DALRADIAN
RESOURCES

Dalradian Resources Inc.

Management's Discussion and Analysis

For the three and six months ended June 30, 2014

August 6, 2014

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RECENT HIGHLIGHTS

Highlights of the Second Quarter and Subsequent Period	
July 31, 2014	Dalradian Closes C$27 Million Financings
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June 25, 2014	Dalradian Announces AGM Voting Results
June 2, 2014	Dalradian Files Updated Technical Report on Curraghinalt Gold Deposit
April 16, 2014	Dalradian Announces Updated Mineral Resource Estimate at Curraghinalt Resulting in a 114% Increase in Measured and Indicated Gold Ounces

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 and six months ended June 30, 2014 and June 30, 2013 (the "Consolidated Financial Statements") 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. This 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 technical report dated May 30, 2014 and titled "Curraghinalt Gold Deposit, Northern Ireland, Mineral Resource Estimate Update, NI 43-101 Technical Report" (the "Technical Report"), prepared by Tim Maunula, P.Geo., President & Principal Geologist, T. Maunula & Associates Consulting Inc., 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 available on the Company's website and on SEDAR at www.sedar.com.

All amounts are in Canadian dollars unless otherwise noted.

This MD&A is dated August 6, 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 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 Technical Report and PEA 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 section entitled "Risk Factors" 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, the Company announced that planning permission had been granted for its underground exploration program ("Underground Program") at Curraghinalt, subject to complying with certain terms and conditions, including approval of management plans for water, noise, traffic and dust. All necessary approvals were received at the end of May 2014. Dalradian has been finalizing contracts with suppliers for the Underground Program and hiring additional personnel in preparation for beginning work on site. In addition, planning has been underway for a surface drilling program ("Surface Program"). Anticipated activities for the remainder of 2014 include:

- Awarding of surface and underground contracts for Underground Program in Q3
- Commencement of surface drilling in Q3
- Commencement of earthworks for Underground Program in Q3
- Update of economic study to begin during Q3
- Ongoing drill results; completion of Surface Program in Q4
- Commencement of underground blasting in Q4

For the Underground Program, Dalradian has received a draft of its temporary explosives storage licence and a full licence is expected to be issued once the explosives magazine is constructed and inspected. As activities in Northern Ireland ramp up for the Underground Program and the Surface Program, operational expenditures are expected to increase in the second half of 2014.

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 involved in the acquisition, exploration and evaluation of mineral properties in Northern Ireland. The Company is 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 gold project in Northern Ireland.

Dalradian, through its wholly owned subsidiary, 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:

- 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.

Dalradian does not hold any other rights.

The DETI Prospecting Licences for DG1 and DG2 were renewed in 2013 and run from January 1, 2014 to December 31, 2015. Upon expiry of this initial term, they are eligible for up to two, two year extensions. The DETI Prospecting Licences for DG3 and DG4 were also renewed in 2013 and run from April 24, 2013 to April 23, 2015, and upon expiry they are eligible for one additional two year extension. A DETI Prospecting Licence cannot be extended beyond six years from the date of grant. However, at the end of the second two year extension of a DETI Prospecting Licence, DGL may apply for a new DETI Prospecting License over the same area. Applications for new DETI Prospecting Licences for DG1 and DG2 will be required in 2019 and for DG3 and DG4 in 2016.

The current terms of the CEC Option Agreements for DG1 and DG2 expire December 31, 2015. The current terms of the CEC Option Agreements for DG3 and DG4 expire April 23, 2015. Upon expiry of the term or renewal period of a CEC Option Agreement, an indefinite number of renewals is available at the CEC's discretion. Each renewal is for a term of two years.

This approximately 84,000-hectare area is collectively known as the "Northern Ireland Properties". 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 CEC Mining Lease Option Agreements, a 4% royalty will be payable to the CEC upon production of silver and/or gold on the Northern Ireland Properties.

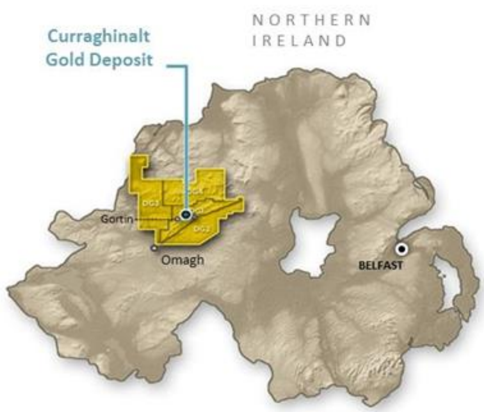
There are several known historical occurrences of precious and base metals mineralization throughout the Northern Ireland Properties, with new discoveries having been made and drilled by Dalradian up to 2012. After proving that new gold discoveries can still be made on the properties, Dalradian has now 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). During the second quarter, the Company filed the Technical Report, including an updated mineral resource estimate (dated May 30, 2014). Work will commence shortly on updating the economic study.

During 2014, the Company has two main activities on-site: the Surface Program, which will test grade continuity of a portion of the Curraghinalt deposit and the Underground Program, which is designed to further prove up the economics of Curraghinalt. 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 final temporary explosives storage licence. Dalradian has received the draft temporary explosives storage licence and expects to receive the final licence once the explosives magazine has been built and inspected. See also “Northern Ireland Properties – Permitting” and also “Northern Ireland Properties – Underground Program”, below.

NORTHERN IRELAND PROPERTIES

Overview

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 and second quarters of 2014 has focused on the deposit including completing a mineral resource update and Surface Program 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 Technical Report.

Curraghinalt Preliminary Economic Assessment

On September 7, 2012, the Company filed the PEA of the Curraghinalt deposit, which demonstrated positive economics for an underground mine producing 145,000 ounces per year on average over a 15-year mine life. The PEA was based on the November 30, 2011 resource estimate and is available on SEDAR at www.sedar.com. An updated Technical Report was filed during Q2 2014, including an updated mineral resource estimate. The updated resource estimate does not invalidate the conclusion of the PEA which is based on November 30, 2011 resource estimate. An updated economic study is expected to commence shortly.

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 2014, Dalradian plans to complete further metallurgical testing. On January 23, 2014, Dalradian's planning application was approved to carry out underground exploration, which should provide ample material for future metallurgical test work.

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 storage licence. Dalradian has secured two of the three permits as well as a draft of the explosives storage licence and expects to receive the final explosives storage licence once the explosives magazine has been built and inspected.

Planning permission for the Underground Program with final terms and conditions was received from Planning Northern Ireland on January 23, 2014. Prior to beginning work on site, the Company was required to submit and receive approval from Northern Ireland regulators for a number of management plans governing items such as water, noise, traffic and dust. The Company met all pre-commencement conditions and received all necessary approvals at the end of May 2014.

Dalradian continues to hold regular community and government stakeholder meetings and has strong local support for Curraghinalt. To date in 2014, Dalradian has held two community meetings.

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.

Exploration

Exploration expenditures during Q2 2014 totaled $0.4 million compared to $2.0 million in Q2 2013, with $0.8 million spent in the first six months of 2014 compared to $4.9 million in the comparable period of 2013. The lower level of spending this year is primarily due to completion of the drill program in Q2 2013. Expenditures are expected to increase in the second half of 2014 as the Surface Program gets underway.

The main focus for the exploration group during the first and second quarter was completion of the updated resource (see table above in "Northern Ireland Properties – Overview"). 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.

A regional exploration program of soil sampling and prospecting on DG3 and DG4 continued during the second quarter of 2014. Dalradian plans to begin the Surface Program, including up to 5,000 metres of diamond drilling, by the end of Q3 2014. Most of the drilling will be infill with the purpose of testing grade continuity of a portion of the Curraghinalt deposit. Results will be released as they are received.

Underground Program

With all government approvals in place to begin the Underground Program (see "Permitting" above), the Company has been finalizing contracts with suppliers for the program and hiring additional personnel in preparation for beginning work on site. Now that preparations for the Underground Program are nearing completion, work on site is expected to begin shortly.

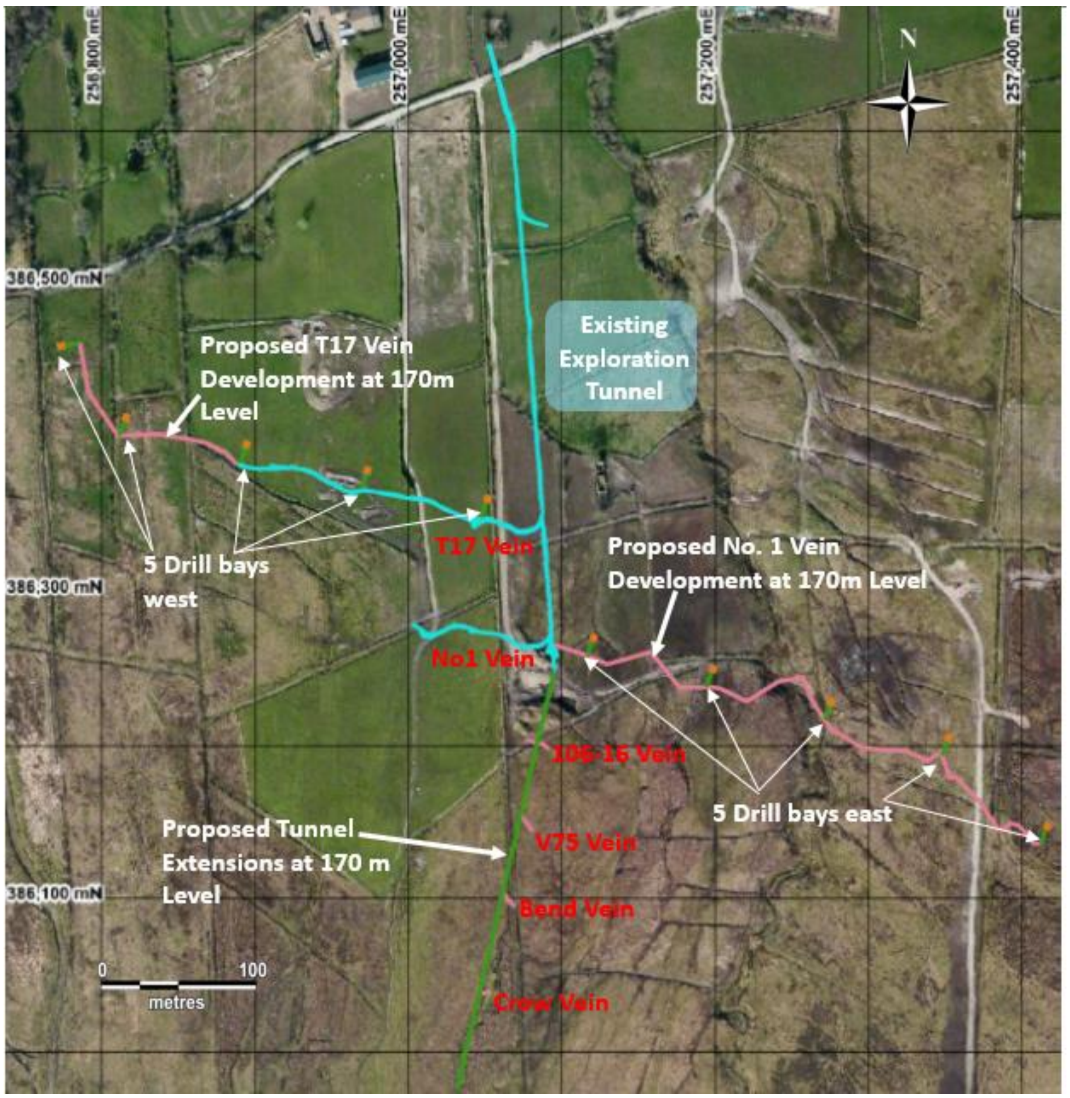
Spending on asset evaluation, which includes development planning, permitting and other activities associated with the Underground Program, in Q2 2014 was $0.9 million compared with $0.4 million during Q2 2013 due to an increase in planning activities leading up to commencement of the Underground Program. Development planning expenditures in the first half of 2014 were $1.8 million compared with

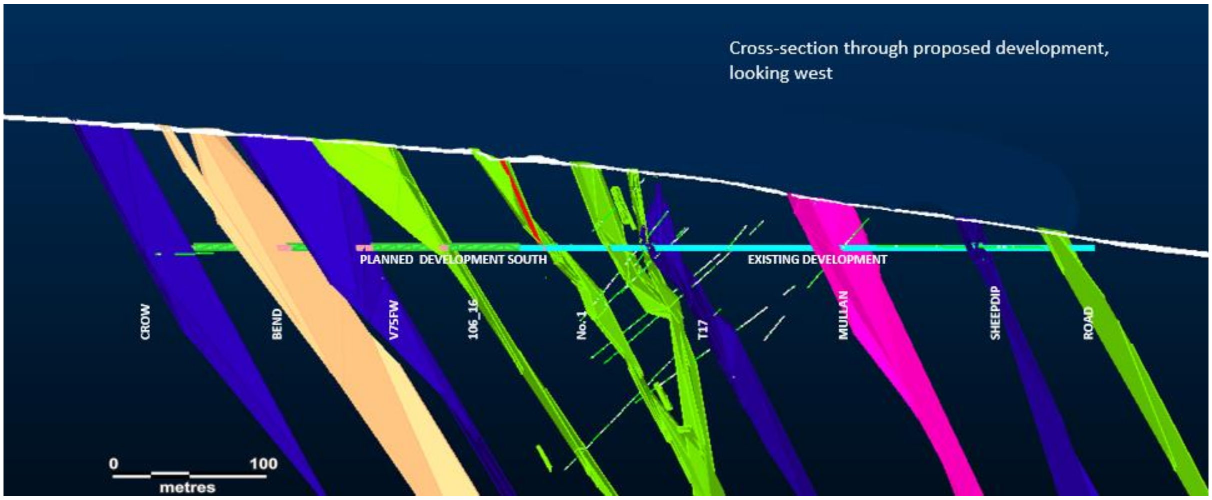
$1.0 million in the comparable period of 2013. Once work onsite commences for the Underground Program, spending is expected to ramp up further.

The Underground Program will extend the exploration tunnel by approximately 1,200 metres in order to access, define, sample and test the mineralized material from the Curraghinalt deposit. Additional underground drill bays as required will be added to the development to support a future underground drilling program.

The Underground Program is designed to: (i) demonstrate continuity of thickness and grade of the mineralized veins; (ii) increase confidence in the existing mineral resources; (iii) evaluate the technical and economic feasibility of various mining methods; (iv) assess underground geotechnical and hydro-geological conditions; and (v) produce samples for offsite metallurgical testing.

Plan view of Underground Program





The Underground Program is expected to cost approximately $23 million and is expected to be completed within 12-18 months. Surface work is expected to be completed in the first 3-4 months, with exploration tunnelling beginning thereafter and continuing for 9-12 months. The latter 6-8 months will include hydrogeology and geotechnical studies and metallurgical testing. The mineralized material will be trucked to a nearby port facility, with samples shipped offsite for processing and testing.

OVERVIEW OF SELECTED INFORMATION FROM THE FINANCIAL STATEMENTS

The following table sets forth selected data for the quarters ended June 30, 2014 and 2013:

Operating expenses:	Three months ended June 30, 2013	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
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 plant and 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	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.03)

As at June 30, 2014, Dalradian had total assets of $58,950,376 (2013 - $68,408,285), and working capital of $14,702,164 (2013 – $11,937,114).

The consolidated loss and comprehensive loss for the period ended June 30, 2014, of $2,893,982, was slightly higher than the same period in 2013 of $2,856,278, primarily due to increased share-based payments expense as a result of share options granted in the second quarter of 2014 and increased legal consulting services offset by decreased investor relations, general travel expense and office expenses.

Results of Operations for the Three Months Ended June 30, 2014, compared to the Three Months Ended June 30, 2013

Salaries and related benefit expense for the three months ended June 30, 2014 of $648,642, increased compared to the same period in 2013 of $605,093, primarily due to employee restructuring costs.

Professional fees and consulting expense for the three months ended June 30, 2014 of $234,384, increased compared to the same period in 2013 of $128,012, primarily due to increased legal consulting services.

Share-based payments expense for the three months ended June 30, 2014 of $475,061 increased compared to the same period in 2013 of $271,564, primarily due to increased amortization cost as a result of share options granted in the second quarter of 2014.

Investor relations and general travel expense for the three months ended June 30, 2014 of $215,189, increased compared to the same period in 2013 of $140,259, primarily due to an increase in travel and marketing activities.

Office, regulatory and general expense for the three months ended June 30, 2014 of $122,147, decreased compared to the same period in 2013 of $164,442, primarily due to lower listing fees and office expenses in Northern Ireland.

Interest income for the three months ended June 30, 2014 of $36,884, increased compared to the same period in 2013 of $31,706, due to higher average cash balances in the second quarter of 2014.

Results of Operations for the Six Months Ended June 30, 2014, compared to the Six Months Ended June 30, 2013

Salaries and related benefit expense for the six months ended June 30, 2014 of $1,295,597, increased compare to the same period in 2013 of $1,244,016, primarily due to employee restructuring costs.

Professional fees and consulting expense for the six months ended June 30, 2014 of $292,133, increased compared to the same period in 2013 of $227,144, primarily due to increased legal consulting services.

Share-based payments expense for the six months ended June 30, 2014 of $623,270, increased compared to the same period in 2013 of $533,628, primarily due to increased amortization cost as a result of share options granted in the second quarter of 2014.

Investor relations and general travel expense for the six months ended June 30, 2014 of $359,479, decreased compared to the same period in 2013 of $405,654, primarily due to a decrease in travel and marketing activities in the first quarter of 2014.

Office, regulatory and general expense for the six months ended June 30, 2014 of $295,798, decreased compared to the same period in 2013 of $345,312, primarily due to lower office expenses in Northern Ireland.

Interest income for the six months ended June 30, 2014 of $63,329, decreased compared to the same period in 2013 of $72,389, due to lower average cash balances in 2014.

Summary of Quarterly Results

The following table sets forth selected consolidated financial information for each of the Company's eight most recently completed quarters:

	Three months ended			
	Jun. 30, 2014	**Mar. 31, 2014**	**Dec. 31, 2013**	**Sept. 30, 2013**
Interest income	$ 36,884	$ 26,445	$ 18,535	$ 24,330
Net loss	(1,699,124)	(1,194,858)	(1,297,667)	(17,648,926)
Net loss per common share (basic and diluted)	(0.02)	(0.01)	(0.01)	(0.20)
Cash and cash equivalents	14,711,884	17,242,922	6,855,035	9,443,514
Other current assets	746,171	731,945	680,627	748,669
Equipment	560,595	572,622	671,978	789,972
Exploration and evaluation assets	42,931,726	41,596,306	40,349,082	38,812,398
Total Assets	$ 58,950,376	$ 60,143,795	$ 48,556,722	$ 49,794,553
Total shareholders' equity	$ 58,194,485	$ 59,417,346	$ 47,843,645	$ 48,990,834

	Three months ended			
	Jun. 30, 2013	**Mar. 31 2013**	**Dec. 31, 2012**	**Sept. 30, 2012**
Interest income	$ 31,706	$ 40,683	$ 64,767	$ 81,440
Net loss	(1,371,055)	(1,485,223)	(1,792,835)	(1,808,713)
Net loss per common share (basic and diluted)	(0.02)	(0.02)	(0.02)	(0.02)
Cash and cash equivalents	12,636,961	16,473,997	22,760,432	28,886,530
Other current assets	1,266,560	1,336,024	1,530,726	1,210,602
Equipment	835,287	949,836	1,020,371	1,069,634
Exploration and evaluation assets	53,669,477	51,195,688	45,080,836	41,436,961
Total Assets	$ 68,408,285	$ 69,955,545	$ 70,392,365	$ 72,603,727
Total shareholders' equity	$ 66,441,878	$ 67,593,190	$ 68,739,031	$ 70,438,733

The net loss in the quarter ended June 30, 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.

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 equivalents as at June 30, 2014 was $14.7 million, compared to $6.9 million as at December 31, 2013.

Subsequent to the end of the second quarter, the Company closed two financings, a bought deal prospectus offering and a non-brokered private placement, (the "July 2014 Financings") 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.

Liquidity

The Company primarily finances its activities by raising capital through the issuance of equity. The Company's ability to fund currently planned exploration, evaluation 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 six months ended June 30, 2014, Dalradian 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, Dalradian had cash and cash equivalents of $14,711,884 on hand.

As of August 6, 2014 (after closing of the July 2014 Financings) the Company has cash of approximately $39 million. While the Company has no source of revenue, management believes, based on the July 2014 Financings, that it has sufficient cash resources to meet its obligations and fund the 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, there can be no assurance that adequate financing will be available in the future, or available under terms favourable to the Company. The net proceeds of the Company's 2014 financings has been and will be used substantially as set out in the Company's short form prospectus dated July 24, 2014, which is available on SEDAR at www.sedar.com.

Dalradian's net working capital position at June 30, 2014 is approximately $14.7 million. The majority of accounts payable and accrued liabilities relate to trade payables incurred in the normal course of operations.

Subsequent to the second quarter, on July 31, 2014, the Company announced closing of the July 2014 Financings (see details in – "Capital Resources" above) for gross proceeds of approximately $27 million. Approximately $3 million of the net proceeds will be applied to a surface exploration program (the "Surface Program"), including up to 5,000 metres of infill diamond drilling. The drill program will test grade continuity in a portion of the Curraghinalt deposit. As soon as the drill contractor is mobilized, drilling will begin and is expected to take several months.

Approximately $15 million of the net proceeds, which includes additional proceeds from the overallotment, will be applied to continue the Underground Program at the Curraghinalt gold project, the entirety of which will extend the exploration tunnel by approximately 1,200 metres in order to access, define, sample and test the mineralized material from the Curraghinalt deposit. According to ongoing results of exploration and development planning, additional underground drill bays as required will be added to the development to support a future underground drilling program.

The Underground Program is designed to: (i) demonstrate continuity of thickness and grade of the mineralized veins; (ii) increase confidence in the existing mineral resources; (iii) evaluate the technical and economic feasibility of various mining methods; (iv) assess underground geotechnical and hydro-geological conditions; and (v) produce samples for offsite metallurgical testing. The Underground Program is expected to cost approximately $23 million and is expected to be completed within 12-18 months. Following the completion of the July 2014 Financings, along with cash on hand, the Company believes that it has sufficient funds to complete the Underground Program; however, there may be factors that result in the Company's need to raise additional funds. See "Risk Factors" in the Company's most recent AIF.

Approximately $2 million of the net proceeds will be applied to mine planning and permitting, with $5.2 million being allocated to general working capital.

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 June 30, 2014, Dalradian had the following commitments for operating leases for the next five fiscal years:

2014	$	185,620
2015		312,966
2016		143,477
2017		18,845
2018		-
	$	660,908

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 and future financings, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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	$ (6,864)	$ (686)
Euro	534	53
Pound sterling	195,202	19,520
Norwegian krone	2,318	232
	$ 191,190	$ 19,119

OUTSTANDING SHARE DATA

The following table summarizes the capitalization of the Company as at June 30, 2014:

	Exercise Price	Number of Common Shares
Common shares		109,380,483
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	1,190,250
Total warrants		11,229,000
Options		
Expiring July 4, 2014	0.75	250,000
Expiring July 4, 2014	1.11	50,000
Expiring July 29, 2014	1.96	100,000
Expiring August 10, 2015	0.25	625,000
Expiring August 10, 2015	0.75	2,095,000
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	300,000
Expiring June 25, 2019	0.98	1,900,000
Total options		8,000,000
Restricted Share Units (“RSUs”)	$ -	850,000
Total fully diluted		129,459,483

As at August 6, 2014, the Company has 140,035,483 common shares (the "Common Shares"), 28,255,799 warrants, 7,600,000 share options, and 850,000 RSUs issued and outstanding. This amounts to 176,741,282 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 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.

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 June 30, 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, whose activities include 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 for mineral companies 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.