

DALRADIAN RESOURCES

Dalradian Resources Inc.

Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three and nine months ended
September 30, 2014 and September 30, 2013

October 31, 2014

Dalradian Resources Inc.
(An exploration stage company)

Condensed Consolidated Balance Sheets

(Expressed in Canadian dollars)
(Unaudited)

| | <u>As at Sept. 30, 2014</u> | <u>As at Dec. 31, 2013</u> |
|---|---------------------------------|--------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 37,015,533 | \$ 6,855,035 |
| Amounts receivable..... | 239,719 | 80,355 |
| Prepaid expenses | <u>1,271,279</u> | <u>600,272</u> |
| | 38,526,531 | 7,535,662 |
| Equipment (note 4)..... | 488,750 | 671,978 |
| Exploration and evaluation assets (note 5)..... | <u>44,466,996</u> | <u>40,349,082</u> |
| | <u>\$ 83,482,277</u> | <u>\$ 48,556,722</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | <u>\$ 697,231</u> | <u>\$ 713,077</u> |
| Shareholders' equity: | | |
| Share capital (note 6)..... | \$ 110,686,963 | 79,585,917 |
| Warrants (note 6) | 7,288,894 | 139,310 |
| Contributed surplus..... | 10,869,740 | 10,103,852 |
| Accumulated deficit..... | <u>(46,060,551)</u> | <u>(41,985,434)</u> |
| | <u>82,785,046</u> | <u>47,843,645</u> |
| | <u>\$ 83,482,277</u> | <u>\$ 48,556,722</u> |

Commitments and contingencies (note 8) and subsequent events (note 10)

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 Sept. 30, 2014 | Three months ended Sept. 30, 2013 | Nine months ended Sept. 30, 2014 | Nine months ended Sept. 30, 2013 |
|--|--|--|---|---|
| Operating expenses: | | | | |
| Salaries and related benefits..... | \$ 659,139 | \$ 643,620 | \$ 1,954,736 | \$ 1,887,636 |
| Professional fees and consulting | 158,308 | 73,309 | 450,441 | 300,453 |
| Share-based payments | 237,157 | 201,453 | 860,427 | 735,081 |
| Investor relations and general travel | 165,046 | 170,663 | 524,525 | 576,317 |
| Office, regulatory and general | 242,910 | 147,564 | 538,708 | 492,876 |
| Amortization | 38,943 | 59,454 | 126,852 | 177,088 |
| Foreign exchange (gain) loss..... | (246,569) | 25,619 | (248,619) | 76,025 |
| Interest and bank charges..... | 2,277 | 3,024 | 7,452 | 8,524 |
| Gain on disposal of equipment..... | - | - | - | (627) |
| Impairment charges..... | - | 16,348,550 | - | 16,348,550 |
| | <u>1,257,211</u> | <u>17,673,256</u> | <u>4,214,522</u> | <u>20,601,923</u> |
| Interest income | <u>76,076</u> | <u>24,330</u> | <u>139,405</u> | <u>96,719</u> |
| Loss and comprehensive loss for the period ... | <u>\$ (1,181,135)</u> | <u>\$ (17,648,926)</u> | <u>\$ (4,075,117)</u> | <u>\$ (20,505,204)</u> |
| Loss per share – basic and diluted (note 7)..... | \$ (0.01) | \$ (0.20) | \$ (0.04) | \$ (0.23) |

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)

| | Nine months ended Sept. 30, 2014 | Nine months ended Sept. 30, 2013 |
|---|---|---|
| Share capital: | | |
| Balance, beginning of period..... | \$ 79,585,917 | \$ 79,585,917 |
| Common shares issued (note 6) | 30,796,719 | - |
| Options exercised (note 6) | 304,327 | - |
| Balance, end of period | <u>\$ 110,686,963</u> | <u>\$ 79,585,917</u> |
| Warrants: | | |
| Balance, beginning of period..... | \$ 139,310 | \$ 91,550 |
| Warrants issued (note 6) | 7,149,584 | 47,760 |
| Balance, end of period | <u>\$ 7,288,894</u> | <u>\$ 139,310</u> |
| Contributed surplus: | | |
| Balance, beginning of period..... | \$ 10,103,852 | \$ 9,244,127 |
| Increase from share-based payments..... | 882,715 | 709,247 |
| Options exercised (note 6) | (116,827) | - |
| Balance, end of period | <u>\$ 10,869,740</u> | <u>\$ 9,953,374</u> |
| Accumulated deficit: | | |
| Balance, beginning of period..... | \$ (41,985,434) | \$ (20,182,563) |
| Loss and comprehensive loss for the period..... | (4,075,117) | (20,505,204) |
| Balance, end of period | <u>\$ (46,060,551)</u> | <u>\$ (40,687,767)</u> |
| Total shareholders' equity | <u>\$ 82,785,046</u> | <u>\$ 48,990,834</u> |

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)

| | Nine months ended Sept. 30, 2014 | Nine months ended Sept. 30, 2013 |
|--|---|---|
| Cash flows from (used in) operating activities: | | |
| Loss and comprehensive loss for the period..... | \$ (4,075,117) | \$ (20,505,204) |
| Unrealized foreign exchange loss (gain)..... | 253,251 | (2,368) |
| Interest income | (139,405) | (96,719) |
| Items not affecting cash: | | |
| Amortization | 126,852 | 177,088 |
| Share-based payments | 860,427 | 735,081 |
| Gain on disposal of equipment..... | - | (627) |
| Impairment charges | - | 16,348,550 |
| Change in non-cash operating working capital: | | |
| Amounts receivable..... | (145,939) | 482,913 |
| Prepaid expenses | 64,834 | 63,609 |
| Accounts payable and accrued liabilities | (68,271) | (186,347) |
| Cash flows used in operating activities | <u>\$ (3,123,368)</u> | <u>\$ (2,984,024)</u> |
| Cash flows from financing activities: | | |
| Net proceeds from common shares issued (note 6) | \$ 37,953,078 | \$ - |
| Exercise of options | 187,500 | - |
| Cash flows from financing activities | <u>\$ 38,140,578</u> | <u>\$ -</u> |
| Cash flows used in investing activities: | | |
| Expenditures on exploration and evaluation assets..... | \$ (4,548,460) | \$ (10,275,958) |
| Additions to equipment..... | (172,156) | (173,940) |
| Proceeds from disposal of equipment..... | - | 3,316 |
| Interest received..... | 117,155 | 108,789 |
| Cash flows used in investing activities | <u>\$ (4,603,461)</u> | <u>\$ (10,337,793)</u> |
| Net change in cash and cash equivalents..... | \$ 30,413,749 | (13,321,817) |
| Cash and cash equivalents, beginning of period | 6,855,035 | 22,760,432 |
| Effect of exchange rate fluctuations on cash held..... | (253,251) | 4,899 |
| Cash and cash equivalents, end of period | <u>\$ 37,015,533</u> | <u>\$ 9,443,514</u> |

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

Dalradian Resources Inc.

(An exploration stage company)

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)

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 nine months ended September 30, 2014, the Company had a net use of cash and cash equivalents of \$3,123,368 in operating activities, \$4,603,461 in investing activities, and had net proceeds of \$38,140,578 from financing activities. As at September 30, 2014, the Company had cash and cash equivalents of \$37,015,533 on hand.

While the Company has no source of revenue, management believes it has sufficient cash resources to meet its obligations and fund planned expenditures and administrative costs for at least the next twelve months. 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 note 6), 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.

Dalradian Resources Inc.

(An exploration stage company)

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)

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

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

(a) Adoption of new and amended IFRS standard

The Company has adopted the 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.

(b) New accounting pronouncement

IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued the completed IFRS 9, *Financial Instruments*, (IFRS 9 (2014)). In November 2009 the IASB issued the first version of IFRS 9, *Financial Instruments*, (IFRS 9 (2009)) and subsequently issued various amendments in October 2010 (IFRS 9 (2010)) and November 2013 (IFRS 9 (2013)).

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment, and new general hedge accounting requirements.

The Company does not intend to adopt IFRS 9 (2009), IFRS 9 (2010), IFRS 9 (2013) or IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2014 and the extent of the impact of adoption that these standards would have had, if any, has not yet been determined.

Dalradian Resources Inc.
(An exploration stage company)

Notes to Condensed Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)

4. EQUIPMENT

| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Net book value Sept. 30, 2014</u> | <u>Net book value Dec. 31, 2013</u> |
|--------------------------------------|---------------------|-------------------------------------|--|---|
| Furniture and office equipment..... | \$ 218,283 | \$ 218,283 | \$ - | \$ 10,728 |
| Computer equipment and software..... | 532,000 | 356,999 | 175,001 | 202,566 |
| Leasehold improvements..... | 704,139 | 569,783 | 134,356 | 243,126 |
| Other equipment..... | 579,321 | 399,928 | 179,393 | 215,558 |
| | <u>\$ 2,033,743</u> | <u>\$ 1,544,993</u> | <u>\$ 488,750</u> | <u>\$ 671,978</u> |

5. EXPLORATION AND EVALUATION ASSETS

| | <u>Three months ended September 30, 2014</u> | <u>Nine months ended September 30, 2014</u> |
|------------------------------------|--|---|
| Balance, beginning of period | \$ 42,931,726 | \$ 40,349,082 |
| Exploration..... | 318,010 | 1,104,903 |
| Asset evaluation..... | 1,198,439 | 2,990,723 |
| Share-based payments..... | 18,821 | 22,288 |
| Balance, end of period..... | <u>\$ 44,466,996</u> | <u>\$ 44,466,996</u> |

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 a 100% interest, 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 Crown Estate Commissioners ("CEC") has entered into mining lease Option Agreements with DGL (the "CEC Mining Lease Option Agreements") for gold and silver, covering these four contiguous areas; and
- The Department of Enterprise, Trade and Investment ("DETI"), a separate government body, has granted to DGL, Prospecting Licences for base metals (the "DETI Prospecting Licences") covering the same four areas.

The DETI Prospecting Licences for DG1 and DG2 have a renewal term expiring December 31, 2015, and the licences for DG3 and DG4 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.

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 gold and/or silver from the Northern Ireland Properties.

Dalradian Resources Inc.
(An exploration stage company)

Notes to Condensed Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)

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 September 30, 2014, 140,035,483 (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 February 19, 2014 (i) | 19,837,500 | 12,121,149 |
| Issuance costs of bought deal offering February 19, 2014 (i) | - | (1,394,922) |
| Issuance on exercise of options (ii) | 250,000 | 304,327 |
| Bought deal offering July 31, 2014 (iii) | 19,205,000 | 14,019,649 |
| Issuance costs of bought deal offering July 31, 2014 (iii) | - | (1,345,299) |
| Private placement July 31, 2014 (iv) | 11,200,000 | 8,176,000 |
| Issuance costs of private placement July 31, 2014 (iv) | - | (779,858) |
| Balance, September 30, 2014..... | <u>140,035,483</u> | <u>\$ 110,686,963</u> |

(b) Warrants:

| | Number of warrants | Amount | Weighted average exercise price |
|--|-------------------------------|---------------------|--|
| Balance, December 31, 2013..... | 120,000 | \$ 139,310 | \$ 1.77 |
| Warrants issued February 19, 2014 (i) | 9,918,750 | 1,765,101 | 0.90 |
| Broker warrants issued February 19, 2014 (i)..... | 1,190,250 | 329,888 | 0.70 |
| Issuance costs of bought deal offering February 19, 2014 (i) | - | (203,131) | - |
| Warrants issued July 31, 2014 (iii) | 9,602,500 | 3,264,850 | 1.50 |
| Broker warrants issued July 31, 2014 (iii) | 1,152,300 | 368,736 | 0.90 |
| Issuance costs of bought deal offering July 31, 2014 (iii) | - | (313,289) | - |
| Warrants issued private placement July 31, 2014 (iv) | 5,599,999 | 1,904,000 | 1.50 |
| Broker warrants issued private placement July 31, 2014 (iv) | 672,000 | 215,040 | 0.90 |
| Issuance costs of private placement July 31, 2014 (iv) | - | (181,611) | - |
| Balance, September 30, 2014..... | <u>28,255,799</u> | <u>\$ 7,288,894</u> | <u>\$ 1.22</u> |

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 nine months ended September 30, 2014, was estimated using the Black-Scholes option pricing method using the following range of assumptions:

Dalradian Resources Inc.

(An exploration stage company)

Notes to Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

Three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)

| | |
|------------------------------|------------|
| Volatility..... | 68% to 81% |
| Risk-free interest rate..... | 1% |
| Expected life (years)..... | 1 to 3 |
| 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.
- (ii) On July 3, 2014, the Company issued 250,000 shares as a result of the exercise of 250,000 options. The cash proceeds from the option exercise was \$187,500. The balance of \$116,827 in contributed surplus was transferred to common shares upon exercise.
- (iii) On July 31, 2014, the Company closed a bought deal offering of 19,205,000 units including fully exercised over-allotment units, at a price of \$0.90 per unit, for gross proceeds of \$17,284,500. 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. The Company allocated \$0.17 to each one-half of one warrant using the Black-Scholes option pricing method, and allocated the residual \$0.73 to each common share. A cash commission of \$1,037,070 (6% of gross proceeds) was paid, together with the issuance of 1,152,300 broker warrants equal to 6% of the total number of units sold (valued at \$368,736 using the Black-Scholes option pricing method) and advisory fee and other transaction costs of \$252,782. Each broker warrant entitles the holder to purchase one common share at an exercise price of \$0.90 until July 31, 2016.
- (iv) On July 31, 2014, the Company completed a non-brokered private placement of 11,200,000 units, at a price of \$0.90 per unit, for 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. The Company allocated \$0.17 to each one-half of one warrant using the Black-Scholes option pricing method, and allocated the residual \$0.73 to each common share. A cash commission of \$604,800 (6% of gross proceeds) was paid, together with the issuance of 672,000 broker warrants equal to 6% of the total number of units sold (valued at \$215,040 using the Black-Scholes option pricing method) and advisory fee and other transaction costs of \$141,629. Included in the transaction costs are \$6,774 accrued expenses as of September 30, 2014. Each broker warrant entitles the holder to purchase one common share at an exercise price of \$0.90 until July 31, 2016.

Dalradian Resources Inc.
(An exploration stage company)

Notes to Condensed Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)

(c) Share options:

| | Nine months ended September 30, 2014 | |
|----------------------------------|---|--|
| | Number of options | Weighted average exercise price |
| Balance, December 31, 2013..... | 6,425,000 | \$ 0.94 |
| Granted | 2,340,000 | 0.95 |
| Exercised | (250,000) | 0.75 |
| Forfeited and expired | <u>(775,000)</u> | <u>1.61</u> |
| Balance, September 30, 2014..... | <u>7,740,000</u> | <u>\$ 0.88</u> |

The fair value of the Company's options granted to directors and employees during the period ended September 30, 2014 was estimated using the Black-Scholes option pricing method using the following range of assumptions:

| | |
|------------------------------|------------|
| Volatility..... | 80% to 81% |
| Risk-free interest rate..... | 1% |
| Expected life (years)..... | 3 |
| Dividend yield..... | nil |
| Forfeiture rate..... | 5% |

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

The total fair value of unvested options that will be recognized in the consolidated statement of loss or capitalized into exploration and evaluation assets in future periods amounts to \$577,908 as at September 30, 2014.

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

| | Nine months ended September 30, 2014 | |
|--|---|---|
| | Number of RSUs | Fair value per unit at grant date ⁽ⁱ⁾ |
| Balance, December 31, 2013 and September 30, 2014..... | <u>850,000</u> | <u>\$ 1.11</u> |

⁽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 September 30, 2014 | Nine months ended September 30, 2014 |
|--|--|---|
| Numerator: | | |
| Loss for the period | <u>\$ (1,181,135)</u> | <u>\$ (4,075,117)</u> |
| Denominator: | | |
| Weighted average number of common shares | <u>130,115,374</u> | <u>112,807,488</u> |
| Basic and diluted loss per share..... | <u>\$ (0.01)</u> | <u>\$ (0.04)</u> |

Dalradian Resources Inc.
(An exploration stage company)

Notes to Condensed Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)

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. COMMITMENTS AND CONTINGENCIES

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

DGL has entered into an agreement dated August 18, 2014 with a Northern Ireland based company, FP McCann, for the surface works portion of the underground exploration program ("Underground Program") and deposited £280,000 (\$502,000) with FP McCann for the commencement of work in September 2014 which will be applied to future invoices. The balance of the deposit remains unchanged at September 30, 2014. This agreement is for the completion of the surface civil engineering, including the building and commissioning of the temporary waste water treatment plant.

DGL has entered into an agreement dated September 25, 2014 for the underground portion of the Underground Program with an Irish mining services firm, QME Limited. On October 16, 2014, the Company deposited £325,300 (\$584,000) with QME Limited which will be applied to future invoices. This agreement is for the preparation of the existing 700 metre adit, additional development of the adit by approximately 1,000 metres, construction of underground drill bays, testing of appropriate mining techniques, and removal of a large sample for metallurgical and other testing.

9. SEGMENTED REPORTING

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

| | <u>Canada</u> | <u>Northern Ireland</u> | <u>Norway</u> | <u>Total</u> |
|--|----------------------|-------------------------|------------------|----------------------|
| As at September 30, 2014 | | | | |
| Current assets..... | \$ 36,110,877 | \$ 2,409,612 | \$ 6,042 | \$ 38,526,531 |
| Exploration and evaluation assets..... | - | 44,466,996 | - | 44,466,996 |
| Equipment..... | 141,601 | 347,149 | - | 488,750 |
| Total assets..... | <u>\$ 36,252,478</u> | <u>\$ 47,223,757</u> | <u>\$ 6,042</u> | <u>\$ 83,482,277</u> |
| Nine months ended September 30, 2014 | | | | |
| Additions to equipment | <u>\$ -</u> | <u>\$ 172,156</u> | <u>\$ -</u> | <u>\$ 172,156</u> |
| Additions to exploration and evaluation assets | <u>\$ -</u> | <u>\$ 4,117,914</u> | <u>\$ -</u> | <u>\$ 4,117,914</u> |
| Revenue..... | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net loss..... | <u>\$ 3,942,597</u> | <u>\$ 105,279</u> | <u>\$ 27,241</u> | <u>\$ 4,075,117</u> |

Dalradian Resources Inc.
(An exploration stage company)

Notes to Condensed Consolidated Financial Statements
(Expressed in Canadian dollars)

Three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)

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..... | <u>\$ 6,822,313</u> | <u>\$ 41,630,057</u> | <u>\$ 104,352</u> | <u>\$ 48,556,722</u> |

Nine months ended September 30, 2013

| | | | | |
|---|---------------------|-------------------|----------------------|----------------------|
| Additions to equipment | \$ - | \$ 173,940 | \$ - | \$ 173,940 |
| Additions to exploration and evaluation assets | \$ - | \$ 7,039,139 | \$ 2,797,014 | \$ 9,836,153 |
| Revenue..... | \$ - | \$ - | \$ - | \$ - |
| Net loss..... | <u>\$ 3,756,455</u> | <u>\$ 350,597</u> | <u>\$ 16,398,152</u> | <u>\$ 20,505,204</u> |

10. SUBSEQUENT EVENTS

CEC Restoration Reserve Account

With the start of the surface works phase of the Underground Program the Company will be required to place £620,000 (\$1.1 million) in a reserve account as security for restoration to be performed in accordance with CEC requirements. The funds will remain in the reserve account until restoration associated with the Underground Program has been satisfactorily completed. The reserve account is expected to be in place during the fourth quarter of 2014. The Company will also start accruing for an asset retirement obligation in the fourth quarter of 2014, as the surface works phase of the Underground Program is completed.

RSU Grant

On October 2, 2014, a total of 145,000 RSUs at a fair value of \$0.70 per RSU, based on the share price on grant date, were granted to an officer who is also a director of the Company under the Company's RSU plan. These RSUs have a vesting period of three years.