

DALRADIAN RESOURCES

Dalradian Resources Inc.

Interim Condensed Consolidated Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

For the three and six months ended
June 30, 2018 and June 30, 2017

Dalradian Resources Inc.

Condensed Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

(in thousands)	As at June 30, 2018	As at Dec. 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,166	\$ 137,963
Amounts receivable.....	595	651
Prepaid expenses and other assets.....	547	685
	<u>121,308</u>	<u>139,299</u>
Non-Current assets:		
Restoration deposit (note 6)	1,083	1,058
Property, plant and equipment (note 4)	178,554	166,347
Exploration and evaluation assets (note 5)	5,722	4,601
	<u>185,359</u>	<u>172,006</u>
	<u>\$ 306,667</u>	<u>\$ 311,305</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,876	\$ 7,141
Provision for reclamation (note 6)	-	356
	<u>6,876</u>	<u>7,497</u>
Non-Current liabilities:		
Provision for reclamation (note 6).....	<u>929</u>	<u>695</u>
Shareholders' equity:		
Share capital (note 7).....	359,753	359,737
Warrants (note 7)	-	48
Contributed surplus.....	16,145	15,146
Accumulated deficit.....	<u>(77,036)</u>	<u>(71,818)</u>
	<u>298,862</u>	<u>303,113</u>
	<u>\$ 306,667</u>	<u>\$ 311,305</u>

Commitments and contingencies (note 11)

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

Dalradian Resources Inc.

Condensed Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

(in thousands, except per share amounts)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Operating expenses:				
Salaries and related benefits.....	\$ 1,218	\$ 1,115	\$ 2,072	\$ 1,599
Professional fees and consulting.....	1,854	265	1,982	494
Share-based payments	336	962	829	1,207
Investor relations and travel	390	185	730	427
Office, regulatory and general.....	281	236	564	429
Interest and bank charges.....	3	4	6	8
Depreciation	1	1	2	2
Foreign exchange loss (gain).....	173	5	(61)	(49)
	<u>\$ 4,256</u>	<u>\$ 2,773</u>	<u>\$ 6,124</u>	<u>\$ 4,117</u>
Interest income.....	<u>451</u>	<u>55</u>	<u>906</u>	<u>118</u>
Loss and comprehensive loss for the period	<u>\$ (3,805)</u>	<u>\$ (2,718)</u>	<u>\$ (5,218)</u>	<u>\$ (3,999)</u>
Loss per share – basic and diluted (note 9)	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>

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

Dalradian Resources Inc.

Condensed Consolidated Statement of Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

(in thousands)	Six months ended June 30, 2018	Six months ended June 30, 2017
Share capital:		
Balance, beginning of period.....	\$ 359,737	\$ 195,975
Warrants exercised	-	12,782
Share-based payments exercised (note 7)	16	863
Balance, end of period	<u>\$ 359,753</u>	<u>\$ 209,620</u>
Warrants:		
Balance, beginning of period.....	\$ 48	\$ 10,746
Warrants exercised	-	(2,477)
Warrants expired (note 7)	(48)	(48)
Balance, end of period	<u>\$ -</u>	<u>\$ 8,221</u>
Contributed surplus:		
Balance, beginning of period.....	\$ 15,146	\$ 12,315
Increase from share-based payments (note 7)	967	1,365
Warrants expired (note 7)	48	48
Share-based payments exercised.....	(16)	(696)
Balance, end of period	<u>\$ 16,145</u>	<u>\$ 13,032</u>
Accumulated deficit:		
Balance, beginning of period.....	\$ (71,818)	\$ (64,114)
Loss and comprehensive loss for the period.....	(5,218)	(3,999)
Balance, end of period	<u>\$ (77,036)</u>	<u>\$ (68,113)</u>
Total shareholders' equity	<u>\$ 298,862</u>	<u>\$ 162,760</u>

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

Dalradian Resources Inc.

Condensed Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

(in thousands)	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash flows from (used in) operating activities:		
Loss and comprehensive loss for the period.....	\$ (5,218)	\$ (3,999)
Items not affecting cash:		
Unrealized foreign exchange gain on cash.....	(124)	(37)
Interest income.....	(906)	(118)
Depreciation.....	2	2
Share-based payments.....	829	1,207
Change in non-cash operating working capital:		
Amounts receivable.....	61	84
Prepaid expenses and other assets.....	(27)	(104)
Accounts payable and accrued liabilities.....	1,531	(961)
Cash disbursements related to reclamation.....	(147)	-
Cash flows used in operating activities.....	<u>\$ (3,999)</u>	<u>\$ (3,926)</u>
Cash flows from financing activities:		
Exercise of warrants.....	\$ -	\$ 10,008
Exercise of options.....	-	167
Cash flows from financing activities.....	<u>\$ -</u>	<u>\$ 10,175</u>
Cash flows from (used) in investing activities:		
Expenditures on exploration and evaluation assets.....	\$ (660)	\$ (89)
Additions to property, plant and equipment.....	(14,162)	(7,007)
Deferred acquisition costs.....	-	(413)
Interest received.....	900	123
Cash flows used in investing activities.....	<u>\$ (13,922)</u>	<u>\$ (7,386)</u>
Net change in cash and cash equivalents.....	(17,921)	(1,137)
Cash and cash equivalents, beginning of period.....	137,963	35,719
Effect of exchange rate fluctuations on cash held.....	124	37
Cash and cash equivalents, end of period.....	<u>\$ 120,166</u>	<u>\$ 34,619</u>

See accompanying notes, which are 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, 2018 and June 30, 2017 (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 and the private placement in 2017, 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, 2017, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

Except as described in note 3, 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, 2017.

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, 2017. There has been no change in the nature of critical accounting estimates since the year ended December 31, 2017.

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Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

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

(a) Adoption of new and amended IFRS standard

The Company has adopted the IFRS standard described below as at January 1, 2018.

IFRS 9 *Financial Instruments*

On July 24, 2014, the IASB issued the completed IFRS 9, *Financial Instruments*, (IFRS 9) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 *Financial Instruments: recognition and measurement*, for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its Consolidated Financial Statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- i) It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- ii) Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

<u>Asset or Liability</u>	<u>Original classification under IAS 39</u>	<u>New classification under IFRS 9</u>
Cash and cash equivalents, Restoration deposit	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Accounts payables and accrued liabilities	Other liabilities	Amortized cost

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The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

(b) New accounting pronouncement

The following new IFRS standard is issued but not yet effective for the Company.

IFRS 16 Leases

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

The standard introduces a single lessee accounting model and requires, unless the underlying asset is of low value, a lessee to recognize assets and liabilities for all leases with a term of more than 12 months. 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 Company has performed a preliminary assessment to identify all leasing contracts that may be impacted by IFRS 16 and is in the process of determining the impact of IFRS 16 on its Consolidated Financial Statements.

4. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	Mineral property under development	Land	Plant and equipment	Total
Cost				
Balance at Dec. 31, 2017	\$ 151,671	\$ 13,473	\$ 4,844	\$ 169,988
Additions:				
Acquisition of assets	-	-	12	12
Underground development.....	616	-	-	616
Infill drilling.....	3,167	-	-	3,167
Technical studies.....	1,315	-	-	1,315
Permitting	2,576	-	-	2,576
Geology	1,361	-	-	1,361
Administrative and other	3,024	-	-	3,024
Share-based payments.....	138	-	-	138
Capitalized depreciation	330	-	-	330
Balance at June 30, 2018.....	<u>\$ 164,198</u>	<u>\$ 13,473</u>	<u>\$ 4,856</u>	<u>\$ 182,527</u>
Accumulated Depreciation				
Balance at Dec. 31, 2017	\$ -	\$ -	\$ 3,641	\$ 3,641
Depreciation	-	-	332	332
Balance at June 30, 2018.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,973</u>	<u>\$ 3,973</u>
Net Book Value				
Balance at June 30, 2018.....	<u>\$ 164,198</u>	<u>\$ 13,473</u>	<u>\$ 883</u>	<u>\$ 178,554</u>
Balance at Dec. 31, 2017	<u>\$ 151,671</u>	<u>\$ 13,473</u>	<u>\$ 1,203</u>	<u>\$ 166,347</u>

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The Company, through its wholly-owned subsidiary, Dalradian Gold Limited (“DGL”), holds a 100% interest in option agreements and prospecting licences, subject to a royalty as described below, consisting of four areas (DG1, DG2, DG5 and DG6) located in counties Tyrone and Londonderry, Northern Ireland, United Kingdom. Also in counties Tyrone and Londonderry, the Company holds a 100% interest in option agreements, subject to a royalty as described below, consisting of two contiguous areas (DG3 and DG4) and has pending applications for renewal of prospecting licences for the same two areas (see below). These areas 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 (note 5).

There are two elements comprising the Company’s 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.

The DfE Prospecting Licences for DG1 and DG2 were issued in 2013 and are currently in their second two-year extension term which runs from January 1, 2018 to December 31, 2019. 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. Although the Company has received renewals of these licences in the past, there is no guarantee that the Company will receive them in the future. 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 (equivalent to three two-year licences) 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 will be required for DG1 and DG2 in late 2019 and for DG5 and DG6 in early 2022.

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.

Pursuant to a royalty agreement, dated December 13, 2004 between DGL and Minco plc (“Minco”), a 2% net smelter return royalty on a portion of the Northern Ireland Properties, including the Curraghinalt gold deposit (“the Royalty”), was payable by DGL to Minco or its nominee. During 2017, the Company

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acquired from the shareholders of Minco, all of the outstanding shares of Minco. In connection with the transaction, Minco completed a demerger of its wholly-owned subsidiary to its shareholders, such that on acquisition by the Company, the only asset held by Minco was the Royalty. On April 23, 2018, DGL and the Company terminated the royalty agreement.

5. EXPLORATION AND EVALUATION ASSETS

(in thousands)	Six months ended June 30, 2018	
Balance, beginning of period.....	\$	4,601
Exploration.....		1,121
Balance, end of period.....	\$	<u>5,722</u>

Exploration expenditures were 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 which has a balance of £624 thousand as at June 30, 2018 (December 31, 2017 – £624 thousand), equivalent to \$1,083 thousand (December 31, 2017 – \$1,058 thousand), 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. During the first quarter of 2018, the Company commenced restoration work of the waste rock storage area and the work was completed during the second quarter of 2018. As of June 30, 2018, provision for reclamation is estimated to be £536 thousand (December 31, 2017 – £620 thousand), equivalent to \$929 thousand (December 31, 2017 – \$1,051 thousand). As at June 30, 2018, the current portion of the provision for reclamation was nil (December 31, 2017 – £210 thousand, equivalent to \$356 thousand).

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. As at June 30, 2018, 355,493,448 (December 31, 2017 – 355,484,053) common shares were issued and outstanding.

(in thousands, except for shares)	Number of shares issued		Amount
Balance, December 31, 2017.....	355,484,053	\$	359,737
Issuance on exercise of share options.....	9,395		16
Balance, June 30, 2018.....	<u>355,493,448</u>	\$	<u>359,753</u>

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(b) Warrants:

(in thousands, except for warrants and exercise price)	Number of warrants	Amount	Weighted average exercise price
Balance, December 31, 2017	50,000	\$ 48	\$ 1.50
Warrants expired	(50,000)	(48)	1.50
Balance, June 30, 2018	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>

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

(c) Share Options:

	Number of options	Weighted average exercise price
Balance, December 31, 2017	9,541,667	\$ 1.07
Granted	350,000	1.25
Exercised	(41,667)	0.79
Forfeited	(8,334)	1.65
Balance, June 30, 2018 ¹	<u>9,841,666</u>	<u>\$ 1.08</u>
Vested share options, June 30, 2018	<u>8,513,345</u>	<u>\$ 1.02</u>

1. The weighted average remaining life for the share options outstanding at June 30, 2018 was 2.63 years (June 30, 2017 – 3.38 years).

The Company's share option plan permits a cashless exercise right, which allows the Company to deliver to the participant a net number of shares based on the in-the-money value of the share options at the time of exercise.

The fair value of the share options granted during the six months ended June 30, 2018 was \$170 thousand.

The fair value of the share options granted during the six months ended June 30, 2018 was estimated using the Black-Scholes option pricing method using the following assumptions:

Volatility	56%
Risk-free interest rate	1.9%
Expected life (years)	3
Dividend yield	Nil
Forfeiture rate	1%

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

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

	Number of RSUs	Weighted average fair value per unit at grant date ¹
Balance, December 31, 2017 and June 30, 2018	<u>1,740,000</u>	<u>\$ 1.31</u>

1. The fair value of the RSUs are based on the share price on the date of grant.

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(e) Deferred Share Units (“DSUs”):

	Number of DSUs	Weighted average fair value per unit at grant date ¹
Balance, December 31, 2017 and June 30, 2018	504,000	\$ 1.38

1. The fair value of the DSUs are based on the share price on the date of grant.

(f) The following table sets forth the total expense and capitalized share-based payment amounts recognized for the six months ended June 30, 2018 and June 30, 2017:

(in thousands)	Six months ended June 30, 2018	Six months ended June 30, 2017
Share options	\$ 592	\$ 760
RSUs.....	375	258
DSUs.....	-	347
	<u>\$ 967</u>	<u>\$ 1,365</u>

The share-based payment amounts recognized as expense for the six months ended June 30, 2018 was \$829 thousand (June 30, 2017 – \$1,207 thousand) and the amounts capitalized for the six months ended June 30, 2018 was \$138 thousand (June 30, 2017 – \$158 thousand).

The total fair value of unvested share-based payments that will be recognized in the consolidated statement of loss and comprehensive loss or capitalized into mineral property under development in future periods is \$1,546 thousand as at June 30, 2018 (June 30, 2017 – \$3,237 thousand).

8. RELATED PARTY TRANSACTIONS

Key management personnel comprise members of the Board of Directors and certain members of the Company’s executive team. Compensation of key management personnel comprised:

(in thousands)	Six months ended June 30, 2018	Six months ended June 30, 2017
Short-term employee benefits and other payments.....	\$ 924	\$ 1,160
Directors’ fees	353	350
Share-based payments	687	1,071
	<u>\$ 1,964</u>	<u>\$ 2,581</u>

9. BASIC AND DILUTED LOSS PER SHARE

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

(in thousands, except for shares and per share amounts)	Three months ended June 30, 2018	Six months ended June 30, 2018
Numerator:		
Loss for the period.....	\$ (3,805)	\$ (5,218)
Denominator:		
Weighted average number of common shares.....	355,493,448	355,491,151
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</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.

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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, 2018, the carrying amounts of the Company's foreign currency-denominated net financial assets are approximately as follows:

(in thousands)	<u>Net financial assets (liabilities)</u>	<u>Effect of 10% change in exchange rate</u>
U.S. dollar.....	\$ 130	\$ 13
Pound sterling.....	2,669	267
Euro.....	(76)	8
Australian dollar.....	(234)	23

11. COMMITMENTS AND CONTINGENCIES

At June 30, 2018, the Company had the following commitments for operating leases:

(in thousands)	<u>Total</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>
Operating leases.....	\$ 1,634	\$ 253	\$ 446	\$ 267	\$ 267	\$ 267	\$ 134

Operating leases represent lease agreements for office spaces in Toronto expiring on September 30, 2018 and July 30, 2023 and in Northern Ireland expiring on September 30, 2019 and April 30, 2023.

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 £400 thousand (equivalent to \$694 thousand) 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.

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12. SEGMENTED REPORTING

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

(in thousands)	Northern Ireland	Canada	Total
As at June 30, 2018			
Current assets	\$ 1,849	\$ 119,459	\$ 121,308
Restoration deposit.....	1,083	-	1,083
Property, plant and equipment	178,436	118	178,554
Exploration and evaluation assets.....	5,722	-	5,722
Total assets	<u>\$ 187,090</u>	<u>\$ 119,577</u>	<u>\$ 306,667</u>
Six months ended June 30, 2018			
Additions to property, plant and equipment	<u>\$ 12,423</u>	<u>\$ 116</u>	<u>\$ 12,539</u>
Additions to exploration and evaluation assets.....	<u>\$ 1,121</u>	<u>\$ -</u>	<u>\$ 1,121</u>
Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net loss	<u>\$ 54</u>	<u>\$ 5,164</u>	<u>\$ 5,218</u>
As at December 31, 2017			
Current assets	\$ 2,232	\$ 137,067	\$ 139,299
Restoration deposit.....	1,058	-	1,058
Property, plant and equipment.....	166,343	4	166,347
Exploration and evaluation assets.....	4,601	-	4,601
Total assets	<u>\$ 174,234</u>	<u>\$ 137,071</u>	<u>\$ 311,305</u>
Six months ended June 30, 2017			
Additions to property, plant and equipment	<u>\$ 7,916</u>	<u>\$ -</u>	<u>\$ 7,916</u>
Additions to exploration and evaluation assets.....	<u>\$ 233</u>	<u>\$ -</u>	<u>\$ 233</u>
Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net loss	<u>\$ (190)</u>	<u>\$ 4,189</u>	<u>\$ 3,999</u>

13. CASH OFFER BY ORION TO ACQUIRE THE COMPANY

On June 21, 2018, the Company and certain affiliates of Orion Mine Finance (collectively, "Orion") entered into a definitive arrangement agreement, whereby Orion has agreed to acquire all of the issued and outstanding common shares of the Company by way of a statutory plan of arrangement under the Business Corporations Act (Ontario). Shares held by certain members of the Company's senior management team, a director of the Company and Osisko Gold Royalties Ltd will not be acquired by Orion. Each shareholder will receive cash consideration of \$1.47 for each share acquired by Orion. The completion of the transaction is subject to obtaining approval by the shareholders at a special meeting to be held on August 31, 2018 and will also require court and other approvals and satisfaction of closing conditions customary for a transaction of this nature.