DALRADIAN
RESOURCES

Annual Report

For the year ended December 31, 2016

Dear Fellow Shareholders,

2016 was successful at Dalradian Resources as we continued to test the real-world viability of a mine. Results from 3 test stopes and grade reconciliation tests both returned results above our expectations and these results demonstrate the quality and potential of our project.

Other key milestones from the past year include:

- The staking of two new mining concessions DG5 and DG6 bringing our total land package of minerals under license to approximately 122,000 hectares. Making Dalradian the largest mineral licence holder in Northern Ireland.
- The approved offer for Minco PLC to take ownership of a 2% royalty.
- The first drill results for 2017 returned high-grade intercepts.
- The exercise of over $31.7 million from warrants.

Our biggest milestone of the year was the release of our feasibility study in December. The Study provides a base-case operational plan for the project that demonstrates a strong economic rationale for advancing Curraghinalt to development. The Study outlines additional opportunities for us to enhance the project that we are currently investigating.

Our current program includes infill, step-out and geotechnical drilling underground and on surface, additional geotechnical studies and ore-sorting testing. The expected outcome will be more gold ounces converted from Inferred to Indicated and potentially higher grades overall. We will continue to report our drill results as they are known and we also expect to report on the results of the ore sorting tests in the second quarter.

Additional exploration in 2017 will focus at a regional level to follow up on the numerous gold showings and anomalies that we know occur on our licence areas outside of Curraghinalt. We will follow up on the historic results already known and will be creating a database of baseline data to support our future exploration programs.

Finally, our priority is to finalize and submit our planning (permitting) application to build a mine at Curraghinalt. We have been relentlessly working towards this goal as we refine our plans to ensure that we have the best proposal in place for all our stakeholders.

Sincerely,

Patrick F.N. Anderson
President and Chief Executive Officer

May 12, 2017

DALRADIAN
RESOURCES

Management's Discussion and Analysis

For the year ended December 31, 2016

March 23, 2017

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Caution Regarding 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 and its subsidiary and its mineral project, the future price of metals, test work and confirming results from work performed to date, the estimation of mineral resources and mineral reserves, the realization of mineral resource and mineral reserve 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, the timing and possible outcome of pending regulatory matters and the realization of the expected production, economics and mine life of the Curraghinalt gold deposit. 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 statements 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, which may include but are not limited to ,the continued political stability in Northern Ireland, that permits required for Dalradian’s operations will be obtained on a timely basis in order to permit Dalradian to proceed on schedule with its planned exploration and mine development, construction and production programs, that skilled personnel and contractors will be available as Dalradian’s operations commence and continue to grow towards production and mining operations, that the price of gold will be at levels that render Dalradian’s mineral project economic, that the Company will be able to continue raising the necessary capital to finance its operations and realize on mineral resource and mineral reserve estimates and current mine plans, that the assumptions contained in the Company’s Technical Report FS (as defined herein) are accurate and complete, that the results of the ESIA will be positive and that a permitting application for mine construction will be approved.

Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Dalradian 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 and future exploration activities; the actual results of reclamation activities; conclusions of economic evaluations; meeting various expected cost estimates; changes in project parameters and/or economic assessments as plans continue to be refined; future prices of metals; possible variations of mineral grade or recovery rates; the risk that actual costs may exceed estimated costs; 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.

HIGHLIGHTS

Table 1: Highlights of 2016 and Subsequent Period	
February 6, 2017	Warrant exercise brings in proceeds of $7.2 million
Q4 2016	Underground Program completed: 558 days working underground, 244 blasts, approximately 960 metres of underground development and 3 test stopes, in full compliance with regulations and with zero lost-time injuries in 2016
December 12, 2016	Positive Feasibility Study demonstrates high profitability and strong returns
December 8, 2016	Results of three test stopes validate long-hole mining method for Curraghinalt; Overall, the three test stopes recovered more than 50% more gold than predicted by resource model
September 15, 2016	Proceeds of $24.5 million from Warrant Exercises
August 31, 2016	Positive grade reconciliation study
July 7, 2016	Jim Rutherford appointed as Chairman
July 6, 2016	Two new licence areas added in Northern Ireland for 122,000 hectares in total; regional exploration program described
June 22, 2016	Metallurgical testing shows more than 94% gold recovery and simplified flow sheet
May 5, 2016	Mineral Resource update shows 109% increase in Measured and Indicated gold ounces
Q1 2016	Infill drill program completed; Curraghinalt continues to deliver high-grade intercepts

NOTES

All references to the “Company” or “Dalradian” refer to Dalradian Resources Inc., including its subsidiary, unless the context requires otherwise.

This management’s discussion and analysis (“MD&A”) should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the years ended December 31, 2016 and December 31, 2015 (the “Consolidated Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. This MD&A should also be read in conjunction with the Company’s 2016 Annual Information Form (“AIF”) dated March 23, 2017, which is available on SEDAR at www.sedar.com.

Eric Tremblay, P.Eng., Chief Operating Officer, and Greg Hope, MAIG, Exploration and Geology Manager with Dalradian are the qualified persons, 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 have reviewed and approved the technical information contained in this MD&A.

For additional details on the Curraghinalt high-grade lode gold deposit (“Curraghinalt”), please refer to the Company’s technical report titled “NI 43-101 Feasibility Study Technical Report on the Curraghinalt Gold Project Northern Ireland” (the “Technical Report”), dated January 25, 2017 and prepared by Garett Macdonald, P.Eng., Michael Makarenko, P.Eng., Indi Gopinathan, P.Eng. and Stacy Freudigmann, P.Eng., all of JDS Energy & Mining Inc., and Jean-François Couture, P.Geo., Bruce Murphy, P.Eng., Cam Scott, P.Eng., all of SRK Consulting (Canada) Inc., and William Harding, C.Geol., of SRK Consulting (UK) Ltd.,

all of whom are independent Qualified Persons as defined by NI 43-101. The Technical Report is available on the Company's website and on SEDAR at www.sedar.com.

All amounts are in Canadian dollars unless otherwise noted.

This MD&A is dated March 23, 2017.

The Company is exploring and evaluating the Curraghinalt gold deposit while continuing to explore for other gold deposits at its properties in Northern Ireland. The Company is subject to a number of risks and uncertainties which are not discussed in this MD&A. To properly understand such risks, readers are directed to the Company's AIF for the year ended December 31, 2016 under the heading "Risk Factors", which is incorporated by reference into this MD&A. The AIF is available on SEDAR (www.sedar.com).

2016 RESULTS

In December 2016, Dalradian announced the results of a positive feasibility study ("FS") for an underground mine at the Curraghinalt Gold Project producing an average of 130,000 ounces per year at all-in sustaining costs (AISC) of US$674 per ounce. At a gold price of US$1,250 per ounce, the after-tax net present value was US$301 million (at a 5% discount rate) with an after-tax internal rate of return of 24.4%.

The FS was supported by a work program including test mining that validated the mining methods, dilution and other mining assumptions used in the mine plan. The main components of the work program were:

- Completion of 51,479 metres of infill drilling in February 2016;
- Publication of an updated mineral resource estimate for Curraghinalt in May 2016;
- Completion of approximately 960 metres of underground development in June 2016;
- Extensive metallurgical testing and flowsheet optimization completed in July 2016; and
- Completion of three test stopes in September 2016 to test mining methods and dilution control.

In addition to the FS-related activities, Dalradian completed the majority of the work toward producing an environmental and social impact assessment ("ESIA") including:

- Environmental baseline studies (completed)
- Impact/site-specific studies are nearly complete; and
- Extensive stakeholder consultation with local communities and regulatory authorities, including site visits for more than 500 local residents from July 2016 to the present.

The results of these studies and consultation are being fed into the ESIA report, which is nearing completion. It will form the basis, along with a Project Description based on the FS, of a planning (permitting) application ("Planning Application") to build a mine, expected to be submitted during 2017. Substantially all of the land required for the proposed processing plant and associated facilities has been secured.

While moving Curraghinalt toward production is the Company's primary goal, Dalradian also continues to explore on its extensive land package of 122,000 hectares. The Company added two new licence areas to the land package last year so the focus of 2016 exploration was to sample extensively in streams and soils across all of its licence areas in order to have a good baseline of data for future work.

All of this work was performed while maintaining a strong health and safety and environmental record, with zero lost-time accidents and zero non-compliance with environmental regulations in 2016.

The budget for completion of the FS, the underground program, including infill drilling ("Underground Program"), land acquisition, preparation of the ESIA and Planning Application and corporate, general and administrative costs for the period October 1, 2015 to December 31, 2016 was approximately $56 million. A total of $52 million was spent on these activities from October 1, 2015 to December 31, 2016. Of this, $34 million was spent in 2016. Costs for completion of the ESIA and the Planning Application during 2017 are expected to remain within the total $56 million budget.

GOING FORWARD

For 2017, a work program has been outlined in support of further enhancing the robust economics presented in the FS. The program includes infill, step-out and geotechnical drilling (approximately 40,000 metres in total), geotechnical studies and ore-sorting tests. The objective is to produce an updated FS by the end of 2017 to capture the improvements being made to the base-case 2016 FS. Subsequent to year-end, approximately 15,000 tonnes of mineralized material from the Underground Program were shipped to a mill in North America for processing, with results expected during Q2. ESIA, permitting and stakeholder relations activities will continue in support of the Planning Application. Regional exploration will continue across all of the licence areas.

DESCRIPTION OF BUSINESS

Incorporated on March 27, 2009, pursuant to the provisions of the *Business Corporations Act* (Ontario), Dalradian is involved in the acquisition, exploration and evaluation of mineral properties in Northern Ireland. The Company is listed on the Toronto Stock Exchange ("TSX") under the stock symbol "DNA" and the AIM Market of the London Stock Exchange ("AIM") under the symbol "DALR". The Company's head office is in Toronto, while operations are focused on Dalradian's Curraghinalt gold project in Northern Ireland.

The Company, through its wholly-owned subsidiary, Dalradian Gold Limited ("DGL"), holds a 100% interest in option agreements and prospecting licences, subject to royalties as described below, covering approximately 122,000 hectares, consisting of six contiguous areas (DG1, DG2, DG3, DG4, DG5 and DG6), located in counties Tyrone and Londonderry, Northern Ireland, United Kingdom. This approximately 122,000-hectare area is collectively known as the "Northern Ireland Properties". There are two elements comprising this interest for each of the six licence areas:

- the option agreements for mining leases entered into with the Crown Estate Commissioners ("CEC") for gold and silver (the "CEC Mining Lease Option Agreements"); and
- the prospecting licences entered into with the Department for the Economy ("DfE", formerly known as the Department of Enterprise, Trade and Investment) for base metals (the "DfE Prospecting Licences").

On March 11, 2016, DGL finalized renewals of DG1-DG4 CEC Mining Lease Option Agreements, using a new standard form of CEC agreement, each with a commencement date of January 1, 2016 and an initial expiry date of December 31, 2021. On March 11, 2016, DGL also entered into initial CEC Mining Lease Option Agreements for DG5 and DG6 with a commencement date of January 1, 2016 and expiry date of December 31, 2021. The CEC Mining Lease Option Agreements have a six-year term, with an option to extend the term for up to an additional four years (together, the "Option Period"). An extension will only be granted if there is satisfactory evidence that DGL has made significant progress towards obtaining and/or has submitted an application for the requisite planning permission for the exploration and mining of gold and silver (and including access to and from the surface land) within the mining area (the "Planning Permission"). Pursuant to the terms of the CEC Mining Lease Option Agreements, DGL can exercise its option and require the CEC to grant a mining lease (in a form as agreed and appended to the CEC Mining Lease Option Agreements) (the "Mining Lease") over the relevant part of the licence area, provided that either of the following have been obtained: (i) the grant of a Planning Permission or (ii) confirmation by the Department for Infrastructure that it intends to grant Planning Permission subject only to the finalization of planning obligations or conditions or the execution of a planning agreement. The Mining Lease, will, among other things, set out the terms, conditions, obligations and certain rent and royalty payments to be made in connection with DGL's right to discover, extract and sell gold and silver from the relevant areas.

The DfE Prospecting Licences for DG1 and DG2 were issued in 2013 and are currently in their first two-year extension term which runs from January 1, 2016 to December 31, 2017. They are eligible for one more two-year extension. The DfE Prospecting Licences for DG3 and DG4 are currently in their second two-year extension term which runs from April 24, 2015 to April 23, 2017. On June 23, 2016, DGL was granted DfE

Prospecting Licences for DG5 and DG6 with a commencement date of June 1, 2016 and expiry date of May 31, 2022. A DfE Prospecting Licence cannot be extended beyond six years from the date of grant, however, at the end of the second two-year extension, DGL may apply for a new DfE Prospecting Licence over the same area. Applications for new DfE Prospecting Licences were submitted for DG3 and DG4 on December 2, 2016 and are moving through the review process. Applications for new DfE Prospecting Licences will be required for DG1 and DG2 in 2019 and for DG5 and DG6 in 2021.

Pursuant to a royalty agreement dated December 13, 2004 (the "Royalty Agreement"), between DGL (formerly known as Ulster Minerals) and Minco plc, a 2% net smelter return royalty on a portion of the Northern Ireland Properties (as defined in the Royalty Agreement) is payable by DGL to Minco plc, or its nominee. As provided in the CEC Mining Lease Option Agreements, a 4% royalty will be payable to the CEC upon production of gold and/or silver from the Northern Ireland Properties.

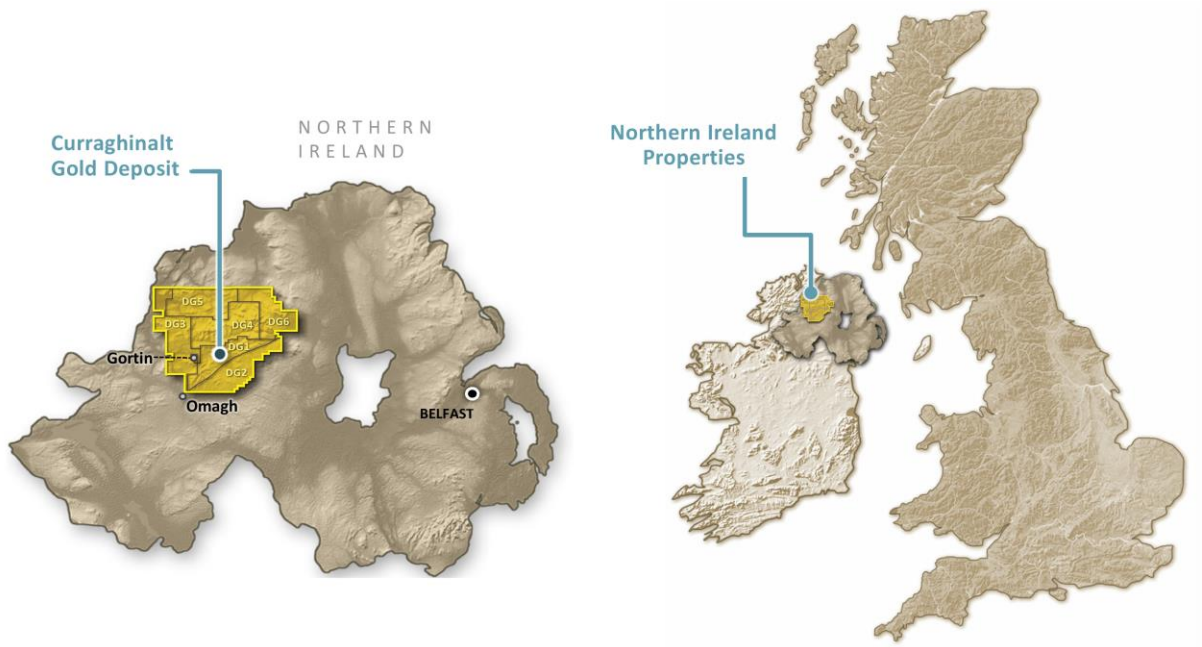
Within the Northern Ireland Properties, the Company's main focus is on Curraghinalt, where it has completed an FS and is in the process of completing an ESIA in support of a Planning Application to build a mine. See "Northern Ireland Properties – Curraghinalt Gold Project", below.

NORTHERN IRELAND PROPERTIES

Overview

Central to DGL's Northern Ireland Properties is the Curraghinalt gold deposit, a lode gold system consisting of a series of structurally controlled, high-grade gold bearing quartz-carbonate veins. Dalradian's work during 2016 focused primarily on the deposit, including infill drilling, completion of 960 metres of underground development and three test stopes, delivery of the FS and advancement of the studies for the ESIA.

Figure 1: Location of the Curraghinalt gold deposit within the Northern Ireland Properties



Curraghinalt Gold Project – Feasibility Study

On December 12, 2016 Dalradian announced the results of an independent FS prepared in accordance with NI 43-101 for the Curraghinalt Gold Project. The FS was prepared under the direction of JDS Energy & Mining Inc. ("JDS"), an international engineering firm with extensive experience in both the construction and operation of mining projects. The study was supported by SRK Consulting, and was summarized into the Technical Report and filed on SEDAR on January 26, 2017. The FS confirms that the Project is expected to support an economically viable and robust, high grade underground gold mine. There are also multiple opportunities to enhance the economics and extend the project life, some of which will be pursued in 2017.

FS Highlights

- Net Present Value ("NPV") of US$301 million (CDN$402 million) after tax (at a 5% discount rate) and Internal Rate of Return ("IRR") of 24.4% after tax, at an assumed gold price of US$1,250/ounce
- Proven & Probable Mineral Reserves of 1.44 million ounces of gold and 0.66 million ounces of silver (5.24 million tonnes at 8.54 g/t Au and 3.9 g/t Ag), a subset of the Measured and Indicated Resources of 2.10 million ounces of gold (5.61 million tonnes at 11.61 g/t Au). The FS excludes Inferred Resources of 2.31 million ounces of gold (7.13 million tonnes at 10.06 g/t Au)
- Life of mine ("LOM") production of approximately 1.36 million ounces of gold and 0.38 million ounces of silver over an initial 10.5 year mine life using an average overall gold recovery of 94.3%
- Average annual gold production of 130,000 ounces in the first 10 years with an average LOM total cash cost of US$556/oz and a LOM AISC of US$674/oz
- Estimated initial capital cost, including contingency, of US$192.0 million with payback of 4.0 years, and LOM sustaining capital costs of US$165.1 million
- At year 5, production increases above 150,000 oz/yr, with peak production achieved in year 7, at 170,000 ounces. There is potential to maintain this higher rate of production beyond year 7 with conversion of existing Inferred Mineral Resources

Combined results from three test stopes completed in 2016 demonstrated a 50%-plus improvement in gold ounces recovered compared to the resource model on the V-75 vein (see news releases of September 14, 2016 and December 8, 2016 for details). This is a direct result of a higher than expected grade in those areas. At a broader scale, the resource table below shows that tighter drill spacing results in higher grade with gold grades increasing from 10.1 g/t in Inferred, to 11.5 g/t in Indicated to 27.0 g/t in Measured. The FS sensitivities demonstrate considerable potential for grade upside, such that a 20% grade improvement increases after-tax NPV by 64% and after-tax IRR by 39%.

Project Enhancement Opportunities

There are numerous opportunities to further enhance Curraghinalt project economics including:

- Enhancement of the deposit grade via tighter drill spacing.
- Mine life extension from (i) conversion of Inferred Resources to Measured and Indicated Resources and then into reserves with infill drilling and (ii) overall resource and reserve growth from step-out drilling along strike and at depth combined with exploring the potential for new veins parallel to the those already defined.
- Reduction of operating costs with additional geotechnical programs to maximize long-hole mining methods.
- Ore sorting technology to increase the grade, reduce the tonnage of material entering the processing plant and potentially reduce the cut-off grade, thereby increasing revenues. Test work is currently underway and shows positive preliminary results, with final results expected in Q2 2017.

Table 2 - NPV and IRR pre-tax and after-tax

	Pre-Tax	**After-Tax**
Net Present Value @ 5% discount rate (NPV_5)	US$371.7 M	US$301.3 M
Internal Rate of Return (IRR)	27.8%	24.4%
Payback (Years)	3.6	4.0

Note: All figures are reported on a 100% equity project basis valuation. Capital payback is calculated based on start of production.

Table 3 - Cash flow over the initial three years of production and LOM

US$M	**Year 1**	**Year 2**	**Year 3**	**LOM**
Total Revenue (Au & Ag)	120.2	164.2	172.9	1,700.5
Total Operating Costs	58.8	64.8	65.2	647.3
Transportation, Royalties & Refining	7.6	10.3	10.8	106.9
Operating Margin	53.9	89.1	96.8	946.4
Capital Costs	41.7	19.9	17.0	357.1
Working Capital	0.6	0.6	(0.4)	-
Corporate Taxes	0.7	7.6	9.7	96.7
Undiscounted After-tax Cash Flow	10.9	61.1	70.4	492.6

Note: the cash flow is based on assumed prices of US$1,250/ounce for gold and US$17/ounce for silver and exchange rates of $1.20 USD:GBP and $0.75 USD:CAD

Mineral Resources

The Curraghinalt gold deposit is an orogenic gold system consisting of a series of moderately to steeply dipping, structurally controlled, high-grade gold bearing quartz-carbonate veins. The deposit remains open in all directions. The Mineral Resource estimate incorporates information from 175 infill drill holes (51,215 metres) and underground samples from new and existing drifts along the T17, Sheep Dip, 106-16, V-75, Slap Shot and No. 1 Vein Zones. The Measured Mineral Resources are higher grade than the Indicated and Inferred Mineral Resources.

The current Mineral Resource estimate consists of 2.1 million ounces of contained gold in the Measured and Indicated categories (5.61 million tonnes at 11.61 g/t) and 2.3 million ounces of contained gold in the Inferred category (7.13 million tonnes at 10.06 g/t gold).

Table 4 - Mineral Resources, inclusive of Mineral Reserves (as set forth in Table 5 below) as at May 5, 2016

Mineral Resource Statement, Curraghinalt Gold Project, Northern Ireland SRK Consulting (Canada) Inc., May 5, 2016			
Resource Category (Cut-off Grade of 5.0 g/t)	**Million Tonnes**	**Contained Grade (g/t Au)**	**Gold (ounces)**
Measured	0.03	26.99	25,000
Indicated	5.58	11.53	2,069,000
Measured + Indicated	5.61	11.61	2,094,000
Inferred	7.13	10.06	2,306,000

Notes:
1. Mineral Resource Statement prepared by SRK Consulting (Canada) Inc. in accordance with NI 43-101 with an effective date of May 5, 2016 and the corresponding NI 43-101 technical report was filed on SEDAR.
2. Mineral Resources are not Mineral Reserves and have no demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues. The Mineral Resources have been classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014).
3. All figures have been rounded to reflect the relative accuracy of the estimates.
4. The Mineral Resources are reported at a cut-off grade of 5.0 g/t gold, based on a gold price of US$1,200 per ounce and 95% gold recovery.

Mineral Reserves and Mining

The estimated Mineral Reserves, presented by reserve class, are shown in the following table. The overall diluted gold grade of the mineralized material that would go to the mill is estimated at 8.54 g/t.

Table 5 - Probable Mineral Reserves as at December 12, 2016

	Diluted Tonnes	Au Grade	Au Ounces	Ag Grade	Ag Ounces
Category	**(t)**	**(g/t)**	**(oz)**	**(g/t)**	**(oz)**
Proven	28,000	18.93	17,000	10.0	9,000
Probable	5,211,000	8.48	1,421,000	3.9	655,000
TOTAL	**5,239,000**	**8.54**	**1,438,000**	**3.9**	**664,000**

Notes:

1. The Qualified Person for the Mineral Reserve estimate is Michael Makarenko, P. Eng., of JDS Energy & Mining Inc.
2. Mineral Reserves have an effective date of December 12, 2016. All Mineral Reserves in this table are Proven and Probable Mineral Reserves. The Mineral Reserves are not in addition to the Mineral Resources, but are a subset thereof.
3. Mineral Reserves were estimated using a US$1,200/oz gold price and gold cut-off grade of 5.0 g/t. Other costs and factors used for gold cut-off grade determination were mining, process and other costs of US$165/t, transport and treatment charges of US$6.00/oz Au. A royalty of US$71.50/oz Au and a gold metallurgical recovery of 94% were assumed.
4. Silver was not used in the estimation of cut-off grades but is recovered and contributes to the revenue stream.
5. Tonnages are rounded to the nearest 1,000 t, gold grades are rounded to two decimal places, and silver grades are rounded to one decimal place. Tonnage and grade measurements are in metric units; contained gold and silver are reported as thousands of troy ounces.
6. Rounding as required by reporting guidelines may result in summation differences.

The Curraghinalt deposit is expected to be accessed by the existing exploration adit and a new ramp to be developed adjacent to the proposed plant site. This new ramp will serve as the primary access to the mine for personnel, materials and haulage of mineralized material to the plant site. Annual ore production of up to 511,000 tonnes (1,400 tonnes per day) is planned from a combination of primary longitudinal long-hole retreat, with some cut & fill mining methods and development along the veins. Sub-levels are set at 18 metre intervals (floor to floor) with primary cross cuts spaced approximately 200 metres apart to access the 16 mineralized veins in the deposit. The recent test stoping program at Curraghinalt successfully demonstrated the long-hole mining method at vein dips ranging between 55-75 degrees with good control on dilution. In zones of more challenging ground conditions or shallow dip, methods including cut & fill and uppers retreat will be used.

Processing

Curraghinalt mineralization is expected to be processed using a crush, grind, flotation and leach flowsheet to recover gold and silver into doré. Extensive metallurgical test work has shown overall gold and silver recoveries of 94.3% and 57.9% can be expected over the LOM using a coarse primary grind size of approximately 80% passing 240 microns.

The process plant uses the industry standard $S0_2$/air treatment process to destroy the cyanide and directs the tailings to the paste backfill plant to be stored in the underground mine. Tailings from the flotation circuit, which will not have come into contact with cyanide, are expected to be filtered and placed as dry stack material in the mine waste storage facility and also used to complete the underground paste backfill requirement.

Capital & Operating Costs

The initial capital cost is estimated to be US$192.0 million. This capital cost was estimated under the assumption that any expenditures by the Company prior to the start of construction are a sunk cost and are not included in the estimate shown in Table 6. The sustaining capital is estimated to be US$165.1 million including reclamation and closure costs.

Table 6 - Capital Cost Summary

CAPEX	**Pre-Production**	**Sustaining**	**LOM**
	US$M	***US$M***	***US$M***
Mining incl. Paste Plant	45.9	142.6	188.5
Site Development	8.7	2.0	10.7
Crushing & Handling	6.5	1.4	7.9
Mineral Processing Plant	36.9	4.1	41.0
On-Site Infrastructure	28.9	-	28.9
Off-Site Infrastructure	4.9	-	4.9
Tailings Management	1.4	2.6	4.0
Indirect Costs	20.4	2.2	22.6
Owners Costs	13.2	-	13.2
Closure Assurance	7.5	(7.5)	-
Closure Net of Salvage	-	11.4	11.4
Contingency	17.6	6.4	24.0
Total	**192.0**	**165.1**	**357.1**

Note: some numbers may not sum correctly due to rounding.

The LOM operating cost ("OPEX") estimate is US$143.94 per tonne of mineralized material. The operating costs were estimated based on process design criteria, equipment lease rates (if applicable), labour, reagents, power, fuel, explosives, maintenance and other miscellaneous costs. All costs are in Q4 2016 dollars and noted in Table 7 below.

Table 7 - LOM Operating Cost by Area

OPEX	**LOM**	**Unit Cost**	
	US$M	***US$/tonne***	***US$/ payable Au oz***
Mining	442	84.44	326.43
Processing	146	*27.83*	107.60
General & Admin	59	11.27	43.57
Subtotal - On-Site OPEX	**647**	**123.54**	**477.60**
Refinement/Transport	5	0.93	3.60
Royalties	102	19.46	75.24
Subtotal - Off-Site OPEX	**107**	**20.39**	**78.84**
All-in OPEX	**754**	**143.94**	**556.44**

Note: all cash cost information is net of silver by-product credits of US$4.77/oz. Some numbers may not sum correctly due to rounding

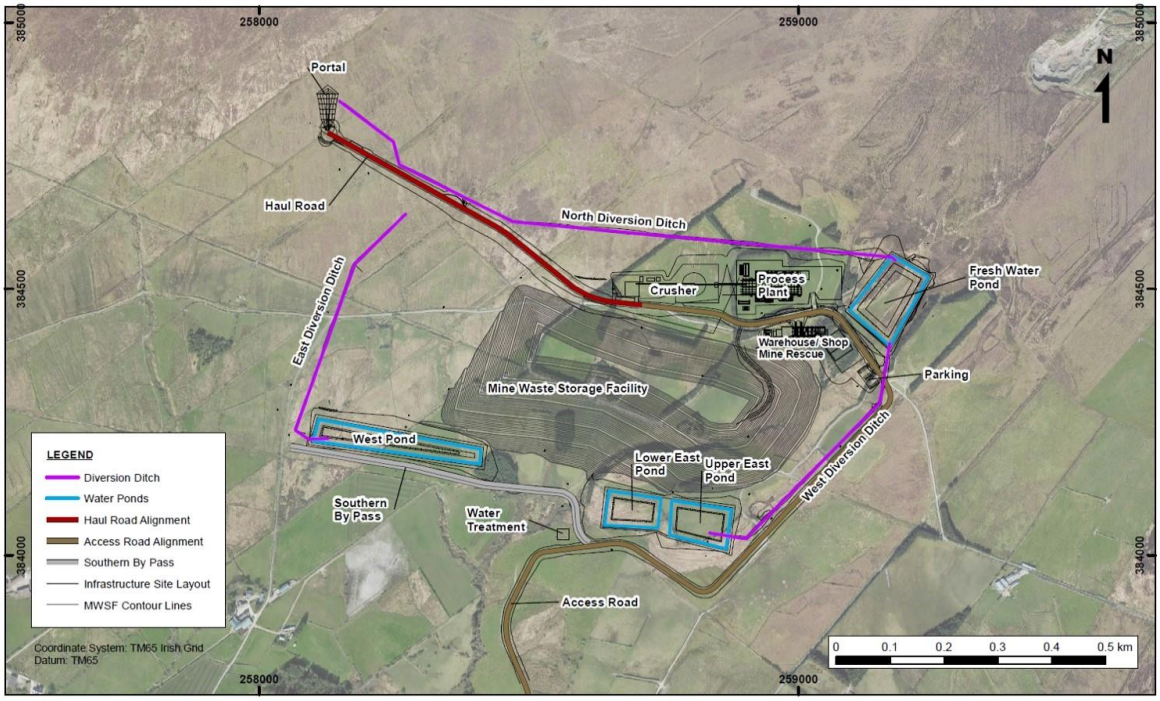
Infrastructure

The Curraghinalt project has the advantage of being located approximately 100 km west of the City of Belfast and approximately 60 km south of Derry/Londonderry, both of which have port facilities. During the third and fourth quarters of 2015, the Company purchased surface rights for a potential mine site processing plant and associated facilities in proximity to the Curraghinalt gold deposit. Acquisition of three additional parcels closed during 2016. Substantially all of the required land has been secured. The proposed site is in a natural hollow surrounded by mature trees and near to the communities of Greencastle, Rouskey, Gortin and Omagh. The site is accessible by major highways with grid power and other services close by (see Figures 2 & 3 for infrastructure location).

The power requirements are expected to be met by an extension to the regional high voltage transmission network. A single circuit 33 kV dedicated transmission line, 40 km long, will be built to feed the Project.

Figure 2: 3-D image of processing plant and associated infrastructure

Figure 3: Site plan showing infrastructure



Next Steps

- Continuing stakeholder engagement
- ESIA completion
- Planning Application submission
- Ore sorting test program results
- Additional infill and geotechnical evaluation of deposit
- Drilling program to potentially increase the Measured & Indicated Mineral Resources and convert into reserves

Curraghinalt Gold Project – 2016 Work Program

In order to support engineering studies and mine planning for the FS, the Company launched the Underground Program in September 2014, using QME Limited as the underground contractor. The Underground Program has: (i) demonstrated continuity and determined the thickness and grade of the mineralized veins in the developed areas; (ii) increased confidence in the existing mineral resources; (iii) assessed underground geotechnical and hydro-geological conditions; (iv) produced samples for offsite metallurgical testing and (v) tested mining methods.

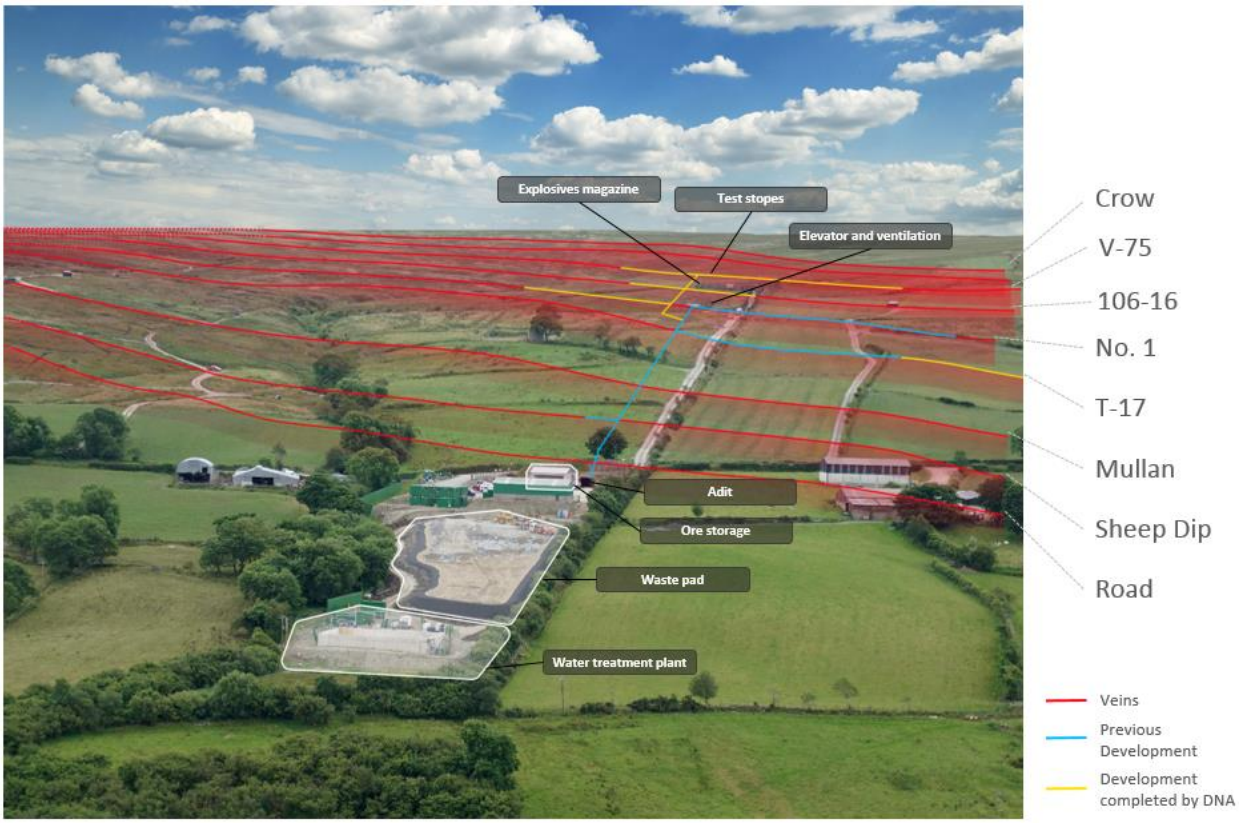
Spending on asset evaluation, which includes infill drilling, underground development, field and desktop studies, permitting and other activities associated with the Underground Program, in the year ended December 31, 2016 was $23.3 million compared with $31.0 million in the comparable period of 2015. Full year 2016 expenditures were lower compared with 2015 due to reduced underground development costs in H2 2016 as the program was completed and lower infill drilling costs since the program was completed in Q1 2016 after operating for three quarters in 2015, partially offset by higher costs on studies associated with the FS and ESIA as work intensified to finalize both studies.

Spending on asset evaluation for the three months ended December 31, 2016 was $4.2 million compared with $9.0 million during the comparable period in 2015. Expenditures were lower in Q4 2016 because spending on underground development was cut in half since the program was winding down in the second half of 2016 and there were no costs for infill drilling compared with expenditures of $2.8 million in Q4 2015. Spending on studies associated with the FS and ESIA was similar in the periods.

The goal of the infill drilling program was to maximize resource ounces in the Measured and Indicated categories that could be included in the mine plan. Infill drilling was completed in February 2016 and totaled 51,479 metres in 181 holes. The Mineral Resource update based on this infill drilling was announced on May 5, 2016 (see “Northern Ireland Properties above” for more details), including a 109% increase in gold ounces in the Measured and Indicated categories.

The Underground Program extended the underground workings by approximately 960 metres in total in order to access, define, sample and test the mineralized material from the Curraghinalt deposit. This development included approximately 240 metres of access drifting which crosscuts two southern resource veins and provides drilling platforms for further southward exploration and expansion and a 190 metre ramp down for the test stoping. As well, four resource veins (the T-17 vein, the No. 1 vein, the 106-16 vein and the V-75 vein) have been drifted on for a total of 450 metres of on-vein development. In addition, three test stopes were completed. These works more than double the linear development underground at Curraghinalt, adding to the development that existed prior to the beginning of the Underground Program.

Figure 4: Existing underground exploration site with gold veins projected to surface in red, previous development in blue, development completed by Dalradian in yellow and the location of the test stopes. Surface infrastructure is also shown.



In September 2016, the Company announced results from two test stopes, with the results for the third stope announced in December 2016. Overall, approximately 50% more gold was recovered from the three stopes than predicted by the mineral resource model.

Stope 1 attained an average width of 1.40 metres, with estimated dilution to the designed stope of 29% and removal of an estimated 439 ounces of gold at a grade of 13.27 g/t from 1,029 tonnes of material. Stope 2 achieved an average width of 1.33 metres, with estimated dilution of 10% to the designed stope and removal of an estimated 973 ounces of gold at a grade of 24.34 g/t from 1,244 tonnes of material (see Table 9). The third stope was used to validate the long-hole mining method on a relatively shallow dipping (50-55°) portion of the vein in comparison to Stopes 1 and 2, which had dips of 73° and 76° respectively. Stope 3 attained an average width of 1.80 metres, with estimated dilution to the designed stope of 64% and removal of an estimated 303 ounces of gold at a grade of 9.41 g/t from 1,001 tonnes of material.

These results are based on extensive muck sampling. The test stoping results validate the selection of long-hole open stoping as the primary mining method at Curraghinalt and demonstrate that narrow mining widths can be achieved using mechanized methods. These results contributed to the FS with respect to mining methods, stope dimensions and expected dilution.

Table 8: Comparison of contained ounces of gold between resource model, Dalradian grade control model and test stoping results

	Contained gold		
	Resource model estimation	**Dalradian grade control model**	**Test stoping results**
Stope 1 (oz)	353	369	439
Stope 2 (oz)	562	667	973
Stope 3 (oz)	224	NA*	303
Total (oz)	**1,139**	**1,036**	**1,715**
Variation from resource model estimation (%)		**13% for stopes 1&2**	**51%**

*Note: grade control drilling was not done for Stope 3 so that comparison is not applicable.

Table 9: Comparison of stope design vs. actual results

		Average width (m)*	**Dip (degrees)**	**Tonnes**	**Estimated Grade (g/t)****	**Estimated Contained Gold Ounces**	**Estimated Dilution on Design**
Stope 1	Design***	1.1	73	774	14.82	369	N.A.
	Actual results	**1.4**	**73**	**1,029**	**13.27**	**439**	**29%**
Stope 2	Design	1.3	76	1,128	18.40	667	N.A.
	Actual results	**1.33**	**76**	**1,244**	**24.34**	**973**	**10%**
Stope 3	Design	1.1	55	655	10.63	224	N.A.
	Actual results	**1.8**	**55**	**1,001**	**9.41**	**303**	**64%********

*True widths
** Design grade based on definition drilling, face and channel sampling (Dalradian grade control model); actual results grade based on extensive muck sampling
*** Design width is the minimum width necessary to recover all of the mineralized material predicted
****Post-mining volume was corrected to reflect removal of a single 190 tonne non-dilutory slab which fell into the stope void in the absence of normal operational ground support methods and after mucking

Key findings of the test stoping for the FS include achievability of:

- Mechanized long-hole stoping
- Narrow mining widths of between 1.2 -1.8 metres
- Stope lengths of 20 metres
- 18 vertical metres or more between sublevels (floor to floor)

The test stoping area is located approximately 60 metres below the surface on the V-75 vein at the deepest point of the current development (see Figures 4 & 5 for location). This location was selected as it was readily accessible for pre-production delineation drilling and had an adequate crown pillar. It also occurs beneath a shallow zone of partial oxidation. It was, therefore, considered representative of the deposit as a whole for the purposes of such a trial. Observed ground conditions are excellent, with rock breaking as expected during blasting and good rock fragmentation evident in the muck.

Figure 5: Location on V-75 vein of the three test stopes.

Figure 6 (left photo): Results of test stoping for Stope 1.

Figure 7 (right photo): Results of test stoping for Stope 2.

Curraghinalt Gold Project – 2017 Work Program

The 2017 work program at Curraghinalt is aimed at enhancing the economics presented in the FS, with the objective of delivering an updated FS by the end of this year. The program includes infill, step-out and geotechnical drilling (approximately 40,000 metres in total) with the objective of increasing ounces in the Indicated Resource category that can be included in the mine plan and augmenting the grade in the areas of infill drilling. In addition, geotechnical studies will be undertaken targeting areas of the deposit that were classified as having poor ground conditions but which management believes could be reclassified as having good ground conditions with more data. The reclassification should allow more of the deposit to be mined using lower-cost long-hole methods. In addition, ore-sorting tests are already well underway, with initial results showing potential for this technology to reduce costs and increase the grade of material being sent to the mill. Subsequent to year-end, approximately 15,000 tonnes of mineralized material from the Underground Program were shipped to a mill in North America for processing, with results expected during Q2.

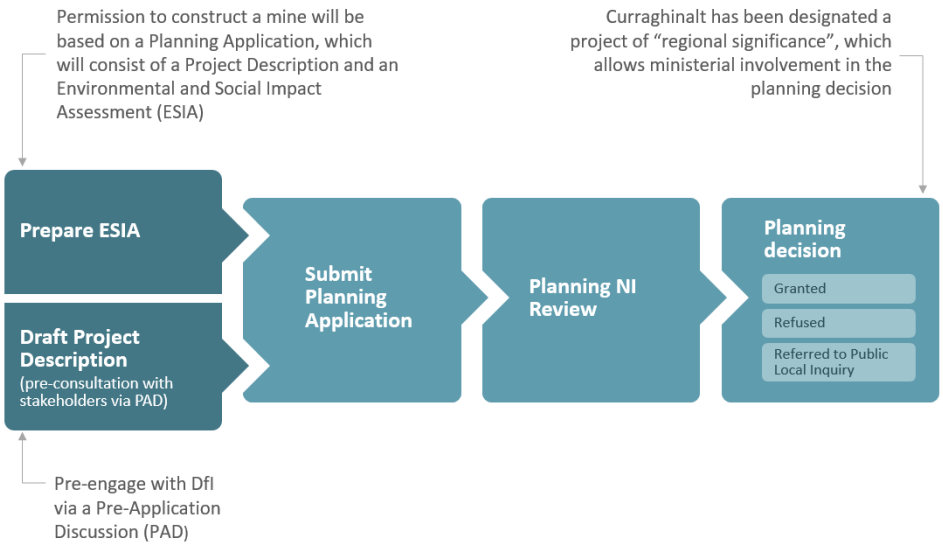
Curraghinalt Gold Project – Permitting

Three permits were required and obtained for the Underground Program: planning permission; a site discharge consent; and an explosives storage licence. As part of its planning permission, the Company submitted and received approval from Northern Ireland regulators for a number of management plans governing items such as water, noise, traffic and dust.

During the Underground Program, over 70 site inspections were completed by the various environmental and health and safety regulatory authorities. Dalradian has maintained an excellent record of zero non-compliance with the terms and conditions of its permits, with zero lost time injuries in 2016, while completing 244 blasts, 588 days working underground and approximately 960 metres of development.

In Q4 2014, Dalradian commenced an ESIA, to examine the potential impacts of a full mine build, as well as options for the elimination or mitigation of such impacts. SRK UK is the environmental consultant for preparation of the ESIA. The ESIA report, together with a project description which is a summary of the FS (the "Project Description"), will form the basis of a Planning Application for the full mine build anticipated to be submitted to the Department for Infrastructure during 2017. Dalradian does not currently have a permit for mining at Curraghinalt. During 2017, spending on permitting is expected to continue at a high level as the ESIA and Planning Application are being completed and numerous stakeholder consultations continue to take place.

Figure 8: Permitting process in Northern Ireland



Dalradian has completed environmental baseline studies and more detailed site-specific environmental studies that are being used in the preparation of an ESIA. Dalradian and SRK UK along with other consultants began stakeholder engagement for the ESIA in December 2015 with an initial meeting with the Department for Infrastructure (formerly the Department of the Environment) officials. This was followed by other government agency meetings and initial community consultations in January 2016. The purpose of these meetings is to receive government agency, community and other stakeholder feedback to input into the Project Description and ESIA. Since December 2015, Dalradian has had 35 meetings in total with various regulatory agencies to receive feedback on the proposed project.

Dalradian formally began the pre-application community consultation process on its proposal to build a mine at the Curraghinalt Gold Project in January 2016. Dalradian consulted on the early scope of the Environmental Impact Assessment at five public events in Greencastle, Gortin and Rouskey. However, these five consultations were prior to the statutory window. The statutory process began in August 2016 following submission of the Pre-Application Notice to the Department for Infrastructure, and community engagement will continue beyond the submission of the Planning Application.

During this period, in excess of 450 individual comments or representations have been recorded in response to the Company's plans. Included within this figure are 189 responses to the online, postal or event feedback forms. A total of 74% of respondents are supportive, or neutral, to the Company's plans with controls and safeguards in place. A breakdown of the 189 responses is as follows: 123 (65%) 'supportive' with controls and safeguards in place, 11 (6%) 'undecided', 5 (3%) 'no comment' and 50 (26%) 'against'. The Company believes that ongoing engagement and consultation will help address many of the concerns articulated.

On November 19 and 21, 2016, as part of the formal pre-application community consultation, Dalradian held two public information events attended by more than 270 people. The events took place at the Company's current underground exploration site and allowed residents to access more information about the project and ask questions of the 30 Dalradian employees and consultants in attendance. More than 60 information boards/posters were on display, the majority of them relating to environmental impact and modelling, at 12 stations depicting various aspects of the proposed mine, with a scale model of the site and a 3-D animation to assist in visualizing the future site. To promote understanding of the Curraghinalt Gold Project and transparency with respect to the Company's operations, Dalradian has also undertaken tunnel and site tours and face-to-face meetings with local residents, businesses and members of the wider public. Since the summer of 2016, more than 500 local residents and stakeholders have attended tunnel and site tours.

Dalradian will continue to seek constructive dialogue and provide clarity and reassurance to local residents and the wider public about its plans. Throughout all of the Company's formal and informal consultations, it has sought to engage meaningfully and continues to correspond regularly with residents, and inform the wider public of West Tyrone and Northern Ireland.

Submission of the Planning Application is targeted during 2017.

Regional Exploration – Targeting additional discoveries

Dalradian has put together a large land package in Northern Ireland, encompassing 122,000 hectares held under licence. Numerous gold showings and anomalies have already been identified on the six contiguous licence areas. The objective of the regional exploration program in 2016 was to build a consistent baseline of data across the licence areas. During 2017, the sampling program will continue.

Exploration expenditures (outside of the Curraghinalt gold deposit) during the year ended December 31, 2016 were $1.1 million compared with $1.5 million for the comparable period of 2015. For the three months ended December 31, 2016 exploration expenditures were $0.4 million compared with $0.3 million for the comparable period of 2015.

Exploration expenditures decreased during 2016 compared with 2015 as last year's regional program included some limited drilling, which has higher costs associated with it compared to sampling. The sampling program (detailed below) has become more extensive in 2016 following the addition of two new licence areas (DG5 and DG6) announced on July 6, 2016.

The 2016 regional exploration program includes soil and deep overburden sampling, panning and stream sediment sampling on all six licence areas. The end goals of this program are to both follow up on historic results and to have solid baseline data across all of the licence areas to inform future exploration. In total, 334 prospecting samples, 538 stream sediment samples, 1,083 soil samples and 823 deep overburden samples were collected during 2016.

Figure 9: Map of the licence areas showing high priority targets

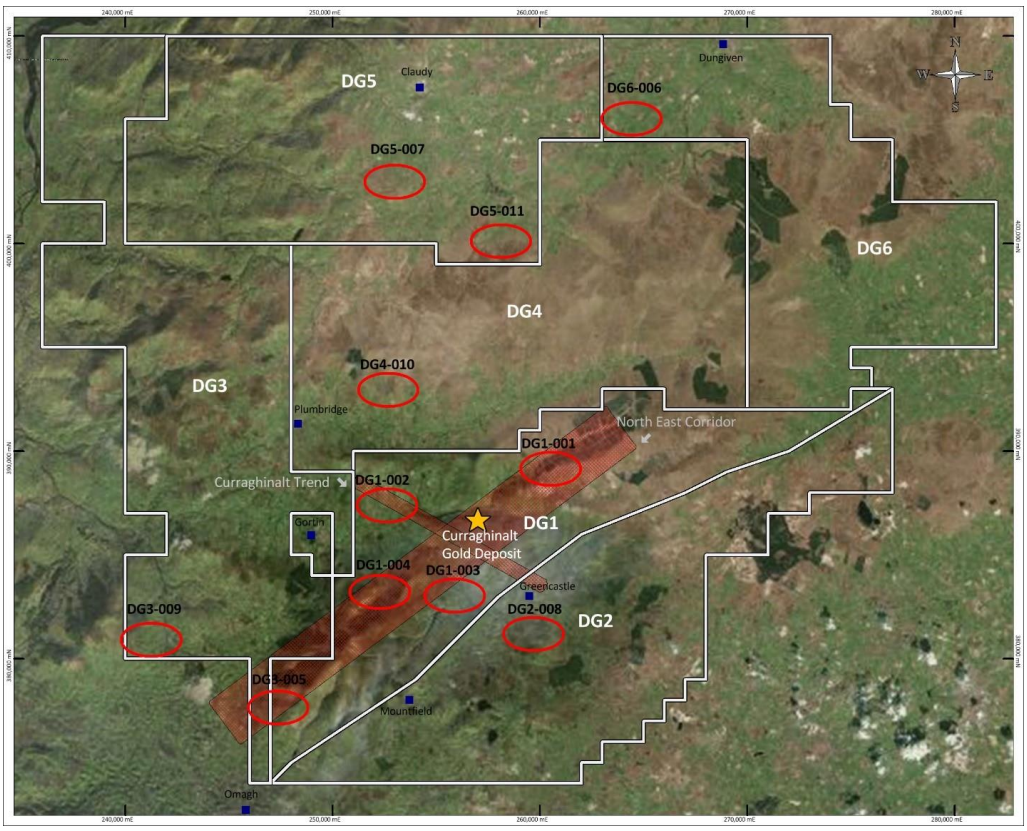


Table 10: Details of high-priority targets shown on Figure 8

Target	Target defined by	Significant Samples	Sample Type	Historical Drilling
DG1-001	EM, IP, and mineralized outcrop and float	Historical prospecting: 141.2 g/t Au from float Recent prospecting: 33.94 g/t Au from float Recent prospecting: 1.62 g/t Au from float	Trench and Prospecting	12 shallow drill holes
DG1-002	Historical drilling, mineralized outcrop and float	Historical shallow drill hole: 0.6 m at 61.43 g/t Au from 51.50 m to 52.10 m Recent relogging & resampling are ongoing	Drill hole	44 shallow drill holes
DG1-003	Au soil geochemistry and mineralized float	11.68 g/t Au from float 91.5 g/t Au from float Trench: Float during excavation 14.65 g/t Au; no bedrock mineralization encountered	Prospecting	None
DG1-004	Mineralized outcrop & float, Tellus EM, Drilling	Prospecting: 8.6 g/t Au, 7.7 g/t Au, 6.48 g/t Au, all from float 2013 Drilling: 0.11 m at 3.04 g/t Au, 0.50 m at 0.54 g/t Au	Prospecting, Drill hole	None
DG2-008	Historical drilling, mineralized outcrop and float	Historical results: Prospecting: 13.76 g/t Au in outcrop Drilling: 3.63 m at 30.12 g/t Au and 44.31 g/t Ag Recent results: Drilling: 0.39m at 9.44 g/t Au and 6 g/t Ag	Prospecting, Drill hole	21 historic holes, 2 recent
DG3-005	Au soil geochemistry, mineralized outcrop and float	Historical results: 1.63 g/t Au from graphitic pelite outcrop 1.88 g/t Au from outcropping quartz vein Recent results: 139.5 g/t Au in outcrop 168 g/t Au in outcrop 42.4 g/t Au in outcrop	Prospecting	3 shallow drill holes
DG3-009	Prospecting	Historical prospecting: 89.6 g/t Au in float Recent prospecting: 11.07 g/t Au in outcrop	Prospecting	None
DG4-010	Prospecting, Au soil geochemistry	Historical prospecting: 187 g/t Au in float	Prospecting	None
DG5-007	Panned concentrate	Historical results: 80 ppm Au in panned concentrates	Prospecting	Yes, for a base metal anomaly
DG5-011	Prospecting, Panned concentrate	Historical results: 26 g/t Au in outcrop >10 ppm Au in panned concentrates	Prospecting	None
DG6-006	Prospecting, Panned concentrate	Historical results: 5.7 g/t Au in float 187.8 ppm Au, 59.07 ppm Au, 29.56 ppm Au in panned concentrates	Prospecting	None

Breakdown of Exploration and Evaluation Expenditures

	Balance Dec. 31, 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Balance Dec. 31, 2016
Underground development and surface works	$ 17,110,447	$ 3,256,861	$ 1,717,688	$ 1,784,355	$ 757,882	$ 24,627,233
Infill drilling	8,996,980	2,324,989	3,707	7,716	13,198	11,346,590
Studies	3,884,729	2,130,229	2,435,811	1,678,588	896,469	11,025,826
Permitting	6,734,158	624,857	640,554	797,315	641,983	9,438,867
Exploration (outside of Curraghinalt)	4,973,590	228,482	160,571	398,040	326,038	6,086,721
Exploration (historic)	33,331,783	-	-	-	-	33,331,783
Administrative & other	3,274,238	509,192	817,677	355,325	312,884	5,269,316
Provision for reclamation	1,182,444	-	-	-	-	1,182,444
Capitalized depreciation	1,530,642	192,588	192,004	183,432	123,994	2,222,660
Share-based payments	1,198,025	21,366	38,679	13,873	7,893	1,279,836
Warrants	139,310	-	-	-	-	139,310
Transferred to development costs	-	-	-	-	(102,007,509)	(102,007,509)
	$ 82,356,346	**$ 9,288,564**	**$ 6,006,691**	**$ 5,218,644**	**$ (98,927,168)**	**$ 3,943,077**

	Balance Dec. 31, 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Balance Dec. 31, 2015
Underground development and surface works	$ 3,654,937	$ 3,559,907	$ 3,769,220	$ 2,423,833	$ 3,702,550	$ 17,110,447
Infill drilling	-	190,069	3,289,609	2,683,237	2,834,065	8,996,980
Studies	984,953	312,165	732,312	620,673	1,234,626	3,884,729
Permitting	4,323,968	599,064	474,285	665,776	671,065	6,734,158
Exploration (outside of Curraghinalt)	3,018,883	158,601	225,596	1,274,349	296,161	4,973,590
Exploration (historic)	33,331,783	-	-	-	-	33,331,783
Administrative & other	1,227,162	409,027	651,238	492,498	494,313	3,274,238
Provision for reclamation	380,937	296,334	198,298	306,875	-	1,182,444
Capitalized depreciation	981,400	60,251	64,318	158,991	265,682	1,530,642
Share-based payments	1,042,407	10,436	56,782	62,562	25,838	1,198,025
Warrants	139,310	-	-	-	-	139,310
	$ 49,085,740	**$ 5,595,854**	**$ 9,461,658**	**$ 8,688,794**	**$ 9,524,300**	**$ 82,356,346**

The most significant components of exploration and evaluation expenditures in the three months and years ended December 31, 2016 and 2015 were the Underground Program (including infill drilling), studies (FS and ESIA) and permitting. Relative weightings of the components of the Underground Program varied during these periods, however. During Q2, Q3 and Q4 of 2016, spending on infill drilling was minimal as that program was completed in Q1 2016. All four quarters of 2016 had higher spending on studies relative to the comparable periods of 2015 as the Company advanced the ESIA and FS in preparation for submission of the Planning Application in 2017. Similarly, spending on permitting also increased.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is a summary of the Company's financial operating results and financial position for the years ended December 31, 2016, 2015 and 2014:

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Financial Results:			
Loss and comprehensive loss	$ (7,820,450)	$ (7,463,569)	$ (6,844,885)
Loss per share - basic and diluted	$ (0.03)	$ (0.04)	$ (0.06)
Financial Position:			
Cash and cash equivalents	$ 35,719,242	$ 43,322,899	$ 29,776,872
Working capital [1]	$ 31,636,153	$ 39,482,613	$ 30,036,361
Property, Plant and Equipment	$ 118,988,157	$ 12,096,928	$ 408,069
Exploration and evaluation assets	$ 3,943,077	$ 82,356,346	$ 49,085,740
Total assets	$ 160,855,562	$ 141,275,145	$ 83,601,888

[1] Working capital is not a recognized measure under IFRS (see Non-IFRS measures below).

The consolidated loss and comprehensive loss for the year ended December 31, 2016 of $7,820,450, was slightly lower than the same period in 2015 of $7,463,569. Exploration and evaluation assets for the year ended December 31, 2016 of $3,943,077 are lower than the same period in 2015 of $82,356,346 due to transference of $102,007,509 formerly classified as exploration costs to development costs as the Company transitioned from the exploration and evaluation stage to the development stage for accounting purposes.

OVERVIEW OF SELECTED INFORMATION FROM THE FINANCIAL STATEMENTS

The following table sets forth selected data for the fourth quarters and years ended December 31, 2016 and 2015:

	Quarter ended		Year ended	
Operating expenses:	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Salaries and related benefits	$ 1,440,205	$ 1,437,708	$ 3,119,915	$ 4,213,550
Professional fees and consulting	214,729	262,843	1,145,288	816,131
Share-based payments	723,470	396,662	1,094,623	1,365,594
Investor relations and general travel	343,736	312,543	1,061,043	1,187,366
Office, regulatory and general	274,224	336,671	762,423	908,618
Amortization	1,152	2,106	4,606	103,356
Foreign exchange loss (gain)	74,708	118,970	809,272	(898,577)
Interest and bank charges	2,293	2,721	11,454	8,628
	3,074,517	2,870,224	8,008,624	7,704,666
Interest income and other	66,846	73,893	188,174	241,097
Loss and comprehensive loss for the period	$ (3,007,671)	$ (2,796,331)	$ (7,820,450)	$ (7,463,569)
Loss per share - basic and diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.04)

Results of Operations for the Three Months Ended December 31, 2016, compared to the Three Months Ended December 31, 2015

Salaries and related benefits expense for the three months ended December 31, 2016 of $1,440,205 did not change significantly compared with the same period in 2015 of $1,437,708.

Professional fees and consulting expense for the three months ended December 31, 2016 of $214,729, decreased slightly compared with the same period in 2015 of $262,843, primarily due to lower consulting services partially offset by higher legal services.

Share-based payments expense for the three months ended December 31, 2016 of $723,470, increased compared with the same period in 2015 of $396,662, primarily due to share-based payment expense for options granted in Q4 2016.

Investor relations and general travel expense for the three months ended December 31, 2016 did not change significantly compared to the same period in 2015.

Office, regulatory and general expense for the three months ended December 31, 2016 of $274,224, decreased compared with the same period in 2015 of $336,671, which included additional listing fees related to the October 2015 financing.

Foreign exchange loss for the three months ended December 31, 2016 was $74,708, decreased compared to a loss $118,970 for the same period in 2015 due to the weakening of the pound sterling against the Canadian dollar during Q4 2016.

Results of Operations for the Year Ended December 31, 2016, compared to the Year Ended December 31, 2015

Salaries and related benefits expense for the year ended December 31, 2016 of $3,119,915, decreased compared with the same period in 2015 of $4,213,550. The period in 2015 included an employment restructuring expense related to a corporate downsizing during Q3 and Q4 2015 and a recruitment payment in Q1 2015.

Professional fees and consulting expense for the year ended December 31, 2016 of $1,145,288, increased compared with the same period in 2015 of $816,131, primarily due to higher legal services.

Share-based payments expense for the year ended December 31, 2016 of $1,094,623, decreased compared with the same period in 2015 of $1,365,594, primarily due to lower share-based payment expense for a reduced number of share options granted in 2016.

Investor relations and general travel expense for the year ended December 31, 2016 did not change significantly compared to the same period in 2015.

Office, regulatory and general expense for the year ended December 31, 2016 of $762,423, decreased compared to the same period in 2015 of $908,618, primarily due to lower costs related to stock exchange listings in 2016, since 2015 included additional listing costs related to a financing.

Foreign exchange loss for the year ended December 31, 2016 was $809,272, compared to foreign exchange gain of $898,577 for the same period in 2015, primarily as a result of the Company holding a cash balance of approximately £1.6 million and the weakening of the pound sterling against the Canadian dollar during 2016. Conversely, during 2015 a gain was recorded because the pound sterling strengthened relative to the Canadian dollar.

Interest income and other for the year ended December 31, 2016 of $188,174 decreased compared to the same period in 2015 of $241,097, due to holding a lower cash balance.

Summary of Quarterly Results

The following table sets forth selected consolidated financial information for each of the Company's eight most recently completed quarters:

	Three months ended			
	Dec. 31, 2016	**Sept. 30, 2016**	**Jun. 30, 2016**	**Mar. 31, 2016**
Interest income and other	$ 66,846	$ 33,179	$ 37,182	$ 50,967
Net loss	(3,007,671)	(1,415,006)	(1,426,880)	(1,970,893)
Net loss per common share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.01)
Cash and cash equivalents	35,719,242	43,108,509	22,711,757	31,130,975
Other current assets	1,172,951	986,888	1,358,534	2,355,932
Restoration deposit	1,032,135	1,063,230	1,072,413	1,160,525
Property, plant and equipment	118,988,157	13,961,336	14,145,921	14,300,203
Exploration and evaluation assets	3,943,077	102,870,245	97,651,601	91,644,910
Total Assets	$ 160,855,562	$ 161,990,208	$ 136,940,226	$ 140,592,545
Total shareholders' equity	$ 154,920,398	$ 156,815,585	$ 132,020,873	$ 132,368,053

	Three months ended			
	Dec. 31, 2015	**Sept. 30, 2015**	**Jun. 30, 2015**	**Mar. 31, 2015**
Interest income and other	$ 73,893	$ 34,153	$ 68,964	$ 64,087
Net loss	(2,796,331)	(2,062,801)	(1,199,727)	(1,404,710)
Net loss per common share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.01)
Cash and cash equivalents	43,322,899	24,367,464	36,134,380	44,661,606
Other current assets	2,230,042	1,946,088	2,360,975	2,756,158
Restoration deposit	1,268,930	1,257,218	1,218,093	1,168,900
Property, plant and equipment	12,096,928	4,225,102	429,314	429,299
Exploration and evaluation assets	82,356,346	72,832,046	64,143,252	54,681,594
Total Assets	$ 141,275,145	$ 104,627,918	$ 104,286,014	$ 103,697,557
Total shareholders' equity	$ 133,939,583	$ 97,310,062	$ 98,472,417	$ 99,343,124

As a company focused on advancing mineral properties with no revenues, fluctuations in quarterly results are mainly due to cycles of spending on properties and financing future activities. Cash balances rose in Q1 and Q4 2015 through financings and also during Q3 2016 through warrant exercises and were reduced quarterly depending on exploration and evaluation activities. Quarters with higher net losses typically involved a higher level of corporate activity, usually related to marketing the Company or higher share-based payments, with the exception of Q3 and Q4 of 2015, which included employment restructuring payments associated with a corporate downsizing.

FINANCIAL CONDITION, CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

The adequacy of the Company's capital structure is monitored on an ongoing basis and adjusted as necessary according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, adjusting spending, disposing of assets or acquiring debt.

The Company is dependent on issuing equity or other forms of financing to complete programs associated with its exploration and evaluation of properties. Dalradian is not in commercial production on its Northern Ireland Properties and, accordingly, it does not generate cash from operations. Dalradian's only source of income has been interest earned from funds on deposit.

In the year ended December 31, 2016, the Company received approximately $26.6 million from the exercise of warrants, with most of the proceeds received during the month of September.

Dalradian's cash and cash equivalents as at December 31, 2016 were $35.7 million, compared with $43.3 million as at December 31, 2015.

Subsequent to year-end, Dalradian received additional proceeds of $7.6 million from warrant and option exercises.

Liquidity

The Company primarily finances its activities by raising capital through the issuance of equity. The Company's ability to fund currently planned exploration, evaluation and development planning activities, acquire additional mineral properties, maintain operations and meet its existing obligations is conditional on its ability to secure financing when required.

While the Company has no source of revenue, management believes it has sufficient cash resources to meet its obligations and fund planned expenditures and administrative costs for at least the next twelve months. The Company will have to raise financing in the future to develop a mine and meet future expenditures and administrative costs. Although the Company has been successful in raising funds to date, as evidenced by proceeds raised from warrant exercises in 2016 and 2017, there can be no assurance that adequate financing will be available in the future or available under terms acceptable to the Company. Global commodity markets and, in particular, the price of gold, remain volatile and uncertain, which could lead to difficulties in raising funds.

Working Capital[1]

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Change
Current Assets			
Cash and cash equivalents	$ 35,719,242	$ 43,322,899	$ (7,603,657)
Amounts receivable	666,166	856,244	(190,078)
Prepaid expenses and advance payments	506,785	1,373,798	(867,013)
	$ 36,892,193	$ 45,552,941	$ (8,660,748)
Current Liabilities			
Accounts payable and accrued liabilities	$ 4,908,196	$ 6,070,328	$ (1,162,132)
Current portion of provision for reclamation	347,844	-	347,844
	$ 5,256,040	$ 6,070,328	$ (814,288)
Working Capital	$ 31,636,153	$ 39,482,613	$ (7,846,460)

[1] Working capital is not a recognized measure under IFRS (see Non-IFRS measures below).

The majority of accounts payable and accrued liabilities relate to trade payables incurred in the normal course of operations.

Contractual Obligations

At December 31, 2016, the Company had the following commitments for operating leases for the next five fiscal years:

	Total	2017	2018	2019	2020	2021
Operating leases.....	$ 204,192	$ 116,681	$ 87,511	$ -	$ -	$ -

Operating leases represent lease agreements for office space in Toronto.

On May 15, 2015, the Company entered into a lease agreement for office space in Toronto, Canada. The agreement commenced on May 15, 2015 and expires on September 30, 2018.

Subsequent to December 31, 2016, the Company entered into an agreement to process approximately 15,000 tonnes of mineralized material in the first half of 2017.

Contingent Liability

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

The Company is disputing invoices with claims totalling £399,841 (equivalent to $682,489) from one organization related to underground development. Management is of the view that the claims are without merit and they will be contested to the full extent of the law. Accordingly, these claims have not been accrued and are considered to be a contingent liability.

Off-balance Sheet Arrangements

Dalradian does not have any off-balance sheet arrangements.

Non-IFRS Measures

The Company uses certain non-IFRS measures in this MD&A such as working capital, cash cost per ounce sold ("Cash Cost"), all-in sustaining cost per ounce sold ("AISC") and cost per metre of drilling. In the gold mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers as they have no standardized meaning under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance, profitability and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The Company calculates working capital as its current assets, less its current liabilities. Management uses working capital as an internal measure to better assess performance trends. Management understands that a number of investors and others that follow the Company's business assess performance in this way. For a calculation of the Company's working capital, please refer to the section entitled *Financial Condition, Cash Flows, Liquidity and Capital Resources.*

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value

Cash and cash equivalents and restoration deposits are measured at fair value using level 1 inputs per the fair value hierarchy.

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

(b) Commodity price risk

Dalradian's ability to develop its properties and its future profitability are related to the market price of gold. The price of gold is affected by numerous factors, such as global consumption and demand for

gold, international economic and political trends, fluctuations in value of the U.S. dollar and other currencies, interest rates and inflation.

(c) Liquidity risk

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

(i) Dalradian will not have sufficient funds to settle a transaction on the due date;

(ii) Dalradian will be forced to sell financial assets at a value that is less than what they are worth; or

(iii) Dalradian may be unable to settle liabilities 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 estimated future requirements. The Company plans to meet these requirements through a mix of available funds and future financings, which may include, but are not necessarily limited to, equity financing, sale of assets, and debt financing. Continuing operations are dependent on the Company's ability to access sufficient capital to complete the Company's exploration, evaluation and development activities, and to ultimately have profitable operations. Accounts payable and accrued liabilities at December 31, 2016 all have contractual maturities of less than 90 days and are subject to normal trade terms. The Company had sufficient funds on hand at December 31, 2016 to settle these liabilities.

(d) Credit risk

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 statement of financial position date, credit risk arises. The majority of the Company's financial assets are cash and cash equivalents, restoration deposit and amounts receivable. Management considers the credit risk on cash and cash equivalents and restoration deposit to be limited because the counterparties are established well-known financial institutions. During the year ended December 31, 2016, no amounts receivable were past due. Consequently, no allowances or bad debts were required on the amounts receivable. The maximum exposure to credit risk is represented by the carrying amount of the cash and cash equivalents, restoration deposit and amounts receivable on the consolidated statement of financial position.

(e) Foreign currency risk

A variation in the exchange rates between the Canadian dollar and foreign currencies could affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company holds cash in foreign currencies and has other financial assets and liabilities that are denominated in foreign currencies. 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 December 31, 2016, the carrying amounts of Dalradian's foreign currency-denominated net financial assets are approximately as follows:

	Net financial assets (liabilities)	**Effect of 10% change in exchange rate on loss**
U.S. dollar	$ 27,805	$ 2,781
Euro	(88,793)	8,879
Pound sterling	406,125	40,613
Australian dollar	(7,537)	754

OUTSTANDING SHARE DATA

The following table summarizes the capitalization of the Company as at December 31, 2016:

	Number of Common Shares
Common Shares	243,324,776

Warrants

Expiry	Exercise Price	Number of Common Shares Issuable	Proceeds if fully vested and exercised[1]
Expiring January 1, 2017	$ 1.81	40,000	$ 72,400
Expiring February 9, 2017	1.15	6,278,000	7,219,700
Expiring July 31, 2017	1.50	15,202,499	22,803,749
Expiring October 7, 2017	1.04	26,205,596	27,253,820
Expiring January 1, 2018	$ 1.50	50,000	75,000
Total warrants		47,776,095	$ 57,424,669

Options

Expiry	Exercise Price	Number of Common Shares Issuable	Proceeds if fully vested and exercised[1]
Expiring February 2, 2017	$ 1.30	35,000	$ 45,500
Expiring April 23, 2017	1.10	50,000	55,000
Expiring June 30, 2017	1.11	150,000	166,500
Expiring August 7, 2017	1.11	550,000	610,500
Expiring August 28, 2017	0.98	300,000	294,000
Expiring August 28, 2017	1.02	500,000	510,000
Expiring July 9, 2018	0.71	250,000	177,500
Expiring February 14, 2019	0.85	300,000	255,000
Expiring June 25, 2019	0.98	1,300,000	1,274,000
Expiring September 25, 2019	0.71	140,000	99,400
Expiring March 2, 2020	0.78	750,000	585,000
Expiring April 1, 2020	0.87	50,000	43,500
Expiring April 8, 2020	0.92	200,000	184,000
Expiring August 20, 2020	0.90	500,000	450,000
Expiring August 21, 2020	0.91	100,000	91,000
Expiring December 18, 2020	0.67	2,125,000	1,423,750
Expiring May 13, 2021	1.14	175,000	199,500
Expiring December 14, 2021	1.30	125,000	162,500
Expiring December 16, 2021	$ 1.19	1,400,000	1,666,000
Total options		9,000,000	$ 8,292,650
Restricted Share Units ("RSUs")	-	1,375,000	
Deferred Share Units ("DSUs")	-	294,000	
Total fully diluted		301,769,871	

[1] Calculated as exercise price multiplied by number of common shares.

As at March 23, 2017, the Company has 250,042,747 common shares, 41,047,220 warrants, 8,981,666 options, 1,375,000 RSUs and 294,000 DSUs issued and outstanding. This amounts to 301,740,633 common shares outstanding on a fully-diluted basis.

FINANCIAL STATEMENTS – CRITICAL ACCOUNTING ESTIMATES

The Consolidated Financial Statements of the Company are prepared in accordance with IFRS. The significant accounting policies of the Company are described in note 2 of the Company's Consolidated Financial Statements for the year ended December 31, 2016.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the related reported expenses during the year. The most significant estimates and judgments are related to:

(i) Transition of the Curraghinalt Project from the exploration and evaluation stage to the development stage;
(ii) Recoverability of property, plant and equipment, and exploration and evaluation assets;
(iii) Fair value of share-based payments and warrants;
(iv) Measurement and recognition of deferred income tax assets and liabilities;
(v) Measurement of the provision for reclamation;
(vi) Estimate of mineral reserves and resources;
(vii) Recognition of provision for contingencies

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Management believes that the estimates are reasonable. Property, plant and equipment, exploration and evaluation expenditures incurred up to December 31, 2016 at the Northern Ireland Properties (across the six Mineral Prospecting Licences held by DGL) have been capitalized for accounting and tax purposes and will be claimed in due course.

RECENT ACCOUNTING PRONOUNCEMENTS AND ADOPTION OF NEW AND AMENDED IFRS STANDARDS

The following new IFRS standards are issued but not yet effective for the Company.

IFRS 9 *Financial Instruments*

On July 24, 2014, the IASB issued the completed IFRS 9, *Financial Instruments,* (IFRS 9 (2014)).

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment, and new general hedge accounting requirements. IFRS 9 is to come into effect on January 1, 2018 with early adoption permitted.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 *Leases*

On January 13, 2016, the IASB issued IFRS 16, *Leases*.

The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is to come into effect on January 1, 2019 with early adoption permitted.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company has established and maintains disclosure controls and procedures ("DC & P") designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which annual filings are being prepared, and that information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified by such securities legislation.

The Company's management, along with the participation of the Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's DC & P as of December 31, 2016. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as at December 31, 2016, the Company's DC & P were effective.

The Company also maintains a system of internal controls over financial reporting ("ICFR") designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, however, due to inherent limitations, ICFR may not prevent or detect all misstatements and fraud. The Board of Directors approves the audited financial statements and ensures that management discharges its financial responsibilities. The Audit Committee, which is composed of independent directors, meets periodically with management and auditors to review financial reporting and control matters and approves the interim financial statements with the Board of Directors approving the annual financial statements.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate ICFR, and evaluating the effectiveness of the Company's ICFR as at each fiscal year end. Management has used the 2013 Internal Control–Integrated Framework from the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") framework to evaluate the effectiveness of the Company's ICFR as at December 31, 2016.

Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that as at December 31, 2016, the Company's ICFR was effective.

There have been no changes in the Company's ICFR during the fiscal year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Dalradian is a mineral development and exploration entity, whose activities include the selection, acquisition, exploration, evaluation and development of mineral properties. Its current focus is to develop the Curraghinalt gold deposit. The future performance of Dalradian is largely tied to the development of its property interests and other prospective business opportunities and the overall financial markets. Financial markets for mineral companies are currently volatile, reflecting ongoing concerns about the stability of commodity prices. The Company's financial success will be dependent upon the extent to which it can achieve milestones in determining the economic viability of the deposits in its portfolio or of any new discoveries that it may make. The development of such assets may take years to complete and the resulting revenue, if any, is difficult to determine with any certainty. To date, Dalradian has not produced any revenue. The sales value of any minerals discovered by Dalradian is largely dependent upon factors beyond its control, such as the market value of the commodities produced. There are significant uncertainties regarding the prices of precious metals and the availability of equity financing for the purposes of exploration and development. Global commodity markets remain volatile and uncertain which has contributed to difficulties in raising equity and borrowing funds. As a result, the Company may have difficulties raising equity financing for the purposes of exploration and development, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of Dalradian to develop and/or

further explore its current mineral exploration properties and any other property interests that may be acquired in the future.

RISK FACTORS

The Company is subject to a number of risks and uncertainties which are not discussed in this MD&A. To properly understand such risks, readers are directed to the Company's AIF for the year ended December 31, 2016 under the heading "Risk Factors", which is incorporated by reference into this MD&A. The AIF is available on SEDAR (www.sedar.com).

ADDITIONAL INFORMATION

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

DALRADIAN
RESOURCES

Dalradian Resources Inc.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016
And December 31, 2015

March 23, 2017

Management's Responsibility for Consolidated Financial Statements

Date March 23, 2017

To the Shareholders of Dalradian Resources Inc.

The accompanying consolidated financial statements of Dalradian Resources Inc. ("the Company") were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee, whose members are independent directors of the Company, assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management and the external auditors quarterly. The Audit Committee reviews management's evaluation of internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders. The Audit Committee also has the responsibility of engaging the external auditors.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Dalradian Resources Inc.

(signed) Patrick F. N. Anderson

Patrick F. N. Anderson
Chief Executive Officer

(signed) Keith McKay

Keith McKay
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Dalradian Resources Inc.

We have audited the accompanying consolidated financial statements of Dalradian Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dalradian Resources Inc. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) KPMG

Chartered Professional Accountants, Licensed Public Accountants
March 23, 2017
Toronto, Canada

Dalradian Resources Inc.

Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

	As at Dec. 31, 2016	As at Dec. 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 35,719,242	$ 43,322,899
Amounts receivable	666,166	856,244
Prepaid expenses and advance payments	506,785	1,373,798
	36,892,193	45,552,941
Non-Current assets:		
Restoration deposit (note 6)	1,032,135	1,268,930
Property, plant and equipment (note 4)	118,988,157	12,096,928
Exploration and evaluation assets (note 5)	3,943,077	82,356,346
	123,963,369	95,722,204
	$ 160,855,562	$ 141,275,145
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,908,196	$ 6,070,328
Current portion of provision for reclamation (note 6)	347,844	-
	5,256,040	6,070,328
Non-Current liabilities:		
Provision for reclamation (note 6)	679,124	1,265,234
Shareholders' equity:		
Share capital (note 7)	195,974,511	162,680,450
Warrants (note 7)	10,745,550	15,019,060
Contributed surplus	12,314,675	12,533,961
Accumulated deficit	(64,114,338)	(56,293,888)
	154,920,398	133,939,583
	$ 160,855,562	$ 141,275,145

Commitments and contingencies (note 13) and subsequent events (note 15)

On behalf of the Board:

(signed) James E. Rutherford *(signed) Ronald P. Gagel*

James E. Rutherford
Director

Ronald P. Gagel
Director

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

Dalradian Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Operating expenses:		
Salaries and related benefits	$ 3,119,915	$ 4,213,550
Professional fees and consulting	1,145,288	816,131
Share-based payments	1,094,623	1,365,594
Investor relations and general travel	1,061,043	1,187,366
Office, regulatory and general	762,423	908,618
Amortization	4,606	103,356
Foreign exchange loss (gain)	809,272	(898,577)
Interest and bank charges	11,454	8,628
	$ 8,008,624	$ 7,704,666
Interest income and other	188,174	241,097
Loss and comprehensive loss for the year	$ (7,820,450)	$ (7,463,569)
Loss per share – basic and diluted (note 9)	$ (0.03)	$ (0.04)

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

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Share capital:		
Balance, beginning of year	$ 162,680,450	$ 110,693,043
Common shares issued (note 7)	220,932	40,178,329
Warrants exercised (note 7)	30,869,137	11,395,255
Options exercised (note 7)	1,260,492	413,823
RSUs redeemed (note 7)	943,500	-
Balance, end of year	$ 195,974,511	$ 162,680,450
Warrants:		
Balance, beginning of year	$ 15,019,060	$ 7,288,894
Warrants issued	-	9,648,206
Warrants exercised (note 7)	(4,229,727)	(1,864,955)
Warrants expired (note 7)	(43,783)	(53,085)
Balance, end of year	$ 10,745,550	$ 15,019,060
Contributed surplus:		
Balance, beginning of year	$ 12,533,961	$ 11,118,485
Increase from share-based payments	1,183,623	1,521,214
Warrants expired (note 7)	43,783	53,085
Options exercised	(503,192)	(158,823)
RSUs redeemed	(943,500)	-
Balance, end of year	$ 12,314,675	$ 12,533,961
Accumulated deficit:		
Balance, beginning of year	$ (56,293,888)	$ (48,830,319)
Loss and comprehensive loss for the year	(7,820,450)	(7,463,569)
Balance, end of year	$ (64,114,338)	$ (56,293,888)
Total shareholders' equity	$ 154,920,398	$ 133,939,583

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

Dalradian Resources Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Cash flows from (used in) operating activities:		
Loss and comprehensive loss for the year	$ (7,820,450)	$ (7,463,569)
Items not affecting cash:		
Unrealized foreign exchange loss (gain) on cash	1,164,808	(953,398)
Interest income and other	(188,174)	(236,004)
Amortization	4,606	103,356
Share-based payments	1,094,623	1,365,594
Unrealized foreign exchange loss (gain) on restoration deposit	236,795	(148,060)
Change in non-cash operating working capital:		
Amounts receivable	188,603	(606,865)
Prepaid expenses and advance payments	(14,663)	(56,435)
Accounts payable and accrued liabilities	1,529,526	233,410
Cash flows used in operating activities	$ (3,804,326)	$ (7,761,971)
Cash flows from financing activities:		
Net proceeds from common shares and warrants issued	$ -	$ 49,142,965
Exercise of warrants	26,639,410	9,530,300
Exercise of options	757,300	255,000
Cash flows from financing activities	$ 27,396,710	$ 58,928,265
Cash flows from (used) in investing activities:		
Expenditures on exploration and evaluation assets	$ (24,810,417)	$ (27,148,794)
Additions to property, plant and equipment	(5,410,717)	(11,657,887)
Interest received	189,901	233,016
Cash flows used in investing activities	$ (30,031,233)	$ (38,573,665)
Net change in cash and cash equivalents	(6,438,849)	12,592,629
Cash and cash equivalents, beginning of year	43,322,899	29,776,872
Effect of exchange rate fluctuations on cash held	(1,164,808)	953,398
Cash and cash equivalents, end of year	$ 35,719,242	$ 43,322,899

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

1. NATURE OF OPERATIONS

Dalradian Resources Inc. (collectively with its subsidiary, the "Company") was incorporated on March 27, 2009, in the Province of Ontario, Canada, and is involved in the acquisition, exploration, evaluation and development of mineral properties in Northern Ireland. The registered address of the Company's head office is Queens Quay Terminal, 207 Queens Quay West, Suite 416, Toronto, Ontario, M5J 1A7.

The Company's primary focus is the development of its wholly-owned Curraghinalt Project and exploration and evaluation of its mineral properties in Northern Ireland. The Company transitioned from the exploration and evaluation stage to the development stage for accounting purposes in December 2016.

The recoverability of the amounts paid for the acquisition of, and investment in, mineral properties is dependent upon the commercial development of recoverable reserves, the preservation of the Company's interest in the underlying mineral prospecting licences and mining lease option agreements, the ability to obtain necessary financing and the attainment of profitable operations or, alternatively, the disposal of properties or the Company's interests therein on an advantageous basis.

While the Company has no source of revenue, management believes it has sufficient cash resources and proceeds from the exercise of warrants in 2017 to meet its obligations and fund planned expenditures and administrative costs for at least the next twelve months. The Company will have to raise funds in the future to finance the development of the Curraghinalt Project and meet future expenditures and administrative costs. Although the Company has been successful in raising funds to date, as evidenced by proceeds raised from warrants exercised in 2016 (see note 7) and 2017 (see note 15), there can be no assurance that adequate financing will be available in the future or available under terms acceptable to the Company.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future.

These consolidated financial statements have been approved and authorized to be issued by the Board of Directors on March 23, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with IFRS. Outlined below is a summary of the significant accounting policies used in the preparation of these consolidated financial statements.

(a) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments, warrants, and share-based payments, which are initially measured at fair value.

(b) Basis of consolidation

These consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its 100% owned subsidiary, Dalradian Gold Limited ("DGL"). All inter-company transactions and balances have been eliminated on consolidation.

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is fully consolidated from the date on which control is transferred to the Company, and is deconsolidated from the date that control ceases,

(c) Measurement uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the related reported expenses during the year. The most significant estimates and judgments are related to:

(i) Transition of the Curraghinalt Project from the exploration and evaluation stage to the development stage as described in note 2(e), 2(f) and 4;

(ii) Recoverability of property, plant and equipment, and exploration and evaluation assets as described in note 2(f), 2(g) and 4;

(iii) Fair value of share-based payments and warrants as described in note 2(j);

(iv) Measurement and recognition of deferred income tax assets and liabilities as described in note 2(k);

(v) Measurement of the provision for reclamation as described in note 2(h);

(vi) Estimate of mineral reserves and resources

The Company estimates its mineral reserves and resources based on information compiled by qualified persons as defined in accordance with the requirements of National Instrument 43-101 (“NI 43-101”), Standards of Disclosure for Mineral Projects. The estimation of mineral reserves and resources requires judgment to interpret available geological data then select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates and projections of costs and recovery rates. There are numerous uncertainties inherent in estimating mineral reserves and resources and assumptions that are valid at the time of estimation and may change significantly when new information become available. New geological data as well as changes in the above assumptions may change the economic status of reserves and may, ultimately, result in the reserves being revised.

Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of mineral property under development, exploration and evaluation assets, and property, plant and equipment;

(vii) Recognition of provision for contingencies as described in note 2(i).

Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

(d) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated amortization. Amortization is recognized, using the straight-line method, over a period of three to five years or over the lease term. Mineral property is expected to be amortized once production commences on a unit of production basis over the life of mine.

(e) Mineral property under development

Development expenditures are comprised of the purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates; costs directly attributed to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; the present value of the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located; and costs of testing whether the asset is functioning properly. Mineral property under development are assessed to determine the point at which the assets are ready for their intended use and production has commenced. Once the mineral property has reached the production stage, depreciation of the assets commences.

Judgement is required in determining when an asset transitions from the exploration and evaluation stage to the development stage. Factors taken into consideration by the Company in this assessment include:

- Existence of mineral resources and reserves;
- Completion of a NI 43-101 feasibility study;
- Operating and environmental permits exist or are reasonably expected to be obtained; and
- Appropriate Board of Director approval.

(f) Exploration and evaluation assets

The Company capitalizes costs incurred to acquire, explore for and evaluate mineral resources. These expenditures are included in the exploration and evaluation assets classification within the Company's statement of financial position. Once the technical feasibility and commercial viability of a mineral resource is determined, a required impairment test is performed and the carrying value is reclassified as mineral property under development, a component of property, plant and equipment. The exploration and evaluation costs include the fair market value of consideration paid, including cash and shares, if any, for the acquisition of property interests.

(g) Impairment of non-financial assets

The Company assesses its mineral property under development and property, plant and equipment for impairment whenever facts and circumstances suggest that the carrying amount is not recoverable. This evaluation requires significant judgment regarding whether significant adverse changes in internal and external factors indicate the carrying value may be impaired, including significant decline in asset's market value, decline in mineral reserves or resources or lower expected gold price or input costs.

The Company assesses its exploration and evaluation assets for impairment when, based on the conditions listed in IFRS 6, *Exploration and Evaluation of Mineral Resources* facts and circumstances indicate the carrying value of its exploration and evaluation assets exceeds its recoverable amount, such as the loss of the rights to explore an area, poor exploration results or abandonment of work programs. This evaluation requires significant judgment regarding the status of the exploration program to determine whether any of the impairment indicators in IFRS 6 have been met.

If an impairment test of non-financial assets is required, the recoverable amount is determined based on the higher of fair value less cost of disposal ("FVLCD") and value in use, which is the present value of the future cash flows expected to be derived from an asset.

If the recoverable amount of mineral property under development, exploration and evaluation asset or property, plant and equipment is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of loss and comprehensive loss. If the circumstances leading to the impairment change, and an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of loss and comprehensive loss.

Determining the recoverable amount requires management to make significant estimates regarding the future cash flows expected to be received from the mining project. Significant estimates include mineral reserves and resources to be mined, future commodity prices, capital and operating costs, discount rate and future foreign exchange rates. Refer to Note 4 for estimates made in the impairment test for the Curraghinalt Project upon determining it was technically feasible and commercially viable.

(h) Provision for reclamation

A provision for reclamation is recognized when: (i) the Company has a present legal or constructive obligation as a result of past exploration and evaluation, development or mining activities; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

The Company records a liability and corresponding asset for the present value of the estimated costs of legal and constructive obligations for future site reclamation.

The present value is determined based on an assessment of the discount rate of the country in which the reclamation site is located based on the risk-free rate of borrowing approximated by the yield on sovereign debt for that country, with a maturity approximating the reclamation period.

The estimated present value of the reclamation cost is reassessed on an ongoing basis for completed exploration and evaluation, development and mining activities and for new material information as it becomes available. When estimates of reclamation costs are revised, the present value of the changes in reclamation costs is recorded in the period by a change in the reclamation provision and a corresponding adjustment to the related assets.

The ultimate cost of reclamation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements and the emergence of new restoration techniques. The expected timing of expenditure can also change. As a result there could be significant adjustments to the provisions for reclamation, which would affect future financial results.

Funds on deposit with third parties provided as security for future reclamation costs are included in restoration deposits on the statement of financial position.

(i) Recognition of provision for contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the control of the Company occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies relating to legal proceedings against the Company or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the nature and amount of relief sought or expected to be sought when determining the amount, if any, to recognize as a provision or assessing the impact on the carrying value of assets.

(j) Share-based payments and warrants

The fair value of any share-based payments granted to directors, officers, employees and consultants is recorded as an expense or a component of exploration and evaluation assets or property, plant and equipment based on the nature of the services for which it was awarded over the vesting period of the award with a corresponding increase recorded to contributed surplus. Share-based payments for directors, officers and employees are valued at the grant date whereas consultants' share-based payments are valued as the goods and services are received from the recipient. If the fair value of the goods and services received cannot be estimated reliably the Black-Scholes pricing model is used. Fair value of share options for directors, officers and employees, and warrants is determined using the Black-Scholes option pricing model utilizing management's assumptions, as described in note 7. Fair value of share-based payments for consultants is determined based on the fair value of the goods and services received and requires management to make estimates of the value of the goods and services received. Upon exercise of a share option or warrant, consideration paid by the option or warrant holder, together with the amount previously recognized in contributed surplus and warrants, respectively, is recorded as an increase to share capital.

The Restricted Share Units ("RSU") are accounted for as equity settled share-based payments, and the grant date fair value is amortized over their vesting period. The fair value of the RSU is based on the share price at the grant date as described in note 7.

The Deferred Share Units ("DSU") are granted to non-executive directors and must be held by the director until the director leaves the Company's Board of Directors. DSUs vest immediately on grant. DSU's are accounted for as equity settled share-based payments, and the grant date fair value is recognized in the statement of loss and comprehensive loss on the grant date. The fair value of the DSU is based on the share price at the grant date as described in note 7.

(k) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and on losses carried forward. For non-monetary assets denominated in a foreign currency, the tax basis is translated to the functional currency using the current foreign exchange rate. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. The effect on deferred income tax assets and liabilities of a change in the enacted tax rate is included in income in the period in which the change is substantively enacted. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized. This evaluation

requires management to make judgments as to whether it is probable that a tax asset may be realized in the future.

(l) Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. The dilutive effect of share-based payments and warrants is calculated using the treasury stock method. The treasury stock method assumes that any proceeds from the exercise of dilutive share-based payments and warrants would be used to repurchase common shares at the average market price during the year, with the incremental number of shares being included in the denominator of the diluted earnings per share calculation to the extent that it is dilutive. Share-based payments and share purchase warrants are not included in the computation of diluted loss per share in periods where the Company incurs a loss as their inclusion would be anti-dilutive.

(m) Functional and presentation currency

The Company and its subsidiary have a functional currency of Canadian dollars, which is also the currency in which the consolidated financial statements are presented. Transactions and balances denominated in a foreign currency have been translated into Canadian dollars using a method that retains their basis of measurement in terms of the Canadian dollar, as described below. Any conversion differences are recorded as exchange gains or losses in the consolidated statement of loss and comprehensive loss. Under this method:

(i) monetary items are translated at the exchange rate in effect at the statement of financial position date;

(ii) non-monetary items, principally the property plant and equipment assets, are translated at historical exchange rates; and

(iii) revenue and expenses are translated at the average rates of exchange during the year, other than share-based payments and amortization which are translated at historical rates.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of less than 3 months.

(o) Financial instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Company has classified each financial instrument into one of the following categories: fair value through profit or loss; loans and receivables; and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities classified as fair value through profit or loss are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year.

Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Subsequent Measurement
Cash and cash equivalents, Restoration deposit	Fair value through profit or loss	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Accounts payables and accrued liabilities	Other liabilities	Amortized cost

3. RECENT ACCOUNTING PRONOUNCEMENTS AND ADOPTION OF NEW AND AMENDED IFRS STANDARDS

The following new IFRS standards are issued but not yet effective for the Company.

IFRS 9 *Financial Instruments*

On July 24, 2014, the IASB issued the completed IFRS 9, *Financial Instruments,* (IFRS 9 (2014)).

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment, and new general hedge accounting requirements. IFRS 9 is to come into effect on January 1, 2018 with early adoption permitted.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 *Leases*

On January 13, 2016, the IASB issued IFRS 16, *Leases*.

The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is to come into effect on January 1, 2019 with early adoption permitted.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined

4. PROPERTY, PLANT AND EQUIPMENT

	Mineral property under development	Land	Plant and equipment	Total
Cost				
Balance at Dec. 31, 2014	$ -	$ -	$ 2,055,515	$ 2,055,515
Additions	-	9,568,037	2,773,420	12,341,457
Disposals	-	-	(18,088)	(18,088)
Balance at Dec. 31, 2015	$ -	$ 9,568,037	$ 4,810,847	$ 14,378,884
Additions	1,688,698	3,903,840	46,300	5,638,838
Disposals	-	-	(68,464)	(68,464)
Transferred from Exploration and Evaluation Assets (Note 5)	102,007,509	-	-	102,007,509
Balance at Dec. 31, 2016	$ 103,696,207	$ 13,471,877	$ 4,788,683	$ 121,956,767
Accumulated Amortization				
Balance at Dec. 31, 2014	$ -	$ -	$ 1,647,466	$ 1,647,446
Amortization	-	-	652,598	652,598
Disposals	-	-	(18,088)	(18,088)
Balance at Dec. 31, 2015	$ -	$ -	$ 2,281,956	$ 2,281,956
Amortization	-	-	755,118	755,118
Disposals	-	-	(68,464)	(68,464)
Balance at Dec. 31, 2016	$ -	$ -	$ 2,968,610	$ 2,968,610
Net Book Value				
Balance at Dec. 31, 2015	$ -	$ 9,568,037	$ 2,528,891	$ 12,096,928
Balance at Dec. 31, 2016	$ 103,696,207	$ 13,471,877	$ 1,820,073	$ 118,988,157

The Company, through DGL, holds a 100% interest in prospecting licences and options, subject to royalties as described below, covering approximately 122,000 hectares, consisting of six contiguous areas (DG1, DG2, DG3, DG4, DG5 and DG6), located in counties Tyrone and Londonderry, Northern Ireland, United Kingdom, which are collectively known as the “Northern Ireland Properties”.

On December 12, 2016, the Company announced the results of the independent Feasibility Study (“FS”) for its 100% owned Curraghinalt Gold Project in Northern Ireland. The Company determined the mineral property related to the DG1 license was technically feasible and commercially viable and consequently the property transitioned from the exploration and evaluation stage to the development stage for accounting purposes. This resulted in the transfer of $102,007,509 of costs classified as exploration and evaluation assets for the DG1 area of the Curraghinalt Project to mineral property under development. An impairment test was performed using a gold price of US$1,250 per ounce, exchange rates of 0.75 US dollars to one Canadian dollar, 1.2 US dollars to one Pound Sterling and a discount rate of 5% and resulted in no impairment. The DG2 to DG6 areas remain in the exploration and evaluation stage and the related assets are classified as exploration and evaluation assets.

There are two elements comprising this interest for each of the six licence areas:

- the option agreements for mining leases entered into with the Crown Estate Commissioners ("CEC") for gold and silver (the "CEC Mining Lease Option Agreements"); and
- the prospecting licences entered into with the Department for the Economy ("DfE", formerly known as Department of Enterprise, Trade and Investment) for base metals (the "DfE Prospecting Licences").

On March 11, 2016, DGL finalized renewals of the DG1-DG4 CEC Mining Lease Option Agreements, using a new standard form of CEC agreement, each with a commencement date of January 1, 2016 and an initial expiry date of December 31, 2021. On March 11, 2016, DGL also entered into initial CEC Mining Lease Option Agreements for DG5 and DG6 with a commencement date of January 1, 2016 and expiry date of December 31, 2021. The CEC Mining Lease Option Agreements have a six-year term, with an option to extend the term for up to an additional four years (together, the "Option Period").

The DfE Prospecting Licences for DG1 and DG2 were issued in 2013 and are currently in their first two-year extension term which runs from January 1, 2016 to December 31, 2017. They are eligible for one more, two-year extension. The DfE Prospecting Licences for DG3 and DG4 are currently in their second two-year extension term which runs from April 24, 2015 to April 23, 2017. On June 23, 2016, DGL was granted DfE Prospecting Licences for DG5 and DG6 with a commencement date of June 1, 2016 and expiry date of May 31, 2022. A DfE Prospecting Licence cannot be extended beyond six years from the date of grant; however, at the end of the second two-year extension, DGL may apply for a new DfE Prospecting Licence over the same area. Applications for new DfE Prospecting Licences were submitted for DG3 and DG4 on December 2, 2016. Applications for new DfE Prospecting Licences will be required for DG1 and DG2 in 2019 and for DG5 and DG6 in 2021.

Pursuant to a royalty agreement dated December 13, 2004 (the "Royalty Agreement"), between DGL (formerly known as Ulster Minerals) and Minco plc, a 2% net smelter return royalty on a portion of the Northern Ireland Properties (as defined in the Royalty Agreement) is payable by DGL to Minco plc or its nominee. As provided in the CEC Mining Lease Option Agreements, a 4% royalty will be payable to the CEC upon production of gold and/or silver from the Northern Ireland Properties.

5. EXPLORATION AND EVALUATION ASSETS

		Year ended Dec. 31, 2016		Year ended Dec. 31, 2015
Balance, beginning of year	$	82,356,346	$	49,085,740
Exploration		1,125,149		1,593,756
Asset evaluation		22,387,280		31,521,230
Share-based payments		81,811		155,620
Transferred to property, plant and equipment (note 4)		(102,007,509)		-
Balance, end of year	$	3,943,077	$	82,356,346

The Company transitioned from the exploration and evaluation stage to the development stage for accounting purposes in December 2016. Exploration and evaluation expenditures related to the DG1 licence area were transferred to mineral property under development in property, plant and equipment and the remaining balance represents exploration expenditures related to DG2 to DG6

licence areas. The terms of the CEC Mining Lease Option Agreements, DfE Prospecting Licences and royalty agreement for DG2 to DG6 are described in note 4.

6. PROVISION FOR RECLAMATION

With the start of the surface works phase in 2014, the Company was required to place a restoration deposit of £623,120 (2015 - £621,811), equivalent to $1,032,135 (2015 – $1,268,930), in a reserve account as security for reclamation to be performed in accordance with CEC requirements. The funds will remain in the reserve account and accrue interest until reclamation associated with the Underground Program has been satisfactorily completed.

The Company estimates future reclamation costs based on the current disturbance area of its mineral properties and estimates of costs required to fulfil the Company's future obligation. As of December 31, 2016, provision for reclamation is estimated to be £620,000 (December 31, 2015 - £620,000), equivalent to $1,026,968 (December 31, 2015 - $1,265,234). As at December 31, 2016, management estimates that £210,000 (equivalent of $347,844) will be required to restore a waste rock storage area in 2017. As a result, this amount was transferred from non-current liabilities to current liability.

7. SHARE CAPITAL, WARRANTS, SHARE OPTIONS, RESTRICTED SHARE UNITS AND DEFERRED SHARE UNITS

(a) Share Capital:

The Company is authorized to issue an unlimited number of common shares with no par value. As at December 31, 2016, 243,324,776 (December 31, 2015 – 215,163,700) common shares were issued and outstanding.

	Number of shares issued		Amount
Balance, December 31, 2014	140,050,483	$	110,693,043
Private placement February 9, 2015 (i)	12,556,000		9,228,660
Issuance costs of private placement February 9, 2015 (i)	-		(389,726)
Bought deal offering October 7, 2015 (ii)	50,312,500		32,200,000
Issuance costs of bought deal offering October 7, 2015 (ii)	-		(1,544,175)
Issuance on exercise of warrants	9,581,650		10,132,370
Issuance on exercise of broker warrants	1,272,072		1,262,885
Issuance on exercise of options	430,000		413,823
Issuance on land acquisition (iii)	960,995		683,570
Balance, December 31, 2015	215,163,700	$	162,680,450
Issuance on land acquisition (iv, v)	225,000		220,932
Issuance on exercise of warrants	24,106,904		28,743,315
Issuance on exercise of broker warrants	1,742,478		2,125,822
Issuance on exercise of options	1,236,694		1,260,492
Issuance on exercise of RSUs	850,000		943,500
Balance, December 31, 2016	243,324,776	$	195,974,511

Further details of transactions in shareholders' equity referenced above are:

(i) On February 9, 2015, the Company closed a non-brokered private placement of 12,556,000 units, at a price of $0.90 per unit, for gross proceeds of $11,300,400. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. The common share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $1.15 until February 9, 2017. The Company allocated approximately $0.17 to each one-half of one warrant using the Black-Scholes option pricing method, and allocated the residual $0.73 to each common share. A cash commission of $452,016 (4% of gross proceeds) and other transaction costs of $25,200 were paid.

(ii) On October 7, 2015, the Company closed a bought deal offering of 50,312,500 units including fully exercised over-allotment units, at a price of $0.80 per unit, for gross proceeds of $40,250,000. Each unit consisted of one common share of the Company and one common share purchase warrant. The common share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $1.04 until October 7, 2017. The Company allocated $0.16 to each warrant using the Black-Scholes option pricing method, and allocated the residual $0.64 to each common share. A cash commission of $1,610,000 (4% of gross proceeds) and other transaction costs of $320,219 were paid.

(iii) On November 30, 2015, the Company issued 960,995 common shares, at a price of $0.71 per share, to a landowner as part of a deal to acquire their land for the purpose of exploration and evaluation activities.

(iv) On January 8, 2016, the Company issued 150,000 common shares, at a price of $0.81 per share, to a landowner as part of a deal to acquire their land for the purpose of exploration and evaluation activities.

(v) On December 12, 2016, the Company issued 75,000 common shares, at a price of $1.33 per share, to a landowner as part of a deal to acquire their land for the purpose of exploration and evaluation activities.

(b) Warrants:

	Number of warrants	Amount	Weighted average exercise price
Balance, December 31, 2014	28,255,799	$ 7,288,894	$ 1.22
Warrants issued February 9, 2015 (i)	6,278,000	2,071,740	1.15
Issuance costs of bought deal offering February 9, 2015 (i)	-	(87,490)	-
Warrants issued October 7, 2015 (ii)	50,312,500	8,050,000	1.04
Issuance costs of bought deal offering October 7, 2015 (ii)	-	(386,044)	-
Warrants exercised	(9,581,650)	(1,508,885)	0.90
Broker warrants exercised	(1,272,072)	(356,070)	0.71
Warrants expired	(337,100)	(53,085)	0.90
Balance, December 31, 2015	73,655,477	$ 15,019,060	$ 1.14
Warrants expired	(30,000)	(43,783)	2.17
Warrants exercised	(24,106,904)	(3,672,135)	1.04
Broker warrants exercised	(1,742,478)	(557,592)	0.90
Balance, December 31, 2016	47,776,095	$ 10,745,550	$ 1.20

The fair value of the Company's warrants, including broker warrants issued during the year ended December 31, 2015, were estimated using the Black-Scholes option pricing method using the following range of assumptions:

	2015
Volatility	63% to 67%
Risk-free interest rate	0.5%
Expected life (years)	2
Dividend yield	nil

The Company estimates future volatility by reference to the Company's historic volatility over a period equal to the expected life of the warrants.

No warrants were issued during the year ended December 31, 2016.

As at December 31, 2016, the following warrants were issued and outstanding:

Type	Expiry date	Number of warrants	Shares issuable	Carrying value	Exercise price
Warrants	January 1, 2017	40,000	40,000	$ 47,767	$ 1.81
Warrants	February 9, 2017	6,278,000	6,278,000	1,984,250	1.15
Warrants	July 31, 2017	15,202,499	15,202,499	4,673,951	1.50
Warrants	October 7, 2017	26,205,596	26,205,596	3,991,822	1.04
Warrants	January 1, 2018	50,000	50,000	47,760	1.50
		47,776,095	47,776,095	$ 10,745,550	$ 1.20

Each warrant entitles the holder to purchase one common share at the stated exercise price up to the expiry date. Refer to Note 15, Subsequent Events, regarding the warrants with expiry dates of January 1, 2017 and February 9, 2017.

(c) Share options:

On April 27, 2010, and as amended on March 22, 2011 and May 26, 2014, the Company adopted a share option plan under which it is authorized to grant share options to officers, directors, employees and consultants of the Company. Under the share option plan, the Company may not have more than 10% of the outstanding issued common shares reserved for incentive share options granted at any time. Options granted under the plan will have a term not to exceed five years, from the later of (i) the grant date; or (ii) August 10, 2010, the date on which the common shares were listed for trading on the Toronto Stock Exchange, have an exercise price of not less than the closing price of the shares on the exchange on which the common shares are listed on the trading date immediately preceding the date the options are granted and may be subject to vesting terms as determined by the Board of Directors.

In accordance with the option plan, the vesting period is determined by the Board of Directors. Unless disclosed otherwise, the vesting period is generally one third of the total options granted vest immediately upon approval and the remaining thirds each vest on the first and second anniversaries of the date they were granted.

	Number of options	Weighted average exercise price
Balance, December 31, 2014	7,815,000	$ 0.88
Granted	4,025,000	0.75
Exercised[1]	(430,000)	0.59
Expired	(375,000)	1.06
Balance, December 31, 2015	11,035,000	$ 0.84
Granted	1,700,000	1.19
Exercised[1]	(1,490,001)	0.66
Forfeited	(124,999)	0.68
Expired	(2,120,000)	0.90
Balance, December 31, 2016	9,000,000	$ 0.92

1. The weighted average share price on the date of exercise of exercised share options during 2016 is $1.17 (2015 - $0.80).

As at December 31, 2016 share options granted and still outstanding were as follows:

Grant Date	Exercise price	Grant date fair value of options outstanding	Number of vested options	Number of non-vested options	Number of outstanding options	Remaining life in years	Expiry date
Feb. 11, 2013	1.30	$ 28,227	35,000	-	35,000	0.09	Feb. 2, 2017
Apr. 23, 2012	1.10	34,209	50,000	-	50,000	0.31	Apr. 23, 2017
Aug. 7, 2012	1.11	103,322	150,000	-	150,000	0.50	Jun. 30, 2017
Aug. 7, 2012	1.11	378,847	550,000	-	550,000	0.60	Aug. 7, 2017
Sept. 11, 2012	1.02	316,598	500,000	-	500,000	0.66	Aug. 28, 2017
Jun. 25, 2014	0.98	155,922	300,000	-	300,000	0.66	Aug. 28, 2017
Jul. 9, 2013	0.71	54,937	250,000	-	250,000	1.52	Jul. 9, 2018
Feb. 14, 2014	0.85	135,100	300,000	-	300,000	2.12	Feb. 14, 2019
Jun. 25, 2014	0.98	675,662	1,300,000	-	1,300,000	2.48	Jun. 25, 2019
Sept. 25, 2014	0.71	51,901	140,000	-	140,000	2.73	Sept. 25, 2019
Mar. 2, 2015	0.78	293,142	500,000	250,000	750,000	3.17	Mar. 2, 2020
Apr. 1, 2015	0.87	21,842	33,334	16,666	50,000	3.25	Apr. 1, 2020
Apr. 8, 2015	0.92	92,209	200,000	-	200,000	3.27	Apr. 8, 2020
Aug. 20, 2015	0.90	195,726	500,000	-	500,000	3.64	Aug. 20, 2020
Aug. 21, 2015	0.91	39,543	100,000	-	100,000	3.64	Aug. 21, 2020
Dec. 18, 2015	0.67	607,293	1,500,001	624,999	2,125,000	3.97	Dec. 18, 2020
May 13, 2016	1.14	84,886	58,334	116,666	175,000	4.37	May 13, 2021
Dec. 14, 2016	1.30	67,150	41,667	83,333	125,000	4.96	Dec. 14, 2021
Dec. 16, 2016	1.19	688,727	466,669	933,331	1,400,000	4.96	Dec. 16, 2021
		$ 4,025,244	6,975,005	2,024,995	9,000,000	3.08[1]	

1. The weighted average remaining life for the options outstanding at December 31, 2016 is 3.08 years (2015 - 2.39 years)

The fair value of the Company's options granted to employees and consultants during the years ended December 31, 2016 and December 31, 2015 were estimated using the Black-Scholes option pricing method using the following range of assumptions:

	2016	2015
Volatility	61% to 64%	64% to 78%
Risk-free interest rate	0.6% to 0.9%	0.3% to 0.5%
Expected life (years)	3	3
Dividend yield	Nil	Nil
Forfeiture rate	5%	0% to 5%

The Company estimates future volatility by reference to the Company's historical volatility over a period equal to the expected life of the option.

The total fair value of unvested options that will be recognized in the consolidated statement of loss and comprehensive loss or capitalized into mineral property under development in future periods is $570,643 as at December 31, 2016 (December 31, 2015 - $527,626).

(d) Restricted Share Units:

On June 25, 2012, the shareholders approved an RSU plan. Under the plan, the participants are granted rights to acquire fully paid and non-assessable common shares from the Company. RSUs are vested at the end of the third year from their grant date.

	Number of RSUs	Weighted average fair value per unit at grant date [(i)]
Balance, December 31, 2014	995,000	$ 1.05
Granted	100,000	0.96
Forfeited	(25,000)	0.96
Balance, December 31, 2015	1,070,000	$ 1.04
Granted	1,155,000	1.19
Redeemed	(850,000)	1.11
Balance, December 31, 2016	1,375,000	$ 1.12

[(i)] The fair value of the RSUs are based on the share price on the date of grant.

The RSU expense for the year ended December 31, 2016 was $76,440 (2015 - $238,142).

(e) Deferred Share Units:

On June 27, 2016, the shareholders approved a DSU plan. Upon redemption of the DSU, at the time of the Director's retirement from all positions with the Company, the Company has the option to settle with (i) one common share of the Company or (ii) cash payment equal to the market value of a common share on the redemption date. The fair value at grant date is recorded immediately in the consolidated statement of loss and comprehensive loss with a corresponding adjustment to contributed surplus since the payment in cash or common shares is at the discretion of the Company and the Company has no past practice of settling in cash. DSUs can only be settled for cash at the discretion of the Board.

	Number of DSUs	Weighted average fair value per unit at grant date [i]
Granted	294,000	$ 1.19
Balance, December 31, 2016	294,000	$ 1.19

[i] The fair value of the DSUs are based on the share price on the date of grant.

The DSU expense for the year ended December 31, 2016 was $349,860 (2015 - $NIL).

8. RELATED PARTY TRANSACTIONS

Key management personnel are comprised of members of the Board of Directors and officers of the Company. Compensation of key management personnel comprised:

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Short-term employee benefits and other payments	$ 1,731,773	$ 1,853,461
Termination benefits	-	1,500,000
Directors' fees	481,500	407,652
Share-based payments	1,013,822	1,236,822
	$ 3,227,095	$ 4,997,935

9. BASIC AND DILUTED LOSS PER SHARE

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

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Numerator:		
Loss for the year	$ (7,820,450)	$ (7,463,569)
Denominator:		
Weighted average number of common shares	224,608,267	172,658,656
Basic and diluted loss per share	$ (0.03)	$ (0.04)

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

10. DEFERRED INCOME TAX RECOVERY

The major components of the deferred income tax expense/recovery for the years ended December 31, 2016 and December 31, 2015 are as follows:

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Reconciliation of effective tax rate:		
Net loss before taxes	$ (7,820,450)	$ (7,463,569)
Income tax recovery at statutory rates 26.5 %	(2,072,419)	(1,977,846)
Non-deductible expenses	294,039	366,139
Change in recognized temporary differences	1,769,255	1,602,766
Effect of tax rates in foreign jurisdiction	9,125	8,941
	$ -	$ -

Unrecognized deferred tax assets:		
Deferred tax assets have not been recognized in respect of:		
Investment in subsidiaries	$ 3,266,193	$ 3,125,812
Deductible temporary differences	4,531,981	7,212,019
Tax losses	54,233,264	46,963,347
	$ 62,031,438	$ 57,301,178

Property, plant and equipment, exploration and evaluation expenditures incurred up to December 31, 2016 at the Northern Ireland Properties (across the six Mineral Prospecting Licences held by DGL) have been capitalized for accounting and tax purposes and will be claimed in due course.

For Canadian income tax purposes, the non-capital tax losses begin to expire in 2029. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair Value

Cash and cash equivalents and restoration deposits are measured at fair value using level 1 inputs per the fair value hierarchy.

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

(b) Commodity Price Risk

The Company's ability to develop its properties and its future profitability are related to the market price of gold. The price of gold is affected by numerous factors, such as global consumption and demand for gold, international economic and political trends, fluctuations in value of the U.S. dollar and other currencies, interest rates and inflation.

(c) Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity 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 that is less than what they are worth; or,

(iii) the Company may be unable to settle liabilities 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 estimated future requirements. The Company plans to meet these requirements through a mix of available funds, equity financing, sale of assets, and project debt financing. Continuing operations are dependent on the Company's ability to access sufficient capital to complete the Company's exploration, evaluation and development activities, and to ultimately have profitable operations. Accounts payable and accrued liabilities at December 31, 2016 all have contractual maturities of less than 90 days and are subject to normal trade terms. The Company had sufficient funds on hand at December 31, 2016 to settle these liabilities.

(d) 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 statement of financial position date. The majority of the Company's financial assets are cash and cash equivalents, restoration deposit and amounts receivable. Management considers the credit risk on cash and cash equivalents and restoration deposit to be limited because the counterparties are established well-known financial institutions. During the year ended December 31, 2016, no amounts receivable were past due. Consequently, no allowances or bad debts were required on the amounts receivable. The maximum exposure to credit risk is represented by the carrying amount of the cash and cash equivalents, restoration deposit and amounts receivable on the consolidated statement of financial position.

(e) Foreign Currency Risk

Foreign currency risk is the risk that a variation in the exchange rates between the Canadian dollar and foreign currencies could affect the Company's operating and financial results. The Company is exposed to foreign currency risk as the Company holds cash in foreign currencies and has other financial assets and liabilities that are denominated in foreign currencies. 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 December 31, 2016, the carrying amounts of the Company's foreign currency-denominated net financial assets are approximately as follows:

	Net financial assets (liabilities)	Effect of 10% change in exchange rate on loss
U.S. dollar	$ 27,805	$ 2,781
Euro	(88,793)	8,879
Pound sterling	406,125	40,613
Australian dollar	(7,537)	754

12. CAPITAL DISCLOSURES

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

(a) to safeguard the Company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and

(b) to raise sufficient funds to finance ongoing exploration and evaluation and development activities to provide an adequate return to shareholders.

The Company defines capital as total equity plus long-term debt. Total equity is comprised of share capital, accumulated deficit, contributed surplus and warrants. Currently the Company has no debt or borrowings, other than short-term accounts payable and accrued liabilities with terms of less than 90 days to maturity. The Company manages its 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 issue new shares or sell assets to raise capital.

	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015
Shareholders' equity	$ 154,920,398	$ 133,939,583
Long-term debt	-	-
	$ 154,920,398	$ 133,939,583

13. COMMITMENTS AND CONTINGENCIES

At December 31, 2016, the Company had the following commitments for operating leases for the next five fiscal years:

	Total	2017	2018	2019	2020	2021
Operating leases	$ 204,192	$ 116,681	$ 87,511	$ -	$ -	$ -

Operating leases represent lease agreements for office space in Toronto.

On May 15, 2015, the Company entered into a lease agreement for office space in Toronto, Canada. The agreement commenced on May 15, 2015 and expires on September 30, 2018.

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

The Company is disputing invoices from an organization with claims totalling £399,841 (equivalent to $682,489) related to underground development. Management is of the view that the claims are without merit and they will be contested to the full extent of the law. Accordingly, these claims have not been accrued and are considered to be a contingent liability.

14. SEGMENTED REPORTING

The Company's registered office is in Canada. The geographical segmentation of the Company's assets and expenses are as follows:

	Canada	Northern Ireland	Total
As at December 31, 2016			
Current assets	$ 35,671,578	$ 1,220,615	$ 36,892,193
Restoration deposit	-	1,032,135	1,032,135
Exploration and evaluation assets	-	3,943,077	3,943,077
Property, plant and equipment	8,516	118,979,641	118,988,157
Total assets	$ 35,680,094	$ 125,175,468	$ 160,855,562
Year ended December 31, 2016			
Additions to property, plant and equipment	$ -	$ 5,570,374	$ 5,570,374
Additions to exploration and evaluation assets	$ -	$ 23,594,240	$ 23,594,240
Revenue	$ -	$ -	$ -
Net loss	$ 7,680,069	$ 140,381	$ 7,820,450

As at December 31, 2015			
Current assets	$ 40,507,961	$ 5,044,980	$ 45,552,941
Restoration deposit	-	1,268,930	1,268,930
Exploration and evaluation assets	-	82,356,346	82,356,346
Property, plant and equipment	13,123	12,083,805	12,096,928
Total assets	$ 40,521,084	$ 100,754,061	$ 141,275,145
Year ended December 31, 2015			
Additions to property, plant and equipment	$ 13,818	$ 12,327,639	$ 12,341,457
Additions to exploration and evaluation assets	$ -	$ 33,270,606	$ 33,270,606
Revenue	$ -	$ -	$ -
Net loss	$ 7,326,015	$ 137,554	$ 7,463,569

15. SUBSEQUENT EVENTS

Landowner Warrants

On January 1, 2017, 40,000 warrants exercisable at $1.81 per warrant, with a carrying value of $47,767, expired.

Warrant Exercises

Between January and March 2017, the Company received proceeds of $427,310 as a result of various exercises of common share purchase warrants aggregating 410,875 issued in October 2015 at price of $1.04.

On February 3, 2017, the Company received proceeds of $7,219,700 as a result of an exercise of 6,278,000 common share purchase warrants issued on February 9, 2015 at a price of $1.15.

Mineralized Ore Processing

Subsequent to December 31, 2016, the Company entered into an agreement to process approximately 15,000 tonnes of mineralized material in the first half of 2017.

DALRADIAN
RESOURCES

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