



ANNUAL REPORT

for the year ended September 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

January 21, 2011

OVERVIEW

The following discussion is management's assessment and analysis ("MD&A") of the results of operations and financial conditions of Tournigan Energy Ltd. (the "Company" or "Tournigan") for the year ended September 30, 2010 and subsequent activity up to January 21, 2011 and should be read in conjunction with the accompanying consolidated financial statements and related notes thereto for the year ended September 30, 2010 and 2009 which are available on the SEDAR website.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with Canadian generally accepted accounting principles and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

SUMMARY DESCRIPTION OF TOURNIGAN'S BUSINESS

Tournigan 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".

Tournigan is a mineral resource exploration company focused on the exploration and development of its uranium properties in Slovakia. Tournigan's flagship property is the Kuriskova project, which is being advanced to the pre-feasibility stage. Tournigan's principal objective is to advance the Kuriskova project to the feasibility stage and, if justified, to production.

The Kuriskova licence, which encompasses 31.75 square kilometres, was issued to Ludovika Energy s.r.o. (Tournigan's wholly owned Slovakian subsidiary) in March 2005 by the Geology and Natural Resources Department at the Ministry of the Environment of the Slovak Republic, and was renewed in April 2009 for a term of four years.

The following table summarizes the current Kuriskova resource estimate and is derived from information contained in the report entitled: "*Mineral Resource Update Kuriskova Uranium Project East-Central Slovakia, NI 43-101 Technical Report*" prepared by Tetra Tech, Inc. dated May 10, 2010 and amended and reissued on December 22, 2010 (the "Kuriskova Technical Report"). John W. Rozelle, P.G. of Tetra Tech, Inc. was the principal author responsible for the overall preparation of the Kuriskova Technical Report. Additional authors included Deepak Malhotra and Allan V. Moran, R.G., C.P.G.

Kuriskova In situ Resources @ 0.05%U cutoff						Associated Molybdenum Resource		
Classification	Year	%U	Tonnes ('000)	%U ₃ O ₈	U ₃ O ₈ ('000 Pounds)	%Mo	Tonnes ('000)	Mo ('000 pounds)
Total Inferred	2010	0.194	3,481	0.228	17,528	0.032	3,417	2,442
Total Indicated	2010	0.484	1,631	0.571	20,539	0.080	1,564	2,760

Notes:

1. In-situ uranium resources refers to global in-place resources to which a mine design has not yet been applied; although the above stated resources meet the definition of having the "potential for economic extraction" at the cutoff provided.
2. Tonnes ('000) refers to kilo-tonnes or tonnes x 1,000; U₃O₈ lbs ('000) refers to kilo-pounds or pounds x 1,000.
3. CIM compliant resource classification by Tetra Tech, Inc. using industry standard block modeling techniques.
4. Bulk density of 2.75 used for all rock types.

The Kuriskova Technical Report was amended to comply with Canada's National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and is available on SEDAR under Tournigan's profile.

On July 23, 2009, Tournigan received a positive preliminary assessment (the "Preliminary Assessment")

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on its Kuriskova project from its independent consultant, Pincock, Allen & Holt ("PAH"). Results of this Preliminary Assessment were first reported in a news release dated June 25, 2009. Minor changes to the project parameters were subsequently reported in a news release dated July 27, 2009. The highlights of the Preliminary Assessment are:

- PAH reviewed the resource estimate from the report entitled: "Updated NI 43-101 Technical Report on Resources, Kuriskova Uranium Project, Eastern Slovakia," prepared by SRK Consulting (U.S.) Inc. ("SRK") dated April 16, 2009 (the "SRK Report") and believes that it was prepared in accordance with accepted industry standards, sufficient for purposes of the Preliminary Assessment. The information summarized in the following table was derived from the SRK Report:

Kuriskova In situ Resources @ 0.05%U cutoff						Associated Molybdenum		
Classification	Year	U%	Tonnes ('000s)	%U ₃ O ₈	U ₃ O ₈ lbs ('000s)	Mo%	Tonnes ('000s)	Mo lbs ('000s)
Total Inferred	2009	0.182	3,780	0.215	17,901	0.03	4,897	3,161
Total Indicated	2009	0.473	1,191	0.558	14,654	N/A	N/A	N/A

Notes:

1. In-situ uranium resources refers to global in-place resources to which a mine design has not yet been applied; although the above stated resources meet the definition of having the "potential for economic extraction" at the cutoff provided.
2. Tonnes ('000) refers to kilo-tonnes or tonnes x 1,000; U₃O₈ lbs ('000) refers to kilo-pounds or pounds x 1,000.
3. Mo resource represents Mo associated with uranium blocks above a 0.05%eU cutoff.
4. N/A = not applicable.

- The SRK estimated mineral resources used in the Preliminary Assessment provided for underground mining at a rate of 276,000 tonnes of material per year for approximately 15 years. The Preliminary Assessment mine plan was based on an underhand drift and fill mining method and assumed an external dilution (over break) of 22% and an internal dilution of 13%, both at zero grade.
- The base case internal rate of return ("IRR") (assuming long term uranium and molybdenum prices of US\$65.00 per pound U₃O₈ and US\$12.50 per pound of molybdenum in molybdenite) is estimated at 35.8% on a pre-tax basis with a 5.6 year payback on an estimated initial capital cost of US\$168 million. At a 12% discount rate, the pre-tax net present value ("NPV") is estimated at US\$135 million.
- Total operating costs are estimated to be US\$32 per pound of U₃O₈ over the mine life and during the first 5 years of production US\$17 per pound of U₃O₈. These costs include a byproduct credit for molybdenum of about US\$1 per pound of U₃O₈. In addition, during the life of mine there will be sustaining capital requirements of about US\$88 million. The operating costs above are exclusive of mineral royalties, which are estimated at US\$3 per pound of U₃O₈.

The project is financially sensitive to the amount of U₃O₈ which is produced per year. This is directly related to the tonnage and grade mined and processed annually as well as to plant recovery.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Preliminary Assessment is preliminary in nature and includes the use of Inferred Resources which have not demonstrated economic viability and are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Preliminary Assessment will be realized.

A Preliminary Assessment Technical Report was finalized to comply with Canada's National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and was filed on SEDAR on July 24, 2009.

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Recent Developments

Kuriskova Project

On July 20, 2010 Tournigan announced that it was mobilizing a drill rig to immediately start a step-out and infill drilling program as part of an ongoing exploration and prefeasibility program at Kuriskova. On October 14, 2010, Tournigan announced the results of 12 holes comprising approximately 2,500 metres completed. The conclusions drawn from the results were that the strike length of Zone 45 mineralization has increased by 100 metres to now total approximately 165 metres and the results are expected to add to the uranium resource at Zone 45. Preliminary structural analysis of drill results has identified a possible downward plunge orientation to the high-grade uranium mineralization in Zone 45, which remains open to depth. Downward extensions along this orientation may be tested by future drilling.

On August 3, 2010 the Company announced it had received test results from additional metallurgical testing for the Kuriskova project. The test program was conducted on new composites from more deposit areas which included new drill core samples from the 2009-2010 drilling program. The work was performed at the Hazen Research, Inc. laboratory facilities in Golden, Colorado.

These tests confirm the initial test work completed at the Resource Development, Inc. laboratory facilities in Wheatridge, Colorado as reported on November 3, 2009.

The test results indicate that over 90% of the uranium and 85% of the molybdenum can be recovered by pressure oxidation using a whole ore leach process in two hours utilizing an alkaline process (basic leaching media) at a grind size of P80 300 mesh and temperature of 200°C. These recoveries were obtained on two separate composites with an average Bond work index of 13. The predominant uranium minerals are uraninite and coffinite. The uranium recoveries of up to 93% in this program are higher than those reported in the Kuriskova Technical Report. Additional test work is planned during the ongoing prefeasibility study to optimize other process parameters.

Uranium and molybdenum will be recovered by conventional milling methods. The additional test work is being undertaken to optimize the process parameters (grind size, temperature, pressure oxidation time, carbonate concentration, etc.) for recovery of uranium and molybdenum as part of the ongoing test program for a prefeasibility study.

These test results show that an alkaline leaching process using benign carbonate reagents (not sulphuric acid) can effectively recover both uranium and molybdenum from representative composite samples. Additional test work planned at Hazen is expected to confirm the development of a flow sheet using alkaline leaching that has been used in the uranium industry since the 1960's.

Financings

On July 14, 2010 Tournigan completed a non-brokered private placement (the "Private Placement") of 30,000,000 units, at a subscription price of \$0.10 per unit, for gross proceeds of \$3,000,000. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of Tournigan up to and including July 14, 2012 at an exercise price of \$0.20. Tournigan paid \$102,900 and issued 1,029,000 warrants in payment of finders' fees in connection with the Private Placement.

On December 30, 2010 Tournigan completed a public offering of 40,000,000 units at a price of \$0.30 per unit to raise gross proceeds of \$12,000,000 pursuant to a short form prospectus dated December 22, 2010 (the "Offering"). Each unit was comprised of one common share and one-half of one common share purchase warrant. As commission to the agent Tournigan paid \$720,000 and issued 2,400,000 agent's warrants. Each whole warrant and each agent warrant entitles the holder to purchase one common share of Tournigan up to and including December 30, 2012 at an exercise price of \$0.40.

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Dispositions

On January 28, 2010, Tournigan announced that it had entered into an agreement with Ortac Resources plc to sell Tournigan's Slovakian subsidiaries Kremnica Gold s.r.o and Kremnica Gold Mining s.r.o. (the "Kremnica Companies") to Ortac.

On April 9, 2010, pursuant to the Share Purchase Agreement, Ortac completed the purchase of the Kremnica Companies 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 "Ortac Note"). The Company recorded a gain on disposal of discontinued operations for the sale of the Kremnica Companies. The carrying value of the Kremnica Companies held for sale was \$198,715 so that the calculated gain on disposal of discontinued operations was \$1,812,285.

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.

By September 22, 2010 the US\$1,900,000 Ortac Note was fully settled by payment to the Company of US\$550,000 and the issuance of 87,688,530 common shares of Ortac valued at US\$1,350,000.

By December 24, 2010 the Company had sold all of its Ortac shares for proceeds of \$2,230,025 (US\$2,167,177) net of commissions, realizing a gain on sale of marketable securities of \$840,875 (US\$817,177).

With the sale of the Kremnica Companies, Tournigan has disposed of the last of its interests in its gold properties, and is now focused exclusively on the exploration and development of its Slovakian uranium properties.

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 disclosures contained in this MD&A.

CHANGES IN ACCOUNTING POLICIES

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 and \$21,421,798 at September 30, 2008 and 2009 respectively; 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.

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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.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Results of Continuing Operations for the year ended September 30, 2010

For the periods presented, the Company had no revenues, no long term debt and did not declare or pay any dividends. For the year ended September 30, 2010 the Company incurred a loss from continuing operations of \$8,872,733 or \$0.07 per share, an increase of \$363,394 from the restated loss from continuing operations of \$8,509,339 for September 30, 2009 (previously reported as \$4,064,179).

Expenses

Mineral exploration costs on the Slovakian uranium properties in the year ended September 30, 2010 were \$4,621,310 compared to \$4,445,160 in the previous year. The most significant component in both periods was drilling and assays at Kuriskova of \$3,373,356 in the current year and \$2,331,429 in the September 30, 2009 year.

Expenses totalled \$4,143,371 in the year ended September 30, 2010 compared to \$4,939,952 in the previous year or \$3,073,689 compared to \$4,299,538 when non-cash stock based compensation and amortization are excluded from the total. As previously reported the Company closed its Vancouver head office in January 2009 and terminated five head office employees. On May 29, 2009, the Company surrendered the lease to the landlord and the Company was released from all remaining obligations of the lease.

As expected with this head office closure and staff reduction, all cash-based expenses decreased from the current year to the previous year by approximately \$1,225,849 overall.

Other Income (expense)

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

The Company sold its portfolio of shares of other companies, except Ortac, in the first quarter of 2010 for a net gain of \$1,261.

The foreign exchange loss was \$71,667 in the year ended September 30, 2010 compared to a gain of \$887,594 in the comparative year. The gain in the year ended September 30, 2009 included a \$777,661 foreign exchange gain on the intercompany loan from the assets held for sale.

Results of Discontinued Operations for the year ended September 30, 2010

The gain on disposal of discontinued operations reflects the sale of the Kremnica Companies to Ortac in April 2010. The proceeds of the sale were US\$2,000,000 with the effect of the foreign exchange from the US Dollar of \$11,000 at 1.0055, and the carrying value of the net assets held for sale of \$198,715, the calculated gain on disposal of discontinued operations was \$1,812,285 at April 9, 2010.

As a result of the previously discussed change in accounting policy, the comparative year's \$1,439,321 gain on disposal of discontinued operations had previously been reported as a loss of \$15,940,851. The amounts reflected the write down of the Kremnica Companies and the disposals of Dalradian Gold Limited, Tournigan USA Inc. and Tournigan Resources Ukraine Ltd.

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In the comparative year there was a loss from discontinued operations arising from operations to the date of sale of each of the subsidiaries totalling \$1,182,293, the majority of which was a foreign exchange loss of \$777,661.

SELECTED ANNUAL INFORMATION

	September 30, 2010	September 30, 2009 (revised)⁽¹⁾	September 30, 2008 (revised)⁽¹⁾
Total revenues	\$nil	\$nil	\$nil
Loss from continuing operations	\$8,872,733	\$8,509,339	\$9,866,654
(Gain) loss on disposal of discontinued operations	\$(1,812,285)	\$(1,439,321)	\$8,815,500
Loss from discontinued operations	\$nil	\$1,182,293	\$2,010,396
Loss from continuing operations per share	(\$0.07)	(\$0.07)	(\$0.08)
Gain (loss) from discontinued operations per share	\$0.01	(\$0.00)	(\$0.09)
Total assets	\$7,250,400	\$10,395,268	\$19,357,523
Total liabilities	\$620,479	\$750,340	\$2,032,236
Cash dividend per share	\$nil	\$nil	\$nil

(1) See Note 3 to the September 31, 2010 financial statements

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

	September 30 2010 \$	June 30 2010 \$	March 31 2010 \$	December 31 2009 \$	September 30 2009 \$	June 30 2009 \$	March 31 2009 \$	December 31 2008 \$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit (loss) for the year	(1,986,730)	738,345	(2,900,002)	(2,912,061)	(481,026)	(2,237,201)	(1,564,503)	(3,969,581)
Basic and diluted profit (loss) per share	(0.01)	0.01	(0.02)	(0.02)	(0.00)	(0.02)	(0.01)	(0.03)

The quarterly results have been revised for the change in accounting policy discussed above.

The Company is an exploration company. At this time any issues of seasonality or market fluctuations have no impact. The Company now expenses its exploration and project investigation and general and administration costs and these amounts are included in the net loss for each quarter. The Company's treasury in part determines the levels of exploration.

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FOURTH QUARTER

For the fourth quarter of 2010 - the opening cash balance was \$2,140,059. During the three months ended September 30, 2010 the Company expended \$689,264 on operating activities, expended \$2,875 on investing activities, and received \$2,868,343 for financing activities to end the quarter and the 2010 year with \$4,316,263 cash and cash equivalents.

For the fourth quarter of 2009 – the opening cash balance was \$3,562,138. During the three months ended September 30, 2009 the Company received \$584,431 related to operating activities, received \$12,439 related to investing activities, and expended \$1,416,563 on discontinued operating activities to end the quarter and the 2009 year with \$2,742,445 cash and cash equivalents.

LIQUIDITY AND CAPITAL RESOURCES

Management believes that the Company's cash on hand at September 30, 2010 combined with amounts received from the issuance of shares in December 2010 is sufficient to finance exploration activities and operations through the next twelve months. 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.

The Company's expenditure commitments on its mineral properties are primarily at the Company's discretion. License fees and minimum work commitments are currently expected to be approximately \$125,000 (€89,500) for the fiscal 2011 year although the Company expects to fund considerably more than that amount as it moves to the pre-feasibility study as the next step on it Kuriskova project.

To date, the Company's ongoing operations have been almost entirely financed by equity issues and proceeds from the exercise of warrants and stock options. 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.

The Company began the fiscal year with cash and cash equivalents of \$2,742,445. During the year ended September 30, 2010 the Company collected \$6,447,621 of accounts and note receivable related to the 2009 sales of Dalradian Gold Ltd. and the Kremnica Companies. The Company expended \$7,790,150 on operations, and expended \$49,591 on other working capital changes. The Company realized \$17,983 proceeds on the sale of marketable securities and \$100,550 on the sale of discontinued operations and expended \$14,822 to purchase equipment for net investing activities of \$103,711. The Company received net proceeds of \$2,871,558 on the issue of securities pursuant to a private placement to end with cash and cash equivalents of \$4,316,263 on September 30, 2010.

On December 30, 2010 Tournigan completed a public offering of 40,000,000 units at a price of \$0.30 per unit to raise gross proceeds of \$12,000,000 pursuant to a short form prospectus dated December 22, 2010 (the "Offering"). Each unit was comprised of one common share and one-half of one common share purchase warrant. As commission to the agent Tournigan paid \$720,000 and issued 2,400,000 agent's warrants. Each whole warrant and each agent warrant entitles the holder to purchase one common share of Tournigan up to and including December 30, 2012 at an exercise price of \$0.40.

3,550,000 of the Company's outstanding and exercisable stock options and 14,985,250 of the share purchase warrants are exercisable and "in-the-money" based on a closing share price of \$0.365 on the TSX.V on the date of this MD&A.

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.

TRANSACTIONS WITH RELATED PARTIES

In the year ended September 30, 2010 Golden Oak Corporate Services Ltd., a corporation wholly owned by Doris Meyer, the Company's Chief Financial Officer and Secretary was paid fees of \$102,000, compared to \$89,250 in the previous fiscal year, to perform the financial reporting and regulatory compliance functions for the Company. These amounts are presented within salaries and fees to directors and contractors.

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The Company's solicitors are Stikeman Elliott LLP. Mr. Poulus, a director of the Company, is a partner in the firm. Stikeman Elliott's fees are billed based on time spent by other Stikeman Elliott personnel on providing services to the Company. In the year ended September 30, 2010 these fees were \$70,156, including \$9,572 presented as share issue costs, compared to \$84,506 in the previous year.

Fischer-Watt Gold Company, Inc. ("Fisher-Watt") is a Nevada-incorporated mineral exploration and development company. Fischer-Watt owes the Company \$751,170 (US\$730,000) consideration for the purchase of Tournigan USA Inc. in 2009. Subsequent to year-end Fischer-Watt paid the Company US\$130,000 against the amount owed. 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.

Ortac Resources plc is a London based mineral exploration and development company that has now purchased the Kremnica Companies from Tournigan. Subsequent to the agreement with Ortac being negotiated and executed, Dorian (Dusty) Nicol, a director and President and CEO of Tournigan was appointed to the board of directors of Ortac. At September 30, 2010 Ortac owed the Company \$32,627 which was subsequently collected.

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.

	September 30, 2010	September 30, 2009
Accounts receivable from directors and officers	\$ -	\$ 42,828
Accounts receivable from Ortac	32,627	62,436
Accounts receivable from Fischer-Watt	-	214,140
Due from Fischer-Watt	751,170	833,005
	\$ 783,797	\$ 1,152,409
Accounts payable and accrued liabilities - due to related parties	\$ 9,617	\$ 170,597

OUTSTANDING SHARE DATA as at the date of this MD&A

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

	Common Shares Outstanding	Warrants Outstanding	Stock Options Outstanding	Share Capital
Balance, September 30, 2010	152,688,484	16,029,000	5,575,000	\$ 110,640,598
Exercise of warrants	1,043,750	(1,043,750)	-	247,161
Shares issued pursuant to a public offering	40,000,000	20,000,000	-	12,000,000
Fair value of warrants	-	-	-	(2,346,260)
Share issue costs, finders warrants, and agent commissions	-	2,400,000	-	(1,099,145)
Balance, date of this MD&A	193,732,234	37,385,250	5,575,000	\$ 119,442,354

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company's financial instruments consist of cash and cash equivalents, accounts and note receivable, due from related party and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company places its cash with high quality financial institutions, thereby minimizing exposure for deposits in excess of federally insured amounts. The Company believes that credit risk associated with cash is remote.

In conducting business, the principal risks and uncertainties faced by the Company centre on exploration and development, resource and commodity prices and market sentiment.

The prices of resource and commodity markets can fluctuate significantly and are affected by many factors outside of the Company's control. The relative prices of uranium and future expectations for such prices have a significant impact on the market sentiment for investment in mining and resource exploration companies. The Company relies on equity financing for its working capital requirements and to fund its exploration programs. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

FUTURE CANADIAN ACCOUNTING STANDARDS

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.

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.

Due to the size of the Company, the convergence to IFRS is being led by the Company's Chief Financial Officer, a Certified General Accountant, who along with other members of the Company's management group will design and execute the conversion project and will report to the Audit Committee on the progress accomplished.

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Item 1 - Accounting policies, including choices among policies permitted under IFRS, and implementation decisions such as whether certain changes will be applied on a retrospective or a prospective basis

The significant differences identified to date between Canadian GAAP and IFRS that affect the Company and the impacts on the Company's financial statements has been completed on a high-level basis and is discussed below.

The Company must investigate accounting and reporting for foreign exchange treatment under IFRS to determine if there is a difference between Canadian GAAP and IFRS.

The Company will next complete an assessment of the IFRS estimates of the quantified effects of the anticipated changes to the Company's IFRS opening balance sheet if any, and identifying business processes and resources that may require modification as a result of these changes.

Property, Plant and Equipment ("PP&E")

Canadian GAAP does not permit the revaluation of PP&E. Historical cost is used. IFRS permits the revaluation of PP&E but does not require it. Depreciation is calculated by individual asset for IFRS and this is the method currently used by the Company so there is no difference between Canadian GAAP and IFRS.

Mineral interests

Canadian GAAP requires acquisition costs to be capitalized and allows exploration costs to be expensed as incurred or capitalized. IFRS allows the same treatment as Canada however the exploration costs must be classified as either tangible or intangible assets, according to their nature.

The Company's policy has been changed to capitalize acquisition costs and to expense exploration costs so there is no difference between Canadian GAAP and IFRS.

Stock based compensation

Canadian GAAP allows graded or straight-line recognition of the fair value of stock option grants as the options vest. IFRS requires that graded vesting be used with each instalment accounted for as a separate arrangement. Under IFRS, forfeitures that occur during the vesting period adjust the stock-based compensation whereas under Canadian GAAP forfeitures are recorded as they occur.

As the Company's stock options will have fully vested by the time of convergence to IFRS, and the granted March 2010 stock options allow for immediate vesting, there is no significant difference expected between Canadian GAAP and IFRS.

Item 2 - Information technology and data systems

The accounting processes of the Company are relatively simple and no major challenges are expected at this point to operate the accounting system under IFRS.

The Company generated its accounting under Canadian GAAP in 2010, and it has tentatively determined that there are no significant difference for the accounting under IFRS and the financial statements under Canadian GAAP.

Item 3 - Internal control over financial reporting

Since the Company trades on the TSX Venture Exchange management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109.

Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the filings are exempt from misrepresentations and are presenting fairly the results of the

MANAGEMENT'S DISCUSSION AND ANALYSIS

Company. Management will ensure that once the convergence is completed it will be in a position to continue to certify the Company's filings.

The audit committee of the Company reviews the financial reporting and control matters and recommends approval of the annual financial statements and MD&A to the board of directors who are then responsible for approving the filings.

Item 4 - Disclosure controls and procedures, including investor relations and external communications plans

The Company will update its disclosure controls and procedures to ensure they are appropriate for reporting under IFRS. At this time, no changes have been discovered as being necessary.

The Company will continue to maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 is recorded, processed, summarized and reported in the manner specified by the relevant securities laws applicable to the Company.

Item 5 - Financial reporting expertise, including training requirements

The Chief Financial Officer and the Controller of the Company have participated in ongoing training sessions provided by external advisors. The Controller attended a two day workshop that compared Canadian GAAP to IFRS for a mineral exploration company. Training and research are ongoing and the development of standards issued by the International Accounting Standards Boards are monitored and evaluated for any impact on the Company.

Item 6 - Business activities, such as foreign currency and hedging activities, as well as matters that may be influenced by GAAP measures such as debt covenants, capital requirements and compensation arrangements

The Company does not expect the convergence to IFRS will have a significant impact on its risk management or other business activities.

Currently there are no matters that would be influenced by GAAP measures, such as debt covenants, capital requirements and compensation arrangements that would be impacted by the convergence to IFRS.

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;

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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
- the 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.

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;
- 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 except as required by law.

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.

The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains only to conditions currently known to management. There can be no guarantee or assurances that other factors will or will not adversely affect the Company.

Risks Inherent in the Mining and Metals Business

The business of exploring for minerals is inherently risky. Few properties that are explored are ultimately developed into producing mines. Mineral properties are often non-productive for reasons that cannot be anticipated in advance. Title claims can impact the exploration, development, operation and sale of any natural resource project. Even after the commencement of mining operations, such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability or adverse governmental action. The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry. In addition, insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on the Company.

Mineral Resources and Recovery Estimates

Disclosed resource estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations. The Company estimates its mineral resources in accordance with the requirements of applicable Canadian securities regulatory authorities and established mining standards. Mineral resources are concentrations or occurrences of minerals that are judged to have reasonable prospects for economic extraction, but for which the economics of extraction cannot be assessed, whether because of insufficiency of geological information or lack of feasibility analysis, or for which economic extraction cannot be justified at the time of reporting. Consequently, mineral resources are of a higher risk and are less likely to be accurately estimated or recovered than mineral reserves. The mineral reserve and resource figures are estimates based on the interpretation of limited sampling and subjective judgments regarding the grade and existence of mineralization, as well as the application of economic assumptions, including assumptions as to operating costs, foreign exchange rates and future metal prices. The sampling, interpretations or assumptions underlying any reserve or resource figure may be incorrect, and the impact on mineral resources may be material. In addition, short term operating factors relating to mineral resources, such as the need for orderly development of ore bodies or the processing of new or different ores, may cause mineral reserve estimates to be modified or operations to be unprofitable in any particular fiscal period. There can be no assurance that the indicated amount of minerals will be recovered or that they will be recovered at the prices assumed for purposes of estimating resources.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financing

The Company does not currently have any operations generating cash to fund projected levels of exploration and development activity and associated overhead costs. The Company is therefore dependent upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available to the Company or at all.

Environment

Environmental legislation affects nearly all aspects of the Company's operations. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties, clean up costs arising out of contaminated properties, damages or the loss of important permits. Exposure to these liabilities arises not only from existing operations, but from operations that have been closed or sold to third parties. There can be no assurances that the Company will be at all times in compliance with all environmental regulations or that steps to achieve compliance would not materially adversely affect the Company. Environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in environmental laws and regulations may have on the Company's operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent environmental regulations. Further changes in environmental laws, new information on existing environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits could require increased financial resources or compliance expenditures or otherwise have a material adverse effect on the Company. Changes in environmental legislation could also have a material adverse effect on product demand, product quality and methods of production and distribution.

Foreign Activities

The Company's mineral properties are in Slovakia and, from time to time, in other foreign countries where there are added risks and uncertainties due to the different legal, economic, cultural and political environments. Some of these risks include nationalization and expropriation, social unrest and political instability, uncertainties in perfecting mineral titles, trade barriers and exchange controls and material changes in taxation. Furthermore, developing country status or an unfavourable political climate may make it difficult for the Company to obtain financing for projects in some countries.

Legal Proceedings

The nature of the Company's business may subject it to numerous regulatory investigations, claims, lawsuits and other proceedings. The results of these legal proceedings cannot be predicted with certainty. There can be no assurances that these matters will not have a material adverse effect on the Company.

Foreign Currency Exchange

The Company maintains its accounts in Canadian dollars. The Company's operations in Slovakia make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's two senior executives reside in the USA and are employed by a wholly owned US corporation and paid in US dollars. 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 incurred in mainly in Canadian and US dollars.

Credit

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-

MANAGEMENT'S DISCUSSION AND ANALYSIS

term bank investments and accounts and other receivables. 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 due from related party is unsecured. The Company will continue to assess its allowance for credit losses. There can be no assurance that the Company's counterparties will not default on their obligations such that the Company will incur losses.

Interest Rate

The Company's bank accounts earn interest income at variable rates while restricted deposits and guaranteed investment certificates earn a fixed rate over less than a six-month period. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The components of exploration costs are described in Schedule 1 to the consolidated financial statements for the year ended September 30, 2010.

OTHER INFORMATION

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.tournigan.com.



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Consolidated Financial Statements

For the Years Ended September 30, 2010 and 2009



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Canada

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AUDITORS' REPORT

To the Shareholders of Tournigan Energy Ltd.

We have audited the consolidated balance sheets of Tournigan Energy Ltd. as at September 30, 2010 and 2009 and the consolidated statements of loss and deficit, comprehensive loss and cash flows for the years ended September 30, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2010 and 2009 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Vancouver, Canada
January 21, 2011

TOURNIGAN ENERGY LTD. (a development stage company)
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Consolidated Balance Sheets

(expressed in Canadian dollars)
(unaudited)

	September 30, 2010	September 30, 2009 (revised note 3)
ASSETS		
Current		
Cash and cash equivalents	\$ 4,316,263	\$ 2,742,445
Accounts and note receivable	270,117	6,067,767
Marketable securities (note 4)	1,562,416	25,550
Prepaid expenses and deposits	188,882	77,239
Current assets held for sale (note 5)	-	42,558
	6,337,678	8,955,559
Due from related party (note 9(b))	751,170	833,005
Property and equipment (note 6)	161,552	267,965
Non-current assets held for sale (note 5)	-	338,739
	\$ 7,250,400	\$ 10,395,268
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 620,479	\$ 558,427
Current liabilities related to assets held for sale (note 5)	-	77,109
	620,479	635,536
Non-current liabilities related to assets held for sale (note 5)	-	114,804
Shareholders' Equity		
Share capital (note 8)	110,640,598	108,370,841
Contributed surplus (note 8)	11,202,097	9,594,901
Accumulated other comprehensive income	177,316	8,828
Deficit	(115,390,090)	(108,329,642)
	6,629,921	9,644,928
	\$ 7,250,400	\$ 10,395,268

Nature of operations and going concern (note 1)

Commitments (note 12)

Subsequent events (note 13)

On behalf of the Board:

"Rex McLennan"

Rex McLennan, Director

"Dorian L. Nicol"

Dorian L. Nicol, Director

See accompanying notes to the consolidated annual financial statements.

TOURNIGAN ENERGY LTD. (a development stage company)
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Consolidated Statements of Operations and Deficit

(expressed in Canadian dollars)
(unaudited)

	Year ended September 30, 2010	Year ended September 30, 2009 (revised note 3)
MINERAL PROPERTY EXPENSE		
Mineral property exploration costs (schedule 1)	\$ 4,621,310	\$ 4,445,160
Property investigations	48,758	-
	4,670,068	4,445,160
EXPENSES		
Administration	316,468	751,847
Amortization	77,152	136,153
Audit, legal and other professional fees	381,142	596,512
Employee salaries and fees to directors and contractors (note 9)	1,270,684	1,694,877
Public, government and investor relations	547,187	599,628
Regulatory fees	47,388	62,919
Stock-based compensation (note 8)	992,530	504,261
Travel	510,820	593,755
	4,143,371	4,939,952
OTHER INCOME (EXPENSE)		
Interest income	11,112	54,948
Gain on sale of marketable securities	1,261	2,038
Write-off of equipment and leaseholds	-	(68,807)
Foreign exchange gain (loss)	(71,667)	887,594
	(59,294)	875,773
LOSS FROM CONTINUING OPERATIONS		
	(8,872,733)	(8,509,339)
Gain on disposal of discontinued operations (note 5)	1,812,285	1,439,321
Loss from discontinued operations (note 5)	-	(1,182,293)
LOSS	\$ (7,060,448)	\$ (8,252,311)
Deficit, beginning of the year as previously reported		
	\$ (86,907,844)	\$ (65,720,521)
Adjustments for change in accounting policy (note 3)	(21,421,798)	(34,356,810)
Deficit, as restated	(108,329,642)	(100,077,331)
Loss for the year	(7,060,448)	(8,252,311)
Deficit, end of year	\$ (115,390,090)	\$ (108,329,642)
Basic and diluted loss from continuing operations per share	\$ (0.07)	\$ (0.07)
Basic and diluted gain from discontinued operations per share	\$ 0.01	\$ 0.00
Basic and diluted loss per share	\$ (0.05)	\$ (0.07)
Weighted average number of outstanding shares	129,107,688	122,697,859

See accompanying notes to the consolidated annual financial statements.

TOURNIGAN ENERGY LTD. (a development stage company)
2010 ANNUAL REPORT

Consolidated Statements of Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	Year ended September 30, 2010	Year ended September 30, 2009 (revised note 3)
LOSS	\$ (7,060,448)	\$ (8,252,311)
Other comprehensive income:		
Reclassification adjustment for realized gains	-	8,828
Realized gain on sale of marketable securities	(8,828)	-
Unrealized holding gains on marketable securities	177,316	-
COMPREHENSIVE LOSS FOR THE YEAR	\$ (6,891,960)	\$ (8,243,483)

See accompanying notes to the consolidated annual financial statements.

TOURNIGAN ENERGY LTD. (a development stage company)
2010 ANNUAL REPORT

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	Year ended September 30, 2010	Year ended September 30, 2009 (revised note 3)
CASH PROVIDED FROM (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the year	\$ (7,060,448)	\$ (8,252,311)
Less:		
Loss from discontinued operations (note 5)	-	1,182,293
Gain on disposal of discontinued operations (note 5)	(1,812,285)	(1,439,321)
Loss from continuing operations	(8,872,733)	(8,509,339)
Items not affecting cash:		
Stock-based compensation	1,005,395	554,576
Write-off of equipment and leaseholds	-	68,807
Unrealized foreign exchange gain	(42,786)	-
Gain on sale of marketable securities	(1,261)	(2,038)
Amortization of property and equipment	121,235	190,181
	(7,790,150)	(7,697,813)
Net changes in operating balances:		
Accounts and note receivable	6,447,621	305,837
Prepaid expenses and deposits	(111,643)	60,591
Accounts payable and accrued liabilities	62,052	(809,010)
	(1,392,120)	(8,140,395)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(14,822)	(7,970)
Proceeds on sale of marketable securities	17,983	14,976
Proceeds on sale of discontinued operations	100,550	-
	103,711	7,006
FINANCING ACTIVITIES:		
Shares issued	3,000,000	-
Share issue costs	(128,442)	-
	2,871,558	-
Cash and cash equivalents used for discontinued operating activities	(9,331)	(1,707,616)
Change in cash and cash equivalents for year	1,573,818	(9,841,005)
Cash and cash equivalents, beginning of year	2,742,445	12,583,450
Cash and cash equivalents, end of year	\$ 4,316,263	\$ 2,742,445
Non-cash investing and financing activities:		
Sale of mineral property for marketable securities (note 5 and 9(b))	1,385,100	-
Fair value of warrants issued as finders' fees	48,027	-
Cancellation of shares held in escrow	8,250	-
Supplemental cash flow information:		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	-	-

See accompanying notes to the consolidated annual financial statements.

TOURNIGAN ENERGY LTD. (a development stage company)
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SCHEDULE 1

Mineral Property Exploration Costs

(expressed in Canadian dollars)

(unaudited)

	Year ended September 30, 2010			Year ended September 30, 2009 (revised note 3)		
	Slovakia Kuriskova	Slovakia Other	Slovakia Total	Slovakia Kuriskova	Slovakia Other	Slovakia Total
Amortization	\$ 44,083	\$ -	\$ 44,083	\$ 54,028	\$ -	\$ 54,028
Drilling and assays	3,373,356	118,919	3,492,275	2,331,429	581,228	2,912,657
Licenses and permits	9,320	26,065	35,385	8,750	17,791	26,541
Mapping and surveying	-	-	-	16,047	2,409	18,456
Personnel, administration and travel	448,451	47,594	496,045	570,058	284,884	854,942
Stock-based compensation	12,865	-	12,865	50,315	-	50,315
Socio-environmental studies	50,422	-	50,422	54,501	48	54,549
Studies and evaluations	490,235	-	490,235	473,672	-	473,672
	\$ 4,428,732	\$ 192,578	\$ 4,621,310	\$ 3,558,800	\$ 886,360	\$ 4,445,160

See accompanying notes to the consolidated annual financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2010 and 2009
(expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 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. Management believes that the Company's cash on hand at September 30, 2010 combined with amounts received from the issuance of shares subsequent to September 30, 2010 (Note 13(a)) is sufficient to finance exploration activities 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

a) **Principles of consolidation and basis of accounting** - These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries until their disposal date. The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

b) **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses for the periods reported. Significant estimates and assumptions include those related to the recoverability of deferred mineral property expenditures, estimated useful lives of equipment, determination as to whether costs are expensed or deferred, the existence of asset retirement obligations, stock based compensation and future income tax assets and liabilities. Actual results could differ from these estimates.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock based compensation and share purchase warrants issued in a private placement of units. The Company uses historical data to determine volatility in accordance with Black-Scholes modelling, however the future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on share based compensation and hence results of operations, there is no impact on the Company's financial condition.

c) **Cash and cash equivalents** - Cash consists of cash and demand deposits with an original term to maturity of 90 days or less.

d) **Mineral properties** – Mineral property exploration expenditures, incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to operations as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to 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.

TOURNIGAN ENERGY LTD. (a development stage company) 2010 ANNUAL REPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2010 and 2009
(expressed in Canadian dollars)

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

Mineral property acquisition costs are capitalized and include cash consideration and the fair value of common shares and warrants issued for mineral property interests. These costs are amortized over the estimated life of the property following commencement of commercial production. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. For property acquired under an option agreement or by joint venture, where payments are made at the sole discretion of the Company, payments are recorded in the accounts at the time of payment.

Mineral property option payments received are first credited to the individual project's mineral property costs before any remaining portion is recognized as mineral property income.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

- e) **Property and equipment** - Property and equipment are recorded at cost and are amortized over their estimated useful lives, which are four years for vehicles, five years for office furniture, computers and electronic equipment, two years for software and eight years for other items. The Company reviews the carrying value of property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the estimate of undiscounted future cash flows from the asset. At that time, the carrying amount is written down to fair value.
- f) **Share Capital** - The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option and warrant enabled the holder to purchase a share in the Company, together with any fair value ascribed to the option or warrant at the time of grant or issue.

Share capital issued for non-monetary consideration is recorded at an amount based on fair value.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values determined using the Black-Scholes pricing model.

- g) **Stock-based compensation** - The Company has a stock option plan. Employee and director stock options are measured at their fair value on the grant date and recognized over the vesting period. Non-employee stock options are measured at their fair value on date of vesting. Prior to vesting, non-employee stock options are recognized based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as compensation expense or allocated to exploration property costs. Agents' warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. On the exercise of stock options and agents' warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation and agents' warrants.

TOURNIGAN ENERGY LTD. (a development stage company)

2010 ANNUAL REPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2010 and 2009
(expressed in Canadian dollars)

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

- h) **Translation of foreign currencies** – The Company's functional currency is the Canadian dollar. The Company's subsidiaries are integrated foreign operations which are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in the consolidated statements of loss and deficit.
- i) **Earnings per share** - Basic loss per share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the year. The Company computes diluted loss per share using the treasury stock method for all periods presented. The effect of all warrants and options outstanding is anti-dilutive such that diluted loss per share is the same as basic loss per share.
- j) **Income taxes** - Future income taxes relate to the expected future tax consequences of settling differences between the carrying amounts of balance sheet items and their corresponding tax values and from loss carry-forwards. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that a future income tax asset will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.
- k) **Financial instruments – recognition and measurement** - Standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:
- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current year net earnings;
 - Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income until the gain or loss is recognized in income;
 - Held-for-trading financial instruments are measured at fair value. All changes in fair value are included in net earnings in the year in which they arise; and
 - All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. Changes in fair value are included in net earnings in the period in which they arise, except for hedge transactions which qualify for hedge accounting treatment in which case gains and losses are recognized in other comprehensive income.

The Company has implemented the following classifications for its financial instruments:

- Cash and cash equivalents are classified as held-for-trading;
- Accounts and notes receivable and due from related party have been classified as loans and receivables;
- Marketable securities have been classified as available-for-sale;
- Accounts payable and accrued liabilities have been classified as other financial liabilities; and
- The Company has no derivative financial instruments.

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

The Company provides disclosure that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performances; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the balance sheet date, and how the entity manages those risks.

The Company also discloses financial instruments and non-financial derivatives classified from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

- l) **Comprehensive income** - Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.
- m) **Asset retirement obligations** - The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of mineral properties. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time and is recognized as an accretion expense in the consolidated statements of loss and deficit. The increase in the carrying value of the asset is amortized on the same basis as the related long-lived asset. There are no asset retirement obligations as at September 30, 2010.
- n) **Comparative figures** - Certain of the prior periods' figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously-reported results.

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.
- b) **Financial Instruments** - During 2009, CICA Handbook Section 3862, *Financial Instruments - Disclosures* was amended to require additional disclosure requirements about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

Changes in valuation methodology may result in transfers in or out of an investment's assigned level.

The amendments to CICA Handbook Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company has adopted this standard for the year ended September 30, 2010. See Note 7 for relevant disclosures.

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

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

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 and 21,421,798 at September 30, 2008 and 2009 respectively; 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.

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4. MARKETABLE SECURITIES

	September 30, 2010	September 30, 2009
Condor Resources PLC ("Condor")	\$ -	\$ 16,300
Nanika Resources Inc. ("Nanika")	-	9,250
Ortac Resources Limited ("Ortac")	1,562,416	-
	\$ 1,562,416	\$ 25,550

During the year ended September 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.

During the year ended September 30, 2010 the Company received US\$550,000 and 87,688,530 common shares of Ortac valued at US\$1,350,000 as payment for the US\$1,900,000 note receivable from Ortac as described in Note 5. The Company recorded an unrealized holding gain on these shares at September 30, 2010 of \$177,316 to other comprehensive income. All of the Ortac shares were sold subsequent to September 30, 2010 (Note 13).

During the fiscal year September 30, 2009, the Company recorded \$8,828 in other comprehensive income as an unrealized gain in the year 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 the time.

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

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

On January 27, 2010, the Company and 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 Companies 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 Companies 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 was paid as US\$550,000 in cash and US\$1,350,000 was paid in the equivalent value of Ortac common shares at the Ortac IPO price of one pence (£0.01) converted to US Dollars at 1.54.

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 has granted 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-down the 2% NSR royalty granted to the Company, to 1%, at any time by paying the Company US\$1 million cash.

Included in accounts receivable are amounts owed by Ortac to the Company of \$32,627 (subsequently collected) at September 30, 2010 (\$62,436 at September 30, 2009) for reimbursement of Kremnica operating expenses.

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

The net assets of discontinued operations are summarized as follows:

	September 30, 2010	April 9, 2010 (disposal date)	September 30, 2009 (revised note 3)
Kremnica			
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 on disposal of discontinued operations and loss from discontinued operations is as follows:

	Kremnica	Total	Kremnica	TUSA	Dalradian Gold	TVC Ukraine
	For the year ended September 30, 2010	For the year ended September 30, 2009 (revised note 3)				
Accretion on asset retirement obligation	\$ -	\$ 5,852	\$ 5,852	\$ -	\$ -	\$ -
Mineral exploration costs	169,662	-	-	-	-	-
Property investigation costs	-	223,573	-	3,426	-	220,147
Employee salaries and fees to directors and contractors	(9,425)	37,848	-	-	-	37,848
Public, government and investor relations	18,677	102,074	85,225	-	11,541	5,308
Audit, legal and other professional fees	1,043	40,891	7,868	5,223	27,800	-
Administration	2,403	1,424	127	(235)	917	615
Interest income	(3)	(7,030)	(43)	(6,419)	-	(568)
Foreign exchange (gain) loss	-	777,661	804,781	-	(13,754)	(13,366)
Operating recoveries	(182,357)	-	-	-	-	-
Loss from discontinued operations	-	(1,182,293)	(903,810)	(1,995)	(26,504)	(249,984)
Gain on disposal of discontinued operations	1,812,285	1,439,321	1,439,321	-	-	-
	\$ 1,812,285	\$ 257,028	\$ 535,511	\$ (1,995)	\$ (26,504)	\$ (249,984)

6. PROPERTY AND EQUIPMENT

	September 30, 2010			September 30, 2009		
	Cost	Accumulated amortization	Net Book Value	Cost	Accumulated amortization	Net Book Value
Computer and electronic equipment	\$ 106,520	\$ 94,114	\$ 12,406	\$ 101,872	\$ 64,448	\$ 37,424
Vehicles	67,218	48,881	18,337	67,218	31,841	35,377
Office and field equipment	286,923	156,114	130,809	276,749	100,477	176,272
Software	139,695	139,695	-	139,695	120,803	18,892
	\$ 600,356	\$ 438,804	\$ 161,552	\$ 585,534	\$ 317,569	\$ 267,965

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Disclosures

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, accounts and notes receivable, marketable securities, due from related party, and accounts payable and accrued liabilities.

The fair value of cash and cash equivalents is measured on the balance sheet using level 1 of the fair value hierarchy. The fair values of amounts and note receivable, due from related party, and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. Periodic adjustments to the fair values of marketable securities are recorded in other comprehensive income until disposed of, and these marketable securities are measured on the balance sheet using level 1 of the fair value hierarchy.

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 failing to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank investments, and accounts and other receivables. 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.

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 invested in business bank accounts which are available on demand. Company's cash on hand at September 30, 2010 combined with amounts received from the issuance of shares subsequent to September 30, 2010 (Note 13(a)) is sufficient to finance exploration activities 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.

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 while its investment in Ortac shares is affected by changes in the Canadian Dollar exchange rate with the Great 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. The effect of a one percent change in the foreign exchange rate on the working capital items held in Euro, United States dollars, and Great British Pounds would result in an approximate \$26,000 decrease or increase, respectively, in net income or loss for the year ended September 30, 2010 and shareholder's equity as at September 30, 2010. The Company has not hedged its exposure to currency fluctuations.

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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
Issued as at September 30, 2008	122,697,859	\$ 108,370,841	\$ 9,031,777
Stock based compensation	-	-	563,124
Issued as at September 30, 2009	122,697,859	108,370,841	9,594,901
Stock based compensation	-	-	1,005,395
Shares issued pursuant to a private placement	30,000,000	2,454,476	545,524
Share issue costs	-	(128,442)	-
Warrants issued as finders' fees	-	(48,027)	48,027
Cancellation of shares held in escrow	(9,375)	(8,250)	8,250
Issued as at September 30, 2010	152,688,484	\$ 110,640,598	\$ 11,202,097

Share issuance - On July 14, 2010 the Company completed a non-brokered private placement of 30,000,000 units ("Unit") at a price of \$0.10 per unit, for gross proceeds of \$3,000,000. Each Unit consisted of one common share (a "Share") and one-half of one non-transferable share purchase warrant (a "Warrant"). Each full Warrant is exercisable to purchase an additional Share of the Company at \$0.20 each until July 14, 2012. The proceeds of the financing of \$3,000,000 were allocated on a relative fair value basis as \$2,454,476 to Shares and \$545,524 as to Warrants. The Company paid \$102,900 cash and issued an additional 1,029,000 share purchase warrants ("Finders' Warrant") at a fair value of \$48,027 as finders' fees pursuant to the private placement. Cash share issue costs pursuant to this private placement were an additional \$25,542.

The assumptions used in the Black-Scholes option pricing model for the relative fair value allocation and the fair value of the Finders' Warrants were: a risk free interest rate of 1.62%; an expected volatility of 113%; an expected life of 2 years; and an expected dividend of zero.

Escrow shares - There were 9,375 common shares held in escrow at September 30, 2009. In the current fiscal year, the Company received Exchange approval to cancel the escrow agreement and return the shares to its treasury. The cancellation was valued at the average per-share book value as at the beginning of the current fiscal year.

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8. SHARE CAPITAL (continued)

Warrants – There were no warrants outstanding at any time in the year ended September 30, 2009.

Expiry date	Exercise price	Balance, September 30, 2009	Issued	Exercised	Cancelled / Expired	Balance September 30, 2010
July 14, 2012	\$ 0.20	-	15,000,000	-	-	15,000,000
July 14, 2012 (Finders)	\$ 0.20	-	1,029,000	-	-	1,029,000
		-	16,029,000	-	-	16,029,000
Weighted average exercise price	\$	-	\$ 0.20	\$	-	\$ 0.20

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.

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

Expiry date	Exercise price	Balance, September 30, 2009	Granted	Exercised	Cancelled	Balance September 30, 2010	
February 15, 2011	\$ 1.45	233,333	-	-	(233,333)	-	
March 31, 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, 2013	\$ 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	-	(3,848,333)	5,575,000	
Weighted average exercise price	\$	1.11	\$ 0.30	\$	-	\$ 1.59	\$ 0.34

At September 30, 2010, all but 693,752 of the outstanding options were exercisable.

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8. SHARE CAPITAL (continued)

As at September 30, 2009, the Company has stock options outstanding and exercisable as follows:

Expiry date	Exercise price	Balance, September 30, 2008	Granted	Exercised	Cancelled / Expired	Balance, September 30, 2009				
January 30, 2009	\$ 0.35	100,000	-	-	(100,000)	-				
April 2, 2009	\$ 0.50	130,000	-	-	(130,000)	-				
September 17, 2009	\$ 0.45	230,000	-	-	(230,000)	-				
June 9, 2010	\$ 0.40	20,000	-	-	(20,000)	-				
August 31, 2010	\$ 0.40	100,000	-	-	(100,000)	-				
September 21, 2010	\$ 0.50	350,000	-	-	(350,000)	-				
February 15, 2011	\$ 1.45	1,283,333	-	-	(1,050,000)	233,333				
March 31, 2011	\$ 1.86	1,200,000	-	-	(100,000)	1,100,000				
May 1, 2011	\$ 1.45	500,000	-	-	(500,000)	-				
August 1, 2011	\$ 1.50	250,000	-	-	(250,000)	-				
August 31, 2011	\$ 1.64	11,667	-	-	(11,667)	-				
November 28, 2011	\$ 2.02	30,000	-	-	(30,000)	-				
November 28, 2011	\$ 3.04	135,000	-	-	(135,000)	-				
January 19, 2012	\$ 3.10	200,000	-	-	(200,000)	-				
February 16, 2012	\$ 3.44	750,000	-	-	(700,000)	50,000				
March 29, 2012	\$ 2.97	400,000	-	-	-	400,000				
July 4, 2012	\$ 3.76	150,000	-	-	(150,000)	-				
July 25, 2012	\$ 3.63	213,334	-	-	(163,334)	50,000				
August 1, 2012	\$ 3.29	75,000	-	-	-	75,000				
December 10, 2012	\$ 1.35	180,000	-	-	(60,000)	120,000				
February 27, 2013	\$ 1.16	1,547,500	-	-	(827,500)	720,000				
July 10, 2013	\$ 0.90	1,000,000	-	-	-	1,000,000				
August 25, 2013	\$ 0.54	150,000	-	-	(150,000)	-				
August 31, 2013	\$ 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				
		9,005,834	2,675,000	-	(5,257,501)	6,423,333				
Weighted average exercise price	\$	1.68	\$	0.40	\$	-	\$	2.43	\$	1.11

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8. SHARE CAPITAL (continued)

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 year ended September 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 \$0.1297 per option.

- b) Employees and consultants:
 - i) 1.70 year weighted average 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 \$0.1035 per option.

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 the year along with the continued vesting of the balance of the stock options previously granted.

The total share based compensation recorded in the year ended September 30, 2010 was \$1,005,395, of which \$992,530 was recorded in expenses and \$12,865 was recorded in mineral property exploration costs. The remaining \$27,833 fair value of the options granted will be recognized as the options vest through the first quarter of fiscal year 2011.

The total share based compensation recorded in the year ended September 30, 2009 was \$554,576 of which \$504,261 was recorded in expenses and \$50,315 was recorded in mineral property exploration costs. At the grant date, the \$605,698 fair value of the 2,675,000 options granted in fiscal 2009 was determined using the Black-Scholes option pricing model using the following assumptions: a risk free interest rate ranging from 0.94% to 2.16%, an expected volatility ranging from 100% to 114%, an expected life of 2 to 3 years and zero dividend, for a weighted average fair value per option of \$0.23.

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.

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9. RELATED PARTY TRANSACTIONS AND BALANCES

a) Transactions

	Year ended September 30, 2010	Year ended September 30, 2009
Legal fees to a law firm in which a director is a partner	\$ 60,584	\$ 84,506
Share issue costs to a law firm in which a director is a partner	9,572	-
Consulting fees to a company controlled by an officer	102,000	89,250

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.

	September 30, 2010	September 30, 2009
Accounts receivable from directors and officers	\$ -	\$ 42,828
Accounts receivable from Ortac	32,627	62,436
Accounts receivable from Fischer-Watt	-	214,140
Due from Fischer-Watt	751,170	833,005
	\$ 783,797	\$ 1,152,409
Accounts payable and accrued liabilities - due to related parties	\$ 9,617	\$ 170,597

The amount owed by Ortac is discussed in note 5. Dorian Nicol, the President and Chief Executive Officer of the Company became a director of Ortac after executing the Share Purchase Agreement.

The amount owed by Fischer-Watt relates to the February 23, 2009 sale of Tournigan USA Inc. The Chairman, President and CEO of Fischer-Watt is Peter Bojtos, who is a director of the Company. The Company collected \$132,275 (US\$130,000) of this receivable subsequent to year end.

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10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended September 30, 2010	Year ended September 30, 2009 (restated)**
Canadian statutory income tax rate	28.875%	30.125%
Income tax recovery at statutory rate	\$ (2,038,704)	\$ (6,382,681)
Decrease (increase) resulting from:		
Tax rate changes	-	665,580
Change in accounting policy	-	(4,115,979)
Difference between current and future rate	54,666	-
Difference between statutory and foreign rates	468,270	1,397,351
Permanent differences	5,126,594	1,679,538
Unrecognized tax attributes	(3,610,826)	6,756,191
Income tax recoverable	\$ -	\$ -

** change in accounting policy, see note 3

The tax effects of temporary differences that give rise to significant portions of the future tax assets are presented below:

	September 30, 2010	September 30, 2009 (restated)**
Mineral properties and resource pools	\$ 6,731,733	\$ 10,005,879
Loss carry-forwards	6,998,537	7,120,999
Share issuance costs	30,371	151,473
Property and equipment	82,080	62,629
Asset retirement obligations	-	34,216
Marketable securities	(22,165)	56,186
Valuation allowance	(13,820,556)	(17,431,382)
	\$ -	\$ -

** change in accounting policy, see note 3

Based upon the level of historical taxable income and projections for future taxable income over the years in which the future tax assets are available for deduction, management has provided a full valuation allowance for the future income tax assets.

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10. INCOME TAXES (continued)

Subject to certain restrictions, the Company has capital losses of \$5,784,000 and non-capital losses of \$23,285,000 available to reduce future Canadian taxable income. There are no expiry limitations with respect to the capital losses. The Canadian non-capital losses expire as follows:

Year	
2013	\$ 2,433,000
2014	2,512,000
2025	3,980,000
2026	3,843,000
2027	472,000
2028	4,690,000
2029	3,434,000
2030	1,921,000
	\$ 23,285,000

The Company has Slovakian operating tax losses of \$1,200,000 which expire over the next five-year period to 2015.

11. SEGMENTED INFORMATION

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 non-cash assets are located in Slovakia.

12. COMMITMENTS

Drilling contract - A subsidiary of the Company had entered into a drilling contract with a Slovakian drilling company whereby the Company was committed to drill 4,190 metres by December 31, 2010 at an estimated equivalent cost of \$232 per metre (€166 per metre). The Company negotiated terms for early termination and paid \$57,800 (€41,283) in full settlement and release of this contract in November 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 are expected to be approximately €6,400 for fiscal 2011; 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. The annual fees and minimum work commitment required to hold these two licenses is approximately €28,500.

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12. COMMITMENTS (continued)

In August 2006, the Company acquired a 100% interest in the Kluknava licence, also in eastern Slovakia, which was set to expire in August 2010. The Company renewed this license for an additional four years which is set to expire August 2014, with renewal options at that time. The annual fee to hold this license is €5,800.

In August 2008, the Company acquired the Chrast nad Hornadom licence which was set to expire in October 2010. The Company renewed this license for an additional four years which is set to expire October 2014, with renewal options at that time. The annual fee to hold this license is €5,800.

The Vitaz exploration licence was granted in April 2009 for 4 years with Company renewal options. The annual fee and minimum work commitment required to hold this license is €43,000.

Aggregate licence fees and minimum work commitments for these other Slovakian uranium properties are expected to be approximately €83,100 for fiscal 2011.

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2010 the Company:

- a) completed a public offering of 40,000,000 units at a price of \$0.30 per unit to raise gross proceeds of \$12,000,000 pursuant to a short form prospectus dated December 22, 2010. Each unit was comprised of one common share and one-half of one common share purchase warrant. As commission to the agent, the Company paid \$720,000 and issued 2,400,000 agent's warrants. Each whole warrant and each agent warrant entitles the holder to purchase one common share of the Company up to and including December 30, 2012 at an exercise price of \$0.40;
- b) issued 1,000,000 common shares pursuant to the exercise of share purchase warrants for proceeds of \$200,000;
- c) sold all of its shares of Ortac for proceeds, net of commission, of \$2,230,025 (US\$2,167,177); and
- d) issued 43,750 common shares pursuant to the exercise of agent's share purchase warrants for proceeds of \$8,750.