DALRADIAN
RESOURCES

Dalradian Resources Inc.

Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and six months ended
June 30, 2014 and June 30, 2013

August 6, 2014

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Balance Sheets

(Expressed in Canadian dollars)
(Unaudited)

	As at June 30, 2014	As at Dec. 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,711,884	$ 6,855,035
Amounts receivable	184,143	80,355
Prepaid expenses	562,028	600,272
	15,458,055	7,535,662
Equipment (note 4)	560,595	671,978
Exploration and evaluation assets (note 5)	42,931,726	40,349,082
	$ 58,950,376	$ 48,556,722
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 755,891	$ 713,077
Shareholders' equity:		
Share capital (note 6)	90,312,144	79,585,917
Warrants (note 6)	2,031,168	139,310
Contributed surplus	10,730,589	10,103,852
Accumulated deficit	(44,879,416)	(41,985,434)
	58,194,485	47,843,645
	$ 58,950,376	$ 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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Operating expenses:				
Salaries and related benefits	$ 648,642	$ 605,093	$ 1,295,597	$ 1,244,016
Professional fees and consulting	234,384	128,012	292,133	227,144
Share-based payments	475,061	271,564	623,270	533,628
Investor relations and general travel	215,189	140,259	359,479	405,654
Office, regulatory and general	122,147	164,442	295,798	345,312
Amortization	38,941	58,817	87,909	117,634
Foreign exchange (gain) loss	(494)	31,321	(2,050)	50,406
Interest and bank charges	2,138	3,880	5,175	5,500
Gain on disposal of equipment	-	(627)	-	(627)
	1,736,008	1,402,761	2,957,311	2,928,667
Interest income	36,884	31,706	63,329	72,389
Loss and comprehensive loss for the period	$ (1,699,124)	$ (1,371,055)	$ (2,893,982)	$ (2,856,278)
Loss per share – basic and diluted (note 7)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)

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)

	Six months ended June 30, 2014	Six months ended June 30, 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	626,737	511,365
Balance, end of period	$ 10,730,589	$ 9,755,492
Accumulated deficit:		
Balance, beginning of period	$ (41,985,434)	$ (20,182,563)
Loss and comprehensive loss for the period	(2,893,982)	(2,856,278)
Balance, end of period	$ (44,879,416)	$ (23,038,841)
Total shareholders' equity	$ 58,194,485	$ 66,441,878

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

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)
(Unaudited)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows from (used in) operating activities:		
Loss and comprehensive loss for the period	$ (2,893,982)	$ (2,856,278)
Unrealized foreign exchange loss (gain)	16,223	(622)
Interest income	(63,329)	(72,389)
Items not affecting cash:		
Amortization	87,909	117,634
Share-based payments	623,270	533,628
Gain on disposal of equipment	-	(627)
Change in non-cash operating working capital:		
Amounts receivable	(103,010)	182,456
Prepaid expenses	76,017	37,430
Accounts payable and accrued liabilities	(131,381)	(105,996)
Cash flows used in operating activities	$ (2,388,283)	$ (2,164,764)
Cash flows from financing activities:		
Net proceeds from bought deal offering (note 6)	$ 12,618,085	$ -
Cash flows from financing activities	$ 12,618,085	$ -
Cash flows used in investing activities:		
Expenditures on exploration and evaluation assets	$ (2,289,257)	$ (7,971,946)
Additions to equipment	(124,718)	(75,498)
Proceeds from disposal of equipment	-	3,316
Interest received	57,243	82,270
Cash flows used in investing activities	$ (2,356,732)	$ (7,961,858)
Net change in cash and cash equivalents	7,873,070	$ (10,126,622)
Cash and cash equivalents, beginning of period	6,855,035	22,760,432
Effect of exchange rate fluctuations on cash held	(16,221)	3,151
Cash and cash equivalents, end of period	$ 14,711,884	$ 12,636,961

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 six months ended June 30, 2014, the Company had a net use of cash and cash equivalents of $2,388,283 in operating activities, $2,356,732 in investing activities, and had net proceeds of $12,618,085 from financing activities. As at June 30, 2014, the Company had cash and cash equivalents of $14,711,884 on hand.

While the Company has no source of revenue, it believes based on the July 2014 financings (see note 9) that it has sufficient cash resources to meet its obligations and fund planned expenditures and administrative costs for at least the next twelve months. In order to meet planned expenditures and cover administrative costs beyond that point, the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, as evidenced by the recent financings in February and July 2014 (see notes 6 and 9), there can be no assurance that adequate financing will be available in the future, or available under terms favourable to the Company.

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 standard described 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 June 30, 2014	Net book value Dec. 31, 2013
Furniture and office equipment…………..…..	$ 218,283	$ 218,108	$ 175	$ 10,728
Computer equipment and software…….….	525,000	317,301	207,699	202,566
Leasehold improvements..........................	704,139	533,523	170,616	243,126
Other equipment..	538,883	356,778	182,105	215,558
	$ 1,986,305	$ 1,425,710	$ 560,595	$ 671,978

5. EXPLORATION AND EVALUATION ASSETS

	Three months ended June 30, 2014	Six months ended June 30, 2014
Balance, beginning of period	$ 41,596,306	$ 40,349,082
Exploration...	422,947	786,893
Asset evaluation...	911,271	1,792,284
Share-based payments..	1,202	3,467
Balance, end of period..	$ 42,931,726	$ 42,931,726

Asset evaluation expenditures include development planning, permitting and other activities associated with the underground exploration program.

The Company, through its wholly-owned subsidiary, Dalradian Gold Limited (“DGL”), holds 100% of the rights as described below, subject to royalties as described below, in approximately 84,000 hectares, consisting of four contiguous areas (DG1, DG2, DG3 and DG4), located in counties Tyrone and Londonderry, Northern Ireland, United Kingdom. There are two elements comprising this interest:

(Expressed in Canadian dollars)

- The Department of Enterprise, Trade and Investment ("DETI") has granted to DGL Prospecting Licenses for base metals, (the "DETI Prospecting Licences") covering these four contiguous areas;
- The Crown Estate Commissioners ("CEC"), a separate government body, has entered into mining lease Option Agreements with DGL, (the "CEC Mining Lease Option Agreements"), for gold and silver, covering the same four areas.

The DETI Prospecting Licences for DG1 and DG2 (named DG1/14 and DG2/14) have a renewal term expiring December 31, 2015, and the licences for DG3 and DG4 (named DG3/11 and DG4/11) have a renewal term expiring April 23, 2015.

The CEC Mining Lease Option Agreements for DG1 and DG2 have a renewal term expiring December 31, 2015, and Mining Lease Option Agreements for DG3 and DG4 have a renewal term expiring April 23, 2015.

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 June 30, 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, June 30, 2014	109,380,483	$	90,312,144

(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, June 30, 2014	11,229,000	$	2,031,168	$	0.89

(Expressed in Canadian dollars)

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 six months ended June 30, 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. 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:

	Six months ended June 30, 2014	
	Number of options	**Weighted average exercise price**
Balance, December 31, 2013	6,425,000	$ 0.94
Granted	2,200,000	0.96
Forfeited	(625,000)	1.59
Balance, June 30, 2014	8,000,000	$ 0.90

The fair value of the Company's options granted to directors and employees during the period ended June 30, 2014 was estimated using the Black-Scholes option pricing method using the following weighted average 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.

(Expressed in Canadian dollars)

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 $694,812 as at June 30, 2014.

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

	Six months ended June 30, 2014	
	Number of RSUs	Fair value per unit at grant date [i]
Balance, December 31, 2013 and June 30, 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 June 30, 2014	Six months ended June 30, 2014
Numerator:		
Loss for the period	$ (1,699,124)	$ (2,893,982)
Denominator:		
Weighted average number of common shares	109,380,483	104,010,110
Basic and diluted loss per share	$ (0.02)	$ (0.03)

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 June 30, 2014				
Current assets	$ 14,200,527	$ 1,237,876	$ 19,652	$ 15,458,055
Exploration and evaluation assets	-	42,931,726	-	42,931,726
Equipment	180,543	380,052	-	560,595
Total assets	$ 14,381,070	$ 44,549,654	$ 19,652	$ 58,950,376
Six months ended June 30, 2014				
Additions to equipment	$ -	$ 124,718	$ -	$ 124,718
Additions to exploration and evaluation assets	$ -	$ 2,582,644	$ -	$ 2,582,644
Revenue	$ -	$ -	$ -	$ -
Net loss	$ 2,780,183	$ 90,951	$ 22,848	$ 2,893,982
As at December 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
Six months ended June 30, 2013				
Additions to equipment	$ -	$ 75,498	$ -	$ 75,498
Additions to exploration and evaluation assets	$ -	$ 5,957,607	$ 2,631,034	$ 8,588,641
Revenue	$ -	$ -	$ -	$ -
Net loss	$ 2,577,336	$ 243,028	$ 35,914	$ 2,856,278

9. SUBSEQUENT EVENTS

On July 31, 2014, the Company closed two financings, a bought deal prospectus offering and a non-brokered private placement, for total gross proceeds of $27,364,500. The bought deal financing consisted of 19,205,000 units including the exercise of the over-allotment option in full, at a price of $0.90 per unit, for gross proceeds of $17,284,500. Concurrent with the closing of the offering, the Company also completed a non-brokered private placement of 11,200,000 units of the Company, on the same terms as the units being issued pursuant to the bought deal offering, for aggregate gross proceeds of $10,080,000. 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 $1.50 until July 31, 2017. A cash commission equal to 6% of the gross proceeds was paid and broker warrants or finders warrants equal to 6% of the total number of units sold were issued to the underwriters and certain finders in connection with the bought deal financing and the private placement, respectively. Each broker warrant or finder warrant entitles the holder to purchase one common share at an exercise price of $0.90 until July 31, 2016.