

DALRADIAN RESOURCES

Dalradian Resources Inc.

Interim Condensed Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and nine months ended
September 30, 2016 and September 30, 2015

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Balance Sheets

(Expressed in Canadian dollars)
(Unaudited)

	<u>As at Sept. 30, 2016</u>	<u>As at Dec. 31, 2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 43,108,509	\$ 43,322,899
Amounts receivable	200,134	856,244
Prepaid expenses and advance payments	<u>786,754</u>	<u>1,373,798</u>
	44,095,397	45,552,941
Non-Current assets:		
Restoration deposit (note 6)	1,063,230	1,268,930
Property, plant and equipment (note 4)	13,961,336	12,096,928
Exploration and evaluation assets (note 5)	<u>102,870,245</u>	<u>82,356,346</u>
	<u>\$ 161,990,208</u>	<u>\$ 141,275,145</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$ 4,116,345</u>	<u>\$ 6,070,328</u>
Non-Current liabilities:		
Provision for decommissioning and restoration (note 6)	<u>1,058,278</u>	<u>1,265,234</u>
Shareholders' equity:		
Share capital (note 7)	194,839,561	162,680,450
Warrants (note 7)	10,763,448	15,019,060
Contributed surplus	12,319,243	12,533,961
Accumulated deficit	<u>(61,106,667)</u>	<u>(56,293,888)</u>
	<u>156,815,585</u>	<u>133,939,583</u>
	<u>\$ 161,990,208</u>	<u>\$ 141,275,145</u>

Commitments and contingencies (note 11) and subsequent event (note 13)

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

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)
(Unaudited)

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2015	Nine months ended Sept. 30, 2016	Nine months ended Sept. 30, 2015
Operating expenses:				
Salaries and related benefits.....	\$ 579,902	\$ 1,231,245	\$ 1,679,710	\$ 2,775,842
Professional fees and consulting.....	235,137	328,930	930,559	553,288
Share-based payments.....	91,441	363,759	371,153	968,932
Investor relations and general travel.....	310,807	307,511	717,307	874,823
Office, regulatory and general	157,591	159,507	488,199	571,947
Amortization.....	1,152	24,243	3,454	101,250
Foreign exchange loss (gain)	69,468	(321,333)	734,564	(1,017,547)
Interest and bank charges	2,687	3,092	9,161	5,907
	<u>\$ 1,448,185</u>	<u>\$ 2,096,954</u>	<u>\$ 4,934,107</u>	<u>4,834,442</u>
Interest income and other.....	<u>33,179</u>	<u>34,153</u>	<u>121,328</u>	<u>167,204</u>
Loss and comprehensive loss for the period.....	<u>\$ (1,415,006)</u>	<u>\$ (2,062,801)</u>	<u>\$ (4,812,779)</u>	<u>\$ (4,667,238)</u>
Loss per share – basic and diluted (note 9)	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>

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

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)
(Unaudited)

	Nine months ended Sept. 30, 2016	Nine months ended Sept. 30, 2015
Share capital:		
Balance, beginning of period.....	\$ 162,680,450	\$ 110,693,043
Common shares issued (note 7)	121,500	8,838,934
Warrants exercised (note 7)	30,729,039	11,395,255
Options exercised (note 7)	1,031,072	413,823
RSUs redeemed (note 7)	277,500	-
Balance, end of period	<u>\$ 194,839,561</u>	<u>\$ 131,341,055</u>
Warrants:		
Balance, beginning of period.....	\$ 15,019,060	\$ 7,288,894
Warrants issued	-	1,984,250
Warrants exercised (note 7)	(4,211,829)	(1,864,955)
Warrants expired (note 7)	(43,783)	(53,085)
Balance, end of period	<u>\$ 10,763,448</u>	<u>\$ 7,355,104</u>
Contributed surplus:		
Balance, beginning of period.....	\$ 12,533,961	\$ 11,118,485
Increase from share-based payments.....	445,071	1,098,712
Warrants expired (note 7)	43,783	53,085
Options exercised (note 7)	(426,072)	(158,822)
RSUs redeemed (note 7)	(277,500)	-
Balance, end of period	<u>\$ 12,319,243</u>	<u>\$ 12,111,460</u>
Accumulated deficit:		
Balance, beginning of period.....	\$ (56,293,888)	\$ (48,830,319)
Loss and comprehensive loss for the period.....	(4,812,779)	(4,667,238)
Balance, end of period	<u>\$ (61,106,667)</u>	<u>\$ (53,497,557)</u>
Total shareholders' equity	<u>\$ 156,815,585</u>	<u>\$ 97,310,062</u>

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

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)
(Unaudited)

	Nine months ended Sept. 30, 2016	Nine months ended Sept. 30, 2015
Cash flows from (used in) operating activities:		
Loss and comprehensive loss for the period.....	\$ (4,812,779)	\$ (4,667,238)
Items not affecting cash:		
Unrealized foreign exchange loss (gain).....	1,052,978	(1,053,494)
Interest income and other	(121,328)	(162,111)
Amortization	3,454	101,250
Share-based payments	371,153	968,932
Restoration deposit	205,700	(136,348)
Change in non-cash operating working capital:		
Amounts receivable.....	650,173	(603,148)
Prepaid expenses and advance payments	32,233	(226,063)
Accounts payable and accrued liabilities	18,389	624,387
Cash flows used in operating activities	<u>\$ (2,600,027)</u>	<u>\$ (5,153,833)</u>
Cash flows from financing activities:		
Net proceeds from common shares and warrants issued.....	\$ -	\$ 10,823,184
Exercise of warrants (note 7).....	26,517,210	9,530,300
Exercise of options (note 7)	605,000	255,000
Cash flows from financing activities	<u>\$ 27,122,210</u>	<u>\$ 20,608,484</u>
Cash flows from (used) in investing activities:		
Expenditures on exploration and evaluation assets.....	\$ (21,497,178)	\$ (17,890,514)
Additions to property, plant and equipment	(2,314,384)	(4,201,842)
Interest received.....	127,967	174,803
Cash flows used in investing activities	<u>\$ (23,683,595)</u>	<u>\$ (21,917,553)</u>
Net change in cash and cash equivalents.....	838,588	(6,462,902)
Cash and cash equivalents, beginning of period	43,322,899	29,776,872
Effect of exchange rate fluctuations on cash held.....	(1,052,978)	1,053,494
Cash and cash equivalents, end of period.....	<u>\$ 43,108,509</u>	<u>\$ 24,367,464</u>

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

Dalradian Resources Inc.
(An exploration stage company)

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

Three and nine months ended September 30, 2016 and September 30, 2015 (unaudited)

1. NATURE OF OPERATIONS

Dalradian Resources Inc. (collectively with its subsidiaries, the "Company") was incorporated on March 27, 2009, in the Province of Ontario, Canada, and is involved in the acquisition, exploration and evaluation 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. 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 the bought deal financing in October 2015 and proceeds raised from warrants exercised in 2016, there can be no assurance that adequate financing will be available in the future, or available under terms acceptable to the Company.

The majority of the Company's efforts are devoted to the exploration and evaluation of its properties. The recoverability of the amounts paid for the acquisition of, and investment in, mineral properties is dependent upon the development of economically 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements ("Consolidated Financial Statements") have been prepared in accordance with IAS 34 and do not include all of the information required for annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

These Consolidated Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements follow the same accounting policies and methods as noted in note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2015.

Preparation of the Consolidated Financial Statements requires management to make estimates and judgments. Measurement uncertainties are described in the Company's audited consolidated financial statements for the year ended December 31, 2015. There has been no change in the nature of critical accounting estimates since the year ended December 31, 2015.

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

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)).

Dalradian Resources Inc.
(An exploration stage company)

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

Three and nine months ended September 30, 2016 and September 30, 2015 (unaudited)

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

	Cost	Accumulated amortization	Net book value Sept. 30, 2016	Net book value Dec. 31, 2015
Land	\$ 11,974,188	\$ -	\$ 11,974,188	\$ 9,568,037
Plant and equipment	2,798,655	1,169,100	1,629,555	1,984,142
Computer equipment and software	1,113,145	760,366	352,779	535,880
Leasehold improvements	704,139	703,917	222	2,688
Furniture and office equipment	224,641	220,049	4,592	6,181
	<u>\$ 16,814,768</u>	<u>\$ 2,853,432</u>	<u>\$ 13,961,336</u>	<u>\$ 12,096,928</u>

5. EXPLORATION AND EVALUATION ASSETS

	Three months ended September 30, 2016	Nine months ended September 30, 2016
Balance, beginning of period.....	\$ 97,651,601	\$ 82,356,346
Exploration.....	402,695	792,255
Asset evaluation.....	4,802,076	19,647,726
Share-based payments.....	13,873	73,918
Balance, end of period.....	<u>\$ 102,870,245</u>	<u>\$ 102,870,245</u>

Asset evaluation expenditures include development planning, permitting and other activities associated with the underground exploration program ("Underground Program").

The Company, through its wholly-owned subsidiary, Dalradian Gold Limited ("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. This

Dalradian Resources Inc.
(An exploration stage company)

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

Three and nine months ended September 30, 2016 and September 30, 2015 (unaudited)

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 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”).

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 for DG1 and DG2 will be required in 2019 and for DG3 and DG4 in Q4 2016 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 company duly incorporated under the laws of the Republic of Ireland, 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.

6. PROVISION FOR DECOMMISSIONING AND RESTORATION

With the start of the surface works phase of the Underground Program in 2014, the Company was required to place a restoration deposit of £622,901 (December 31, 2015 - £621,811), equivalent of \$1,063,230 (December 31, 2015 – \$1,268,930), in a reserve account as security for restoration to be performed in accordance with CEC requirements. The funds will remain in the reserve account and accrue interest until restoration associated with the Underground Program has been satisfactorily completed.

The Company estimates future decommissioning and restoration costs based on the level of current exploration and evaluation activity and estimates of costs required to fulfil the Company’s future obligation. As of September 30, 2016, provision for decommissioning and restoration is estimated to be £620,000 (December 31, 2015 - £620,000), equivalent of \$1,058,278 (December 31, 2015 - \$1,265,234).

Dalradian Resources Inc.
(An exploration stage company)

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

Three and nine months ended September 30, 2016 and September 30, 2015 (unaudited)

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

(a) Share Capital:

The Company is authorized to issue an unlimited number of common shares with no par value. As at September 30, 2016, 242,342,276 (December 31, 2015 – 215,163,700) common shares were issued and outstanding.

	Number of shares issued	Amount
Balance, December 31, 2015	215,163,700	\$ 162,680,450
Issuance on exercise of options (ii, iv, viii, ix, x)	1,046,694	1,031,072
Issuance on land acquisition (iii)	150,000	121,500
Issuance on exercise of warrants (v)	23,989,404	28,603,216
Issuance on exercise of broker warrants (vi)	1,742,478	2,125,823
Issuance on redemption of RSUs (vii)	250,000	277,500
Balance, September 30, 2016	<u>242,342,276</u>	<u>\$ 194,839,561</u>

(b) Warrants:

	Number of warrants	Amount	Weighted average exercise price
Balance, December 31, 2015	73,655,477	\$ 15,019,060	\$ 1.14
Warrants expired (i)	(30,000)	(43,783)	2.17
Warrants exercised (v)	(23,989,404)	(3,654,236)	1.04
Broker warrants exercised (vi)	<u>(1,742,478)</u>	<u>(557,593)</u>	0.90
Balance, September 30, 2016	<u>47,893,595</u>	<u>\$ 10,763,448</u>	<u>\$ 1.20</u>

Each warrant entitles the holder to purchase one common share at the stated exercise price up to the expiry date.

As at September 30, 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	January 1, 2018	50,000	50,000	47,760	1.50
Warrants	July 31, 2017	15,202,499	15,202,499	4,673,951	1.50
Warrants	February 9, 2017	6,278,000	6,278,000	1,984,250	1.15
Warrants	October 7, 2017	26,323,096	26,323,096	4,009,720	1.04
		<u>47,893,595</u>	<u>47,893,595</u>	<u>\$ 10,763,448</u>	<u>\$ 1.20</u>

(c) Share options:

	Number of options	Weighted average exercise price
Balance, December 31, 2015	11,035,000	\$ 0.84
Granted	175,000	1.14
Exercised (ii, iv, viii, ix, x)	(1,300,001)	0.64
Forfeited	(124,999)	0.68
Expired	<u>(2,050,000)</u>	<u>0.85</u>
Balance, September 30, 2016	<u>7,735,000</u>	<u>\$ 0.88</u>

Dalradian Resources Inc.
(An exploration stage company)

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

Three and nine months ended September 30, 2016 and September 30, 2015 (unaudited)

Of the 7,735,000 outstanding share options, 6,071,670 options were vested and exercisable and 1,663,330 options remain unvested. The overall weighted average remaining life for the options outstanding at September 30, 2016 is 2.94 years.

The fair value of the Company's options granted to an employee during the period ended September 30, 2016 were estimated using the Black-Scholes option pricing method using the following assumptions:

Volatility.....	64%
Risk-free interest rate.....	0.6%
Expected life (years).....	3
Dividend yield.....	Nil
Forfeiture rate.....	5%

The total fair value of unvested options that will be recognized in the consolidated statement of loss or capitalized into exploration and evaluation assets in future periods amounts to \$199,847 as at September 30, 2016.

(d) Restricted Share Units ("RSUs"):

	Nine months ended Sept. 30, 2016	
	Number of RSUs	Weighted average fair value per unit at grant date ⁽ⁱ⁾
Balance, December 31, 2015	1,070,000	\$ 1.04
Redeemed (vii).....	(250,000)	1.11
Balance, September 30, 2016	<u>820,000</u>	<u>\$ 1.02</u>

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

(e) Transactions during the nine months ended September 30, 2016:

- (i) On January 1, 2016, 30,000 common share purchase warrants exercisable at \$2.17 per share, with a carrying value of \$43,783, expired.
- (ii) On January 5, 2016, the Company issued 400,000 common shares as a result of the exercise of 400,000 options. The cash proceeds from the option exercise were \$100,000. The balance of \$62,126 in contributed surplus was transferred to common shares upon exercise.
- (iii) 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.
- (iv) On February 18, 2016, the Company issued 20,192 common shares as a result of the exercise of 225,000 options using the cashless exercise option available to the option holder. The balance of \$99,005 in contributed surplus was transferred to common shares upon exercise.
- (v) In April, August and September 2016, the Company issued 23,989,404 common shares as a result of the exercise of 23,989,404 common share purchase warrants issued in October 2015. The cash proceeds from the warrant exercises were \$24,948,980 and the grant date fair value of \$3,654,236 recorded as common share purchase warrants was transferred to common shares upon exercise.

Dalradian Resources Inc.
(An exploration stage company)

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

Three and nine months ended September 30, 2016 and September 30, 2015 (unaudited)

- (vi) In April, May and July of 2016, the Company issued 1,742,478 common shares as a result of the exercise of 1,742,478 broker warrants issued in July 2014. The cash proceeds from the broker warrant exercises were \$1,568,230 and the grant date fair value of \$557,593 recorded as broker warrants was transferred to common shares upon exercise.
- (vii) On May 17, 2016, the Company issued 250,000 common shares as a result of the redemption of 250,000 RSUs. The grant date fair value of \$277,500 recorded in contributed surplus was transferred to common shares upon redemption.
- (viii) On August 16, 2016, the Company issued 26,502 common shares as a result of the exercise of 75,001 options using the cashless exercise option available to the option holder. The balance of \$39,793 in contributed surplus was transferred to common shares upon exercise.
- (ix) On September 15, 2016, the Company issued 150,000 common shares as a result of the exercise of 150,000 options. The cash proceeds from the option exercise were \$147,000. The balance of \$77,961 in contributed surplus was transferred to common shares upon exercise.
- (x) On September 19, 2016, the Company issued 450,000 common shares as a result of the exercise of 450,000 options. The cash proceeds from the option exercise were \$358,000. The balance of \$147,187 in contributed surplus was transferred to common shares upon exercise.

8. RELATED PARTY TRANSACTIONS

Compensation of key management personnel comprised:

	Nine months ended Sept. 30, 2016	Nine months ended Sept. 30, 2015
Short-term employee benefits and other payments	\$ 894,500	\$ 1,565,961
Termination benefits.....	-	1,500,000
Directors' fees.....	336,500	303,750
Share-based payments.....	327,806	903,118
	<u>\$ 1,558,806</u>	<u>\$ 4,272,829</u>

9. BASIC AND DILUTED LOSS PER SHARE

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

	Three months ended Sept. 30, 2016	Nine months ended Sept. 30, 2016
Numerator:		
Loss for the period.....	<u>\$ (1,415,006)</u>	<u>\$ (4,812,779)</u>
Denominator:		
Weighted average number of common shares.....	<u>223,488,101</u>	<u>218,599,650</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>

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

Dalradian Resources Inc.
(An exploration stage company)

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

Three and nine months ended September 30, 2016 and September 30, 2015 (unaudited)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 September 30, 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.....	\$ 9,787	\$ 979
Euro.....	(38,139)	(3,814)
Pound sterling.....	735,484	73,548
	<u>\$ 707,132</u>	<u>\$ 70,713</u>

11. COMMITMENTS AND CONTINGENCIES

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

At September 30, 2016, the Company had the following commitments for operating leases for the next five fiscal years:

	<u>Total</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating leases.....	\$ 324,155	\$ 39,566	\$ 145,461	\$ 103,898	\$ 17,615	\$ 17,615

Operating leases represent lease agreements for office space, a storage facility, and equipment in Toronto and Northern Ireland.

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 is disputing invoices from an organization with claims totalling £399,841 (equivalent of \$682,489) related to underground development. Management is of the view 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.

Dalradian Resources Inc.
(An exploration stage company)

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

Three and nine months ended September 30, 2016 and September 30, 2015 (unaudited)

12. 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 September 30, 2016			
Current assets	\$ 41,739,526	\$ 2,355,871	\$ 44,095,397
Restoration deposit.....	-	1,063,230	1,063,230
Exploration and evaluation assets	-	102,870,245	102,870,245
Property, plant and equipment.....	9,669	13,951,667	13,961,336
Total assets	<u>\$ 41,749,195</u>	<u>\$ 120,241,013</u>	<u>\$ 161,990,208</u>
Nine months ended September 30, 2016			
Additions to property, plant and equipment	\$ -	\$ 2,435,884	\$ 2,435,884
Additions to exploration and evaluation assets.....	\$ -	\$ 20,513,899	\$ 20,513,899
Revenue	\$ -	\$ -	\$ -
Net loss	<u>\$ 4,692,740</u>	<u>\$ 120,039</u>	<u>\$ 4,812,779</u>
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	<u>\$ 40,521,084</u>	<u>\$ 100,754,061</u>	<u>\$ 141,275,145</u>
Nine months ended September 30, 2015			
Additions to property, plant and equipment	\$ 7,461	\$ 4,194,381	\$ 4,201,842
Additions to exploration and evaluation assets.....	\$ -	\$ 23,746,306	\$ 23,746,306
Revenue	\$ -	\$ -	\$ -
Net loss (gain)	<u>\$ 4,774,510</u>	<u>\$ (107,272)</u>	<u>\$ 4,667,238</u>

13. SUBSEQUENT EVENT

Warrant Exercise

In October and November 2016, the Company received proceeds of \$93,600 as a result of various exercises aggregating 90,000 common share purchase warrants issued in October 2015.