

DALRADIAN RESOURCES

Dalradian Resources Inc.

Interim Condensed Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and six months ended
June 30, 2017 and June 30, 2016

Dalradian Resources Inc.

Condensed Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	As at June 30, 2017	As at Dec. 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,618,519	\$ 35,719,242
Amounts receivable	875,917	666,166
Prepaid expenses and other assets.....	637,468	506,785
	<u>36,131,904</u>	<u>36,892,193</u>
Non-Current assets:		
Restoration deposit (note 6)	1,051,228	1,032,135
Property, plant and equipment (note 4).....	126,532,663	118,988,157
Exploration and evaluation assets (note 5)	4,175,900	3,943,077
Other asset (note 4).....	412,652	-
	<u>132,172,443</u>	<u>123,963,369</u>
	<u>\$ 168,304,347</u>	<u>\$ 160,855,562</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,499,348	\$ 4,908,196
Provision for reclamation (note 6)	354,102	347,844
	<u>4,853,450</u>	<u>5,256,040</u>
Non-Current liabilities:		
Provision for reclamation (note 6).....	<u>691,342</u>	<u>679,124</u>
Shareholders' equity:		
Share capital (note 7).....	209,619,328	195,974,511
Warrants (note 7)	8,221,623	10,745,550
Contributed surplus	13,031,685	12,314,675
Accumulated deficit.....	<u>(68,113,081)</u>	<u>(64,114,338)</u>
	<u>162,759,555</u>	<u>154,920,398</u>
	<u>\$ 168,304,347</u>	<u>\$ 160,855,562</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.

Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Operating expenses:				
Salaries and related benefits	\$ 1,114,360	\$ 549,492	\$ 1,598,606	\$ 1,099,808
Professional fees and consulting.....	265,407	228,091	494,336	695,422
Share-based payments	961,689	123,215	1,206,629	279,712
Investor relations and travel	184,641	198,180	426,977	406,500
Office, regulatory and general	236,706	137,657	429,419	330,608
Interest and bank charges	4,857	2,251	8,374	6,474
Amortization	1,151	1,150	2,303	2,302
Foreign exchange loss (gain)	4,915	224,026	(49,206)	665,096
	<u>\$ 2,773,726</u>	<u>\$ 1,464,062</u>	<u>\$ 4,117,438</u>	<u>\$ 3,485,922</u>
Interest income.....	<u>55,420</u>	<u>37,182</u>	<u>118,695</u>	<u>88,149</u>
Loss and comprehensive loss for the period....	<u>\$ (2,718,306)</u>	<u>\$ (1,426,880)</u>	<u>\$ (3,998,743)</u>	<u>\$ (3,397,773)</u>
Loss per share – basic and diluted (note 9).....	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>

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

Dalradian Resources Inc.

Condensed Consolidated Statement of Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Six months ended June 30, 2017	Six months ended June 30, 2016
Share capital:		
Balance, beginning of period.....	\$ 195,974,511	\$ 162,680,450
Common shares issued	-	121,500
Warrants exercised (note 7).....	12,781,891	1,217,482
Share-based payments exercised (note 7).....	862,926	538,631
Balance, end of period	<u>\$ 209,619,328</u>	<u>\$ 164,558,063</u>
Warrants:		
Balance, beginning of period.....	\$ 10,745,550	\$ 15,019,060
Warrants exercised (note 7).....	(2,476,160)	(299,676)
Warrants expired (note 7)	(47,767)	(43,783)
Balance, end of period	<u>\$ 8,221,623</u>	<u>\$ 14,675,601</u>
Contributed surplus:		
Balance, beginning of period.....	\$ 12,314,675	\$ 12,533,961
Increase from share-based payments.....	1,365,669	339,757
Warrants expired (note 7)	47,767	43,783
Share-based payments exercised.....	(696,426)	(438,631)
Balance, end of period	<u>\$ 13,031,685</u>	<u>\$ 12,478,870</u>
Accumulated deficit:		
Balance, beginning of period.....	\$ (64,114,338)	\$ (56,293,888)
Loss and comprehensive loss for the period.....	(3,998,743)	(3,397,773)
Balance, end of period	<u>\$ (68,113,081)</u>	<u>\$ (59,691,661)</u>
Total shareholders' equity	<u>\$ 162,759,555</u>	<u>\$ 132,020,873</u>

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

Dalradian Resources Inc.

Condensed Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Six months ended June 30, 2017	Six months ended June 30, 2016
Cash flows from (used in) operating activities:		
Loss and comprehensive loss for the period	\$ (3,998,743)	\$ (3,397,773)
Items not affecting cash:		
Unrealized foreign exchange loss (gain) on cash	(36,748)	997,964
Interest income.....	(118,695)	(88,149)
Amortization	2,303	2,302
Share-based payments	1,206,629	279,712
Unrealized foreign exchange loss (gain) on restoration deposit	(19,093)	196,517
Change in non-cash operating working capital:		
Amounts receivable.....	83,932	554,902
Prepaid expenses and other asset.....	(104,102)	(7,029)
Accounts payable and accrued liabilities	(941,752)	177,575
Cash flows used in operating activities	<u>\$ (3,926,269)</u>	<u>\$ (1,283,979)</u>
Cash flows from financing activities:		
Exercise of warrants	\$ 10,007,856	\$ 917,806
Exercise of options	166,500	100,000
Cash flows from financing activities	<u>\$ 10,174,356</u>	<u>\$ 1,017,806</u>
Cash flows from (used) in investing activities:		
Expenditures on exploration and evaluation assets.....	\$ (88,974)	\$ (17,132,889)
Additions to property, plant and equipment.....	(7,006,566)	(2,314,385)
Deferred acquisition costs (note 4)	(412,652)	-
Interest received.....	122,634	100,269
Cash flows used in investing activities	<u>\$ (7,385,558)</u>	<u>\$ (19,347,005)</u>
Net change in cash and cash equivalents.....	(1,137,471)	(19,613,178)
Cash and cash equivalents, beginning of period	35,719,242	43,322,899
Effect of exchange rate fluctuations on cash held.....	36,748	(997,964)
Cash and cash equivalents, end of period	<u>\$ 34,618,519</u>	<u>\$ 22,711,757</u>

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

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (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, evaluation and development of mineral properties in Northern Ireland. The registered address of the Company's head office is Queen's 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 Curraghinalt Project 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 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 and 2017 (see note 7), there can be no assurance that adequate financing will be available in the future or available under terms acceptable to the Company.

The interim condensed consolidated financial statements ("Consolidated Financial Statements") have been prepared in accordance with IAS 34, *Interim Financial Reporting* 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These Consolidated Financial Statements 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, 2016 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 of the Company's audited consolidated financial statements for the year ended December 31, 2016.

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, 2016. There has been no change in the nature of critical accounting estimates since the year ended December 31, 2016.

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (unaudited)

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, 2016	\$ 103,696,207	\$ 13,471,877	\$ 4,788,683	\$ 121,956,767
Additions:				
Acquisition	-	664	59,150	59,814
Mineralized material processing, net	(998,948)	-	-	(998,948)
Underground development	1,231,898	-	-	1,231,898
Infill drilling	2,350,297	-	-	2,350,297
Technical studies	1,022,140	-	-	1,022,140
Permitting	2,075,581	-	-	2,075,581
Exploration	489,816	-	-	489,816
Administrative & other	1,157,171	-	-	1,157,171
Share-based payments	159,040	-	-	159,040
Capitalized depreciation	371,692	-	-	371,692
Disposals	-	-	(2,450)	(2,450)
Balance at Jun. 30, 2017	\$ 111,554,894	\$ 13,472,541	\$ 4,845,383	\$ 129,872,818

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (unaudited)

	Mineral property under development	Land	Plant and equipment	Total
Accumulated Amortization				
Balance at Dec. 31, 2016	\$ -	\$ -	\$ 2,968,610	\$ 2,968,610
Amortization	-	-	373,995	373,995
Disposals	-	-	(2,450)	(2,450)
Balance at Jun. 30, 2017	\$ -	\$ -	\$ 3,340,155	\$ 3,340,155
Net Book Value				
Balance at Jun. 30, 2017	\$ 111,554,894	\$ 13,472,541	\$ 1,505,228	\$ 126,532,663
Balance at Dec. 31, 2016	\$ 103,696,207	\$ 13,471,877	\$ 1,820,073	\$ 118,988,157

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, 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 development of a mine on the mineral property related to the DG1 licence was technically feasible and commercially viable and consequently the property transitioned from the exploration and evaluation stage to the development stage for accounting purposes. 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 completed their second two-year extension term on April 23, 2017 and the Company’s applications for new Prospecting Licences on those areas are being processed by DfE. 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

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (unaudited)

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 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 and Minco plc ("Minco"), 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 or its nominee. During the second quarter of 2017, the Company and Minco reached agreement for the Company to acquire the royalty. The transaction is subject to various approvals and has not yet been completed. Other asset at June 30, 2017 comprises the deferred acquisition costs for the transaction which is expected to be accounted for as an asset acquisition and accordingly costs associated with it are capitalized.

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.

During 2017, a recovery of net \$1.0 million was credited to property, plant and equipment related to the \$4.4 million cost of processing the mineralized material from underground development offset by proceeds of \$5.4 million from the sale of processed ore.

5. EXPLORATION AND EVALUATION ASSETS

	Three months ended June 30, 2017	Six months ended June 30, 2017
Balance, beginning of period	\$ 4,020,845	\$ 3,943,077
Exploration	155,055	232,823
Balance, end of period	<u>\$ 4,175,900</u>	<u>\$ 4,175,900</u>

The Curraghinalt Project 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 the 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

When the surface works phase of the underground exploration program started in 2014, the Company was required to place a restoration deposit of £623,430 (December 31, 2016 - £623,120), equivalent to \$1,051,228 (2016 - \$1,032,135), 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 the provision for reclamation based on the estimated cost of reclamation activities required to fulfil the Company's obligation to remediate the current disturbance area of mineral properties. As of June 30, 2017, provision for reclamation is estimated to be £620,000 (December 31, 2016 - £620,000), equivalent to \$1,045,444 (December 31, 2016 - \$1,026,968). As at June 30, 2017, management estimates that the current portion of the provision for reclamation is £210,000 (equivalent of \$354,102).

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (unaudited)

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 June 30, 2017, 252,903,530 (December 31, 2016 – 243,324,776) common shares were issued and outstanding.

	Number of shares issued	Amount
Balance, December 31, 2016	243,324,776	\$ 195,974,511
Issuance on exercise of share options.....	534,571	862,926
Issuance on exercise of warrants	9,044,183	12,781,891
Balance, June 30, 2017	<u>252,903,530</u>	<u>\$ 209,619,328</u>

(b) Warrants:

	Number of warrants	Amount	Weighted average exercise price
Balance, December 31, 2016	47,776,095	\$ 10,745,550	\$ 1.20
Warrants expired.....	(40,000)	(47,767)	1.81
Warrants exercised.....	(9,044,183)	(2,476,160)	1.14
Balance, June 30, 2017	<u>38,691,912</u>	<u>\$ 8,221,623</u>	<u>\$ 1.22</u>

As at June 30, 2017, the following warrants were issued and outstanding:

Number of warrants	Shares issuable	Carrying value	Exercise price	Expiry date
14,747,716	14,747,716	\$ 4,534,130	\$ 1.50	July 31, 2017
23,894,196	23,894,196	3,639,733	1.04	October 7, 2017
<u>50,000</u>	<u>50,000</u>	<u>47,760</u>	<u>1.50</u>	January 1, 2018
<u>38,691,912</u>	<u>38,691,912</u>	<u>\$ 8,221,623</u>	<u>\$ 1.22</u>	

Each warrant entitles the holder to purchase one common share at the stated exercise price up to the expiry date. Also see note 13 for warrant exercises subsequent to June 30, 2017.

(c) Share Options:

	Number of options	Weighted average exercise price
Balance, December 31, 2016.....	9,000,000	\$ 0.92
Granted	2,285,000	1.64
Exercised	(1,168,334)	1.02
Balance, June 30, 2017	<u>10,116,666</u>	<u>\$ 1.07</u>

Of the 10,116,666 outstanding share options, 6,893,343 options were vested and exercisable and 3,223,323 options remain unvested. The overall weighted average remaining life for the options outstanding at June 30, 2017 is 3.38 years.

The fair value of the share options granted to officers, employees, directors and a consultant during the six months ended June 30, 2017 were estimated using the Black-Scholes option pricing method using the following range of assumptions:

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (unaudited)

Volatility.....	58% to 60%
Risk-free interest rate.....	0.9% to 1.2%
Expected life (years).....	3
Dividend yield.....	Nil
Forfeiture rate.....	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.

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

	Number of RSUs	Weighted average fair value per unit at grant date ⁽ⁱ⁾
Balance, December 31, 2016.....	1,375,000	\$ 1.12
Granted	510,000	1.65
Balance, June 30, 2017	<u>1,885,000</u>	<u>\$ 1.26</u>

⁽ⁱ⁾ The fair value of the RSUs are based on the share price on the date of grant. The fair value of RSUs subject to performance conditions is based on a valuation model which considers the probability of various outcomes.

On June 30, 2017, 510,000 RSUs were granted to officers and employees of the Company in accordance with the Company's RSU plan, with 85,000 of the RSUs being subject to a performance condition ("PSUs"). The number of PSUs which vest will be adjusted by a multiple of 0% to 150% depending on the Company's Total Shareholder Return (defined as the cumulative share price appreciation) relative to a group of peer companies over a three year period.

(e) Deferred Share Units ("DSUs"):

	Number of DSUs	Weighted average fair value per unit at grant date ⁽ⁱ⁾
Balance, December 31, 2016.....	294,000	\$ 1.19
Granted	210,000	1.65
Balance, June 30, 2017	<u>504,000</u>	<u>\$ 1.38</u>

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

(f) The following table sets forth expenses relating to share options, RSUs and DSUs for the period ended June 30, 2017:

	Six months ended June 30, 2017	Six months ended June 30, 2016
Share options	\$ 761,419	\$ 311,082
RSUs	257,750	28,675
DSUs	346,500	-
	<u>\$ 1,365,669</u>	<u>\$ 339,757</u>

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 \$1,243,210 as at June 30, 2017.

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (unaudited)

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:

	Six months ended June 30, 2017	Six months ended June 30, 2016
Short-term employee benefits and other payments	\$ 1,160,000	\$ 601,000
Directors' fees	350,000	241,500
Share-based payments	1,071,314	243,367
	<u>\$ 2,581,314</u>	<u>\$ 1,085,867</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 June 30, 2017	Six months ended June 30, 2017
Numerator:		
Loss for the period	<u>\$ (2,718,306)</u>	<u>\$ (3,998,743)</u>
Denominator:		
Weighted average number of common shares	<u>251,192,911</u>	<u>249,369,121</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>

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. 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 June 30, 2017, 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	\$ 3,216,777	\$ 321,678
Pound sterling	3,357,285	335,729
Euro	(176,924)	17,692
Australian dollar	(108,541)	10,854

11. COMMITMENTS AND CONTINGENCIES

At June 30, 2017, the Company had the following commitments for operating leases for the next five fiscal years:

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (unaudited)

	<u>Total</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operating leases	\$ 667,899	\$ 174,351	\$ 319,532	\$ 174,016	\$ -	\$ -

Operating leases represent lease agreements for office spaces in Toronto and Northern Ireland expiring on September 30, 2018 and September 30, 2019 respectively.

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.

12. SEGMENTED REPORTING

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

	<u>Northern Ireland</u>	<u>Canada</u>	<u>Total</u>
As at June 30, 2017			
Current assets	\$ 1,743,692	\$ 34,388,212	\$ 36,131,904
Restoration deposit.....	1,051,228	-	1,051,228
Exploration and evaluation assets	4,175,900	-	4,175,900
Property, plant and equipment.....	126,526,450	6,213	126,532,663
Other asset	-	412,652	412,652
Total assets	<u>\$ 133,497,270</u>	<u>\$ 34,807,077</u>	<u>\$ 168,304,347</u>
Six months ended June 30, 2017			
Additions to property, plant and equipment	<u>\$ 7,916,051</u>	<u>\$ -</u>	<u>\$ 7,916,051</u>
Additions to exploration and evaluation assets	<u>\$ 232,823</u>	<u>\$ -</u>	<u>\$ 232,823</u>
Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net loss (gain).....	<u>\$ (190,315)</u>	<u>\$ 4,189,058</u>	<u>\$ 3,998,743</u>
As at December 31, 2016			
Current assets	\$ 1,220,615	\$ 35,671,578	\$ 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.....	118,979,641	8,516	118,988,157
Total assets	<u>\$ 125,175,468</u>	<u>\$ 35,680,094</u>	<u>\$ 160,855,562</u>
Six months ended June 30, 2016			
Additions to property, plant and equipment	<u>\$ 2,435,885</u>	<u>\$ -</u>	<u>\$ 2,435,885</u>
Additions to exploration and evaluation assets	<u>\$ 15,295,255</u>	<u>\$ -</u>	<u>\$ 15,295,255</u>
Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net loss.....	<u>\$ 71,557</u>	<u>\$ 3,326,216</u>	<u>\$ 3,397,773</u>

Dalradian Resources Inc.

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and six months ended June 30, 2017 and June 30, 2016 (unaudited)

13. SUBSEQUENT EVENT

Warrant Exercises

Subsequent to June 30, 2017, the Company received proceeds of \$14,817,642 as a result of various exercises of a total of 9,878,428 common share purchase warrants issued in July 2014 at price of \$1.50, with an expiry date of July 31, 2017, and proceeds of \$1,455,480 as a result of various exercises of a total of 1,399,500 common share purchase warrants issued in October 2015 at a price of \$1.04, with an expiry date of October 7, 2017.