



**2010  
THIRD QUARTER REPORT**

**Interim Consolidated Financial Statements**

**June 30, 2010**

**TOURNIGAN ENERGY LTD.** (a development stage company)  
**2010 THIRD QUARTER REPORT**

**Consolidated Balance Sheets**

(expressed in Canadian dollars)  
(unaudited)

	June 30, 2010	September 30, 2009
		(revised note 3)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,140,059	\$ 2,742,445
Accounts receivable	619,151	6,067,767
Note receivable (note 5 and 9(b))	2,022,740	-
Marketable securities (note 4)	-	25,550
Prepaid expenses and deposits	115,122	77,239
Current assets held for sale (note 5)	-	42,558
	<b>4,897,072</b>	<b>8,955,559</b>
<b>Due from related party</b> (note 9(b))	<b>777,158</b>	<b>833,005</b>
<b>Property and equipment</b> (note 6)	<b>184,601</b>	<b>267,965</b>
<b>Non-current assets held for sale</b> (note 5)	<b>-</b>	<b>338,739</b>
	<b>\$ 5,858,831</b>	<b>\$ 10,395,268</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 381,901	\$ 558,427
Current liabilities related to assets held for sale (note 5)	-	77,109
	<b>381,901</b>	<b>635,536</b>
<b>Non-current liabilities related to assets held for sale</b> (note 5)	<b>-</b>	<b>114,804</b>
<b>Shareholders' Equity</b>		
Share capital (note 8)	108,367,056	108,370,841
Share subscriptions (note 12)	7,000	-
Contributed surplus (note 8)	10,506,234	9,594,901
Accumulated other comprehensive income	-	8,828
Deficit	(113,403,360)	(108,329,642)
	<b>5,476,930</b>	<b>9,644,928</b>
	<b>\$ 5,858,831</b>	<b>\$ 10,395,268</b>

**Nature of operations and going concern** (note 1)

**Commitments** (note 11)

**Subsequent event** (note 12)

**On behalf of the Board:**

/s/ "Rex McLennan"

Rex McLennan, Director

/s/ "Dorian L. Nicol"

Dorian L. Nicol, Director

See accompanying notes to the unaudited interim consolidated financial statements.

**TOURNIGAN ENERGY LTD. (a development stage company)**  
**2010 THIRD QUARTER REPORT**

**Consolidated Statements of Operations**

(expressed in Canadian dollars)  
(unaudited)

	Three months ended		Nine months ended	
	June 30 2010 (unaudited)	June 30 2009 (unaudited) (revised note 3)	June 30 2010 (unaudited)	June 30 2009 (unaudited) (revised note 3)
<b>MINERAL PROPERTY EXPENSE</b>				
Mineral property exploration costs (schedule 1)	\$ 392,678	\$ 748,707	\$ 3,425,826	\$ 4,105,007
Property investigations	-	35,998	48,758	141,549
	<b>392,678</b>	<b>784,705</b>	<b>3,474,584</b>	<b>4,246,556</b>
<b>EXPENSES</b>				
Employee salaries and fees to directors and contractors (note 9)	335,572	323,653	984,118	1,452,645
Stock-based compensation (note 8)	100,373	186,066	911,333	331,952
Public, government and investor relations	106,779	149,906	430,178	473,776
Audit, legal and other professional fees	34,708	97,603	289,932	435,985
Administration	85,735	406,904	330,269	794,937
Travel	140,998	128,158	430,702	452,680
Regulatory fees	13,122	24,311	44,879	60,532
	<b>817,287</b>	<b>1,316,601</b>	<b>3,421,411</b>	<b>4,002,507</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	3,696	690	8,254	58,629
Gain on sale of marketable securities	-	2,562	1,261	2,562
Unrealized gain on marketable securities	-	4,018	-	4,018
Gain (loss) on disposal and write-off of equipment	-	120,199	-	120,209
Foreign exchange gain (loss)	132,329	(168,008)	477	281,474
	<b>136,025</b>	<b>(40,539)</b>	<b>9,992</b>	<b>466,892</b>
<b>LOSS FROM CONTINUING OPERATIONS</b>				
	<b>(1,073,940)</b>	<b>(2,141,845)</b>	<b>(6,886,003)</b>	<b>(7,782,171)</b>
Gain on disposal of discontinued operations (note 5)	1,812,285	-	1,812,285	-
Profit (loss) from discontinued operations (note 5)	-	(95,356)	-	10,886
<b>NET PROFIT (LOSS)</b>	<b>\$ 738,345</b>	<b>\$ (2,237,201)</b>	<b>\$ (5,073,718)</b>	<b>\$ (7,771,285)</b>
<b>Deficit, beginning of period as previously reported</b>				
	<b>\$ (114,141,705)</b>	<b>\$ (68,012,853)</b>	<b>\$ (86,907,844)</b>	<b>\$ (65,720,521)</b>
Adjustments for change in accounting policy (note 3)	-	(37,598,562)	(21,421,798)	(34,356,810)
<b>Deficit, as restated</b>	<b>(114,141,705)</b>	<b>(105,611,415)</b>	<b>(108,329,642)</b>	<b>(100,077,331)</b>
Profit (loss) for the period	738,345	(2,237,201)	(5,073,718)	(7,771,285)
<b>Deficit, end of period</b>	<b>\$ (113,403,360)</b>	<b>\$ (107,848,616)</b>	<b>\$ (113,403,360)</b>	<b>\$ (107,848,616)</b>
Basic and diluted loss from continuing operations per share	\$ (0.01)	\$ (0.02)	\$ (0.06)	\$ (0.06)
Basic and diluted loss from discontinued operations per share	\$ -	\$ -	\$ -	\$ -
Basic and diluted profit (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.04)	\$ (0.06)
Weighted average number of outstanding shares	122,697,859	122,697,859	122,697,859	122,697,859

See accompanying notes to the unaudited interim consolidated financial statements.

**TOURNIGAN ENERGY LTD.** (a development stage company)  
**2010 THIRD QUARTER REPORT**

**Consolidated Statements of Comprehensive Profit (Loss)**

(expressed in Canadian dollars)  
(unaudited)

	Three months ended		Nine months ended	
	June 30 2010 (unaudited)	June 30 2009 (unaudited) (revised note 3)	June 30 2010 (unaudited)	June 30 2009 (unaudited) (revised note 3)
<b>NET PROFIT (LOSS)</b>	\$ 738,345	\$ (2,237,201)	\$ (5,073,718)	\$ (7,771,285)
Other comprehensive income:				
Reclassification adjustment for realized gains	-	-	8,828	-
<b>COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD</b>	\$ 738,345	\$ (2,237,201)	\$ (5,064,890)	\$ (7,771,285)

See accompanying notes to the unaudited interim consolidated financial statements.

**TOURNIGAN ENERGY LTD. (a development stage company)**  
**2010 THIRD QUARTER REPORT**

**Consolidated Statements of Cash Flows**

(expressed in Canadian dollars)  
(unaudited)

	Three months ended		Nine months ended	
	June 30 2010 (unaudited)	June 30 2009 (unaudited) (revised note 3)	June 30 2010 (unaudited)	June 30 2009 (unaudited) (revised note 3)
<b>CASH PROVIDED FROM (USED FOR):</b>				
<b>OPERATING ACTIVITIES:</b>				
Net profit (loss) for the period	\$ 738,345	\$ (2,237,201)	\$ (5,073,718)	\$ (7,771,285)
Less:				
Loss (gain) from discontinued operations (note 5)	-	95,356	-	(10,886)
(Gain) on disposal of discontinued operations (note 5)	(1,812,285)	-	(1,812,285)	-
Loss from continuing operations	(1,073,940)	(2,141,845)	(6,886,003)	(7,782,171)
Items not affecting cash:				
Stock-based compensation	100,373	197,743	911,333	381,712
Unrealized foreign exchange (gain) loss	(150,549)	-	(107,837)	(121,714)
Unrealized gain on marketable securities	-	(4,008)	-	(4,018)
Gain on sale of marketable securities	-	(2,562)	(1,261)	(2,562)
Amortization of property and equipment	28,865	48,945	95,311	146,386
	(1,095,251)	(1,901,727)	(5,988,457)	(7,382,367)
Net changes in operating balances:				
Accounts receivable	60,599	692,989	5,500,010	(434,516)
Prepaid expenses and deposits	16,776	(35,624)	(37,883)	22,917
Accounts payable and accrued liabilities	(300,654)	2,245	(176,526)	(930,860)
	(1,318,530)	(1,242,117)	(702,856)	(8,724,826)
<b>INVESTING ACTIVITIES:</b>				
Purchase of property and equipment	(10,174)	(3,212)	(11,947)	(16,133)
Proceeds on sale of marketable securities	-	10,700	17,983	10,700
Proceeds on sale of discontinued operations	100,550	-	100,550	-
	90,376	7,488	106,586	(5,433)
<b>FINANCING ACTIVITIES:</b>				
Share subscriptions	7,000	-	7,000	-
Share issue costs	(3,785)	-	(3,785)	-
	3,215	-	3,215	-
Cash and cash equivalents from (to) discontinued operations	515	(99,178)	(9,331)	(291,053)
<b>Change in cash and cash equivalents for period</b>	<b>(1,224,424)</b>	<b>(1,333,807)</b>	<b>(602,386)</b>	<b>(9,021,312)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,364,483</b>	<b>4,895,945</b>	<b>2,742,445</b>	<b>12,583,450</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,140,059</b>	<b>\$ 3,562,138</b>	<b>\$ 2,140,059</b>	<b>\$ 3,562,138</b>
<b>Non-cash investing and financing activities:</b>				
Sale of mineral property for note receivable (note 5 and 9(b))	\$ 2,022,740	\$ -	\$ 2,022,740	\$ -
<b>Supplemental cash flow information:</b>				
Cash paid during the period for interest	\$ -	\$ -	\$ -	\$ -
Cash paid during the period for income taxes	-	-	-	-

See accompanying notes to the unaudited interim consolidated financial statements.

**TOURNIGAN ENERGY LTD.** (a development stage company)  
**2010 THIRD QUARTER REPORT**

**SCHEDULE 1**

**Mineral Property Exploration Costs**

(expressed in Canadian dollars)  
(unaudited)

	Nine months ended June 30, 2010			Nine months ended June 30, 2009 (revised note 3)		
	Slovakia Kuriskova	Slovakia Other	Slovakia Total	Slovakia Kuriskova	Slovakia Other	Slovakia Total
Licenses and permits	\$ 9,320	\$ 24,017	\$ 33,337	\$ 8,277	\$ 14,442	\$ 22,719
Mapping and surveying	-	-	-	1,001	2,069	3,070
Drilling and assays	2,607,221	58,509	2,665,730	2,246,614	564,915	2,811,529
Personnel, administration and travel	350,950	36,132	387,082	476,745	244,263	721,008
Stock-based compensation	-	-	-	49,760	-	49,760
Socio-environmental studies	19,152	-	19,152	54,501	53	54,554
Studies and evaluations	320,525	-	320,525	442,366	1	442,367
	\$ 3,307,168	\$ 118,658	\$ 3,425,826	\$ 3,279,264	\$ 825,743	\$ 4,105,007

See accompanying notes to the unaudited interim consolidated financial statements.

# **TOURNIGAN ENERGY LTD.** (a development stage company) **2010 THIRD QUARTER REPORT**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*Nine months ended June 30, 2010 and 2009*  
(expressed in Canadian dollars) (unaudited)

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

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Tournigan Energy Ltd. (the "Company") is a public company listed on the TSX Venture Exchange in Canada and the Frankfurt Stock Exchange in Germany. The Company's principal business activity is the sourcing, exploration, and development of mineral properties.

The Company has not generated revenues from operations. These interim consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company's cash on hand at June 30, 2010, together with the proceeds from the private placement that closed in July 2010 (note 12), provides the Company with sufficient financial resources to carry out its exploration and operations through the next twelve months. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing for the substantial capital expenditures required to achieve planned principal operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

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The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly do not include all disclosures required for annual financial statements.

These unaudited interim consolidated financial statements follow the same significant accounting policies and methods of application as the Company's consolidated financial statements for the year ended September 30, 2009 except as discussed in this note and note 3, and should be read in conjunction with the September 30, 2009 financial statements.

In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for fair presentation have been included. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full fiscal year ending September 30, 2010. The majority of exploration costs are incurred in the months of April to October due to seasonal weather conditions in the Northern Hemisphere.

Certain of the prior period's figures have been reclassified to conform to the current period's presentation.

#### **New Accounting Standards**

- a) **Goodwill and intangible assets** – The Company adopted the new CICA Section 3064, *Goodwill and Intangible Assets*, which has replaced the existing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs on October 1, 2009* with no material impact on the Company's financial statements. The section contains standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

# **TOURNIGAN ENERGY LTD.** (a development stage company) **2010 THIRD QUARTER REPORT**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*Nine months ended June 30, 2010 and 2009*  
(expressed in Canadian dollars) (unaudited)

### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)**

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#### **Future Canadian accounting standards**

- b) **Business combinations, non-controlling interest and consolidated financial statements** - In January 2009, the CICA issued Handbook Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replace CICA Handbook Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 applies 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. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning October 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently. The adoption of this standard is not expected to have a material impact on the Company's financial statements.
- c) **International Financial Reporting Standards ("IFRS")** – The Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. Under IFRS, there is significantly more disclosure required. 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.

### **3. CHANGE IN ACCOUNTING POLICY**

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On October 1, 2009 the Company changed its accounting policy for mineral property exploration expenditures. In prior years, the Company capitalized the acquisition cost of mineral properties and exploration expenditures directly related to specific mineral properties, net of recoveries received.

Under the new policy exploration expenditures incurred prior to the determination of the feasibility of mining operations and prior to a decision to proceed with development are charged to operations as incurred. Development expenditures incurred subsequent to a development decision and incurred to increase or extend the life of existing production are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

The impact of this change was to decrease mineral properties and increase the deficit by \$34,356,810 at September 30, 2008 and to decrease mineral properties by \$19,469,782 and non-current assets held for sale by \$1,952,016 at September 30, 2009 and to increase the loss from operations by \$4,445,160 and decrease the loss on disposal of discontinued operations by \$17,380,172 for the year ended September 30, 2009.

# TOURNIGAN ENERGY LTD. (a development stage company) 2010 THIRD QUARTER REPORT

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended June 30, 2010 and 2009  
(expressed in Canadian dollars) (unaudited)

### 3. CHANGE IN ACCOUNTING POLICY (continued)

The impact of this change was to decrease mineral properties and increase the deficit by \$38,296,899 at June 30, 2009. The comparative statements for the three and nine months ended June 30, 2009 were restated for both the discontinued operations and the change in accounting policy. The previously reported net loss for the three and nine months ended June 30, 2009 was \$1,538,864 and \$3,831,196 respectively, which has been restated to \$2,141,845 and \$7,782,171 respectively, with losses and gains from discontinued operations of \$95,356 and \$10,886 respectively, for a net loss of \$2,237,201 and \$7,771,285 respectively.

### 4. MARKETABLE SECURITIES

	June 30, 2010	September 30, 2009
Condor Resources PLC ("Condor")	\$ -	\$ 16,300
Nanika Resources Inc. ("Nanika")	-	9,250
	\$ -	\$ 25,550

During the nine months ended June 30, 2010, the Company sold its remaining 1,900,000 common shares of Condor realizing a gain of \$164 and adjusting the unrealized gain in other comprehensive income by \$3,578 on the sale. In the same period the Company sold 50,000 common shares of Nanika realizing a gain of \$1,097 and adjusting the unrealized gain in other comprehensive income by \$5,250 on the sale.

The Company recorded \$8,828 in other comprehensive income as an unrealized gain in the year ended September 30, 2009 consisting of \$3,578 for the 1,900,000 common shares of Condor and \$5,250 for the 50,000 common shares of Nanika owned at September 30, 2009.

### 5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

#### Disposal of Kremnica Gold s.r.o and Kremnica Gold Mining s.r.o. ("Kremnica Shares") –

On January 27, 2010, the Company and Ortac Resources plc ("Ortac") executed a share purchase agreement ("Share Purchase Agreement") which superseded a June 7, 2009 option agreement pursuant to which Ortac had earned 20% of the Kremnica Shares by completion of the first milestone pursuant to the option agreement.

On April 9, 2010, pursuant to the Share Purchase Agreement, Ortac completed the purchase of the Kremnica Shares for consideration of US\$2,000,000 paid in a combination of US\$100,000 cash and a US\$1,900,000 non-interest bearing promissory note (the "Note Receivable").

The Note Receivable will be paid as US\$550,000 in cash and US\$1,350,000 in Ortac shares to the equivalent cash value which will be due upon Ortac's public listing ("IPO") in 2010. The cash component will be paid from IPO proceeds and the shares will be issued at the IPO price. If Ortac cannot pay the Note Receivable in 2010 it will have an extension of time to 2011 providing it pays the Company entirely in cash from no less than 50% of the net proceeds of all equity issues in 2011 until the Note Receivable is paid.

# TOURNIGAN ENERGY LTD. (a development stage company)

## 2010 THIRD QUARTER REPORT

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended June 30, 2010 and 2009

(expressed in Canadian dollars) (unaudited)

#### 5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (continued)

The Company will recognize additional consideration if and when, within 60 days of all required permits having been obtained to permit commercial production at the Kremnica property, Ortac will pay the Company US\$3,750,000 cash or in Ortac shares to the equivalent cash value being \$15.00 per ounce of the first 250,000 ounces of gold equivalent (gold plus silver) resource defined as proven and probable reserve in the bankable feasibility study. Ortac will grant the Company a 2% net smelter return ("NSR") royalty on gold and silver production from the Kremnica property as currently comprised which includes three exploration licenses to a limit of the first 1 million ounces produced after which it will reduce to a 1% NSR royalty on the next million ounces, after which it will extinguish.

Ortac may buy 1% of the 2% NSR royalty granted to the Company at any time by paying the Company US\$1 million cash. Mr. Nicol was not involved in the negotiations with Ortac and as a director of each company, he did not vote on approving the renegotiated terms.

The division between cash and Ortac shares issued to the equivalent cash value is in both cases conditional upon the Company not owning more than 19.9% of the issued and outstanding shares of Ortac after the issuance of the shares to the Company.

Included in note receivable is \$2,022,740 (US\$1,900,000) due from Ortac for the sale of the Kremnica Shares.

Included in accounts receivable are amounts owed by Ortac to the Company of \$42,923 at June 30, 2010 (\$62,436 at September 30, 2009) for reimbursement of Kremnica operating expenses.

The net assets of discontinued operations for Kremnica are summarized as follows:

<b>Kremnica</b>	<b>April 9, 2010</b>	September 30, 2009 (revised note 3)
Current assets	\$ 14,289	\$ 42,558
Non-current assets held for sale	338,739	338,739
Current liabilities	(39,509)	(77,109)
Non-current liabilities	(114,804)	(114,804)
Net assets	\$ 198,715	\$ 189,384

The gain from discontinued operations for Kremnica is as follows:

<b>Kremnica</b>	<b>For the nine months ended June 30, 2010</b>	For the nine months ended June 30, 2009
Accretion on asset retirement obligation	\$ -	\$ 4,412
Mineral exploration costs	169,662	-
Employee salaries and fees to directors and contractors	(9,425)	-
Public, government and investor relations	18,677	73,718
Audit, legal and other professional fees	1,043	2,641
Administration	2,403	130
Interest income	(3)	(35)
Foreign exchange (gain) loss	-	(17,702)
Operating recoveries from Ortac	(182,357)	(74,050)
Gain from discontinued operations	-	10,886
Gain on disposal of discontinued operations	1,812,285	-
	\$ 1,812,285	\$ 10,886

# TOURNIGAN ENERGY LTD. (a development stage company)

## 2010 THIRD QUARTER REPORT

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended June 30, 2010 and 2009

(expressed in Canadian dollars) (unaudited)

#### 6. PROPERTY AND EQUIPMENT

	June 30, 2010			September 30, 2009		
	Cost	Accumulated amortization	Net Book Value	Cost	Accumulated amortization	Net Book Value
Computer and electronic equipment	\$ 103,645	\$ 86,618	\$ 17,027	\$ 101,872	\$ 64,448	\$ 37,424
Vehicles	67,218	44,627	22,591	67,218	31,841	35,377
Office and field equipment	286,923	141,940	144,983	276,749	100,477	176,272
Software	139,695	139,695	-	139,695	120,803	18,892
	\$ 597,481	\$ 412,880	\$ 184,601	\$ 585,534	\$ 317,569	\$ 267,965

#### 7. FINANCIAL INSTRUMENTS

##### a) Disclosures

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

The fair values of cash and cash equivalents, accounts receivable, note receivable, deposits, due from related party 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 an unexpected loss of a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank investments, accounts and other receivables, and note receivable. The Company's bank accounts are with high credit quality financial institutions. The Company has no risk exposure to asset backed commercial paper or auction rate securities. The Company's note receivable and its due from related party are unsecured and the Company monitors the collectability of these amounts closely.

**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. The Company's cash on hand at June 30, 2010 provides the Company with sufficient financial resources to carry out its exploration and operations through the next twelve months.

**Interest rate risk** - The Company's only significant market risk exposure is interest rate risk. The Company's bank accounts earn interest income at variable rates. The fair value of its cash equivalents is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

# TOURNIGAN ENERGY LTD. (a development stage company) 2010 THIRD QUARTER REPORT

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended June 30, 2010 and 2009  
(expressed in Canadian dollars) (unaudited)

### 7. FINANCIAL INSTRUMENTS (continued)

**Foreign currency risk** - The Company maintains its accounts in Canadian dollars. The Company's expenditures in Slovakia 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 Euro and the US Dollar. 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. The effect of a one percent change in the foreign exchange rate on the working capital items held in Euro and United States dollars would result in an approximate \$30,000 decrease or increase, respectively, in net income or loss for the nine months ended June 30, 2010 and shareholder's equity as at June 30, 2010. The Company has not hedged its exposure to currency fluctuations.

**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, 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.

### 8. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance.

	Number of Shares	Value	Contributed Surplus
<b>Issued as at September 30, 2009</b>	122,697,859	\$ 108,370,841	\$ 9,594,901
Stock based compensation	-	-	911,333
Share subscriptions	-	7,000	-
Share issue costs	-	(3,785)	-
<b>Issued as at June 30, 2010</b>	122,697,859	\$ 108,374,056	\$ 10,506,234

**Escrow shares** - There were 9,375 common shares held in escrow for all periods presented. Subject to receipt of regulatory approval, the Company will request cancellation of the escrow agreement and return the shares to its treasury.

**Options** - On March 30, 2010 the Company's shareholders approved the renewal of an amended rolling stock option plan applicable to directors, employees and consultants, under which the total outstanding stock options are limited to 5% (reduced from 10%) of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the TSX Venture Exchange. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors.

# TOURNIGAN ENERGY LTD. (a development stage company)

## 2010 THIRD QUARTER REPORT

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 8. SHARE CAPITAL (continued)

As at June 30, 2010, the Company has stock options outstanding and exercisable as follows:

Expiry date	Exercise price	Balance, September 30, 2009	Granted	Exercised	Cancelled / Expired	Balance June 30, 2010				
March 31, 2010	\$ 1.45	50,000			(50,000)	-				
February 15, 2011	\$ 1.45	183,333	-	-	(183,333)	-				
March 23, 2011	\$ 1.86	1,100,000	-	-	(1,100,000)	-				
February 16, 2012	\$ 3.44	50,000	-	-	(50,000)	-				
March 29, 2012	\$ 2.97	400,000	-	-	(400,000)	-				
July 25, 2012	\$ 3.63	50,000	-	-	(50,000)	-				
August 1, 2012	\$ 3.29	75,000	-	-	(75,000)	-				
December 10, 2012	\$ 1.35	120,000	-	-	(120,000)	-				
February 27, 2013	\$ 1.16	720,000	-	-	(720,000)	-				
July 10, 2013	\$ 0.90	1,000,000	-	-	(1,000,000)	-				
August 31, 2010	\$ 0.40	100,000	-	-	-	100,000				
November 10, 2013	\$ 0.22	250,000	-	-	-	250,000				
January 26, 2014	\$ 0.24	300,000	-	-	-	300,000				
April 27, 2014	\$ 0.44	2,025,000	-	-	-	2,025,000				
March 26, 2015	\$ 0.30	-	3,000,000	-	-	3,000,000				
		6,423,333	3,000,000	-	(3,748,333)	5,675,000				
Weighted average exercise price	\$	1.11	\$	0.30	\$	-	\$	1.62	\$	0.35

At June 30, 2010, all but 812,502 of the outstanding options were exercisable.

#### Fair Value of Stock-Based Compensation

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

During the nine months ended June 30, 2010, the Company concurrently cancelled 3,698,333 stock options, 666,667 of which had not vested, and granted 3,000,000 stock options. The newly-granted stock options must be accounted for as a modification to the terms of the cancelled options. Accordingly, the incremental value of the newly-granted stock options was calculated using the Black-Scholes option pricing model using the following assumptions:

- a) Directors:
  - i) 2.62 year expected life;
  - ii) 96% annualized volatility;
  - iii) zero expected dividend yield;
  - iv) 1.63% risk free interest rate; and
  - v) The fair value was calculated as \$0.13 per option.
- b) Employees and consultants:
  - i) 1.70 year weighted average expected life;
  - ii) 93% annualized volatility;
  - iii) zero expected dividend yield;
  - iv) 1.63% risk free interest rate; and
  - v) The fair value was calculated as \$0.10 per option.

# TOURNIGAN ENERGY LTD. (a development stage company)

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#### 8. SHARE CAPITAL (continued)

The unrecognized fair value of the unvested and cancelled stock options (666,667 options with an unrecognized fair value of \$226,462) was also recognized in this nine-month period along with the continued vesting of the balance of the stock options previously granted.

The total share based compensation recorded in the three month period ended June 30, 2010 was \$100,373 and in the nine month period ended June 30, 2010 was \$911,333.

The remaining fair value of the options granted in 2009 and 2010 will be recognized as the options vest through fiscal year 2010.

#### Shareholders' rights plan

The directors of the Company approved the adoption of a renewal shareholder rights plan, dated March 2, 2009 (the "Rights Plan") which was ratified by the Company's shareholders on April 6, 2009. The Rights Plan is intended to ensure that all shareholders of the Company are treated fairly in any transaction involving a potential change of control of the Company. The rights become exercisable only when a person or party acquires or announces its intention to acquire 20% or more of the outstanding shares of the Company without complying with certain provisions of the Rights Plan. Each right would entitle each holder of common shares (other than the acquiring person or party) to purchase additional common shares of the Company at a 50% discount to the market price at the time. Unless otherwise terminated, the Rights Plan will expire on the date immediately after the Company's annual meeting of shareholders to be held in 2012.

#### 9. RELATED PARTY TRANSACTIONS AND BALANCES

##### a) Transactions

	Nine months ended June 30, 2010	Nine months ended June 30, 2009
Legal fees to a law firm in which a director is a partner	\$ 61,696	\$ 38,354
Share issue costs to a law firm in which a director is a partner	3,785	-
Consulting fees to companies controlled by officers	76,500	63,750

Consulting fees were based on rates commensurate with the costs of obtaining employee or director services. Legal and geological consulting fees were billed at standard industry rates.

##### b) Balances

Accounts receivable, note receivable, due from related parties and accounts payable and accrued liabilities balances include the following related party balances. Due from related parties are unsecured and without interest.

	June 30, 2010	September 30, 2009 (revised note 3)
Accounts receivable from directors and officers	\$ 42,584	\$ 42,828
Accounts receivable from Ortac	42,923	62,436
Note receivable from Ortac	2,022,740	-
Accounts receivable from Fischer-Watt	-	214,140
Due from related party from Fischer-Watt	777,158	833,005
	<b>\$ 2,885,405</b>	<b>\$ 1,152,409</b>
Accounts payable and accrued liabilities - due to related parties	\$ 42,920	\$ 75,531

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 10. SEGMENTED INFORMATION

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Subsequent to the discontinued operations discussed in note 5, the Company now operates only in the uranium mineral exploration sector in Slovakia. The majority of the Company's assets are located in Slovakia.

### 11. COMMITMENTS

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**Drilling contract** - A subsidiary of the Company has entered into a drilling contract with a Slovakian drilling company whereby the Company has committed to drill 4,190 metres by December 31, 2010 at an estimated equivalent cost of \$216 per metre (€166 per metre). If the Company terminates the contract, a 15% penalty against the remaining commitment would be payable. Approximately 90% of this commitment remains to be spent by December 31, 2010.

**Mineral properties** – The expenditures necessary to maintain the good standing of the Company's mineral property licences and leases and mineral property agreements are as follows:

- i) **Slovakia - Kuriskova** - On June 7, 2005, the Company acquired a 100% interest in the Kuriskova uranium property located within the Cermel exploration license located in eastern Slovakia. The Cermel exploration license was renewed for 4 years in April 2009, with Company renewal options. Licence fees and minimum work commitments are expected to be approximately \$33,000 (€25,000) for fiscal 2010; and
- ii) **Slovakia - Other** - In June 2005, the Company acquired 100% interests in the Novoveska Huta and the Svabovce and Spissky Stiavnik uranium properties, all located in eastern Slovakia. Past production was recorded on each of these properties. The Novoveska Huta property is included within the Spisska Nova Ves mining and exploration licence. The Svabovce and Spissky Stiavnick uranium properties are included within the Spisska Teplica exploration licence.

Both the Spisska Nova Ves and Spisska Teplica exploration licences were renewed for 4 years in April 2009 and May 2009, with Company renewal options. In August 2006, the Company acquired a 100% interest in the Kluknava licence, also in eastern Slovakia, which expires in August 2010 with Company renewal options. In August 2008, the Company acquired the Chrast nad Hornadom licence which expires in October 2010 with Company renewal options. The Vitaz exploration licence was granted in April 2009 for 4 years with Company renewal options. Aggregate licence fees and minimum work commitments for these other Slovakian uranium properties are expected to be approximately \$156,000 (€120,000) for fiscal 2010.

### 12. SUBSEQUENT EVENT

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On July 14, 2010 the Company closed a non-brokered private placement (the "Private Placement") of 30,000,000 units ("Units"), at a subscription price of \$0.10 per Unit, for gross proceeds of \$3,000,000, of which \$7,000 had been received as at June 30, 2010. Each Unit is comprised of one common share (a "Share") and one-half of one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional Share of the Company up to and including July 14, 2012 at an exercise price of \$0.20. The company paid \$102,900 cash and issued 1,029,000 Warrants as finders' fees in connection with the Private Placement.