DALRADIAN
RESOURCES

Dalradian Resources Inc.

Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended
March 31, 2014 and March 31, 2013

May 9, 2014

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Balance Sheets

(Expressed in Canadian dollars)
(Unaudited)

	As at Mar. 31, 2014	As at Dec. 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,242,922	$ 6,855,035
Amounts receivable	131,289	80,355
Prepaid expenses	600,656	600,272
	17,974,867	7,535,662
Equipment (note 4)	572,622	671,978
Exploration and evaluation assets (note 5)	41,596,306	40,349,082
	$ 60,143,795	$ 48,556,722
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 726,449	$ 713,077
Shareholders' equity:		
Share capital (note 6)	90,312,144	79,585,917
Warrants (note 6)	2,031,168	139,310
Contributed surplus	10,254,326	10,103,852
Accumulated deficit	(43,180,292)	(41,985,434)
	59,417,346	47,843,645
	$ 60,143,795	$ 48,556,722

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 Mar. 31, 2014	Three months ended Mar. 31, 2013
Operating expenses:		
Salaries and related benefits	$ 646,955	$ 638,923
Professional fees and consulting	57,749	99,132
Share-based payments	148,209	262,064
Investor relations and general travel	144,290	265,395
Office, regulatory and general	173,651	180,870
Amortization	48,968	58,817
Foreign exchange (gain) loss	(1,556)	19,085
Interest and bank charges	3,037	1,620
	1,221,303	1,525,906
Interest income	26,445	40,683
Loss and comprehensive loss for the period	$ (1,194,858)	$ (1,485,223)
Loss per share – basic and diluted (note 7)	$ (0.01)	$ (0.02)

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)

	Three months ended Mar. 31, 2014	Three months ended Mar. 31, 2013
Share capital:		
Balance, beginning of period	$ 79,585,917	$ 79,585,917
Bought deal offering (note 6)	10,726,227	-
Balance, end of period	$ 90,312,144	$ 79,585,917
Warrants:		
Balance, beginning of period	$ 139,310	$ 91,550
Warrants issued (note 6)	1,891,858	47,760
Balance, end of period	$ 2,031,168	$ 139,310
Contributed surplus:		
Balance, beginning of period	$ 10,103,852	$ 9,244,127
Increase from share-based payments	150,474	291,622
Balance, end of period	$ 10,254,326	$ 9,535,749
Accumulated deficit:		
Balance, beginning of period	$ (41,985,434)	$ (20,182,563)
Loss and comprehensive loss for the period	(1,194,858)	(1,485,223)
Balance, end of period	$ (43,180,292)	$ (21,667,786)
Total shareholders' equity	$ 59,417,346	$ 67,593,190

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)

	Three months ended Mar. 31, 2014	Three months ended Mar. 31, 2013
Cash flows from (used in) operating activities:		
Loss and comprehensive loss for the period	$ (1,194,858)	$ (1,485,223)
Unrealized foreign exchange loss (gain)	21,494	(29,023)
Interest income	(26,445)	(40,683)
Items not affecting cash:		
Amortization	48,968	58,817
Share-based payments	148,209	262,064
Change in non-cash operating working capital:		
Amounts receivable	(47,623)	98,669
Prepaid expenses	15,600	73,889
Accounts payable and accrued liabilities	(71,246)	(87,090)
Cash flows used in operating activities	$ (1,105,901)	$ (1,148,580)
Cash flows from financing activities:		
Net proceeds from bought deal offering (note 6)	$ 12,672,971	$ -
Cash flows from financing activities	$ 12,672,971	$ -
Cash flows used in investing activities:		
Expenditures on exploration and evaluation assets	$ (1,154,136)	$ (5,156,980)
Additions to equipment	(21,412)	(57,358)
Interest received	17,859	47,465
Cash flows used in investing activities	$ (1,157,689)	$ (5,166,873)
Net change in cash and cash equivalents	$ 10,409,381	$ (6,315,453)
Cash and cash equivalents, beginning of period	6,855,035	22,760,432
Effect of exchange rate fluctuations on cash held	(21,494)	29,018
Cash and cash equivalents, end of period	$ 17,242,922	$ 16,473,997

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 155 Wellington Street West, Suite 2920, Toronto, Ontario, M5V 3H1.

During the period ended March 31, 2014, the Company had a net use of cash and cash equivalents of $1,105,901 in operating activities, $1,157,689 in investing activities, and had net proceeds of $12,672,971 from financing activities. As at March 31, 2014, the Company had cash and cash equivalents of $17,242,922 on hand.

The Company's ability to meet its obligations and fund the planned underground exploration and bulk sampling program in 2014 and 2015 is contingent upon successful completion of additional financing arrangements.

Although the Company has been successful in raising funds to date, as evidenced by the recent financing in February 2014, there can be no assurance that adequate financing will be available in the future, or available under terms favourable to the Company.

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

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

The accounting policies of the Company are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and 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, 2013.

Preparation of the Consolidated Financial Statements requires management to make estimates and assumptions. Measurement uncertainties are described in the Company's audited consolidated financial statements for the year ended December 31, 2013. There has been no change in the nature of critical accounting estimates from the year ended December 31, 2013.

(Expressed in Canadian dollars)

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

3. ADOPTION OF NEW AND AMENDED IFRS STANDARDS

The Company has adopted the new and amended IFRS standards listed below as at January 1, 2014.

IFRIC 21 *Levies*

In May 2013, the IASB issued IFRIC 21, *Levies*. This IFRIC is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively. The IFRIC provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts or other contractual arrangements.

The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

The Company adopted IFRIC 21 in its Consolidated Financial Statements on January 1, 2014. The adoption of IFRIC 21 had no material impact on the Consolidated Financial Statements for the current period.

4. EQUIPMENT

	Cost	Accumulated amortization	Net book value Mar. 31, 2014	Net book value Dec. 31, 2013
Furniture and office equipment……………..	$ 218,283	$ 217,844	$ 439	$ 10,728
Computer equipment………………..……..	466,512	278,244	188,268	202,566
Leasehold improvements..........................	704,139	497,269	206,870	243,126
Other equipment.......................................	494,065	317,020	177,045	215,558
	$ 1,882,999	$ 1,310,377	$ 572,622	$ 671,978

5. EXPLORATION AND EVALUATION ASSETS

	Three months ended Mar. 31, 2014
Balance, beginning of period	$ 40,349,082
Exploration..	363,946
Asset evaluation...	881,013
Share-based payments...	2,265
Balance, end of period...	$ 41,596,306

(Expressed in Canadian dollars)

Dalradian's properties in Northern Ireland (the "Northern Ireland Properties") measure approximately 84,000 hectares and are comprised of four contiguous areas (DG1, DG2, DG3 and DG4), to which the Company has title. There are two elements comprising the titles – base metal mineral prospecting licences ("Prospecting Licences"), and mining lease option agreements ("Option Agreements") for gold and silver – which are controlled by two separate government bodies, as described in more detail below. Dalradian does not hold any other titles.

The Company holds, through its wholly-owned subsidiary Dalradian Gold Limited ("DGL"), a 100% interest, subject to royalties described below, in Prospecting Licences and Option Agreements in counties Tyrone and Londonderry, Northern Ireland, United Kingdom. The Department of Enterprise, Trade and Investment ("DETI") has granted to DGL Prospecting Licences for base metals on four contiguous areas referred to as DG1, DG2, DG3 and DG4. The Crown Estate Commissioners ("CEC") have entered into Option Agreements with DGL for gold and silver over the same four areas.

The current DETI Prospecting Licences for DG1 and DG2 (named DG1/14 and DG2/14) expire December 31, 2015, at which point they can be extended for another two years. The Prospecting Licences for DG3 and DG4 (named DG3/11 and DG4/11) have a renewal term expiring April 23, 2015 at which point they can be extended for another two years. Every six years (i.e., after two 2-year extensions), DGL must reapply for the Prospecting Licences. Reapplication for the Prospecting Licences for DG1 and DG2 will be required in 2019 and for DG3 and DG4 in 2016.

CEC Option Agreements for DG1 and DG2 have a renewal term expiring December 31, 2015. The Option Agreements for DG3 and DG4 have a renewal term expiring April 23, 2015. The CEC Option Agreements have a two-year term and can be renewed indefinitely at the CEC's discretion.

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 Option Agreements, a 4% royalty will be payable to the CEC upon production of silver and/or gold on the Northern Ireland Properties.

6. 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 March 31, 2014, 109,380,483 (December 31, 2013 – 89,542,983) common shares were issued and outstanding.

	Number of shares issued	Amount
Balance, December 31, 2013	89,542,983	$ 79,585,917
Bought deal offering (i)	19,837,500	12,121,149
Issuance costs of bought deal offering (i)	-	(1,394,922)
Balance, March 31, 2014	109,380,483	$ 90,312,144

(Expressed in Canadian dollars)

(b) Warrants:

	Number of warrants		Amount		Weighted average exercise price
Balance, December 31, 2013	120,000	$	139,310	$	1.77
Warrants issued (i)	9,918,750		1,765,101		0.90
Broker warrants issued (i)	1,190,250		329,888		0.70
Issuance costs of bought deal offering (i)	-		(203,131)		-
Balance, March 31, 2014	11,229,000	$	2,031,168	$	0.89

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

The fair value of the Company's warrants, including broker warrants granted during the three months ended March 31, 2014, was estimated using the Black-Scholes option pricing method using the following range of assumptions:

Volatility	70% to 74%
Risk-free interest rate	1%
Expected life (years)	1 to 1.5
Dividend yield	nil

(i) On February 19, 2014, the Company closed a bought deal offering of 19,837,500 units including fully exercised over-allotment units, at a price of $0.70 per unit, for gross proceeds of $13,886,250. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. The common share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.90 until February 19, 2015. The Company allocated approximately $0.09 to each one-half of one warrant using the Black-Scholes option pricing method, and allocated the residual $0.61 to each common share. A cash commission of $833,175 (6% of gross proceeds) was paid, together with the issuance of 1,190,250 broker warrants equal to 6% of the total number of units sold (valued at $329,888 using the Black-Scholes option pricing method) and advisory fee and other transaction costs of $434,990. Included in the transaction costs are $54,886 accrued expenses as of March 31, 2014. Each broker warrant entitles the holder to purchase one common share at an exercise price of $0.70 until August 19, 2015.

(c) Share options:

	Three months ended Mar. 31, 2014		
	Number of options		Weighted average exercise price
Balance, December 31, 2013	6,425,000	$	0.94
Granted	300,000		0.85
Forfeited	(191,666)		1.43
Balance, March 31, 2014	6,533,334	$	0.92

(Expressed in Canadian dollars)

The fair value of the Company's options granted to employees during the period ended March 31, 2014 was estimated using the Black-Scholes option pricing method using the following assumptions:

Volatility	81%
Risk-free interest rate	1.2%
Expected life (years)	3
Dividend yield	nil
Forfeiture rate	5%

The Company estimated the future volatility of 81% by reference to the Company's historic volatility over a period equal to the expected life of the option.

The total fair value of unvested options that will be recognized in the consolidated statement of loss or capitalized into exploration and evaluation assets in future periods amounts to $152,725 as at March 31, 2014.

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

	Three months ended March 31, 2014	
	Number of RSUs	**Fair value per unit at grant date (i)**
Balance, December 31, 2013 and March 31, 2014	850,000	$ 1.11

(i) The fair value of the RSUs is based on the share price on grant date of August 7, 2012.

7. BASIC AND DILUTED LOSS PER SHARE

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

	Three months ended Mar. 31, 2014	**Three months ended Mar. 31, 2013**
Numerator:		
Loss for the period	$ (1,194,858)	$ (1,485,223)
Denominator:		
Weighted average number of common shares	98,580,066	89,542,983
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.

8. SEGMENTED REPORTING

The Company has one operating segment for the exploration of gold properties in Northern Ireland and one operating segment with exploration programs suspended in Norway. The Company's corporate office is in Canada. The geographical segmentation of the Company's assets and revenues are as follows:

(Expressed in Canadian dollars)

	Canada	Northern Ireland	Norway	Total
As at March 31, 2014				
Current assets	$ 17,057,024	$ 887,881	$ 29,962	$ 17,974,867
Exploration and evaluation assets	-	41,596,306	-	41,596,306
Equipment	219,484	353,138	-	572,622
Total assets	$ 17,276,508	$ 42,837,325	$ 29,962	$ 60,143,795
Three months ended March 31, 2014				
Additions to equipment	$ -	$ 21,412	$ -	$ 21,412
Additions to exploration and evaluation assets	$ -	$ 1,247,224	$ -	$ 1,247,224
Revenue	$ -	$ -	$ -	$ -
Net loss	$ 1,152,161	$ 33,580	$ 9,117	$ 1,194,858
As at Dec. 31, 2013				
Current assets	$ 6,553,858	$ 877,452	$ 104,352	$ 7,535,662
Exploration and evaluation assets	-	40,349,082	-	40,349,082
Equipment	268,455	403,523	-	671,978
Total assets	$ 6,822,313	$ 41,630,057	$ 104,352	$ 48,556,722
Three months ended March 31, 2013				
Additions to equipment	$ -	$ 57,358	$ -	$ 57,358
Additions to exploration and evaluation assets	$ -	$ 3,627,355	$ 2,487,497	$ 6,114,852
Revenue	$ -	$ -	$ -	$ -
Net loss	$ 1,352,716	$ 116,750	$ 15,757	$ 1,485,223

9. SUBSEQUENT EVENTS

The Company did not make the annual concession payments on its Norwegian properties which were due in January 2014, and accordingly the licences have lapsed.