARD-LOOKING INFORMATION**

This MD&A contains “forward-looking information” which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiary and its mineral project, the future price of metals, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words and phrases such as “plans,” “expects,” “is expected,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates,” or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on various assumptions such as continued political stability in Northern Ireland, that permits required for the Company’s operations will be obtained in a timely basis in order to permit the Company to proceed on schedule with its planned drilling programs, that skilled personnel and contractors will be available as the Company’s operations continue to grow, that the price of gold will remain at levels that render the project economic, that the Company will be able to continue raising the necessary capital to finance its operations and realize on mineral resource estimates and current mine plans.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiary to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled “Risk Factors” in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **DESCRIPTION OF BUSINESS**

Incorporated on March 27, 2009, under the name SA Resources Inc. pursuant to the provisions of the *Business Corporations Act* (Ontario), Dalradian is a Canadian-based mineral resource company pursuing the acquisition, exploration, and development of mineral properties in Northern Ireland. The Company's wholly owned subsidiary, DGL (previously Ulster Minerals Limited ("Ulster Minerals")), holds a 100% interest, subject to certain royalties, in eight mineral prospecting licences that cover approximately 84,000 hectares located in the counties of Tyrone and Londonderry, Northern Ireland. The Department of Enterprise, Trade and Investment ("DETI") and the Crown Estate Commissions ("CEC") have each issued four corresponding licences that together grant base and precious metal mineral exploration rights to four contiguous pieces of land, collectively known as the Tyrone Project.

Dalradian is primarily focused on the development of its mesothermal gold Curraghinalt Deposit, located within the Tyrone Project, and its ultimate goal is to build a portfolio of gold and base metal resources within its licences in Northern Ireland.

## **EXECUTIVE SUMMARY**

### **Recent events**

#### *Initial public offering*

The Company entered into an agency agreement dated July 12, 2010, with GMP Securities L.P., Dundee Securities Corporation, Clarus Securities Inc. and Cormark Securities Inc. (collectively, the "Agents") for a proposed initial public offering of units of the Company for up to \$30 million. The size of the offering was subsequently increased and the Company entered into an amended and restated agency agreement dated July 14, 2010 with the Agents for a proposed initial public offering of units of the Company for up to \$34,050,000. Each \$1.50 unit consisted of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$2.25 until August 10, 2011. The Company also granted to the Agents an over-allotment option to purchase additional units equal to up to 15% of the number of units issued pursuant to the offering. The Company closed this offering for 22,700,000 units (not including the over-allotment option) on August 10, 2010, and the common shares and common share purchase warrants began trading on the Toronto Stock Exchange under the symbols DNA and DNA.WT, respectively, on August 10, 2010.

#### *Legal proceedings*

On July 21, 2010, the Company received a demand letter from legal counsel engaged by David C. Knight and Carlin Trend Mining Supplies and Services ("Carlin Trend") seeking payment of approximately US\$172,000 as reimbursement for debts incurred by C3 Resources Inc. ("C3") in respect of the Company's Northern Ireland mining properties and the right to subscribe for an undetermined number of shares in the Company (collectively, the "Payment").

Mr. Knight and Carlin Trend claim that the Payment is owed to them in connection with the assignment of the rights and obligations of C3 under an agreement (the "Option Agreement") granting C3 the option to acquire an equity interest in DGL. The Option Agreement was transferred to the Company pursuant to an assignment and assumption agreement (the "Assignment Agreement") in consideration for \$100,000, which consideration was paid. There was no provision or reference to the Payment in the Assignment Agreement and neither Mr. Knight nor Carlin Trend has been able to provide the Company with a written agreement that provides for the Payment demanded.

As at August 12, 2010, litigation had not commenced and the Company is unable to determine the outcome of the allegations of Mr. Knight and Carlin Trend or the financial or other impact of these allegations on its business. The Company believes that the allegations of Mr. Knight and Carlin Trend are without merit and intends to defend the allegations vigorously.

## Exploration

Drilling at Curraghinalt, which commenced with one rig operated by Irish Drilling in March 2010, continues with the aim of increasing the Company's knowledge of the boundaries of the resource envelope. Four holes were drilled during the three months ended June 30, 2010, for a total of 1,016 metres. The Company has not yet received a complete set of assays, and sampling and analysis is pending.

Micon International Limited delivered its updated mineral resource estimate for the Curraghinalt Deposit in May 2010. The results of its independent report entitled "A Mineral Resource Estimate for the Curraghinalt Gold Deposit and a Review of a Proposed Exploration Program for the Tyrone Project, County Tyrone and County Londonderry, Northern Ireland" dated May 10, 2010, and prepared by B. Terrence Hennessey, P. Geo., and Dibya Kanti Mukhopadhyay, M.Sc., MAusIMM, are summarized below.

### The Curraghinalt Deposit Summary of Mineral Resource Estimate as at November 30, 2009

Category	Tonnes (millions)	Grade (g/t Au)	Contained Gold	
			Tonnes	Million ounces
Indicated	0.95	13.24	12.57	0.40
Inferred	2.46	14.64	35.95	1.16

#### Notes:

1. CIM definitions were followed for the estimation of mineral resources.
2. Mineral resources are not reserves and do not have demonstrable economic viability.
3. Indicated mineral resources are defined as those portions of the Curraghinalt Deposit estimated with a drill spacing generally defined by 30 m by 30 m and a high level of confidence on geological continuity of mineralization. The limit of indicated resource was considered to be 30 m from the last drill hole with the above drill spacing.
4. Inferred mineral resources are defined as those portions of the Curraghinalt Deposit for which grade is interpolated utilizing a wider drill spacing, at places with 100 m radius, or fewer intersections but with a high level of confidence on the geological continuity of the mineralization. The limit of the inferred resource has been considered to be 30 m from the last drill hole on the periphery.
5. The mineral resources were reported at an economic cut-off grade of 5 g/t Au (in light of the significant change in gold prices since 2007) over a minimum thickness of 0.10 m, diluted to 1 m at 0 grade.
6. The mineral resources were estimated using a long-term gold price of US\$900.
7. The mineral resource estimate presented in the report is entirely on the DG1 Mineral Prospecting Licence. A 2% net smelter return royalty on the Curraghinalt Deposit (as defined in the royalty agreement dated December 13, 2004 between Ulster Minerals (now DGL) and Minco Plc) is payable to Minco Plc, or its nominee. A 4% royalty will be payable to the Crown Estate upon production of silver and/or gold on the Tyrone Project.

## OVERVIEW OF SELECTED INFORMATION FROM THE FINANCIAL STATEMENTS

The following table sets forth selected data for the periods ended June 30:

	Three Months Ended		Six-month period	For the period of
	June 30, 2010	June 30, 2009	ended June 30, 2010	incorporation on March 27, 2009 to June 30, 2009
Operating expenses:				
Consulting	\$ 83,096	\$ 246,779	\$ 131,100	\$ 246,779
Professional fees	28,304	228,713	118,588	228,713
Salaries and wages	270,491	—	299,982	—
Travel and promotion	101,649	64,418	159,777	78,823
Office and general	76,026	18,968	108,459	18,968
Interest and bank charges	232	1,767	1,825	1,767
Interest on convertible debentures	—	41,271	—	41,271
Amortization	275	—	550	—
Foreign exchange loss (gain)	11,166	7,880	(17,094)	7,880
Abandoned mineral properties	—	140,975	—	140,975
Loss for the period	\$ (571,235)	\$ (750,771)	\$ (803,187)	\$ (765,176)

### Three months ended June 30, 2010, versus three months ended June 30, 2009

Consulting fees in the three months ended June 30, 2010, decreased to \$83,096 from \$246,779 in the three months ended June 30, 2009, as the Company added employees from January 1, 2010, onwards.

Professional fees decreased in the three months ended June 30, 2010, to \$28,304 from \$228,713 in the three months ended June 30, 2009. Legal fees in 2009 were higher due to costs associated with the set up of the Company. The legal fees associated with the initial public offering have been capitalized in deferred share issue costs.

Salaries and wages increased in the three months ended June 30, 2010, due to an accrual of \$225,000 for unpaid executive salaries as at June 30, 2010, and the hiring of employees in Toronto in 2010.

Travel and promotion increased in the three months ended June 30, 2010, due to increased travel to Northern Ireland, and due to travel to market the initial public offering.

Office and general increased in the three months ended June 30, 2010, as the Company established an office in Toronto.

Interest and bank charges in the three months ended June 30, 2010, decreased to \$232 from \$1,767 in the three months ended June 30, 2009, as the company cancelled credit cards that had led to interest payments in 2009.

There was no interest on convertible debentures in the three months ended June 30, 2010, as all the convertible debentures were converted to equity in the prior year.

Amortization in the three months ended June 30, 2010, increased to \$275 from nil in the three months ended June 30, 2009 due to the acquisition of computers.

Foreign exchange in the three months ended June 30, 2010, increased to a loss of \$11,166 from a loss of \$7,880 in the three months ended June 30, 2009, as a result of the increase in the value of the pound sterling relative to the Canadian dollar.

As the Company was not public at June 30, 2010, no amount has been recorded for the three months ended June 30, 2010 with respect to stock based compensation.

## Six months ended June 30, 2010, versus the period from incorporation on March 27, 2009, to June 30, 2009

Consulting fees in the six months ended June 30, 2010, decreased to \$131,100 from \$246,779 in the period from incorporation on March 27, 2009, to June 30, 2009, as the Company added employees from January 1, 2010, onwards.

Professional fees decreased in the six months ended June 30, 2010, to \$118,588 from \$228,713 in the period from incorporation on March 27, 2009, to June 30, 2009. Legal fees in 2009 were higher due to costs associated with the set up of the Company. The legal fees associated with the initial public offering have been capitalized in deferred share issue costs.

Salaries and wages increased from nil to \$299,982 in the six months ended June 30, 2010, due to an accrual of \$225,000 for unpaid executive salaries as at June 30, 2010, and the hiring of employees.

Travel and promotion increased in the six months ended June 30, 2010, due to increased travel to Northern Ireland, and due to travel to market the initial public offering.

Office and general increased in the six months ended June 30, 2010, as the Company established an office in Toronto.

Amortization in the six months ended June 30, 2010, increased to \$550 from nil in the period from incorporation on March 27, 2009, to June 30, 2009, due to the acquisition of computers.

Foreign exchange in the six months ended June 30, 2010, increased to a gain of \$17,094 from a loss of \$7,880 in the period from incorporation on March 27, 2009, to June 30, 2009, as a result of a decrease in the value of the pound sterling relative to the Canadian dollar.

There was no abandonment during the six months ended June 30, 2010, as the Company's sole focus is now on its properties in Northern Ireland. On May 9, 2009, the Company signed a letter of intent with Rockstone Global Ltd., which owns the rights to a mineral property on the Ivory Coast, and advanced funds to Rockstone Global Ltd. to cover a portion of its expenses related to that property. The Company subsequently terminated this relationship, and does not expect to recover the advanced amounts. As a result, an abandonment charge of \$140,975 was recorded in three and six months ended June 30, 2009.

As the Company was not public at June 30, 2010, no amount has been recorded for the six months ended June 30, 2010 with respect to stock based compensation.

## SUMMARY OF QUARTERLY RESULTS

The following selected data is prepared in accordance with Canadian GAAP and should be read in conjunction with the December 31, 2009, audited consolidated financial statements.

	2010		2009		
	Three months ended		Three months ended		
	June 30	March 31	December 31	June 30	March 31 <sup>1</sup>
<b>Revenue</b>	\$ nil	\$ nil	\$ nil	\$ nil	\$ nil
<b>Net loss</b>	\$ (571,239)	\$ (231,948)	\$ (145,444)	\$ (750,771)	\$ (14,405)
<b>Net loss per common share (basic and diluted)</b>	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.07)	\$ (0.00)
<b>Total assets</b>	\$ 9,302,658	\$ 9,355,222	\$ 9,675,648	\$ 1,480,530	\$ 525,395
<b>Total shareholders' equity</b>	\$ 8,174,713	\$ 8,745,952	\$ 8,977,900	\$ (697,363)	\$ (4,223)

Notes:

1. The Company was incorporated on March 27, 2009, and consequently does not have eight quarters of comparative figures.

The Company has had no revenues to date, as it is in the exploration stage.

The increase in net loss results from costs related to increased investor relations activities, as well as salary and other costs relating to increased corporate activities. The Company continued to explore its Curraghinalt Deposit with a basic drilling program while preparing for the initial public offering.

## **FINANCIAL CONDITION, CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES**

### **Capital resources**

The Company's only source of revenue has been interest income earned from funds on deposit, which have been netted against interest and bank charges.

The Company expects its costs overall to increase as it transitions from a private company to an active public issuer pursuing an exploration program at its licences in Northern Ireland. The Company anticipates increasing its exploration spending, and incurring standard filing and regulatory fees associated with its listings on the Toronto Stock Exchange.

In addition, the Company has an office lease commitment from September 1, 2010, to August 31, 2015, for approximately \$167,000 per annum (inclusive of anticipated taxes and operating costs).

The Company's cash position as at June 30, 2010, is \$1,204,932, and as at August 12, 2010, is approximately \$32 million. The Company's management believes that its current cash position, which includes the proceeds from the Offering, will be sufficient to provide for the Company's fixed costs and current proposed expenditures in the coming year.

### **Financing activities**

The Company closed its initial public offering on August 10, 2010, and generated estimated net proceeds of \$31,086,750, after deduction of the Agents' fee of \$1,872,750 and the estimated expenses of the initial public offering of approximately \$1,090,500 (including an advisory fee), which was paid out of the proceeds of the Offering.

If the over-allotment option granted to the Agents is exercised in full for additional units, the Company expects to receive additional aggregate net proceeds of \$4,775,512, after deducting the Agents' fee and an advisory fee.

As a result of the initial public offering, the Company issued 22,700,000 common shares and 11,349,999 warrants.

### **Liquidity**

The Company's ability to fund the exploration and development of its projects, or acquire additional mineral properties, is conditional on its ability to secured financing when required. The current financial markets are volatile due to the uncertainty in the global economy. The commodity markets have also seen substantial volatility, but the outlook for gold has remained positive. The volatility and uncertainty in the current markets could lead to difficulties in raising funds. See "Risk Factors — Uncertainty of Additional Funding" and "Risk Factors — Recent Global Financial Condition".

### **Contractual obligations**

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

Under the DETI Minerals Prospecting Licences that comprise the Tyrone Project, DGL is required to make the following expenditures over the two year terms of such licences:

<b>DETI Mineral Prospecting Licences</b>	<b>From</b>	<b>To</b>	<b>Expenditure</b>			
<b>DG1</b>	January 1, 2010	December 31, 2010	£	500,000	\$	792,600
	January 1, 2011	December 31, 2011		500,000		792,600
<b>DG2</b>	January 1, 2010	December 31, 2010		100,000 - 200,000		158,520 - 317,040
	January 1, 2011	December 31, 2011		100,000 - 200,000		158,520 - 317,040
<b>DG3</b>	April 25, 2009	April 24, 2010		40,000		63,408
	April 25, 2010	April 24, 2011		40,000		63,408
<b>DG4</b>	April 25, 2009	April 24, 2010		40,000		63,408
	April 25, 2010	April 24, 2011		40,000		63,408
				<u>£ 1,360,000 - 1,460,000</u>		<u>\$ 2,155,872 - 2,472,912</u>

\* Expenditures were converted into Canadian dollars using the noon exchange rate as at June 30, 2010, of £1.00 = 1.5852

### **Off-balance sheet arrangements**

The Company does not have any off-balance sheet arrangements.

### **Transactions with related parties**

During the three and six months ended June 30, 2010, the Company paid consulting fees in the normal course of operations of \$31,500 and \$63,000 (2009 – \$25,200 and \$25,200) respectively, to a company controlled by a former officer of the Company.

### **LEGAL PROCEEDINGS**

On July 21, 2010, the Company received a demand letter from legal counsel engaged by David C. Knight and Carlin Trend seeking payment of approximately US\$172,000 as reimbursement for debts incurred by C3 in respect of the Company's Northern Ireland mining properties and the right to subscribe for an undetermined number of shares in the Company.

Mr. Knight and Carlin Trend claim that the Payment is owed to them in connection with the assignment of the rights and obligations of C3 under the Option Agreement granting C3 the option to acquire an equity interest in DGL. The Option Agreement was transferred to the Company pursuant to the Assignment Agreement in consideration for \$100,000, which consideration was paid. There was no provision or reference to the Payment in the Assignment Agreement and neither Mr. Knight nor Carlin Trend has been able to provide the Company with a written agreement that provides for the Payment demanded.

As at August 12, 2010, litigation had not commenced and the Company is unable to determine the outcome of the allegations of Mr. Knight and Carlin Trend or the financial or other impact of these allegations on its business. The Company believes that the allegations of Mr. Knight and Carlin Trend are without merit and intends to defend the allegations vigorously.

## **RISK MANAGEMENT**

### **Fair value**

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

### **Commodity price risk**

The ability of the Company to develop its properties as well as the future profitability of the Company are directly related to the market price of gold. Commodity prices for gold are affected by numerous factors, such as global consumption and demand for gold, international economic and political trends, fluctuation in value of the US dollar and other currencies, interest rates and inflation.

### **Liquidity risk**

Liquidity risk includes the risk that, as a result of the Company's operational requirements:

- (i) The Company will not have sufficient funds to settle a transaction on the due date;
- (ii) The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- (iii) The Company will be unable to settle or recover a financial asset at all.

The ultimate responsibility for liquidity risk rests with the board of directors of the Company, which has built an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity requirements. The Company's cash requirements and balances are projected based on forecasted operations and capital expenditures. The Company plans to meet these requirements through a mix of available funds, equity financing, sale or mining of assets and project debt financing. Continuing operations are dependent on the Company's ability in the near term to access sufficient capital to complete the Company's exploration and development activities, identify commercial gold reserves and to ultimately have profitable operations. Accounts payable and accrued liabilities as at June 30, 2010, all have contractual maturities of less than 90 days and are subject to normal trade terms.

### **Credit risk**

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the consolidated balance sheet date. The majority of the Company's financial assets are cash, cash equivalents and receivables. The credit risk on cash and cash equivalents is considered by management to be limited because the counterparties are well-known and established financial institutions. During the period ended June 30, 2010, there were no allowances or bad debts on the receivables and no amounts were past due. The maximum exposure to credit risk is represented by the carrying amount of the cash, cash equivalents and amounts receivable on the consolidated balance sheet.

### **Foreign currency risk**

Foreign currency risk is the risk that a variation in the exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company holds cash on hand that is denominated in US dollars and is exposed to foreign currency fluctuations on its assets and operations in Northern Ireland, denominated in pounds sterling. The Company's management monitors the exchange rate fluctuations on a regular basis and does not use currency derivative instruments to manage its exposure to foreign currency fluctuations.

At June 30, 2010, the carrying amounts of the Company's foreign currency-denominated net financial assets are approximately as follows:

	<u>Net financial assets</u>	<u>Effect of 10% change in exchange rate on earnings/loss</u>
US dollars	\$ 300	\$ —
Euros	5,200	500
Pounds sterling	165,000	16,500
	<u>\$ 170,500</u>	<u>\$ 17,000</u>

The Company has a future tax liability denominated in pound sterling. A 10% change in the foreign exchange rate could impact this future tax liability by approximately \$25,700.

### Capital management and disclosures

The Company's policy with respect to managing its capital is as follows:

- (i) to safeguard the entity's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and
- (ii) to raise sufficient funds to finance ongoing mining investments to provide an adequate return to shareholders.

The Company sets the amount of capital in proportion to risk. The Company defines capital as total equity plus long-term debt. Total equity is comprised of share capital, accumulated deficit and contributed surplus and warrants. 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. As at June 30, 2010, total equity was \$8,174,713.

### OUTSTANDING SHARE DATA

The following securities were outstanding as at June 30, 2010:

Common shares	42,155,750
Warrants	896,666
Stock options	<u>3,850,000</u>
Fully diluted shares outstanding	<u>46,902,416</u>

All warrants issued and outstanding expire on December 18, 2011, and entitle the holder to purchase one common share at the stated exercise price.

After closing its initial public offering on August 10, 2010, and as at August 12, 2010 the Company had 64,855,750 common shares outstanding, 13,722,165 warrants outstanding and 3,850,000 stock options issued and outstanding. This amounts to 82,427,915 common shares outstanding on a fully diluted basis.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the consolidated financial statements in accordance with Canadian GAAP requires management to make certain estimates and assumptions. Critical accounting estimates used in the preparation of the consolidated financial statements include the recoverability of mineral properties, the value of warrants and the value of stock-based compensation. These estimates involved considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recorded value of the resource properties is based on historical costs that it expects to recover in the future. Due to the exploratory nature of the business and the exposure to industry risks such as development risk, commodity price risk, exploration risk, environmental risk and currency risk, management cannot be certain as to the recoverability of these costs. Accordingly, there is always the potential for a material adjustment to the value assigned to Dalradian's resource properties.

The Company uses the Black-Scholes option pricing model to estimate the value for all warrants and stock options issued. The model requires share price volatility, expected life to exercise and interest rates to calculate a value. Changes in any of these inputs could cause significant change in the value of the warrants and the stock-based compensation charged.

## **ADOPTION OF NEW ACCOUNTING STANDARDS**

### **International financial reporting standards ("IFRS")**

In February 2008, the Accounting Standards Board announced that 2011 is the changeover year for publicly-listed companies to replace Canadian GAAP with IFRS. The Company will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal years beginning on January 1, 2011. The changeover date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ending December 31, 2010.

#### *Progress Update*

The Company started the conversion to IFRS in July 2010 with the start of project planning. In the third quarter of 2010, an initial diagnostic review of significant IFRS differences is expected to be completed with the assistance of the Company's external auditors. Based on the work done so far, the Company does not expect that the conversion to IFRS will have a significant impact on its accounting processes and internal controls (including information technology systems). The Company will be updating its disclosure controls and procedures to ensure they are appropriate for reporting under IFRS. In addition, the Company does not expect the conversion to IFRS to have a significant impact on its risk management or other business activities.

The Company has not yet completed its assessment of all accounting policy differences that may arise on conversion to IFRS. The following is a summary of the accounting policy differences that have been identified to date:

- (a) Property, plant and equipment – IFRS requires that the Company identify the different components of its fixed assets and record amortization based on the useful lives of each component. The Company has reviewed the depreciation of its existing property, plant and equipment and does not expect any material differences between IFRS and the Company's current depreciation policies.
- (b) Impairment – International Accounting Standard (IAS) 36, "Impairment of Assets," uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. IFRS also has the requirement under IAS 36 to reverse any previous

impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

The Company has not yet quantified the impact of these differences on its consolidated financial statements. A number of other differences between Canadian GAAP and IFRS have been identified, but not yet assessed by the Company, including the accounting for mineral properties, income taxes, stock options, financial instruments and disclosure requirements. These differences may have a material impact on the Company's financial statements.

A more detailed review of the impact of IFRS on the Company's consolidated financial statements is in progress and will be completed during 2010.

### **Business combinations, consolidated financial statements and non-controlling interests**

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests. Section 1582 replaces Section 1581, Business Combinations, and establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under IFRS. Section 1601, together with Section 1602, replaces Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1582, Section 1601 and Section 1602 are applicable for the Company for the fiscal year beginning on January 1, 2011, with concurrent early adoption permitted. An entity must adopt Section 1582, Section 1601 and Section 1602 at the same time. The Company has not yet determined the impact of the adoption of these new sections on its consolidated financial statements.

### **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and processes have been designed to ensure that information required to be disclosed by the Company is compiled and reported to Company management as appropriate to allow timely decisions regarding required disclosure. The Company's chief executive officer and chief financial officer have concluded, based on their evaluation as of June 30, 2010, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company is made known to them by employees and third party consultants working for the Company.

There have been no significant changes in the Company's disclosure control and processes during the three months ended June 30, 2010.

It should be noted that while the Company's chief executive officer and chief financial officer believe that our disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### **RISK FACTORS**

The Company is subject to a number of risks and uncertainties. In addition to considering the information disclosed in the financial statements, in the Company's Amended and Restated Prospectus dated July 14, 2010, as well as in the Amendment No. 1 date July 29, 2010, thereon, and in other publicly filed documentation regarding the Company available at [www.sedar.com](http://www.sedar.com), the reader should carefully consider the following information. Any of these risk elements could have a material adverse effect on the business of the Company.

### **Limited operating history**

The Company has a very limited history of operations, is in the early stage of development and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no history of earnings. The purpose of the initial public offering is to raise funds to carry out exploration and development, with the objective of establishing economic quantities of mineral deposits at the Tyrone Project.

### **No history of revenues**

The Company has limited financial resources, has earned nominal revenue since commencing operations, has no source of operating cash flow and there is no assurance that additional funding will be available to it for exploration and development. Furthermore, additional financing will be required to continue the development of the Company's properties even if the Company's exploration program is successful. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties with the possible loss of such properties.

### **Uncertainty of additional funding**

With the proceeds of the initial public offering, the Company will have sufficient financial resources to undertake its presently planned course of exploration and development on the Tyrone Project. Further operations will require additional capital and will depend on the Company's ability to obtain financing through debt financing, equity financing or other means. There is no assurance that the Company will be successful in obtaining the required financing or that such financing will be available on terms acceptable to the Company. In addition, any future financing may also be dilutive to existing shareholders of the Company.

### **Recent global financial conditions**

Recent global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by the sub-prime mortgages, the liquidity crisis affecting the asset-backed commercial paper market and the European sovereign debt crisis. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms that are favourable and acceptable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the securities could be adversely affected.

### **Dependence on one mineral resource project**

The Company's only mineral property is the Tyrone Project. As a result, unless the Company acquires additional properties or projects, any adverse developments affecting this project or the Company's rights to develop this property could materially adversely affect the Company's business, financial condition and results of operations.

### **Uncertainty of acquiring necessary licences, permits and access rights**

Although the Company currently holds the necessary licences and permits it requires in order to carry out its presently planned course of exploration and development, the Company has no assurance that it will receive any permits, including environmental and drilling permits, that may be required in the future to carry out further exploration, development and production activities on its properties, or obtain them in a

timely manner. The failure to obtain such permits could adversely affect the Company's operations and consequently the value of the securities of the Company.

The grant of DETI and CEC mineral prospecting licences does not automatically confer upon the licensee rights of access to the licensed areas and the Company is required to secure access agreements with the relevant landowners. While the Company currently has sufficient agreements in place to access the Tyrone Project, further access agreements will need to be entered into with additional landowners for the Company to carry out further proposed work programs in the relevant areas extending beyond the Curraghinalt Deposit. There is no assurance that the Company will be able to obtain the cooperation of other landowners or successfully negotiate access agreements on terms that are favourable to the Company. In the event that future access agreements cannot be secured as necessary in a timely manner or at all, the Company's ability to pursue further exploration and development work in accordance with its intended work program at the Tyrone Project may be adversely affected.

### **Risks and hazards inherent in the mining industry**

The Company's operations are and will continue to be subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. Some of these risks include but are not limited to environmental hazards, industrial accidents, labour disputes, unusual or unexpected geologic formations or other geological or grade problems, unanticipated changes in metallurgical characteristics and mineral recovery, unanticipated ground or water conditions, cave-ins, flooding, rock bursts, periodic interruptions due to bad or hazardous weather conditions and other acts of nature, and unfavourable operating conditions. There are also physical risks to the mining personnel working in the terrain of Northern Ireland, often in varying climate conditions.

Should any of these risks and hazards adversely affect the Company's mining operations or activities, it may cause an increase in the cost of operations to the point where it is no longer economically feasible to continue, it may require the Company to write down the carrying value of one or more mines or a property, it may cause delays or a stoppage in mineral exploration, development or production, it may result in damage to or destruction of mineral properties or processing facilities, and may result in personal injury or death or legal liability, all of which may have a material adverse effect on the Company's financial condition, results of operation, and future cash flows and could have an adverse effect on the value of the securities of the Company.

### **Uncertainty of mineral resource estimates**

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves and the future cash flows that might be derived from their production. Accordingly, the figures for mineral resources contained in this MD&A are estimates only. The estimation of mineralization is a subjective process and the accuracy of estimates is a function of quantity and quality of available data, the accuracy of statistical computations, and the assumptions and judgments made in interpreting engineering and geological information. In respect of mineral resource estimates, no assurance can be given that the anticipated tonnage and grades will be achieved, that the indicated level of recovery will be realized or that mineral resources will be upgraded to mineral reserve categories or mined or processed profitably. In addition, in respect of future cash flows, actual cash flows may differ materially from estimates. Estimates of mineral resources, and future cash flows to be derived from the production of such mineral resources necessarily depend upon a number of variable factors and assumptions, including, among others, geological and mining conditions that may not be fully identified by available exploration data or that may differ from experience in current operations, historical production from the area compared with production from other producing areas, the assumed effects of regulation by governmental agencies and assumptions concerning metal prices, exchange rates, interest rates, inflation, operating costs, development and maintenance costs, reclamation costs and the availability and cost of labour, equipment, raw materials and other services required to mine and refine the ore.

Estimates may have to be recalculated based on changes in mineral prices or further exploration or development activity. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence estimates. Market price fluctuations for minerals, increased production costs or reduced recovery rates, or other factors can adversely affect the economic viability of a project.

There can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during productions. For these reasons, estimates of the Company's mineral resources in this MD&A, including classifications thereof based on probability of recovery, and any estimates of future cash flows expected from the production of those mineral resources may vary substantially. The actual volume and grade of mineral resources mined and processed and the actual cash flows derived from that production, may not be as currently anticipated in such estimates. If the Company's actual mineral resources or cash flows are less than its estimates, the Company's results of operations and financial condition may be materially impaired and there could be an adverse affect on the value of the securities of the Company.

#### **Uncertainty of inferred mineral resources**

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. The estimates of mineral resources contained in this MD&A contain estimates of inferred mineral resources. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

#### **Risks relating to government regulation**

The Company's mining operations and properties are subject to various laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labour standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of the Company's permits and agreements, which could have a material adverse impact on the Company's current operations and future development projects. The Company may experience increased costs and delays in production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that the Company will be able to obtain all required permits on reasonable terms or on a timely basis.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder including the loss of the Company's mining licences, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

#### **Risk associated with foreign operations**

The Company's material property is located in Northern Ireland and, accordingly, the Company is subject to risks normally associated with the exploration, development and production of mineral properties in Northern Ireland. The Company's operations may be affected in varying degrees by political change and changes in government regulations relating to foreign investment and the mining industry. Operations may also be affected in varying degrees by possible political and labour unrest, fluctuations in currency exchange rates and high inflation. Operations may be affected in varying degrees by government

regulations with respect to restrictions on production, price controls, export controls, income taxes, and environmental legislation and safety. Any such changes (including new or modified taxes or other governmental levies and new legislation) could have a material adverse effect on the Company's results of operations and financial condition. The Company cannot predict the government's position on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect the Company's business and/or its holdings, assets and operations. Any changes in regulations or shifts in political conditions are beyond the Company's control and there is no assurance that current and future mineral operations will not be adversely impacted by political, social or economic changes.

### **Planning and environmental risks and liabilities**

The Company's current and future operations, including development and production activities, are subject to environmental regulations promulgated by the Northern Ireland government and other agencies from time to time. The Company is subject to potential risks and unanticipated liabilities associated with pollution of the environment, disposal of waste products from its mining operations and potential site discharges. In relation to hazardous substances such as mercury or cyanide, Article 53 of The Planning (Northern Ireland) Order 1991 requires hazardous substance consent to be obtained for the presence on, over or under land of a hazardous substance in an amount at or above a specified controlled quantity. Pursuant to The Water (Northern Ireland) Order 1999, given the current site conditions, a discharge consent may be required. There is no assurance that the Company will be able to obtain such consents in a timely manner or at all. Previous operations may have caused environmental damage at certain of the Company's properties. It may be difficult or impossible to assess the extent to which such damage was caused by the Company or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective and the Company may be responsible for the costs of reclamation.

Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect operations at the Company's Tyrone Project. Environmental hazards may exist on the relevant properties that are unknown to the Company at present.

To the extent the Company is subject to environmental liabilities, the payment of any liabilities or the costs that may be incurred to remedy environmental impacts would reduce funds otherwise available for operations. If the Company is unable to remedy an environmental problem fully, it may be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential financial exposure may be significant. The Company does not currently carry insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production).

In relation to planning permission issues, the proposed prospecting work in Northern Ireland may constitute development that would require planning permission and compliance with Part 16 of the Planning (General Development) Order (Northern Ireland) 1993 and may also be subject to the Planning (Environmental Impact Assessment) Regulations (Northern Ireland) 1999. Depending on the scale of the development, any such applications could result in a public inquiry and the obtaining of the required consent could take a significant period of time. There is no assurance that the Company will be able to obtain such consent in a timely manner or at all.

There are a number of possible constraints to mine development, and the Company will need to carry out detailed assessments of all proposed activities to ensure that mineral development is carried out in accordance with applicable Northern Irish planning law and environmental regulations.

The progression of mineral development will therefore require close scrutiny of all relevant sites and designations of those sites and close co-operation with the relevant planning and environmental authorities. In addition to the costs entailed, the timeframe for securing the permits and consents could be subject to significant delays depending on the approach taken by the planning authorities.

There is no ultimate guarantee that all necessary permits and consents will be obtained.

### **The use and carriage of explosives in Northern Ireland**

In order to bring explosives into Northern Ireland, the Company will be required to make an application in writing to the Northern Ireland Office outlining its plans for the proposed mining site, detailing what explosives will be used and for what purpose. This application will then be considered by the Secretary of State for Northern Ireland who may grant a licence for the use of the explosives and a licence for the site. Any licence that is granted is subject to the approval and sole discretion of the Secretary of State. There is no assurance that the Company will receive any such approval if and when an application is submitted.

Furthermore, any explosive transported in Northern Ireland or used within the jurisdiction must be approved by the Police Service of Northern Ireland ("PSNI") as per the Justice and Security Act 2007 and must be escorted by an armed guard at all times. The PSNI must be satisfied that the storage facilities for the explosives are of a suitable standard. There is no assurance that the PSNI will approve any storage facilities for any explosives the Company may require.

The Company will also be required to serve notice on the Firearms and Explosives Branch of the PSNI in relation to tools or materials used to detonate any explosives during the course of any mining work. Any tools used must be marked and registered in Northern Ireland.

### **Title risks**

The acquisition of title to resource properties or interests is a very detailed and time-consuming process. Title to the areas covered by the Mineral Prospecting Licences may be disputed. Title may be based upon interpretation of a country's laws, which may be ambiguous, inconsistently applied and subject to reinterpretation or change. While the Company has diligently investigated its title to, and rights over and interests in and relating to, the Tyrone Project, there is no guarantee of title to any of the Company's properties, which may be subject to prior unregistered liens, agreements, transfers or claims, and rights may be affected by, among other things, undetected defects in title.

### **Fluctuations in mineral prices could adversely affect future operations**

The Company's future profitability and long-term viability will depend, in large part, on the global market price of gold and other minerals that are produced and the marketability of such minerals extracted from the Tyrone Project. The market price of gold is set in the world market and is affected by numerous factors beyond the Company's control, including the demand for precious metals, inflation, currency exchange fluctuations, interest rates, speculative activities, international political and economic trends, gold production levels, inventories, demand for jewellery and industrial products containing metals, costs of substitutes, production costs, increased production due to new and improved extraction and production methods, sales by central banks and other holders, global and regional consumption patterns, demand and supply. The aggregate effect of these factors on resource prices is impossible for the Company to predict.

### **Insurance risks**

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing and processing facilities, personal injury or death, environmental damage, delays in mining, and monetary losses and possible legal liability. Where required or considered practical to do so, the Company maintains insurance against risks in the operation of its business and in amounts believed to be consistent with industry practice. Such insurance contains exclusions and limitations on coverage. The Company currently maintains directors and officers' liability insurance. The Company's

insurance policies may not provide coverage for all losses related to the Company's business and the payment of any such liabilities not covered by such insurance policies would reduce the funds available to the Company and could have a material and adverse effect on the Company's profitability, results of operation and financial condition. Furthermore, there can be no assurance that such insurance will continue to be available, or that it will be available on terms and conditions acceptable to the Company.

#### **Dependence on management and outside advisors**

The success of the Company's operations and activities is dependent to a significant extent on the efforts and abilities of its management team, as well as outside contractors, experts and other advisors. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors, experts and other advisors hired by the Company. The Company does not have in place a formal program for succession of management or training of management. The loss of one or more members of senior management, key employees or contractors, if not replaced, could materially adversely affect the Company's operations and financial performance.

#### **Currency fluctuations**

The Company's mining activities in Northern Ireland will render it subject to foreign currency fluctuations. The effects of the foreign exchange rate on operating costs and on cash flows, and the escalation of the pound sterling relative to the Canadian dollar may be significant. The Company does not currently have any intention to enter into hedging contracts in connection with foreign currencies. The appreciation of the pound sterling against the Canadian dollar would in Canadian dollar terms increase the costs of exploration and development of the Company's property, increase the future operating costs, and increase future taxes and royalties paid to the Northern Ireland government. These increased costs could materially and adversely affect the Company's profitability, results of operation and financial condition. Since Dalradian's financial results will be reported in Canadian dollars, its financial position and results will be impacted by exchange fluctuations between the pound sterling and the Canadian dollar.

#### **Competition in the mining industry**

The Company competes with other mineral exploration and mining companies for the acquisition of mineral claims, permits, concessions and other mineral interests as well as for the recruitment and retention of qualified employees. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources, the Company may be unable to acquire additional attractive mining concessions or financing on terms it considers acceptable. Increased competition could result in increased costs and reduced profitability. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

#### **Inability to enforce legal rights in certain circumstances**

The Company is organized under the laws of Ontario; however, its operating subsidiary is organized under the laws of Northern Ireland. In the event a dispute arises in Northern Ireland or in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, given that a substantial portion of the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company or enforcing any judgments obtained in the Canadian courts and predicated on the civil liability provisions of Canadian securities legislation or other laws of Canada, against foreign persons or the Company.

#### **Conflicts of interest**

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development. To the extent that such other companies may participate in ventures in which the Company may participate, there exists the possibility for such directors and officers to be or come into a position of conflict. In accordance with the laws of

Canada, directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In addition, such directors will declare and abstain from voting on any matter in which such directors may have a conflict of interest.

### **Litigation risks**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute, including with the letter described under the heading Legal Proceedings above, or that may otherwise arise after the date hereof, will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition.

### **No hedging policy**

The Company does not currently have a hedging policy and has no present intention to establish one. Accordingly, the Company has no protection from declines in mineral resource prices. In addition, the Company may not have the ability to purchase hedging instruments in the future. Hedging instruments may also not protect the Company adequately from fluctuations in the market price of gold and other minerals.

### **Dividends unlikely**

The Company has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further development of the Company's business.

### **Dilution**

Additional financing needed to continue funding the development and operation of the Tyrone Project may require the issuance of additional securities of the Company. The issuance of additional securities and the exercise of common share purchase warrants, stock options and other convertible securities will result in dilution of the equity interests of any persons who may become holders of common shares as a result of or subsequent to the Initial public offering.

### **APPROVAL**

The Company's board of directors has approved the disclosure contained in this interim MD&A.

### **OUTLOOK**

In the next six months, the Company expects to continue drilling to determine the potential size of the mineral resource envelope, and to pursue a program of infill drilling. Starting in November 2010, the Company plans to add two diamond drill rigs to the two Irish Drilling rigs currently on site, and anticipates that costs will rise as a result of this increased drilling capacity.

Exploration aimed at making further discoveries will also proceed at other targets within the Company's Tyrone Project.

### **OTHER INFORMATION**

Additional information regarding the Company can be found at [www.sedar.com](http://www.sedar.com).