Dalradian Resources Inc.

Interim Condensed Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

For the three and six months ended
June 30, 2016 and June 30, 2015

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Balance Sheets

(Expressed in Canadian dollars)
(Unaudited)

	As at June 30, 2016	As at Dec. 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,711,757	$ 43,322,899
Amounts receivable	289,478	856,244
Prepaid expenses and advance payments	1,069,056	1,373,798
	24,070,291	45,552,941
Non-Current assets:		
Restoration deposit (note 6)	1,072,413	1,268,930
Property, plant and equipment (note 4)	14,145,921	12,096,928
Exploration and evaluation assets (note 5)	97,651,601	82,356,346
	$ 136,940,226	$ 141,275,145
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,851,403	$ 6,070,328
Non-Current liabilities:		
Provision for decommissioning and restoration (note 6)	1,067,950	1,265,234
Shareholders' equity:		
Share capital (note 7)	164,558,063	162,680,450
Warrants (note 7)	14,675,601	15,019,060
Contributed surplus	12,478,870	12,533,961
Accumulated deficit	(59,691,661)	(56,293,888)
	132,020,873	133,939,583
	$ 136,940,226	$ 141,275,145

Going concern (note 1), 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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating expenses:				
Salaries and related benefits	$ 549,492	$ 595,105	$ 1,099,808	$ 1,544,597
Professional fees and consulting	228,091	113,433	695,422	224,358
Share-based payments	123,215	272,238	279,712	605,173
Investor relations and general travel	198,180	346,983	406,500	567,312
Office, regulatory and general	137,657	212,742	330,608	412,440
Amortization	1,150	38,066	2,302	77,007
Foreign exchange loss (gain)	224,026	(311,553)	665,096	(696,214)
Interest and bank charges	2,251	1,677	6,474	2,815
	1,464,062	1,268,691	3,485,922	2,737,488
Interest income and other	37,182	68,964	88,149	133,051
Loss and comprehensive loss for the period	$ (1,426,880)	$ (1,199,727)	$ (3,397,773)	$ (2,604,437)
Loss per share – basic and diluted (note 9)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)

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

Condensed Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)
(Unaudited)

	Six months ended June 30, 2016	Six months ended June 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)	1,217,482	11,089,372
Options exercised (note 7)	261,131	-
RSUs redeemed (note 7)	277,500	-
Balance, end of period	$ 164,558,063	$ 130,621,349
Warrants:		
Balance, beginning of period	$ 15,019,060	$ 7,288,894
Warrants issued	-	1,984,250
Warrants exercised (note 7)	(299,676)	(1,778,196)
Warrants expired (note 7)	(43,783)	(53,085)
Balance, end of period	$ 14,675,601	$ 7,441,863
Contributed surplus:		
Balance, beginning of period	$ 12,533,961	$ 11,118,485
Increase from share-based payments	339,757	672,391
Warrants expired	43,783	53,085
Options exercised (note 7)	(161,131)	-
RSUs redeemed (note 7)	(277,500)	-
Balance, end of period	$ 12,478,870	$ 11,843,961
Accumulated deficit:		
Balance, beginning of period	$ (56,293,888)	$ (48,830,319)
Loss and comprehensive loss for the period	(3,397,773)	(2,604,437)
Balance, end of period	$ (59,691,661)	$ (51,434,756)
Total shareholders' equity	$ 132,020,873	$ 98,472,417

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)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows from (used in) operating activities:		
Loss and comprehensive loss for the period	$ (3,397,773)	$ (2,604,437)
Items not affecting cash:		
Unrealized foreign exchange loss (gain)	997,964	(616,026)
Interest income and other	(88,149)	(133,051)
Amortization	2,302	77,007
Share-based payments	279,712	605,173
Change in non-cash operating working capital:		
Amounts receivable	554,902	(457,355)
Prepaid expenses and advance payments	(7,029)	(93,111)
Restoration deposit (note 6)	196,517	(97,223)
Accounts payable and accrued liabilities	177,575	(747,943)
Cash flows used in operating activities	$ (1,283,979)	$ (4,066,966)
Cash flows from financing activities:		
Net proceeds from common shares and warrants issued	$ -	$ 10,823,184
Exercise of warrants (note 7)	917,806	9,311,176
Exercise of options (note 7)	100,000	-
Cash flows from financing activities	$ 1,017,806	$ 20,134,360
Cash flows from (used) in investing activities:		
Expenditures on exploration and evaluation assets	$ (17,132,889)	$ (10,235,283)
Additions to property, plant and equipment	(2,314,385)	(222,820)
Interest received	100,269	132,191
Cash flows used in investing activities	$ (19,347,005)	$ (10,325,912)
Net change in cash and cash equivalents	(19,613,178)	5,741,482
Cash and cash equivalents, beginning of period	43,322,899	29,776,872
Effect of exchange rate fluctuations on cash held	(997,964)	616,026
Cash and cash equivalents, end of period	$ 22,711,757	$ 36,134,380

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 Queen's Quay Terminal, 207 Queen's Quay West, Suite 416, Toronto, Ontario, M5J 1A7.

The Company has a history of losses and does not yet generate revenue. The Company's ability to meet its obligations and fund planned expenditures for the next twelve months is contingent upon successful completion of additional financing arrangements. Although the Company has been successful in raising funds to date, as evidenced by the private placement in February 2015 and the bought deal financing in October 2015, there can be no assurance that adequate financing will be available in the future, or available under terms acceptable to the Company.

The above circumstances indicate the existence of a material uncertainty which may cast significant doubt as to the appropriateness of the use of accounting principles applicable to a going concern.

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.

The interim condensed consolidated financial statements ("Consolidated Financial Statements") have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") 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. The Consolidated Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These 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 from the year ended December 31, 2015.

(Expressed in Canadian dollars)

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)).

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 Jun. 30, 2016	Net book value Dec. 31, 2015
Land	$ 11,974,188	$ -	$ 11,974,188	$ 9,568,037
Plant and equipment	2,798,656	1,041,060	1,757,596	1,984,142
Computer equipment and software	1,113,145	704,689	408,456	535,880
Leasehold improvements	704,139	703,579	560	2,688
Furniture and office equipment	224,641	219,520	5,121	6,181
	$ 16,814,769	$ 2,668,848	$ 14,145,921	$ 12,096,928

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Three months ended June 30, 2016	Six months ended June 30, 2016
Balance, beginning of period	$ 91,644,910	$ 82,356,346
Exploration	160,571	389,560
Asset evaluation	5,807,441	14,845,650
Share-based payments	38,679	60,045
Balance, end of period	$ 97,651,601	$ 97,651,601

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 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 additional 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.

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.

(Expressed in Canadian dollars)

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 $1,072,413 (December 31, 2015 – $1,268,930), equivalent of £622,591 (December 31, 2015 - £621,811), 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 June 30, 2016, provision for decommissioning and restoration is estimated to be $1,067,950 (December 31, 2015 - $1,265,234), equivalent of £620,000 (December 31, 2015 - £620,000).

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 June 30, 2016, 216,984,609 (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)	420,192		261,131
Issuance on land acquisition (iii)	150,000		121,500
Issuance on exercise of warrants (v)	122,579		146,154
Issuance on exercise of broker warrants (vi)	878,138		1,071,328
Issuance on redemption of RSUs (vii)	250,000		277,500
Balance, June 30, 2016	216,984,609	$	164,558,063

(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)	(122,579)		(18,672)		1.04
Broker warrants exercised (vi)	(878,138)		(281,004)		0.90
Balance, June 30, 2016	72,624,760	$	14,675,601	$	1.14

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

(Expressed in Canadian dollars)

(c) Share options:

	Number of options		Weighted average exercise price
Balance, December 31, 2015	11,035,000	$	0.84
Granted	175,000		1.14
Forfeited and expired	(2,150,000)		0.85
Exercised (ii, iv)	(625,000)		0.42
Balance, June 30, 2016	8,435,000	$	0.87

The fair value of the Company's options granted to employee during the period ended June 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 $292,094 as at June 30, 2016.

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

	Six months ended June 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, June 30, 2016	820,000	$	1.02

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

(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 Company. The balance of $99,005 in contributed surplus was transferred to common shares upon exercise.

(v) In April 2016, the Company issued 122,579 common shares as a result of the exercise of 122,579 common share purchase warrants issued in October 2015. The cash proceeds from the warrant exercises was $127,482 and the grant date fair value of $18,672 recorded as common share purchase warrants was transferred to commons shares upon exercise.

(Expressed in Canadian dollars)

(vi) In April and May of 2016, the Company issued 878,138 common shares as a result of the exercise of 878,138 broker warrants issued in July 2014. The cash proceeds from the broker warrant exercises were $790,324 and the grant date fair value of $281,004 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.

8. RELATED PARTY TRANSACTIONS

Compensation of key management personnel comprised:

	Six months ended June 30, 2016	Six months ended June 30, 2015
Short-term employee benefits and other payments	$ 601,000	$ 1,191,666
Directors' fees	241,500	190,000
Share-based payments	243,367	565,205
	$ 1,085,867	$ 1,946,871

9. BASIC AND DILUTED LOSS PER SHARE

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

	Three months ended June 30, 2016	Six months ended June 30, 2016
Numerator:		
Loss for the period	$ (1,426,880)	$ (3,397,773)
Denominator:		
Weighted average number of common shares	216,563,008	216,128,564
Basic and diluted loss per share	$ (0.01)	$ (0.02)

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.

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.

(Expressed in Canadian dollars)

At June 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	$ 21,888	$ 2,189
Euro	(46,792)	(4,679)
Pound sterling	1,663,372	166,337
Australian dollar	(39,496)	(3,950)
	$ 1,598,972	$ 159,897

11. COMMITMENTS AND CONTINGENCIES

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

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

	Total	2016	2017	2018	2019	2020
Operating leases	$ 409,894	$ 137,463	$ 132,820	$ 104,059	$ 17,776	$ 17,776

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. Payments are included in the above commitments table.

The Company is disputing invoices totalling £318,462 (equivalent of $548,551) from a supplier related to underground development. Management is of the view the invoices are without merit and it is more likely than not that the Company will not have to pay these invoices. Accordingly, these invoices have not been accrued and are considered to be a contingent liability.

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 June 30, 2016			
Current assets	$ 21,604,118	$ 2,466,173	$ 24,070,291
Restoration deposit	-	1,072,413	1,072,413
Exploration and evaluation assets	-	97,651,601	97,651,601
Property, plant and equipment	10,820	14,135,101	14,145,921
Total assets	$ 21,614,938	$ 115,325,288	$ 136,940,226

(Expressed in Canadian dollars)

Six months ended June 30, 2016						
Additions to property, plant and equipment	$	-	$	2,435,885	$	2,435,885
Additions to exploration and evaluation assets	$	-	$	15,295,255	$	15,295,255
Revenue	$	-	$	-	$	-
Net loss	$	3,326,216	$	71,557	$	3,397,773
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
Six months ended June 30, 2015						
Additions to property, plant and equipment	$	-	$	222,820	$	222,820
Additions to exploration and evaluation assets	$	-	$	15,057,512	$	15,057,512
Revenue	$	-	$	-	$	-
Net loss (gain)	$	2,773,097	$	(168,660)	$	2,604,437

13. SUBSEQUENT EVENT

Warrant Exercise

In July 2016, the Company received proceeds of $777,906 as a result of the exercise of 864,340 broker warrants issued on July 31, 2014, which would have expired on July 31, 2016.