

DALRADIAN RESOURCES

Dalradian Resources Inc.

Management's Discussion and Analysis

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

November 8, 2010

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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”) should be read in conjunction with the Company’s unaudited interim consolidated financial statements and related notes for the three and nine months ended September 30, 2010, and for the three months ended September 30, 2009, and the period from the date of incorporation on March 27, 2009, to September 30, 2009, the Company’s Amended and Restated Prospectus dated July 14, 2010, as well as the Amendment No. 1 dated July 29, 2010. The Company’s MD&A, financial statements and related notes have all been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

The Company’s most recent technical 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, prepared by B. Terrence Hennessey, P. Geo., and Dibya Kanti Mukhopadhyay, M.Sc., MAusIMM, of Micon International Limited is available on SEDAR at www.sedar.com.

Vaughan Williams, P. Geo., Eur. Geol., Project Manager, Aurum Exploration Services, a consultant to the Company, 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 supervised the preparation of the technical data in this MD&A.

All amounts are in Canadian dollars unless otherwise noted.

This MD&A is dated November 8, 2010.

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 engaged in the acquisition, exploration and development of mineral properties. The Company's wholly-owned subsidiary, DGL, holds a 100% interest, subject to certain royalties, in eight mineral prospecting licences that cover approximately 84,000 hectares in counties 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 areas collectively known as the Tyrone Project.

Dalradian's initial strategic focus is on the development of its mesothermal gold Curraghinalt Deposit, located within the Tyrone Project in Northern Ireland.

EXECUTIVE SUMMARY

Recent Achievements: Building a Company

- Exploration drill program discovered new parallel veins and cut 1 metre of 59.88 g/t of gold on an infill hole at the Curraghinalt Deposit
- Initiated a 40,000-metre drilling program that will begin in Q4 2010
- Appointed Garth Earls Managing Director of DGL
- Completed initial public offering for gross proceeds of \$39.1 million

Exploration: Receiving Results and Expanding the Program

Dalradian is focused on developing the Tyrone Project, which is in prime geological terrain for gold and base metals. It includes the Curraghinalt Deposit, a mesothermal gold system consisting of at least seven primary gold-bearing veins. It is open along strike and down dip, and recent drilling based on regional geochemical, mapping and sampling work has shown the existence of additional veins peripheral to the resource and outside the main zone.

The Company's exploration program, therefore, is designed to achieve three goals:

- Better define and develop the current mineral resources identified at the Curraghinalt Deposit;
- Conduct further exploration to identify whether mineral resources extend beyond the known mineralization of the Curraghinalt Deposit; and,
- Identify new mineral resources on the rest of the Tyrone Project licence block.

Since beginning its exploration program and infill drilling on March 8, 2010, Dalradian has completed 11 holes totalling 2,802 metres. It has intercepted several new veins parallel to the existing resource, and cut the following new vein intercepts (for complete tables and figures, please see the Company's news release dated October 14, 2010, available on SEDAR at www.sedar.com, or at www.dalradian.com):

- 10-CT-58: 0.85 metres of 20.02 g/t gold
- 10-CT-59: 0.43 metres of 26.61 and 1.41 metres of 5.60 g/t gold
- 10-CT-60: 1.84 metres of 9.25 and 0.64 metres of 26.36 g/t gold
- 10-CT-61: 0.80 metres at 6.69 g/t gold

Infill holes cut the following intercepts:

- 10-CT-63:
 - 0.80 metres of 10.25 g/t gold
 - 1.60 metres of 7.75 g/t gold
 - 0.60 metres of 20.19 g/t gold
 - 1.00 metres at 16.63 g/t gold
 - 0.60 metres at 9.45 g/t gold
 - 0.47 metres at 27.97 g/t gold
- 10-CT-66: 1.00 metres at 59.88 g/t gold (including 0.60 metres at 99.00 g/t)

The Company's exploration program will expand in Q4 2010 when two rigs from Major Drilling Group International ("Major") arrive on site. Major is contracted to complete 40,000 metres over 24 months, and its two rigs will join the two Irish Drilling Limited rigs currently on site.

Management: Strengthening the Team

Garth Earls, Eur. Geol., was appointed Managing Director of DGL, effective December 1, 2010. Responsible for overseeing the day-to-day operations of the Company in Northern Ireland, Mr. Earls joins Dalradian from the Geological Survey of Northern Ireland where during his tenure he managed the award winning Tellus Project, developed science education initiatives and chaired the Geosciences Committee of the Royal Irish Academy. He previously spent 23 years working in the resource industry and was part of the team that discovered the Curraghinalt Deposit in the 1980s.

Initial Public Offering: Funding in Place to Meet Exploration Goals

The Company raised total gross proceeds of \$39.1 million (net proceeds: \$35.8 million) resulting from its initial public offering that closed on August 10, 2010, and the subsequent exercise of the related over-allotment option on August 25, 2010. Dalradian issued 26,100,000 units at a price of \$1.50 per unit in connection with this offering. Under the terms of the agency agreement dated July 12, 2010 and amended and restated on July 14, 2010 with GMP Securities L.P., Dundee Securities Corporation, Clarus Securities Inc. and Cormark Securities Inc. (collectively, the "Agents"), each unit consisted of one common share and one-half of one common share purchase warrant, with each whole common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of \$2.25 until August 10, 2011.

OVERVIEW OF SELECTED INFORMATION FROM THE FINANCIAL STATEMENTS

The following table sets forth selected data for the periods ended September 30, 2010 and 2009:

	Three months ended		Nine-months ended Sept. 30, 2010	For the period of incorporation on Mar. 27, 2009 to Sept. 30, 2009
	Sept. 30, 2010	Sept. 30, 2009		
Operating expenses:				
Professional and consulting fees	\$ 133,698	\$ 260,906	\$ 383,386	\$ 736,398
Salaries and wages	294,713	—	594,695	—
Travel and promotion	150,245	16,050	310,022	94,873
Office and general	75,217	19,270	183,676	38,238
Interest and bank charges	1,256	1,999	3,081	3,766
Interest on convertible debentures	—	60,593	—	101,864
Amortization	4,829	—	5,379	—
Foreign exchange loss (gain)	20,532	(121,991)	3,438	(114,111)
Abandoned mineral properties	—	38,968	—	179,943
Stock-based compensation	1,159,228	—	1,159,228	—
	1,839,718	275,795	2,642,905	1,040,971
Less interest income	44,633	—	44,633	—
Loss for the period	\$ (1,795,085)	\$ (275,795)	\$ (2,598,272)	\$ (1,040,971)

Three Months Ended September 30, 2010, versus Three Months Ended September 30, 2009

Professional fees increased in the three months ended September 30, 2010, to \$133,698 from \$113,690 in the three months ended September 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 share issue costs. They were offset by increased legal fees incurred addressing a demand letter received by the Company on July 21, 2010, 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. in respect of the Company's Northern Ireland mining properties and the right to subscribe for an undetermined number of shares of the Company. On September 23, 2010, Mr. Knight and Carlin Trend withdrew their allegations and executed and delivered full and final releases in favour of the Company.

Consulting fees in the three months ended September 30, 2010, decreased to nil from \$147,216 in the three months ended September 30, 2009, as the Company decreased the use of consultants.

Salaries increased in the three months ended September 30, 2010, to \$294,713 from nil, as the Company incurred salary expense instead of contracting consultants as in the three months ended September 30, 2009.

Travel and promotion expenses increased in the three months ended September 30, 2010, to \$150,245 from \$16,050, due to increased travel to Northern Ireland, and due to travel to market the initial public offering.

Office and general expenses increased in the three months ended September 30, 2010 to \$75,217 from \$19,270, as the Company established an office in Toronto.

Interest and bank charges in the three months ended September 30, 2010, decreased to \$1,256 from \$1,999 in the three months ended September 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 September 30, 2010, as all the convertible debentures were converted to equity in the prior year.

Amortization in the three months ended September 30, 2010, increased to \$4,829 from nil in the three months ended September 30, 2009, due to the acquisition of fixed assets including computers, equipment, furniture and leasehold improvements.

Foreign exchange in the three months ended September 30, 2010, was a loss of \$20,532 compared to a gain of \$121,991 in the three months ended September 30, 2009, as a result of the increase in the value of the pound sterling relative to the Canadian dollar.

Stock-based compensation expense commenced when the Company became public August 10, 2010. Accordingly, the Company incurred \$1,159,228 in stock-based compensation expense in the three months ended September 30, 2010, compared to nil for the three months ended September 30, 2009.

Interest income in the three months ended September 30, 2010, increased to \$44,633 from nil in the three months ended September 30, 2009, as the Company invested the funds resulting from the initial public offering with a Canadian financial institution on a short-term basis.

Nine Months Ended September 30, 2010, versus the Period from Incorporation on March 27, 2009, to September 30, 2009

Professional fees decreased in the nine months ended September 30, 2010, to \$252,286 from \$342,403 in the period from incorporation on March 27, 2009, to September 30, 2009. Legal and accounting fees in 2009 were higher due to costs associated with the set up of the Company. The legal fees and accounting associated with the initial public offering have been capitalized in share issue costs.

Consulting fees in the nine months ended September 30, 2010, decreased to \$131,100 from \$393,995 in the period from incorporation on March 27, 2009, to September 30, 2009, as the Company decreased the use of consultants.

Salaries increased from nil to \$594,695 in the nine months ended September 30, 2010, due to the hiring of employees in 2010.

Travel and promotion expenses increased in the nine months ended September 30, 2010, to \$310,022 from \$94,873, due to increased travel to Northern Ireland, and due to travel to market the initial public offering.

Office and general expenses increased in the nine months ended September 30, 2010, to \$183,676 from \$38,238, as the Company established an office in Toronto.

Amortization in the nine months ended September 30, 2010, increased to \$5,379 from nil in the period from incorporation on March 27, 2009, to September 30, 2009, due to the acquisition of fixed assets including computers, equipment, furniture and leasehold improvements.

Foreign exchange in the nine months ended September 30, 2010, was a loss of \$3,438 compared to a gain of \$114,111 in the period from incorporation on March 27, 2009, to September 30, 2009, as a result of an increase in the value of the pound sterling relative to the Canadian dollar.

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 \$179,943 was recorded in three and nine months ended September 30, 2009. There was no abandonment during the nine months ended September 30, 2010, as the Company's sole focus is now on its properties in Northern Ireland.

Stock-based compensation expense commenced when the Company became public August 10, 2010. Accordingly, the Company incurred \$1,159,228 in stock-based compensation expense in the nine months ended September 30, 2010, compared to nil for the period from incorporation on March 27, 2009, to September 30, 2009.

Interest income in the nine months ended September 30, 2010, increased to \$44,633 from nil in the nine months ended September 30, 2009, as the Company invested the funds resulting from the initial public offering with a Canadian financial institution on a short-term basis.

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			
	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	March 31
Interest income	\$ 44,633	\$ nil	\$ nil	\$ nil	\$ nil	\$ nil	\$ nil
Net loss	\$ (1,795,085)	\$ (571,239)	\$ (231,948)	\$ (145,444)	\$ (275,795)	\$ (750,771)	\$ (14,405)
Net loss per common share (basic and diluted)	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.07)	\$ (0.00)
Total assets	\$ 44,530,874	\$ 9,302,658	\$ 9,355,222	\$ 9,675,648	\$ 1,125,994	\$ 1,480,530	\$ 525,395
Total shareholders' equity	\$ 43,722,353	\$ 8,174,713	\$ 8,745,952	\$ 8,977,900	\$ (334,760)	\$ (697,363)	\$ (4,223)

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

The Company had interest income in the three months ended September 30, 2010, of \$44,633.

The increase in net loss results from costs related to increased investor relations activities, as well as salary, stock-based compensation 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 income has been interest earned from funds on deposit.

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 listing 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 September 30, 2010, is \$35,441,826 and as at November 8, 2010, is approximately \$35 million. The Company's management believes that its current cash position, which includes the proceeds from the initial public 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 net proceeds of \$31,006,701, after deducting a cash commission of \$2,213,250 and other transaction costs of \$830,480, which were paid out of the offering's proceeds.

The over-allotment option granted to the Agents was exercised for additional units, and the Company received additional aggregate net proceeds of \$4,768,500, after deducting a cash commission of \$331,500.

The Company has issued:

- 22,700,000 common shares and 11,350,000 warrants resulting from the initial public offering;
- 3,400,000 common shares and 1,700,000 warrants resulting from the exercise of the over-allotment which formed part of the initial public offering;
- 1,248,500 agent broker warrants and 227,000 advisor broker warrants exercisable for an aggregate of 1,475,500 common shares and 737,750 warrants until August 10, 2011, and thereafter for 1,475,500 common shares until February 10, 2012, resulting from the initial public offering, valued at \$872,702 and \$158,673 respectively; and,
- 187,000 agent broker warrants and 34,000 advisor broker warrants, exercisable for an aggregate of 221,000 common shares and 110,500 warrants until August 10, 2011, and thereafter for 221,000 common shares until February 10, 2012, resulting from the exercise of the over-allotment option, which formed part of the initial public offering, valued at \$130,713 and \$23,766 respectively.

In total, the Company issued 26,100,000 common shares, 13,050,000 warrants and 1,696,500 broker warrants in conjunction with its initial public offering in August 2010.

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 secure 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.

Mineral Prospecting Licences

Under the DETI mineral prospecting licences that comprise the Tyrone Project, DGL is required to make the following expenditures over the two-year terms of such licences:

DETI mineral prospecting licences	From	To	Expenditure	Expenditure*
DG1	January 1, 2010	December 31, 2010	£ 500,000	\$ 809,900
	January 1, 2011	December 31, 2011	500,000	809,900
DG2	January 1, 2010	December 31, 2010	100,000 – 200,000	161,980 – 323,960
	January 1, 2011	December 31, 2011	100,000 – 200,000	161,980 – 323,960
DG3	April 25, 2009	April 24, 2010	40,000	64,792
	April 25, 2010	April 24, 2011	40,000	64,792
DG4	April 25, 2009	April 24, 2010	40,000	64,792
	April 25, 2010	April 24, 2011	40,000	64,792
			£ 1,360,000 – 1,560,000	\$ 2,202,928 – 2,526,888

* Expenditures were converted into Canadian dollars using the noon exchange rate as at Sept. 30, 2010, of £1.00 = 1.6198.

The Company has made all required payments to DETI as at September 30, 2010.

Major Drilling Group International Inc.

DGL, Dalradian's wholly-owned subsidiary in Northern Ireland, has entered into a drilling services agreement with Major Drilling Group International Inc. ("Major"), and deposited \$400,000 with Major upon signing of the agreement September 7, 2010, to be applied to future invoices. Subsequent to quarter end, DGL paid Major \$60,000 upon delivery of Major's equipment to the Canadian port of departure. Under the terms of the agreement, Major is obligated to drill a minimum of 40,000 linear metres in 21 to 24 months beginning in Q4 2010. DGL's monthly payments to Major are expected to be approximately \$1.3 million once the drilling program is fully operational.

Off-balance Sheet Arrangements

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

Transactions with Related Parties

During the three and nine months ended September 30, 2010, the Company paid consulting fees in the normal course of operations of nil and \$63,000 (2009 – \$25,200 and \$50,400) respectively, to a company controlled by a former officer of the Company.

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 terms of these financial instruments.

Commodity Price Risk

The Company's ability to develop its properties and its future profitability 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 ultimately to have profitable operations. Accounts payable and accrued liabilities as at September 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. Management considers the credit risk on cash and cash equivalents to be limited because the counterparties are established well-known financial institutions. During the period ended September 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 September 30, 2010, the carrying amounts of the Company's foreign currency-denominated net financial assets are approximately as follows:

	Net financial assets	Effect of 10% change in exchange rate on earnings/loss
US dollars.....	\$ 193,094	\$ 19,300
Euros.....	(1,248)	(100)
Pounds sterling.....	(91,199)	(9,100)
Total.....	<u>\$ 100,647</u>	<u>\$ 10,100</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 \$26,300.

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 September 30, 2010, total equity was \$43,722,353.

OUTSTANDING SHARE DATA

The following table summarizes the capitalization of the Company as at September 30, 2010:

	<u>Exercise Price</u>	<u>Number of Common Shares</u>
Common shares		68,672,416
Warrants		
Expiring August 10, 2011	\$ 2.25	13,050,000
Expiring February 10, 2012*	1.50	2,544,750
Expiring December 18, 2011	0.75	480,000
Total warrants		<u>16,074,750</u>
Options		
Expiring August 10, 2015	0.25	750,000
Expiring August 10, 2015	0.75	2,550,000
Expiring August 10, 2015	0.75	550,000
Expiring August 19, 2015	1.85	300,000
Total options		<u>4,150,000</u>
Total fully diluted		<u><u>88,897,166</u></u>

* Holders can purchase 1,696,500 units consisting of one common share and one-half of one purchase warrant up to August 10, 2011, and thereafter to purchase 1,696,500 common shares at \$1.50.

As at November 8, 2010, the Company had 68,672,416 common shares outstanding, 15,226,500 warrants outstanding and 4,375,000 stock options issued and outstanding. This amounts to 89,122,166 common shares outstanding on a fully-diluted basis.

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.

The Company started the conversion to IFRS in July 2010 with the development of a project plan. In the third quarter of 2010, a diagnostic review of significant IFRS differences was completed. 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 is in the process of 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.

In the third quarter of 2010 the Company started an assessment of accounting policy differences that may arise on conversion to IFRS. The following summarizes the accounting policy differences that have been identified to date:

- (i) 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.
- (ii) Impairment – International Accounting Standard (“IAS”) 36, “Impairment of Assets,” uses a one-step approach for testing and measuring 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 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.
- (iii) Stock Options – Employee stock-based compensation expense has been calculated on the same basis as IFRS for the quarter ending September 30, 2010. However, other IFRS requirements relating to stock-based compensation will be considered at the IFRS change-over date of January 1, 2011.

The Company continues to quantify the impact of these differences on its consolidated financial statements in the fourth quarter of 2010. A number of other differences between Canadian GAAP and IFRS may emerge, including the accounting for mineral properties, income taxes, financial instruments and disclosure requirements. These differences may have a material impact on the Company's financial statements.

The Company expects to meet the changeover date of January 1, 2011, requiring the restatement to IFRS for comparative purposes of amounts for the year ending December 31, 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Dalradian's management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting and disclosure controls and procedures as of September 30, 2010. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

There were no significant changes in the Company's internal controls, or in other factors, that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

RISK FACTORS

The Company is subject to a number of risks and uncertainties. The reader should carefully consider 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 dated July 29, 2010, thereon, and in other publicly filed documentation regarding the Company available on SEDAR at www.sedar.com. Any of these risk elements could have a material adverse effect on the business of the Company.

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.

OUTLOOK

In the next six months, the Company expects to expand the drilling program to determine the potential size of the mineral resource envelope, and to continue to pursue a program of infill drilling. The Company continues to examine possible acquisitions of additional prospective exploration properties or entities holding exploration properties. Starting in Q4, the Company plans to add two diamond drill rigs to the two Irish Drilling rigs currently on site, and anticipates that its monthly cash drilling costs will increase from approximately \$200,000 to \$1.3 million per month once the additional rigs are on site and running at full capacity.

Exploration aimed at making further discoveries will also proceed at other targets within the Company's Tyrone Project in 2011.

ADDITIONAL INFORMATION

Additional information regarding the Company can be found at www.dalradian.com and www.sedar.com.