

# TOURNIGAN ENERGY LTD.

## 2009 INTERIM REPORT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*August 28, 2009*

### OVERVIEW

This management's discussion and analysis ("MD&A") covers the operations of Tournigan Energy Ltd. (the "Company" or "Tournigan") for the 9 months ended June 30, 2009 and subsequent activity up to August 28, 2009. All monetary amounts referred to herein are in Canadian dollars unless otherwise stated. The following discussion should be read in conjunction with the Company's consolidated financial statements prepared in accordance with Canadian GAAP as at September 30, 2008 and 2007.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), on EDGAR at [www.edgar-online.com](http://www.edgar-online.com), on the Company's website at [www.tournigan.com](http://www.tournigan.com), or by requesting further information from the Company.

### DESCRIPTION OF BUSINESS

The Company is a mineral resource exploration company with a focus on the acquisition, exploration and development of uranium properties in Europe. The Company's principal uranium exploration properties are the Kuriskova and Novoveska Huta properties in Slovakia. Both of the Company's gold properties are under option earn-in agreements. The Curraghinalt gold property in Northern Ireland is under an earn-in option agreement with SA Resources, Inc. The Company's Kremnica gold project in Slovakia is under an earn-in option agreement with Ortac Plc.

The Company is a reporting issuer in British Columbia, Alberta, Ontario and Yukon, Canada, and trades as a Tier 1 issuer on the TSX Venture Exchange under the trading symbol "TVC", and on the Frankfurt Stock Exchange under the trading symbol "TGP".

### URANIUM – KURISKOVA, SLOVAKIA (100% interest)

On July 24, 2009 the Company posted on SEDAR the NI 43-101 Preliminary Assessment (Scoping Study) prepared by its independent third party consultant, Pincock, Allen and Holt (PAH) of Lakewood, Colorado, on the Kuriskova deposit. Results of this Preliminary Assessment are summarized in the following table:

Description	Units	
Mine Life	Years	15
Uranium Production (Average First 5 Years)	000 lbs U <sub>3</sub> O <sub>8</sub> /Year	2,395
Uranium Production (Average Life of Mine)	000 lbs U <sub>3</sub> O <sub>8</sub> /Year	1,382
Uranium Recovery	%	90
Uranium Price	US\$/lb U <sub>3</sub> O <sub>8</sub>	65.00
Initial Capital Investments (1)	US\$ millions	168
Operating Cost - First 5 Years (2)	US\$/lb U <sub>3</sub> O <sub>8</sub>	17
Operating Cost (Average Life of Mine) (2)	US\$/lb U <sub>3</sub> O <sub>8</sub>	32
Estimated Royalty Payment (Average Life of Mine)	US\$/lb U <sub>3</sub> O <sub>8</sub>	3
Net Present Value @ 12% (3)	US\$ millions	135
Payback Period	Years	5.6

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Internal Rate of Return (3)	%	35.8
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(1) Includes 30% contingency.

(3) Pre-tax.

The metallurgical test work is ongoing. Preliminary information obtained to date indicates that a conventional autoclave alkaline leach producing uranium oxide and molybdenum concentrate products will be preferable in terms of project economics to the flotation and leach process initially planned and reported in the June 25 News Release. Process flow sheet is subject to change and optimization as further test work is completed.

#### Project Upside

Tournigan believes that the Kuriskova property has excellent upside potential for expanding the size and overall grade of the deposit through continuing exploration.

Of significance is the zone of high-grade uranium mineralization which remains open to the north and east of the currently-defined Indicated Resource. Drilling near the edge of the zone encountered high-grade uranium mineralization: for example, Drill Hole LH-K-12A, which intersected 2.35 meters of 1.38% U<sub>3</sub>O<sub>8</sub>; Drill Hole LH-K-10A, which intersected 6.5 meters of 2.16% U<sub>3</sub>O<sub>8</sub>; and Drill Hole 14A which intersected 6 meters of 0.79% U<sub>3</sub>O<sub>8</sub>, including 0.7 meters of 6.18% U<sub>3</sub>O<sub>8</sub> and 0.4 meters of 0.93% U<sub>3</sub>O<sub>8</sub> (see the NI 43-101 Kuriskova Resource Update, April 2009, by SRK Consultants for more information on these drill intercepts, including locations). Step-out drilling in this area will be a priority during the next phase of drilling.

In addition to targets immediately adjacent to the defined resource, recently completed ground radiometric and radon gas-in-soil surveys indicate the presence of anomalies extending up to 300 meters northwest and 200 meters southeast of the currently defined resource. Further interpretation of these new survey results may lead to identification of drill targets with potential to increase the size of the Kuriskova deposit or indicate the presence of satellite deposits.

The Preliminary Assessment projects a nominal mining rate of 750-800 tonnes of mineralized material per day using the underhand cut and fill mining method with paste backfill. As further geotechnical and hydrogeological data for the project area are obtained, it may be possible to modify the mining method and increase the daily production rate and lower mining operating costs. Exploration success may add to the size and overall grade of the deposit which could also contribute to a higher production rate and lower unit mining costs.

Other areas of upside for the project include: (1) reducing the project's preproduction period and possibly construction capital cost, and (2) optimizing the process plant flowsheet and associated operating costs.

Pending funding, our plans are to initiate a pre-feasibility study which is expected to be completed in the first half of 2010.

#### **GOLD – KREMNICA, SLOVAKIA (100% interest)**

On June 7, 2009 the Company executed a definitive option agreement with Ortac Resources plc ("Ortac") of London, England, whereby Ortac may acquire in four stages up to a 100% interest in Tournigan's Kremnica Gold project in Slovakia, a non-core asset of Tournigan.

- The option agreement allows Tournigan to allocate its financial and management resources entirely on developing its core uranium properties in Slovakia.

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- The overhead savings from divesting of the operatorship of the Kremnica Gold project are estimated to be approximately \$40,000 per month.
- Management can more aggressively pursue its primary objective of developing Tournigan's flagship Kuriskova uranium project through the pre-feasibility and feasibility stages.
- Tournigan is now effectively a uranium pure-play company.
- The option agreement structure will allow Tournigan shareholders to continue to participate in the upside of potential future production at Kremnica while committing minimal financial or management resources.

#### Option Agreement Summary

The option agreement grants Ortac the sole and exclusive right and option to acquire in four stages up to an undivided 100% right, title and interest in and to the Kremnica Gold project. The earn-in terms for the option stages are as follows:

- First Option Stage: Ortac may acquire a 20% interest by completing at its sole cost an NI 43-101 compliant resource estimate and preliminary assessment on or before June 1, 2011.
- Second Option Stage: Upon completion of the First Option Stage, Ortac may acquire an additional 10% interest by delivering an extension notice and payment of US\$500,000, payable in cash or publicly traded shares of Ortac, to Tournigan.
- Third Option Stage: Upon completion of the Second Option Stage, Ortac may acquire an additional 30% interest by completing at its sole cost an NI 43-101 bankable feasibility study on or before June 1, 2013.
- Fourth Option Stage: Upon completion of the Third Option Stage, Ortac may acquire the remaining 40% interest in the Kremnica Gold project for the following consideration:
  - A payment to Tournigan of \$15.00 per ounce of 100% of the gold equivalent (gold plus silver) resource defined as proven and probable reserve in the bankable feasibility study, payable in cash or publicly traded shares of Ortac (this payment will be net of the US\$500,000 payment described in the Second Option Stage unless this stage is completed by June 1, 2011 in which case the US\$500,000 will be deducted from that payment); and
  - Granting to Tournigan a 2% net smelter royalty (NSR) on gold and silver production from the Kremnica Gold project (such NSR may be reduced to 1% by paying Tournigan US\$1 million in cash at any time prior to the commencement of commercial production at Kremnica. The remaining 1% NSR which Tournigan retains will be payable in respect of 1 million gold ounces equivalent, after which time it will be reduced to a 0.5% NSR in respect of a further 1 million gold ounces equivalent, after which time Tournigan's NSR will be terminated).

Following completion of the First Option Stage, Ortac and Tournigan will form a joint-venture with participating interests reflecting the earn-in at each option stage. If Ortac decides not to proceed with the next option stage, then the participating interests in the joint-venture will remain fixed at the preceding earned-in amounts.

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Ortac will take over operatorship of the Kremnica Gold project during the term of the option agreement and will maintain the underlying properties and mining licenses in good standing.

Dorian L. (Dusty) Nicol, President and CEO of Tournigan, has been appointed to the Board of Directors of Ortac.

#### **GOLD – CURRAGHINALT, NORTHERN IRELAND** (100% interest)

The Curraghinalt gold deposit has an indicated resource of 250,000 ounces of gold contained in 570,000 tonnes of material with an average grade of 13.95 grams of gold per tonne and an inferred resource of 350,000 ounces of gold contained in 640,000 tonnes of material with an average grade of 17.15 grams of gold per tonne based on a cut-off of six grams of gold per tonne and a minimum vein width of one metre.

The resource estimate is from a study prepared by independent consultant Micon International Limited of Toronto. The Micon employee responsible for the study was Dibya Kanti Mukhopadhyay, an Independent Qualified Person as defined by Canada's National Instrument 43-101 policy for the disclosure of mineral projects. The resource study, dated November 29, 2007, was filed on SEDAR on January 17, 2008.

As reported on December 22, 2008 the Company signed a binding earn-in option agreement for its Northern Ireland gold properties held through its wholly-owned subsidiary Dalradian Gold with C3 Resources, Inc. On March 30, 2009 C3 Resources Inc. assigned the option agreement to SA Resources Inc. ("SA Resources"). SA Resources has the option to pay the Company a total of \$9,250,000 in four staged payments in exchange for increased equity interests totalling up to 90% in Dalradian Gold, in addition to SA Resources funding 100% of the project expenditures until the completion of a bankable feasibility study (the "Option"). To the date of this MD&A, Tournigan has received the up-front payments totalling \$1,000,000.

SA Resources is now funding the ongoing costs and exploration programs of Dalradian Gold.

**Disposal of Tournigan USA Inc. ("TUSA")** – As previously reported on February 27, 2009 the Company completed the sale of its wholly-owned subsidiary TUSA to Fischer-Watt Gold Company, Inc. ("Fischer-Watt"). On February 27, 2009, Fischer-Watt delivered to the Company a promissory note in the amount of US\$325,327, including the closing date working capital adjustment (the "Promissory Note"). Fischer-Watt will secure the release of TUSA's US\$930,000 of reclamation bonds less any applicable reclamation costs which at September 30, 2008 had been estimated at US\$52,000 for an estimated net amount of US\$878,000 (the "Reclamation Receivable"). Both the Promissory Note and the Reclamation Receivable are unsecured, non-interest-bearing and were due August 31, 2009.

The Company has granted Fischer-Watt an extension of time to December 15, 2009 to pay the Promissory Note and US\$530,000 of the Reclamation Receivable. The remainder of US\$348,000 (being US\$400,000 less the US\$52,000) Reclamation Receivable will be paid to the Company when Fischer-Watt has been able to secure the release of the underlying reclamation bonds held by the reclamation agencies. The reclamation work must be performed and monitored for re-vegetation before the reclamation agencies will be in a position to release the bond.

Fischer-Watt is a Nevada-incorporated mineral exploration and development company. The Chairman, President and CEO of Fischer-Watt is Mr. Peter Bojtos, who is a director of the Company. The TSX-V approved this related party transaction.

The Company wrote off the cost of the Projects of TUSA in the fiscal year ended September 30, 2008. On February 27, 2009 the Company recorded the disposition of TUSA and due to a combination of a change in exchange rates and working capital recoveries the Company recorded a mineral property cost recovery of \$120,205 in the nine months ended June 30, 2009.

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#### **QUALIFIED PERSON**

The Company's President and Chief Executive Officer, Dorian L. (Dusty) Nicol, B.Sc. Geo, MA Geo, a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource and reserve disclosures contained in this MD&A.

#### **REVIEW OF CONSOLIDATED FINANCIAL RESULTS**

##### **Overview**

For the periods presented, the Company had no revenues, no long term debt and did not declare or pay any dividends. For the three months ended June 30, 2009 the Company incurred a net loss of \$1,538,864 or \$0.02 per share, a decrease of \$1,269,064 from the comparable period in fiscal 2008 net loss of \$2,807,928. Exploration property costs capitalized, net of the \$175,000 option payment recovery from SA Resources, were \$805,585 for the third quarter 2009 as compared with \$3,260,352 for the third quarter 2008. The net loss for the nine months ended June 30, 2009 of \$3,831,196 was \$1,807,798 less than the loss of \$5,638,994 in the comparative period.

##### **Expenses**

In the three months ended June 30, 2009, with the exception of administration expenses, all expenses decreased for the third fiscal quarter of 2009 compared with 2008. As previously reported, the Company has reduced its head office staff. As with most companies in the same sector the Company has reduced its investor relations activities by attending fewer investor shows and less advertising.

Also, as previously reported the Company closed its Vancouver head office in January 2009 and terminated five head office employees. On May 29, 2009, in exchange for a payment of \$183,293 to the landlord, the Company surrendered the lease to the landlord and the Company was released from all remaining obligations of the lease. The security deposit of \$18,101 and commissions of \$33,385 added to the total cost of surrender. The Company reached agreement with an incoming tenant to rent its furniture and fixtures for a 40 month term with an option to purchase for fair value to be determined at that time. The rent for the furniture and fixtures is deemed to be received as a part of the negotiations to secure a new tenant and have the Company released from the lease. In addition the Company now rents a smaller office in Vancouver for our Investor Relations manager and two offices in Denver for our two executives. This increased administration expenses by \$46,500 over the comparative period.

##### **Other Income**

Interest income decreased commensurate with the decrease in the Company's cash balances and the declining interest rate.

##### **Additional Disclosure for Venture Issuers without Significant Revenue**

The components of exploration costs are described in note 5 to the interim consolidated financial statements for the nine months ended June 30, 2009 and note 6 to the annual audited consolidated financial statements for the year ended September 30, 2008.

##### **Uranium Mineral Properties**

The uranium property balances increased by \$4,105,007 to \$19,129,625 as at June 30, 2009. The majority of the increase funded drilling programs on the Kuriskova and Novoveska Huta projects in Slovakia in addition to the cost of the Preliminary Assessment Study on the Kuriskova project.

##### **Gold Mineral Properties**

Gold property balances decreased by \$164,918 to \$23,130,019 as at June 30, 2009. Expenditures on Northern Ireland were offset by the receipt from SA Resources of a series of option payments

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aggregating to \$1,000,000 and recovery of expenses of \$219,407. Expenditures on Kremnica were offset by a recovery of expenses from Ortac of \$74,050.

### SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Three months ended June 30 2009 \$	Three months ended Mar 31 2009 \$	Three months ended Dec 31 2008 \$	Three months ended Sept 30 2008 \$	Three months ended June 30 2008 \$	Three months ended Mar 31 2008 \$	Three months ended Dec 31 2007 \$	Four months ended Sept 30 2007 \$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss for the period	(1,538,864)	(904,210)	(1,388,122)	(9,652,890)	(2,807,928)	(1,259,342)	(1,571,724)	(2,717,954)
Basic and diluted loss per share	(0.02)	(0.01)	(0.01)	(0.08)	(0.03)	(0.01)	(0.01)	(0.02)

For the periods presented in the above table, the Company's loss has generally been between \$1,000,000 and \$2,000,000. For the three months ended September 30, 2008, the Company incurred a net loss of \$9,652,890 largely due to the \$7,131,046 write-off of USA uranium properties. For the three months ended June 30, 2008 the net loss of \$2,807,928 included the \$749,848 write-off of Nevada gold properties. The net loss of \$2,717,954 for the four months ended September 30, 2007 was higher partially due to the four month period and also the result of higher operating expenses for the costs of the financial restatement.

### LIQUIDITY AND CAPITAL RESOURCES

The Company believes that its working capital is sufficient to carry out its minimum work commitments for its mineral properties and fund corporate overhead expenditures to June 2010. Notes 6 and 20 of the audited annual consolidated financial statements for the year ended September 30, 2008 discuss the expenditure levels to maintain the Company's mineral properties and agreements in good standing and to meet its other commitments. As a development stage company, the Company's liquidity position decreases as expenses are incurred. To mitigate this liquidity risk, the Company budgets both exploration and administration expenditures and closely monitors its liquidity position.

To date, the Company's ongoing operations have been almost entirely financed by private placements and proceeds from exercises of warrants and stock options. Additional financing, asset disposals or joint venture agreements will be required to meet work commitments and to develop mineral properties. While the Company has been successful in raising the necessary funds in the past, there can be no assurance it can continue to do so in the future.

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The Company began the nine month interim period with cash and cash equivalents of \$12,666,749. During the nine months ended June 30, 2009 the Company expended \$4,136,266 on operations net of working capital changes, received \$10,700 proceeds on the sale of marketable securities, received \$1,000,000 option payments from SA Resources Inc. and expended \$5,859,348 on mineral exploration and \$16,133 to purchase equipment to end on June 30, 2009 with cash and cash equivalents of \$3,665,702.

At August 28, 2009 the majority of the Companies stock options outstanding were "out-of-the-money". Should the market price of the Company's stock price increase and stock options are exercised it would raise additional cash.

Cash is primarily invested in Canadian chartered banks business bank accounts which are available on demand. The Company has not been affected by the liquidity crisis involving asset-backed commercial paper.

### TRANSACTIONS WITH RELATED PARTIES

On December 12, 2008 the Company retained the services of Doris Meyer and her company Golden Oak Corporate Services Ltd. to perform the financial reporting and regulatory compliance functions for the company. On December 12, 2008 Ms. Meyer was appointed as the Company's Corporate Secretary and James Mackie, a C.G.A. and an employee of Golden Oak, was appointed as the Company's Controller. On January 30, 2009 Ms. Meyer replaced Mr. Hans Retterath as Chief Financial Officer. In the nine month period ended June 30, 2009 Golden Oak was paid fees of \$63,750. These amounts are presented within salaries and fees to directors and contractors.

In the 2008 fiscal year comparative, in the nine month period ended June 30, 2008, cost reimbursements from companies with common directors and/or officers relate to the office relocation agreement and cost sharing arrangements with Longview Capital. Two directors of the Company, Mr. Poulus and Mr. Shorr, are also directors of Longview. The Company ceased to share office space with Longview in the first quarter of fiscal 2008.

The Company's solicitors are Stikeman Elliott LLP. Mr. Poulus is a partner in the firm. Stikeman Elliott fees are billed based on time spent by other Stikeman Elliott personnel on providing services to the Company. In the nine months ended June 30, 2009 these fees were \$38,354 compared to \$117,073 in the comparative period.

Geological consulting fees of \$77,352 to Longview Technical, a division of Longview, were capitalized to exploration properties in 2008. These fees were based on Longview Technical's standard rates and these services are no longer being used.

Accounts receivable, accounts payable and accrued liabilities include the following related party balances that are unsecured, without interest and payable on demand:

	<b>June 30, 2009</b>	June 30, 2008
	\$	\$
<b>Due from related parties</b>	<b>69,780</b>	-
<b>Due to related parties</b>	<b>(75,531)</b>	(42,964)

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#### OUTSTANDING SHARE DATA AS AT AUGUST 28, 2009

Authorized: an unlimited number of common shares without par value.

	Common Shares Outstanding	Stock Options Outstanding	Share Capital \$
Balance, June 30, 2009	122,697,859	8,240,033	108,370,841
Stock options forfeited	-	(1,536,700)	-
Balance, August 28, 2009	<b>122,697,859</b>	<b>6,703,333</b>	<b>108,370,841</b>

### FINANCIAL INSTRUMENTS

#### a) Disclosures

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, deposits and accounts payable and accrued liabilities.

The fair values of cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments. Marketable securities are recorded at quoted market prices.

#### b) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

##### ***Credit Risk***

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts, accounts receivable and reclamation receivable. Bank accounts are primarily with Canadian Schedule 1 banks with a \$20 million counterparty credit limit. The Company disposed of its US\$930,000 restricted deposits offset by a current asset retirement obligation of US\$52,000 in the second calendar quarter of 2009 and received the US\$878,000 Reclamation Receivable as consideration. The Reclamation Receivable and a promissory note in the amount of US\$325,327 included in accounts receivable relate to the sale of TUSA by the Company to Fischer-Watt as described in note 5 are unsecured.

##### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is primarily invested in business bank accounts which are available on demand. As of June 30, 2009, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments for the current year.

##### ***Market Risk***

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits. The significant market risk exposures to which the Company is exposed are foreign currency, interest and equity price risk. Since the Company has not developed producing mineral interest, it is not exposed to commodity price risk at this time.

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#### *Foreign currency risk*

The Company maintains its accounts in Canadian dollars. The Company's expenditures in Slovakia, Northern Ireland and the USA make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows are affected to varying degrees by changes in the Canadian Dollar exchange rate vis-à-vis the Slovak Koruna until December 31, 2008, the Euro since Slovakia converted from the Slovak Koruna to the Euro on January 1, 2009, the US Dollar and the British Pound. The Company purchases foreign currencies as the need arises in order to fund its exploration and development activities. Corporate expenditures are mainly incurred in Canadian and US dollars.

As at June 30, 2009, the Company's significant exposures to foreign currency risk, based on balance sheet values, were to the Euro and the US Dollar.

	Euro	US \$
Cash	338,223	189,246
Accounts receivable	326,979	385,327
Reclamation receivable	-	878,000
Prepaid expenses and deposits	47,971	2,412
Account payable and accrued liabilities	(94,041)	(7,285)
Asset retirement obligations	(70,317)	-
<b>Net assets</b>	<b>548,815</b>	<b>1,447,700</b>

The following sensitivity analyses assume all other variables remain constant and are based on the above net exposures. A 10% appreciation or depreciation of the Euro vis-à-vis the Canadian Dollar would result in a \$89,440 increase or decrease, respectively, in net income and shareholders' equity. A 10% appreciation or depreciation of the US Dollar vis-à-vis the Canadian Dollar would result in a \$168,368 increase or decrease, respectively, in net income and shareholders' equity.

#### *Interest rate risk*

The Company's bank accounts earn interest income at variable rates. The fair value of its investments is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

#### *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of uranium, precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

### RISK FACTORS

Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge, and careful evaluation fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities are also expensive. The Company will therefore require additional financing to carry on its business and such financing may not be available when it is needed.

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#### CHANGES IN ACCOUNTING POLICIES

##### Newly adopted

Effective October 1, 2008 the Company adopted amended Section 1400, *General Standards of Financial Statement Presentation*. This section includes requirements to assess and disclose the Company's ability to continue as a going concern. It indicates that financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. (See note 1)

Effective January 1, 2009 the Company adopted Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Intangible Assets*, and Section 3450, *Research and Development Costs*, and establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company presently does not have any goodwill and therefore the adoption of this new policy has no impact on the Company at the present time.

On January 1, 2009, the Company adopted EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which provides guidance on how to take into account an entity's own credit risk and the credit risk of the counter party in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The application of this EIC did not have a material impact on the Company's financial statements.

On January 1, 2009, the Company adopted EIC-174, *Mining Exploration Costs*, which provides guidance on the accounting and the impairment review of exploration costs. The application of this EIC did not have an effect on the Company's financial statements.

##### Future

In 2006, the Accounting Standards Board ("AcSB") announced that the accounting standards in Canada are to be converged with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the use of IFRS will be required by January 1, 2011 with appropriate comparative data from the prior year. Accordingly the Company will be required to present its financial statements for the fiscal year ended September 30, 2012 in accordance with IFRS and will be required to restate the comparatives for the fiscal year ended September 30, 2011. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed. The impact of these new standards on the Company's financial statements is currently being evaluated by management but the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The CICA has issued the following standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning on or after January 1, 2011:

In January 2009, the CICA adopted Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which superseded current Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to IFRS.

In May 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures*, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs

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used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company is assessing the impact of these amendments on its consolidated financial statements.

### FORWARD LOOKING STATEMENTS

#### Forward looking statements

This MD&A contains certain forward-looking information and forward-looking statements as defined in applicable securities laws. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words: "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of management's discussion and analysis. These forward-looking statements include but are not limited to, statements concerning the Company's:

- strategies and objectives;
- interest and other expenses;
- tax position and tax rates;
- political unrest or instability in foreign countries and its impact on foreign assets;
- the timing of decisions regarding the timing and costs of construction and production with respect to, and the issuance of, the necessary permits and other authorizations required for exploration properties;
- estimates of the quantity and quality of mineral resources;
- planned capital expenditures and estimates of reclamation and other costs related to environmental protection;
- future capital costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of various operations;
- financial and operating objectives;
- exploration, environmental, health and safety initiatives;
- availability of qualified employees for operations; and
- outcome of legal proceedings and other disputes.

Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including risks that may affect operating or capital plans. This includes risks generally encountered in the development of mineral properties such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and unavailability of skilled labour; fluctuations in the market price of principal commodities which are cyclical and subject to substantial price fluctuations; risks created through competition for mining properties; risks associated with lack of access to markets; risks associated with mineral resource estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of transportation and other critical services; risks associated with performance by contractual counterparties; risks associated with title claims and other title risks; social and political risks associated with operations in foreign countries; risks of changes in tax laws or their interpretation; and risks associated with tax reassessments and legal proceedings.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this management's discussion and analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates and foreign exchange rates;
- the supply and demand for, deliveries of, and the level and volatility of prices of uranium and gold;
- the timing of the receipt of regulatory and governmental approvals for development projects and other operations;
- the availability of financing for development projects on reasonable terms;
- costs of production and production and productivity levels, as well as those of competitors;
- the ability to secure adequate transportation for products;
- the ability to procure mining equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- the impact of changes in foreign exchange rates on costs and results;
- engineering and construction timetables and capital costs for development and expansion projects;
- costs of closure of various operations;
- market competition;
- the accuracy of reserve estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the resolution of environmental and other proceedings or disputes; and
- ongoing relations with employees and with business partners and joint venturers.

The reader is cautioned that the foregoing list of important factors and assumptions is not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The reader should also carefully consider the matters discussed under "Risk Factors" in this management's discussion and analysis. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.

### CAUTIONARY NOTES TO US INVESTORS CONCERNING RESERVE AND RESOURCE ESTIMATES

#### Measured and Indicated Resources

This MD&A uses the terms "measured resources" and "indicated resources". The Company advises US investors that while these terms are recognized and required by Canadian regulations, the SEC does not recognize them. US investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Mineral resources that are not "mineral reserves" do not have demonstrated economic viability. Disclosure of "contained ounces" is permitted under Canadian regulations; however, the SEC normally only permits the reporting of non-reserve mineralization as in-place tonnage and grade.

#### Inferred Resources

This MD&A uses the term "inferred resources". The Company advises US investors that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. US investors are cautioned not

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

to assume that any part or all of an inferred resource exists or is economically or legally mineable.

### **Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.tournigan.com](http://www.tournigan.com).