

DALRADIAN RESOURCES

Dalradian Resources Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2014

May 9, 2014

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RECENT HIGHLIGHTS

Highlights of the First Quarter and Subsequent Period	
April 16, 2014	Dalradian Announces Updated Mineral Resource Estimate at Curraghinalt Resulting in a 114% Increase in Measured and Indicated Gold Ounces
Feb 19, 2014	Dalradian Closes C\$13.9 Million Bought Deal Financing
Jan 27, 2014	Dalradian Announces C\$12 Million Bought Deal Financing
Jan 23, 2014	Dalradian Receives Full Approval, Including Terms and Conditions, for Underground Bulk Sample

NOTES

Unless the context suggests otherwise, references to the “Company” refer to Dalradian Resources Inc., and references to “Dalradian” refer, collectively, to the Company and its wholly-owned subsidiaries: Dalradian Gold Limited (“DGL”), Norwegian Minerals Group Inc. (“Ontco”), and Norwegian Minerals Group AS (“NMG AS”).

This management’s discussion and analysis (“MD&A”) should be read in conjunction with the Company’s interim condensed consolidated financial statements and related notes for the three months ended March 31, 2014 and March 31, 2013 and the Company’s audited consolidated financial statements and related notes for the years ended December 31, 2013 and December 31, 2012, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The MD&A should also be read in conjunction with the Company’s 2013 Annual Information Form (“AIF”) which is available on SEDAR at www.sedar.com.

Michele L. Cote, MSc., P.Geo., the Company’s Vice President of Exploration, is a “qualified person”, as defined under the guidelines of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”) of the Canadian Securities Administrators, and has reviewed and approved the technical information contained in this MD&A.

For additional details on the Curraghinalt high-grade lode gold deposit (“Curraghinalt”), please refer to the Company’s Press Release of April 16, 2014, and the technical report dated September 6, 2012 and titled “A Preliminary Economic Assessment of the Curraghinalt Gold Deposit, Tyrone Project, Northern Ireland” (the “PEA”), prepared by Mr. B. Terrence Hennessey, P.Geo., Mr. Barnard Foo, P.Eng., Mr. Bogdan Damjanovic, P.Eng., Mr. Andre Villeneuve, P.Eng., and Mr. Christopher Jacobs, CEng MIMMM, of Micon International Limited (“Micon”), which is filed on Dalradian’s website and available on SEDAR at www.sedar.com.

All amounts are in Canadian dollars unless otherwise noted.

This MD&A is dated May 9, 2014.

Caution Regarding Forward-Looking Information

This MD&A contains “forward looking information” which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company and its subsidiaries (collectively, “Dalradian”) and its mineral projects, the future price of metals, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending regulatory matters. Often, but not always, forward looking statements can be identified by the use of words and phrases such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on various assumptions such as the continued political stability in Northern Ireland, that permits required for Dalradian's operations will be obtained on a timely basis in order to permit Dalradian to proceed on schedule with its planned exploration and development programs, that skilled personnel and contractors will be available as Dalradian's operations continue to grow, that the price of gold will be at levels that render Dalradian's mineral projects economic, that the Company will be able to continue raising the necessary capital to finance its operations and realize on mineral resource estimates and current mine plans and that the assumptions contained in the Company's PEA (as defined herein) are accurate and complete.

Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Dalradian to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current and future exploration activities; the actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters and/or economic assessments as plans continue to be refined; future prices of metals; possible variations of mineral grade or recovery rates; the risk that actual costs may exceed estimated costs; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the Company's AIF available on SEDAR. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.

GOING FORWARD

On January 23, 2014 Dalradian announced that planning permission had been granted for its underground exploration and bulk sampling program ("Underground Program") at Curraghinalt, subject to complying with certain terms and conditions. Anticipated activities for the remainder of 2014 include:

- Compliance with planning pre-conditions, including approval of various environmental management plans in Q2
- Awarding of surface and underground contracts in Q2
- Commencement of earthworks in Q2
- Commencement of underground blasting in Q3
- Stopping starts in Q3
- Metallurgical testing begins in Q4
- Update of economic study in second half of 2014

Dalradian is still awaiting the temporary onsite explosives license required to complete the Underground Program. As activities in Northern Ireland ramp up for the Underground Program, operational expenditures are expected to increase in 2014. Additional funding will be required to complete the Underground Program.

DESCRIPTION OF BUSINESS

Incorporated on March 27, 2009, pursuant to the provisions of the *Business Corporations Act* (Ontario), with an initial public offering completed on August 10, 2010, the Company is a gold development and exploration company listed on the Toronto Stock Exchange ("TSX") under the stock symbol "DNA". The Company's corporate office is in Toronto, while operations are focused on Dalradian's flagship Curraghinalt project in Northern Ireland.

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 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.

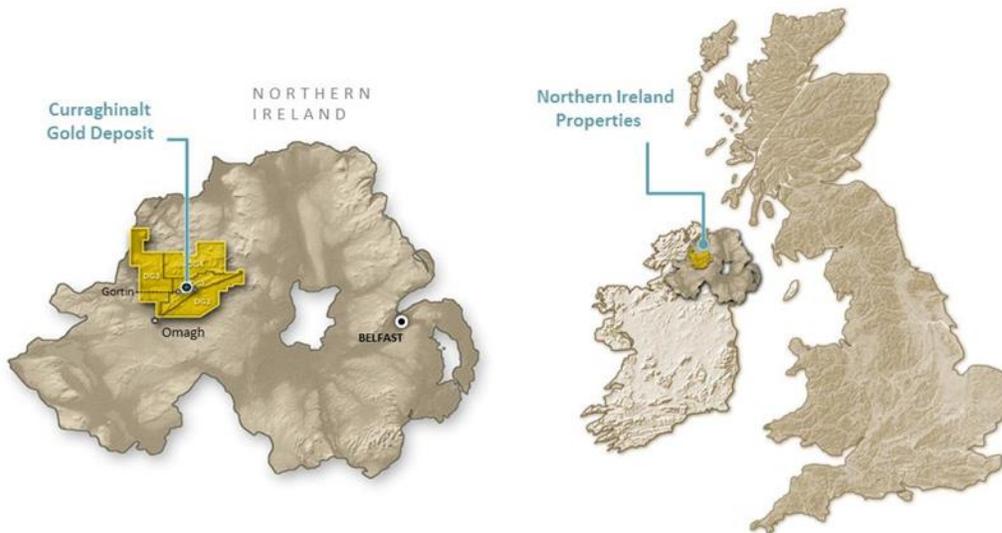
There are several known historical occurrences of precious and base metals mineralization throughout the Northern Ireland Properties, with new discoveries having been made and drilled by Dalradian up to 2012. After proving that new gold discoveries can still be made on the properties, Dalradian has now directed all of its focus on developing Curraghinalt in the DG1 area. Curraghinalt’s current PEA is based on a mineral resource estimate prepared in accordance with NI 43-101 (effective date of November 30, 2011). Subsequent to the first quarter, on April 16, 2014, the Company reported an updated mineral resource estimate (effective January 20, 2014). The technical report is being prepared and is expected to be filed on SEDAR within 45 days of the April 16, 2014 press release, per regulatory requirements. An updated economic study is planned for the second half of 2014.

On January 23, 2014, the Company announced receipt of planning permission for its Underground Program, subject to complying with terms and conditions. Three permits are necessary to complete the entire program: planning permission, site discharge consent and an explosives licence. Dalradian has secured two of the three permits and is still awaiting the explosives licence. Dalradian has submitted the application for the licence and is awaiting government approval. The Underground Program is designed to further prove up the economics of Curraghinalt. See also “Review of Operations – Permitting” and also “Review of Operations – Underground Exploration and Bulk Sampling Program”, below.

REVIEW OF OPERATIONS

Northern Ireland Properties

Central to DGL’s Northern Ireland Properties is the Curraghinalt gold deposit, a lode gold system consisting of a series of structurally controlled, high-grade gold bearing quartz-carbonate veins. The majority of Dalradian’s work in the first quarter of 2014 has focused on the deposit including completing a mineral resource update and Underground Program planning and permitting.



The most recent mineral resource estimate for Curraghinalt, prepared in accordance with NI 43-101 is summarized below:

	Curraghinalt Mineral Resources (as at January 20, 2014)		
*Resource Category (Cut-off Grade of 5.0 g/t)	Million Tonnes	Grade (g/t Au)	Contained Gold (ounces)
Measured	0.02	20.15	15,100
Indicated	2.98	10.34	989,000
Measured + Indicated	3.00	10.41	1,004,100
Inferred	8.01	9.67	2,487,700

* Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

For further information on the above mineral resource estimate please see the Company's press release dated April 16, 2014. The technical report is being prepared and is expected to be filed on SEDAR within 45 days of the April 16, 2014 press release, per regulatory requirements.

For further information on the Curraghinalt PEA, please refer to the AIF and the PEA available on SEDAR at www.sedar.com. Note that the PEA is based on the November 2011 mineral resource estimate. Mineral resources are not mineral reserves and do not have demonstrated economic viability. The PEA is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions of the PEA will be realized.

Exploration

Exploration expenditures during Q1 2014 totaled \$0.3 million compared to \$2.9 million in Q1 2013. The lower level of spending this year is primarily due to completion of the drill program in Q2 2013.

The main focus for the exploration group during the first quarter was completion of the updated resource (see table above in "Review of Operations – Northern Ireland Properties"). The 2014 resource incorporated a total of 80,976 metres from 406 drill holes as well as underground channel samples from

existing drifts along the T17, Sheep Dip and No. 1 Vein Zones. Inclusion of the approximately 29,000 metres of drilling completed since the 2011 mineral resource estimate has increased the geological confidence, including a 114% increase in Measured and Indicated resource to 1.0 million contained gold ounces. The Inferred resource also increased by 12% to 2.49 million contained gold ounces.

Dalradian has initiated a regional exploration program of soil sampling and prospecting on DG3 and DG4 during 2014.

Curraghinalt Preliminary Economic Assessment

On September 7, 2012, the Company filed the PEA of the Curraghinalt deposit based on the November 30, 2011 resource estimate. This report is available on SEDAR at www.sedar.com. An updated resource estimate was reported on April 16, 2014 (effective as at January 20, 2014) and an updated economic study is planned for second half of 2014 to incorporate the updated resource and additional new data as well as 2014 cost estimates. The updated resource estimate does not invalidate the conclusion of the PEA which is based on November 30, 2011 resource estimate.

Key highlights from the results of the 2012 PEA are highlighted in the table below:

KEY PEA DATA*	3 YEAR TRAILING AVERAGE GOLD PRICE: \$1,378/ounce	5 YEAR TRAILING AVERAGE GOLD PRICE: \$1,166/ounce
NPV with 8% discount rate (After-tax)	\$467 million	\$331 million
IRR (After-tax)	41.9%	33.4%
Average Annual Production	145,000 ounces/year	
Processing Rate	1,700 tonnes/day	
Life of Mine	15 years	
Initial Capex (\$38M contingency)	\$192 million	
Cash Costs	\$532/ounce or \$125/tonne	
Diluted Grade	8.1 g/t Au	
Gold Recovery	92%	
Payback	2 years **	

* Prepared by Micon. All dollars in the above table are quoted in US\$. The PEA is preliminary in nature, and is based on the November 2011 mineral resource estimate. It includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the results of the PEA will be realized.

** Based on 3 year trailing average gold price of \$1,378/ounce.

The Company announced on October 23, 2013 the results of additional metallurgical testing from the Curraghinalt deposit. The laboratory testing, using a sequential gravity-flotation circuit, demonstrated overall gold recoveries of 99.4%, with 29.4% of the gold reporting to the gravity circuit, and 70.0% reporting to a bulk rougher concentrate. The Company believes these results demonstrate a potential alternative processing method, with higher overall recoveries, compared to the whole-ore cyanidation process used as the base-case scenario in the PEA, which yielded a 92% recovery. A further benefit of a combined gravity-flotation circuit is that the tailings would have a low sulphide content and would not have been in contact with cyanide at any stage, which the Company believes is likely to be beneficial in terms of permitting an eventual mine at Curraghinalt.

During Q2 2014, Dalradian plans to complete further metallurgical testing of the gravity/flotation processing option, including a locked cycle test. On January 23, 2014, Dalradian's planning application was approved to carry out approximately 2,000 m of underground exploration development and to collect a bulk sample of up to 35,000 tonnes. This bulk sample is expected to provide ample material for future metallurgical test work, expected to begin in Q4 2014.

Permitting

On February 18, 2013, the Company announced the completion of an extensive pre-consultation process with stakeholders and the submission of its application for the Underground Program. On July 8, 2013, the Company announced that the strategic planning division (the "Strategic Planning Division") of the Northern Ireland Department of Environment had determined that the Underground Program could proceed without the requirement of an Environmental Impact Assessment ("EIA"). Three permits are necessary to complete the entire program: planning permission, site discharge consent and an explosives licence. Dalradian has secured two of the three permits and is still awaiting the temporary onsite explosives licence.

On January 23, 2014, the Company announced that it had received final planning permission, subject to complying with certain terms and conditions, for the Underground Program. Dalradian also received its site discharge consent. Since that time, Dalradian has finalized and submitted for approval plans governing the management of water, noise and dust, among others, to satisfy the planning permission conditions required prior to beginning work onsite. Currently the Company is awaiting government agency sign-off on several of the submitted plans in order to begin work onsite.

Dalradian continues to hold regular community and government stakeholder meetings and has strong local support for Curraghinalt.

Dalradian continues to gather environmental baseline data to be used in the preparation of an EIA if the results of the Underground Program lead to a positive mine construction decision. Dalradian does not currently have a permit for mining at Curraghinalt.

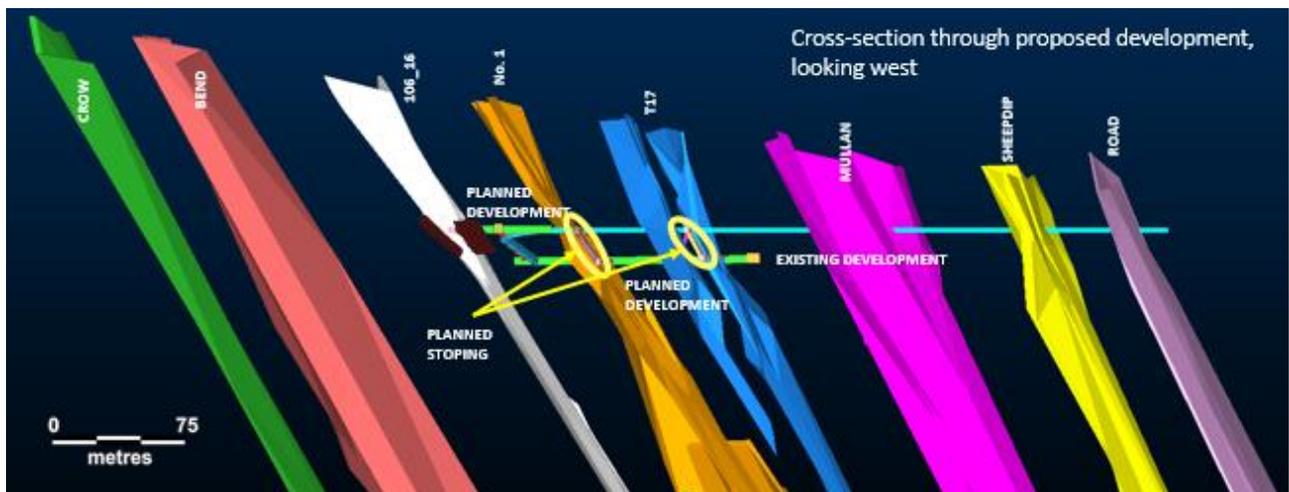
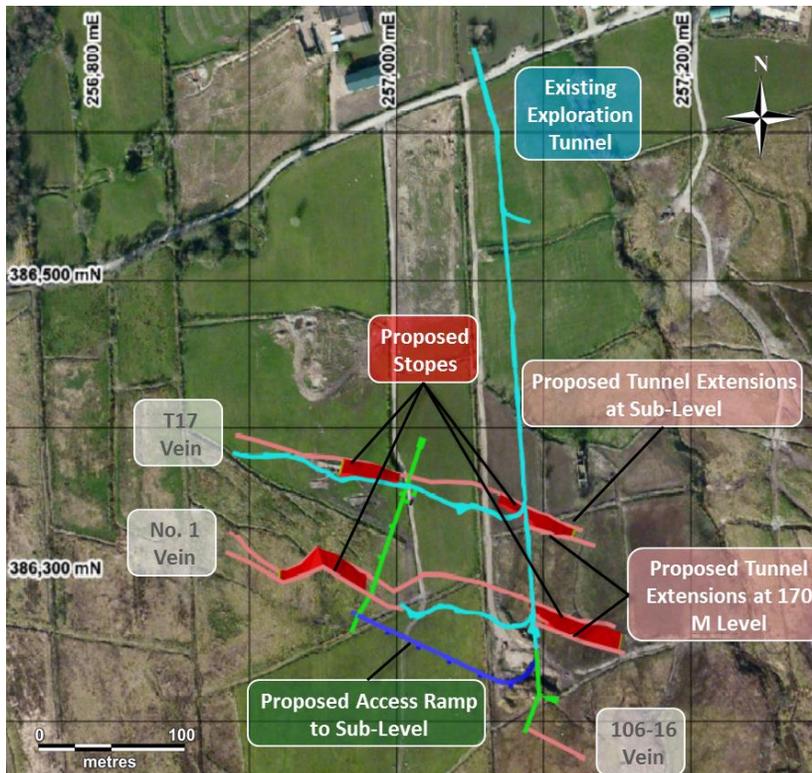
Underground Exploration and Bulk Sampling Program

Planning permission for the program was announced on January 23, 2014, subject to complying with terms and conditions. Dalradian is in the process of complying with the pre-conditions that must be met prior to beginning work onsite. Additional internal hires for the bulk sample team are ongoing and major contracts for surface and underground work are being finalized. Spending on development planning in Q1 2014 was \$0.9 million compared with \$0.6 million during Q1 2013. Once work onsite commences for the Underground Program spending is expected to ramp up.

The Underground Program is expected to consist of up to 2,000 m of underground development, and is designed to:

- demonstrate continuity of thickness and grade of mineralized veins;
- convert indicated mineral resources to measured mineral resources;
- test mining techniques and backfill methods;
- investigate geotechnical and hydrogeological conditions;
- produce a bulk sample for metallurgical test work (up to 35,000 tonnes); and
- advance the permitting process.

Plan view of Underground Exploration and Bulk Sampling Program



The Underground Program is expected to cost approximately \$30 million and, subject to receiving additional financing, is expected to be completed within 14-20 months of commencement. Surface work is expected to be completed in the first 4-5 months of the program, with exploration tunneling beginning thereafter and continuing for 9-12 months. The latter 6-8 months will include test stoping, hydrogeology and geotechnical studies, backfill testing and metallurgical testing. The mineralized material will be trucked to a nearby port facility and shipped for processing and testing at a suitable mill facility.

Norwegian Properties

As of December 31, 2013, the Company held a 100% interest, through its wholly owned subsidiary NMG AS, in 1.3 million hectares of mineral rights (the “Norwegian Properties”). After a short exploration program in 2013, the Company indefinitely suspended exploration on the Norwegian Properties due to persisting negative market conditions that caused a decline in investment in early stage exploration, and focused its resources on Curraghinalt. Although many discussions with prospective partners were held, the Company’s effort to attract a partner to assist with funding exploration on the Norwegian Properties was unsuccessful. Dalradian did not make the annual concession payments, which were due in January 2014, and accordingly the licences have lapsed.

OVERVIEW OF SELECTED INFORMATION FROM THE FINANCIAL STATEMENTS

The following table sets forth selected data for the quarters ended March 31, 2014 and 2013:

	Quarter ended	
	Mar. 31, 2014	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
	<u>1,221,303</u>	<u>1,525,906</u>
Interest income	26,445	40,683
Loss and comprehensive loss for the period	<u>\$ (1,194,858)</u>	<u>\$ (1,485,223)</u>
Loss per share - basic and diluted	<u>(0.01)</u>	<u>(0.02)</u>
Total assets	<u>\$ 60,143,795</u>	<u>\$ 69,955,545</u>
Working capital	<u>\$ 17,248,418</u>	<u>\$ 15,447,666</u>

As at March 31, 2014, Dalradian had total assets of \$60,143,795 (2013 - \$69,955,545), and working capital of \$17,248,418 (2013 – \$15,447,666).

The consolidated loss and comprehensive loss for the period ended March 31, 2014, of \$1,194,858, was lower than the same period in 2013 of \$1,485,223, primarily as a result of reduced travel to Northern Ireland for exploration and marketing activities.

Results of Operations for the Three Months Ended March 31, 2014, compared to the Three Months Ended March 31, 2013

Salaries and related benefit expense for the three months ended March 31, 2014 of \$646,955 were in line with the same period in 2013 of \$638,923.

Professional fees and consulting expense for the three months ended March 31, 2014 of \$57,749, decreased compared to the same period in 2013 of \$99,132, primarily due to decreased legal and geological consulting services.

Share-based payments expense for the three months ended March 31, 2014 of \$148,209 decreased compared to the same period in 2013 of \$262,064, primarily due to decreased amortization cost as a result of share option cancellations after the first quarter in 2013.

Investor relations and general travel expense for the three months ended March 31, 2014 of \$144,290, decreased compared to the same period in 2013 of \$265,395, primarily due to a decrease in travel to Northern Ireland and reduced marketing activities.

Office, regulatory and general expense for the three months ended March 31, 2014 of \$173,651 were similar to the same period in 2013 of \$180,870. Higher listing fees offset a decrease in office expenses.

Interest income for the three months ended March 31, 2014 of \$26,445, decreased compared to the same period in 2013 of \$40,683, due to lower average cash balances in 2014.

Summary of Quarterly Results

The following selected data should be read in conjunction with the March 31, 2014 interim condensed consolidated financial statements ("Consolidated Financial Statements") of the Company.

	Three months ended			
	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	Jun. 30, 2013
Interest income	\$ 26,445	\$ 18,535	\$ 24,330	\$ 31,706
Net loss	(1,194,858)	(1,297,667)	(17,648,926)	(1,371,055)
Net loss per common share (basic and diluted)	(0.01)	(0.01)	(0.20)	(0.02)
Cash and cash equivalents	17,242,922	6,855,035	9,443,514	12,636,961
Other current assets	731,945	680,627	748,669	1,266,560
Equipment	572,622	671,978	789,972	835,287
Exploration and evaluation assets	41,596,306	40,349,082	38,812,398	53,669,477
Total Assets	\$ 60,143,795	\$ 48,556,722	\$ 49,794,553	\$ 68,408,285
Total shareholders' equity	\$ 59,417,346	\$ 47,843,645	\$ 48,990,834	\$ 66,441,878

	Three months ended			
	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012
Interest income	\$ 40,683	\$ 64,766	\$ 81,440	\$ 94,351
Net loss	(1,485,223)	(1,792,835)	(1,808,713)	(1,851,126)
Net loss per common share (basic and diluted)	(0.02)	(0.02)	(0.02)	(0.02)
Cash and cash equivalents	16,473,997	22,760,432	28,886,530	32,691,245
Other current assets	1,336,024	1,530,726	1,210,602	1,207,782
Equipment	949,836	1,020,371	1,069,634	1,095,688
Exploration and evaluation assets	51,195,688	45,080,836	41,436,961	38,123,120
Total Assets	\$ 69,955,545	\$ 70,392,365	\$ 72,603,727	\$ 73,117,835
Total shareholders' equity	\$ 67,593,188	\$ 68,739,031	\$ 70,438,733	\$ 71,448,008

The net loss in the quarter ended March 31, 2014 results from salary and related benefits expenses and related share-based payments expense, professional consulting and regulatory fees incurred in relation to public company reporting, travel for exploration and development planning activities, investor relations and marketing activities, rent and associated costs for offices in Toronto.

FINANCIAL CONDITION, CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

The adequacy of the Company's capital structure is monitored on an ongoing basis and adjusted as necessary according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, adjusting spending, or disposing of assets.

The Company is dependent on issuing equity or other forms of financing to complete programs associated with its exploration and evaluation properties. Dalradian is not in commercial production on any of its resource properties and accordingly, it does not generate cash from operations. Dalradian's only source of income has been interest earned from funds on deposit.

Dalradian's cash and cash equivalent as at March 31, 2014 was \$17.2 million, compared to \$16.5 million as at March 31, 2013.

On February 19, 2014, the Company closed a bought deal offering (the "February 2014 Financing") 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.

Liquidity

The Company primarily finances its activities by raising capital through the issuance of equity. The Company's ability to fund currently planned exploration and development planning activities, acquire additional mineral properties, meet its existing obligations and maintain operations is conditional on its ability to secure financing when required. Global commodity markets remain volatile and uncertain, which could lead to difficulties in raising funds.

During the period ended March 31, 2014, Dalradian 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, Dalradian had cash and cash equivalents of \$17,242,922 on hand.

Dalradian's ability to meet its obligations and fund the planned Underground Program in 2014 and 2015 is contingent upon successful completion of additional financing arrangements. The Company has cash and cash equivalents as at March 31, 2014 of \$17.2 million which is expected to be sufficient to fund surface works and initial underground development.

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.

For the period ended March 31, 2014, Dalradian spent approximately \$0.3 million on the Northern Ireland exploration program and \$0.9 million on Northern Ireland development planning.

Dalradian's net working capital position at March 31, 2014 is approximately \$17.2 million. The majority of accounts payable and accrued liabilities relate to trade payables incurred in the normal course of operations.

During the period ended March 31, 2014, the Company announced closing of the \$13.9 million February 2014 Financing (see details in – "Capital Resources" above). Approximately \$1.2 million of the net proceeds will be applied to general working capital. The remaining \$9.9 million of the net proceeds will be applied to commence an underground exploration and bulk sampling program at the Curraghinalt Gold Project, the entirety of which should extend the exploration tunnel by up to 2,000 metres in order to access, define, sample and test up to 35,000 tonnes of mineralized material from the Curraghinalt deposit. The entire program is expected to cost approximately \$30 million and, subject to receiving the required additional financing, is expected to be completed within 14-20 months of commencement. It is expected that the \$9.9 million will be applied over a six to eight month period starting in May 2014 and will be sufficient to (i) complete the surface works, which will include the installation of an emergency egress conveyance and all surface buildings and infrastructure required to extract the bulk sample, and (ii) complete the initial 400 metres of the total 2,000 metre underground development. The balance of the cost of the program is expected to be funded by additional equity financing as available. See "Risk Factors" in the Company's most recent AIF.

Contractual Obligations

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

The Company entered into an agreement with another Canadian mineral exploration company to share office space in Toronto. The agreement commenced on September 1, 2010 and expires on August 31, 2015. Under this agreement, the Company is responsible for 50% of the rent and 50% of the operating costs of the leasehold interests. Payments are included in the commitment table below.

On September 10, 2012, DGL entered into an operating lease for office and warehouse units in Omagh, Northern Ireland. The lease expires on September 30, 2016 and the payments are included in the commitment table below.

At March 31, 2014, Dalradian had the following commitments for operating leases for the next five fiscal years:

2014.....	\$	260,332
2015.....		284,263
2016.....		125,785
2017.....		-
2018.....		-
	\$	<u>670,380</u>

Off-balance Sheet Arrangements

Dalradian does not have any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value

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

The carrying values of amounts receivable and accounts payable and accrued liabilities reflected in the consolidated balance sheet approximate fair value because of the short-term maturity of these financial instruments.

(b) Commodity price risk

Dalradian's ability to develop its properties and its future profitability are directly related to the market price of gold. The price of gold is affected by numerous factors, such as global consumption and demand for gold, international economic and political trends, fluctuations in value of the U.S. dollar and other currencies, interest rates and inflation.

(c) Liquidity risk

Liquidity risk includes the risk that, as a result of Dalradian's operational liquidity requirements:

- (i) Dalradian will not have sufficient funds to settle a transaction on the due date;
- (ii) Dalradian will be forced to sell financial assets at a value that is less than what they are worth; or
- (iii) Dalradian may be unable to settle liabilities or recover a financial asset at all.

The ultimate responsibility for liquidity risk rests with the Board of Directors of the Company, which has built an appropriate liquidity risk management framework for management of the Company's short, medium and long-term funding and liquidity requirements. The Company's cash requirements and balances are projected based on estimated future requirements. The Company plans to meet these requirements through a mix of available funds, including, but not necessarily limited to, equity financing, sale or mining of assets and project debt financing. Continuing operations are dependent on the Company's ability in the near term to access sufficient capital to complete the Company's exploration and development activities, identify commercial gold reserves and to ultimately have profitable operations. Accounts payable and accrued liabilities at March 31, 2014 all have contractual maturities of less than 90 days and are subject to normal trade terms. The Company had sufficient funds on hand at March 31, 2014 to settle these liabilities.

(d) Credit risk

When a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the consolidated balance sheet date, credit risk arises. The majority of the Company's financial assets are cash and cash equivalents and receivables. Management considers the credit risk on cash and cash equivalents to be limited because the counterparties are established well-known financial institutions. During the period ended March 31, 2014, no amounts receivable were past due. Consequently no allowances or bad debts were required on the amounts receivable. The maximum exposure to credit risk is represented by the carrying amount of the cash and cash equivalents and amounts receivable on the consolidated balance sheet.

(e) Foreign currency risk

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 March 31, 2014, the carrying amounts of Dalradian'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	\$ 6,912	\$ 691
Euro	492	49
Pound sterling	70,651	7,065
Norwegian krone	1,148	115
	<u>\$ 79,203</u>	<u>\$ 7,920</u>

OUTSTANDING SHARE DATA

The following table summarizes the capitalization of the Company as at March 31, 2014:

	Exercise Price	Number of Common Shares
Common shares.....		<u>109,380,483</u>
Warrants		
Expiring January 1, 2016	\$ 2.17	30,000
Expiring January 1, 2017	1.81	40,000
Expiring January 1, 2018.....	1.50	50,000
Expiring February 19, 2015	0.90	9,918,750
Expiring August 19, 2015	0.70	<u>1,190,250</u>
Total warrants		<u>11,229,000</u>
Options		
Expiring April 17, 2014	\$ 1.23	133,334
Expiring May 2, 2014	1.85	300,000
Expiring July 4, 2014	0.75	250,000
Expiring July 4, 2014	1.11	50,000
Expiring August 10, 2015	0.25	625,000
Expiring August 10, 2015	0.75	2,095,000
Expiring January 14, 2016	1.96	100,000
Expiring May 27, 2016	1.60	250,000
Expiring November 2, 2016.....	2.20	70,000
Expiring April 10, 2017	1.28	180,000
Expiring April 11, 2017	1.23	120,000
Expiring April 23, 2017	1.10	50,000
Expiring May 14, 2017	0.97	50,000
Expiring August 7, 2017	1.11	700,000
Expiring September 11, 2017	1.02	500,000
Expiring February 11, 2018	1.30	35,000
Expiring May 8, 2018.....	0.71	225,000
Expiring July 9, 2018	0.71	500,000
Expiring February 14, 2019	0.85	<u>300,000</u>
Total options		<u>6,533,334</u>
Restricted Share Units ("RSUs").....	\$ 1.11	<u>850,000</u>
Total fully diluted.....		<u><u>127,992,817</u></u>

As at May 9, 2014, the Company had 109,380,483 common shares (the “Common Shares”), 11,229,000 warrants, 6,100,000 share options, and 850,000 RSUs issued and outstanding. This amounts to 127,559,483 common shares outstanding on a fully-diluted basis.

FINANCIAL STATEMENTS – CRITICAL ACCOUNTING ESTIMATES

The Consolidated Financial Statements of the Company are prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*. The significant accounting policies of the Company are described in note 2 of 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.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Dalradian’s disclosure controls and procedures as at December 31, 2013. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that, as at the end of the period covered by this report, Dalradian’s disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods. Since the December 31, 2013 evaluation, there have been no material changes to the Company’s disclosure controls and procedures and their design remains effective.

The Company’s management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

During the three months ended March 31, 2014, there were no material changes to the Company's internal controls over financial reporting or disclosure controls and procedures.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Dalradian is a mineral development and exploration entity, focused on the selection, acquisition, exploration, evaluation and development of mineral properties. Its current focus is to develop the Curraghinalt gold deposit. The future performance of Dalradian is largely tied to the development of its property interests and other prospective business opportunities and the overall financial markets. Financial markets are currently volatile, reflecting ongoing concerns about the stability of commodity prices. The Company's financial success will be dependent upon the extent to which it can achieve milestones in determining the economic viability of the deposits in its portfolio or of any new discoveries that it may make. The development of such assets may take years to complete and the resulting revenue, if any, is difficult to determine with any certainty. To date, Dalradian has not produced any revenue. The sales value of any minerals discovered by Dalradian is largely dependent upon factors beyond its control, such as the market value of the commodities produced. There are significant uncertainties regarding the prices of precious metals and the availability of equity financing for the purposes of exploration and development. Global commodity markets remain volatile and uncertain which has contributed to difficulties in raising equity and borrowing funds. As a result, the Company may have difficulties raising equity financing for the purposes of exploration and development, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of Dalradian to develop and/or further explore its current mineral exploration properties and any other property interests that may be acquired in the future.

RISK FACTORS

The Company is subject to a number of risks and uncertainties. For more details, refer to the Company's 2013 AIF and annual MD&A for the year ended December 31, 2013, both of which are available on SEDAR (www.sedar.com).

ADDITIONAL INFORMATION

Additional information regarding the Company, including the AIF, can be found at www.dalradian.com and www.sedar.com.