

Consolidated Financial Statements of

KIRRIN RESOURCES INC.

Six months ended June 30, 2010
(Unaudited)

Notice - These interim consolidated financial statements have not been reviewed by an auditor.

KIRRIN RESOURCES INC.

Consolidated Balance Sheets - Unaudited

	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and equivalents	\$ 227,823	\$ 717,161
Accounts receivable	22,439	149,070
Prepaid expenses and other	7,051	17,696
	257,313	883,927
Mineral interests (Note 3)	1,796,012	1,428,943
	\$ 2,053,325	\$ 2,312,870
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 4)	\$ 253,163	\$ 580,763
Amount due to related party (Note 4)	200,000	110,000
	453,163	690,763
Shareholders' equity:		
Share capital (Note 5)	3,565,167	3,621,365
Warrants (Note 5)	435,500	341,000
Contributed surplus (Note 5)	627,459	598,175
Deficit	(3,027,964)	(2,938,433)
	1,600,162	1,622,107
	\$ 2,053,325	\$ 2,312,870

See accompanying notes

On behalf of the Board

"Derek Moran"

Derek J. Moran
Director

"Peter Farkas"

Peter T. Farkas
Director

KIRRIN RESOURCES INC.

Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Deficit - Unaudited

Six months ended June 30	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Expenses:				
Exploration	\$ 2,500	\$ 1,036	\$ 15,448	\$ 7,059
Project development	763	11,230	1,920	59,923
General and administrative	119,010	145,999	241,562	302,500
Stock based compensation	8,455	(11,031)	29,284	3,522
Foreign exchange gain	66	(3,276)	(18)	(4,018)
Amortization	161	-	335	-
Loss before the following:	(130,955)	(143,958)	(288,531)	(368,986)
Gain on disposal of subsidiary (Note 3 f))	-	362,000	-	362,000
Loss before income taxes	(130,955)	218,042	(288,531)	(6,986)
Future income tax reduction (Note 8)	-	-	199,000	-
Net income (loss) and comprehensive income (loss) for the period	(130,955)	218,042	(89,531)	(6,986)
Deficit, beginning of period (Note 5 a))	(2,897,009)	(10,238,553)	(2,938,433)	(10,013,525)
Deficit reduction (Note 5 a))	-	8,000,000	-	8,000,000
Deficit, end of period	\$ (3,027,964)	\$ (2,020,511)	\$ (3,027,964)	\$ (2,020,511)
Income (loss) per share - basic and diluted	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.00

See accompanying notes

KIRRIN RESOURCES INC.

Consolidated Statements of Cash Flow - Unaudited

Six months ended June 30	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Cash flows from (used by) operating activities:				
Net income (loss) and comprehensive income (loss) for the period	\$ (130,955)	\$ 218,042	\$ (89,531)	\$ (6,986)
Add (deduct) non-cash items				
Unrealized foreign exchange gain	66	(3,276)	(18)	(4,018)
Stock based compensation	8,455	(11,031)	29,284	3,522
Amortization	161	-	335	-
Gain on disposal of subsidiary	-	(362,000)	-	(362,000)
Future income tax reduction	-	-	(199,000)	-
Change in non-cash working capital	3,757	40,052	16,198	(294,084)
	(118,516)	(118,213)	(242,732)	(663,566)
Cash flows from (used by) financing activities:				
Shares issued for cash	-	-	105,500	4,000
Warrants issued for cash	-	-	94,500	-
Share issue costs	(2,948)	-	(24,448)	-
Advances from (repayment to) amount due to related party	25,000	-	(20,000)	-
Change in non-cash working capital	(8,881)	-	(34,158)	(41,026)
	13,171	-	121,394	(37,026)
Cash flows from (used by) investing activities:				
Mineral interests expenditures	(140,972)	7,392	(203,331)	(35,926)
Purchase of property and equipment	-	-	(2,323)	-
Change in non-cash working capital	40,966	30,865	(162,346)	159,334
	(100,006)	38,257	(368,000)	123,408
Net decrease in cash and equivalents	(205,351)	(79,956)	(489,338)	(577,184)
Cash and equivalents at beginning of period	433,174	114,822	717,161	612,050
Cash and equivalents at end of period	\$ 227,823	\$ 34,866	\$ 227,823	\$ 34,866

See accompanying notes

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Notes to Consolidated Financial Statements

March 31, 2010 - Unaudited

Kirrin Resources Inc. (the 'Company') is incorporated under the laws of Alberta. The Company's principal business is the acquisition, exploration and development of uranium and rare earth elements resources properties.

1. Nature of operations - going concern:

The Company is a development stage company. These consolidated financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

There are conditions which may raise doubt regarding this assumption. The Company has a history of losses and no operating revenue other than interest income, the receipt of proceeds on the sale of subsidiaries and government grants. The recoverability of capitalized costs is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives is dependent on its ability to raise adequate financing to fund ongoing operating expenditures until it generates operating profitability and positive cash flow. Management is seeking equity financing for the Company during 2010 and, although management has been successful in securing adequate financing in the past, there is no assurance that its initiatives will be successful in the future.

These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. Basis of presentation and significant accounting policies:

The unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada, and follow the same accounting principles and methods of application as those disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2009. These financial statements do not include all disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements and, accordingly, should be read in conjunction with the Company's consolidated financial statements included in the 2009 Annual Report.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from those estimates.

3. Mineral interests:

	Alexis River Canada	Lost Pond Canada	Boxey Point Canada	Key Lake Canada	Grevet Canada	Total
Balance, January 1, 2009	\$ 735,222	\$ 657,963	\$ 303,188	\$ -	\$ -	\$ 1,696,373
Additions 2009						
Acquisition costs	4,000	-	4,000	-	-	8,000
Drilling	84	(16,867)	296,353	-	-	279,570
Geology and geophysics	19,927	28,614	12,290	-	-	60,831
Field support	-	-	25,598	-	-	25,598
Results analysis	-	-	3,538	-	-	3,538
Maps, drafting and reports	-	-	7,866	-	-	7,866
	24,011	11,747	349,645	-	-	385,403
Total	759,233	669,710	652,833	-	-	2,081,776
Government grants	-	-	(100,000)	-	-	(100,000)
Write down	-	-	(552,833)	-	-	(552,833)
Balance, December 31, 2009	\$ 759,233	\$ 669,710	\$ -	\$ -	\$ -	\$ 1,428,943

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3. Mineral interests (continued):

	Alexis River Canada	Lost Pond Canada	Boxey Point Canada	Key Lake Canada	Grevet Canada	Total
Balance, January 1, 2010	\$ 759,233	\$ 669,710	\$ -	\$ -	\$ -	\$ 1,428,943
Additions 2010						
Acquisition costs	-	6,250	-	45,500	13,000	64,750
Drilling	-	-	-	-	-	-
Geology and geophysics	1,392	6,114	-	148,291	144,534	300,331
Field support	-	-	-	-	-	-
Results analysis	-	-	-	-	-	-
Maps, drafting and reports	-	-	-	-	-	-
	1,392	12,364	-	193,791	157,534	365,081
Total	760,625	682,074	-	193,791	157,534	1,794,024
Property and equipment (net)						1,988
Balance, June 30, 2010	\$ 760,625	\$ 682,074	\$ -	\$ 193,791	\$ 157,534	\$ 1,796,012

Mineral interests under development totalling \$1,794,024 (December 31, 2009 - \$1,428,943) are not subject to depletion and amortization.

4. Amount due to related party:

The amount due to related party of \$200,000 (December 31, 2009 - \$110,000) is in respect of unpaid salary to the President of the Company, is unsecured, has no repayment terms and bears no interest. The President has agreed not to demand repayment of the balance before July 2011.

The Company is also indebted to its President in the amount of \$29,854 (December 31, 2009 - \$151,464), included in accounts payable and accrued liabilities, in respect of expenses incurred on its behalf in the amount of \$4,854 (December 31, 2009 - \$16,464) and unpaid salary of \$25,000 (December 31, 2009 - \$135,000).

The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed between the transacting parties.

5. Share capital, stock options and warrants:

Authorized:

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares in one or more series, none of which have been issued.

Common shares issued:	Number	Amount
Balance, December 31, 2008	12,347,002	\$ 9,473,863
Issued for mineral interests	90,000	8,000
Issued on exercise of options	120,000	79,803
Issued for cash in a private placement	2,060,000	142,000
Issued for cash on a flow-through basis in a private placement	5,982,671	560,574
Share issue costs	-	(219,624)
Deficit reduction (Note 5 a))	-	(6,423,251)
Balance, December 31, 2009	20,599,673	\$ 3,621,365

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5. Share capital, stock options and warrants (continued):

Common shares issued (continued):	Number	Amount
Balance, December 31, 2009	20,599,673	\$ 3,621,365
Issued for mineral interests	400,000	51,750
Issued for cash in a private placement	1,666,667	105,500
Issued for finder's fees	76,923	10,000
Future income tax effect from tax benefits renounced on flow-through shares	-	(199,000)
Share issue costs	-	(24,448)
Balance, June 30, 2010	22,743,263	\$ 3,565,167

Warrants issued:	Number	Amount
Balance, December 31, 2008	4,627,283	\$ 636,000
Issued for cash in a private placement	1,030,000	64,000
Issued for cash on a flow-through basis in a private placement	5,982,671	277,000
Expired	(4,627,283)	(636,000)
Balance, December 31, 2009	7,012,671	341,000
Issued for cash in a private placement	1,666,667	94,500
Balance, June 30, 2010	8,679,338	\$ 435,500

Contributed surplus:	Amount
Balance, December 31, 2008	\$ 1,432,227
Stock based compensation	109,500
Finder's options issued	65,000
Warrants expired	636,000
Options exercised	(67,803)
Deficit reduction (Note 5 a))	(1,576,749)
Balance, December 31, 2009	598,175
Stock based compensation	29,284
Balance, June 30, 2010	\$ 627,459

a) Financing:

At the Annual General and Special Meeting held on May 1, 2009, shareholders approved the consolidation of the share capital of the Company on the basis of one new common share for each ten old common shares of the Company and authorized the reduction of the accumulated deficit of the Company by an amount of \$8,000,000, correspondingly reducing the contributed surplus and share capital accounts. All shares and per share amounts in the financial statements have been adjusted to reflect the 1 for 10 share consolidation.

On March 12, 2010, the Company completed a private placement issuing 1,666,667 units at a purchase price of \$0.12 per unit for proceeds of \$200,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.14 per common share for eighteen months from the date of issuance, subject to earlier expiry in certain circumstances. The issued securities are subject to a four month hold period from the date of issuance under applicable securities laws.

b) Stock options and warrants:

	Number outstanding	Weighted average exercise price	Number exercisable	Weighted average exercise price	Grant date	Expiry date
Incentive stock plan options						
Employees/directors	1,096,000	\$0.12	629,500	\$0.11	Sep 2006 - Jan 2010	Sep 2010 - Jan 2015
Consultants	340,000	0.12	186,250	0.11	Sep 2006 - Feb 2010	Sep 2010 - Feb 2015
Total	1,436,000	\$0.12	815,750	\$0.11		

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5. Share capital, stock options and warrants (continued):

b) Stock options and warrants (continued):

	Number outstanding	Weighted average exercise price	Number exercisable	Weighted average exercise price	Grant date	Expiry date
Other options						
Finder's options	671,492	\$0.13	671,492	\$0.13	Nov 2009 - Dec 2009	Nov 2010 - Dec 2011
Warrants						
Common share warrants	2,696,667	\$0.14	2,696,667	\$0.14	Nov 2009 - Mar 2010	Nov 2011 - Sept 2011
Flow-through share warrants	5,982,671	0.20	5,982,671	0.20	Dec 2009	Dec 2011
Total	8,679,338	\$0.18	8,679,338	\$0.18		

	June 30, 2010		December 31, 2009	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Incentive stock plan options				
Outstanding at beginning of period	766,000	\$0.10	874,750	\$0.10
Issued	670,000	0.14	75,000	0.10
Exercised	-	-	(120,000)	0.10
Expired	-	-	(63,750)	0.10
Outstanding at end of period	1,436,000	\$0.12	766,000	\$0.10
Exercisable at end of period	815,750	\$0.11	648,250	\$0.10
Other options				
Outstanding at beginning of period	671,492	\$0.13	-	-
Issued	-	-	671,492	0.13
Outstanding and exercisable at end of period	671,492	\$0.13	671,492	\$0.13
Warrants				
Outstanding at beginning of period	7,012,671	\$0.19	4,627,283	\$1.10
Issued	1,666,667	0.14	7,012,671	0.19
Expired	-	-	(4,627,283)	1.10
Outstanding and exercisable at end of period	8,679,338	\$0.18	7,012,671	\$0.19

6. Financial instruments:

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Company's main objectives for managing risks are to ensure liquidity, the fulfilment of obligations, the continuation of the Company's exploration program and limit exposure to credit and market risks. There were no changes to the objectives or the process from the prior year.

The types of risk exposure and the way in which such exposures are managed are as follows:

a) Fair values:

The Company's financial instruments recognized on the balance sheet consist of cash and equivalents, accounts receivable, accounts payable and accrued liabilities, and amount due to related party. The carrying values of the Company's financial instruments, excluding amount due to related party, approximate their fair value due to the short term to maturity. The fair value of the amount due to related party is not determinable as there are no set terms of repayment. The fair value of the Company's financial instruments, excluding amount due to related party, is attributable to Level 2 of the fair value hierarchy as at June 30, 2010 and December 31, 2009.

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6. Financial instruments (continued):

b) Market risk:

Foreign currency risk:

The Company has \$508 (US \$464) (December 31, 2009 - \$582 (US \$536)) in US currency held in US dollar bank accounts.

Commodity price risk:

While the Company is a development stage company and has no production or sales revenues, it bears commodity price risk in that commodity price may influence investors and thus impact the outcome of the Company's equity financings in 2010 and later. The spot price for uranium fell by 15% during 2009 and lagged most other commodities in the aftermath of the 2008 economic crisis. The spot price has recovered by 10% during 2010, to \$46 per lb at August 3, 2010. The Company considers that supply and demand fundamentals remain strong and that the spot price will respond positively to the current rapid growth in the number of nuclear reactors. Rare earth elements are not exchange traded commodities and China has a virtual monopoly on production and price setting. Accordingly, although prices increased strongly during 2009 and the Company considers that supply and demand fundamentals remain strong, the risks associated with monopoly conditions are present.

c) Credit risk:

The Company does not engage in any sales activities and has no significant credit risk arising from operations. Credit risk primarily arises from the Company's cash and accounts receivable. The risk exposure is limited to their carrying amount at the balance sheet date.

The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of its banks.

The Company's receivables comprise refunds of sales taxes from the Canadian Government and a grant from the Newfoundland & Labrador Department of Natural Resources. The receivables, including the grant, have since been received by the Company.

d) Liquidity risk:

Financial liquidity represents the Company's ability to fund future activities and obligations as and when required. The Company endeavours to ensure that it has sufficient capital to meet short term business requirements. As at June 30, 2010, the Company has working capital of \$4,150 (December 31, 2009 - \$303,164). Accounts payable generally have contractual maturities of 30 days or less and are subject to normal trade terms. Amount due to related party totalling \$25,000 (December 31, 2009 - \$135,000) (Note 4) is payable within one year.

7. Capital management:

The Company's capital structure reflects its strategy and the financial environment in which it operates. The objectives when managing capital are to maintain adequate levels of funding to support the acquisition, exploration and development of uranium and rare earth elements resources properties, to maintain the necessary corporate and administrative functions to facilitate these activities and to safeguard the Company's ability to continue as a going concern.

The Company's current portfolio of properties is in the exploration stage and the Company is dependent primarily on external equity financing to fund its activities. There can be no assurance that the Company will be able to raise capital in this manner in the future. The Company will utilize its existing working capital, and raise additional amounts as required, through the issue of common shares, flow-through shares, share purchase warrants and stock options, to carry out planned exploration and to fund administrative costs. The Company will continue to assess new properties and to seek to acquire interests in additional properties if it believes sufficient economic potential exists and it has adequate financial resources to do so.

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7. Capital management (continued):

There was no change in the Company's approach to capital management during the period ended June 30, 2010. The Company is not subject to externally imposed capital requirements.

8. Income taxes:

The income tax provision differs from the amount which would be obtained by applying the Canadian expected tax rates to income before income taxes as follows:

	June 30 2010	December 31 2009
Income tax rate	29.0%	29.0%
Computed expected income tax reduction	\$ (25,964)	\$ (268,224)
Adjustments:		
Stock based compensation	8,492	31,755
Accounting gain on sale of subsidiary	-	(104,980)
Effect of change in tax rate and other	88,817	64,662
	71,345	(276,787)
Valuation allowance	(270,345)	276,787
	\$ (199,000)	\$ -

The components of the net future income tax asset at June 30, 2010, no portion of which has been recorded in these financial statements, are as follows:

	June 30 2010	December 31 2009
Non-capital/net operating losses	\$ 1,092,000	\$ 1,179,000
Share issue costs	77,000	74,000
Mineral interests	(208,000)	(22,000)
	961,000	1,231,000
Valuation allowance	(961,000)	(1,231,000)
	\$ -	\$ -

The Company has Canadian tax losses of approximately \$4,369,000 with expiry dates ranging between 2010 and 2029.

In February 2010, the Company renounced the tax deductions associated with the \$797,780 flow-through share financing completed in 2009, which resulted in a reduction to share capital of \$199,000 corresponding to the estimated future tax on the reduced tax carrying value of the capitalized assets acquired with those share proceeds. As the Company has future income tax assets that have not previously been recognized, a future income tax reduction of \$199,000 has been recorded in the Company's income statement and which accordingly becomes part of the Company's retained earnings.

9. Subsequent event:

On July 15, 2010, the Company issued 50,000 common shares at a price of \$0.05 each for consideration of \$2,500 in connection with the Alexis River option agreement with Altius Resources Inc.

Management's Discussion and Analysis

June 30, 2010

Kirrin is engaged in uranium and REE exploration in Newfoundland & Labrador, Quebec and Saskatchewan and in the expansion of its portfolio through acquisition, merger, strategic partnership or joint venture.

Management's Discussion and Analysis ('MD&A') has been prepared as of August 6, 2010. It should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2009.

Information provided herein relating to 2010 and later years is based on assumptions regarding future events and results may vary. All prices are in Canadian dollars unless otherwise stated.

The above referenced financial statements and the Company's other public filings can be found on SEDAR at www.sedar.com.

Second Quarter Highlights

Highlights during the second quarter of 2010 include:

- the Company completed a 1,076 line-kilometre magnetic-electromagnetic (EM) airborne survey of the Key Lake Southwest ('Key Lake SW') uranium property located on the southeastern margin of the Athabasca Basin in Saskatchewan, Canada.
- the first two phases of a three phase exploration program at the Grevet rare earth elements property in north-western Quebec, Canada were completed. Encouraging results included the confirmation of historic samplings and the discovery of 29 potentially REE related occurrences. The Company has applied to expand the property by 56%, to 1,035 hectares.

Rare earth elements ('REE')

The Rare Earth Elements are a group of 15 chemically-similar elements called lanthanides (from lanthanum, element 57, to lutetium, element 71). Commercially, REEs also include two elements not strictly in the REE group, but which share with REEs some chemical, functional, and occurrent features: scandium and yttrium. They are all usually soft, ductile metals, with very unique properties: catalytic, magnetic, optical and others. REEs are sometimes referred to as 'industrial vitamins' due to the fact that tiny quantities of them, when added to other elements, tend to confer unique properties on the latter. In many applications, moreover, no substitute has been identified for a particular REE.

Rare earths are used extensively in high-tech industries, predominantly in the manufacture of permanent magnets, metal alloys, battery catalysts and glass. Growth in demand over the past four years has exceeded 10% per year and growth is expected to remain strong in the future. The REE elements surround us in our everyday lives by being a part of common high-technology and modern equipment. Of the more familiar applications of REEs, neodymium is probably the most widely known, as it is used in the light magnets found in earphones, mobile phones, hard disk drives, and hi-fi speakers, among others.

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Europium is present in the LCDs (liquid crystal displays) of computer displays and flat-panel television sets, while fibre optic cables that power the Internet depend on erbium. The lenses in photo and video cameras are almost exclusively polished with cerium oxide, and the popular high-efficiency fluorescent light bulbs contain a few different REEs. Other common applications of REEs include as catalysts in oil refining and as an aid for the cleaner burning of fuel in automobiles, lasers, pigments, superconductors, medical imaging devices, as well as in a range of other metallurgical and nuclear applications. Important defence applications are anti-missile defences, jet engines, missile guidance systems and night visions goggles.

Properties

Kirrin's technical expertise lies in project selection and exploration planning and implementation. Present goals include the identification of additional uranium and REE exploration properties in Canada. Kirrin is current on its earning obligations in relation to all of its projects.

The Qualified Person who has reviewed the information under '*Properties*' contained in this MD&A is Dr. Reg Olson, Ph.D., P. Geol.

KEY LAKE SW

The Company has an option agreement with Majesta Resources Inc. ('Majesta') allowing Kirrin to earn a 70% interest in the Key Lake Southwest ('Key Lake SW') uranium property located in northwestern Saskatchewan, by spending \$3,000,000 on exploration by December 31, 2015, making payments to Majesta of \$268,000 by December 31, 2013, and issuing 350,000 common shares to Majesta by June 30, 2010.

The eastern margin of the Athabasca Basin is home to the most productive uranium mines in the world with roughly 25% of the world's uranium production coming from this area. Kirrin's target at Key Lake SW is basement-hosted unconformity-type uranium deposits, similar to Cameco's basement-hosted Millennium deposit, located about 50 km to the northeast; the Phoenix discovery on Wheeler River, located about 60 km northeast; and the former Key Lake mine, located about 35 km east-northeast .

Kirrin initiated exploration by completing a 1,076 line-kilometre magnetic-electromagnetic (EM) airborne survey in April 2010. Fugro Airborne Surveys Corp. ('Fugro') was contracted to complete the survey which utilised Fugro's fixed-wing Tempest® Digital Time Domain Electromagnetic (DTDEM) system. This provided maximum quantitative discrimination of relatively near surface (upper 200 to 300 m) conductivity variations. Kirrin has appointed Condor Consulting, Inc. of Lakewood, Colorado, ('Condor') to undertake the processing and analysis of the airborne EM and magnetic data acquired by Kirrin. Condor submitted its report at the end of July and its conclusions and Kirrin's interpretation will be announced in August.

On January 10, 2010, Denison reported that high-grade uranium mineralization continues to be encountered on the Phoenix discovery at the Wheeler River Property located in the Athabasca Basin of northern Saskatchewan, and that the results of the fall 2009 drilling program have confirmed that the Phoenix discovery has the potential to host an economically significant, high-grade uranium deposit. The Key Lake SW property is at the southwest end of the geologically favourable trend that hosts numerous uranium mines and important deposits, including the Phoenix and Millennium deposits, and the former Key Lake mine. Although the Key Lake SW property is believed to be somewhat southwest of the margin of the current Athabasca Basin, there is evidence (regolith encountered in some old drill holes) that indicates the Athabasca

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Supergroup-Wollaston Group basement unconformity was approximately at or not far above the present ground surface within the property.

Discovery of several 'Ingress style' uranium deposits, such as Phoenix (up to 117 m below the Athabasca Group-basement unconformity), Millennium (up to 100 m below the unconformity), Eagle Point (up to 450 m below the unconformity) and some other deposits within the Athabasca Basin, indicate that important uranium deposits can occur from several tens of metres up to a few hundred metres below the unconformity. Hence, there is potential for important basement-hosted uranium deposits to exist within the Key Lake SW property.

Regional aeromagnetic data show the Phoenix discovery is associated with a fault which cross-cuts the P2 Rift Fault. Important features at the Phoenix basement-hosted uranium discovery which are similar to the geological setting at the Key Lake SW property include the geological composition of the host basement rocks, the spatial association with the projected regional P2 fault, and the localization of the Phoenix uranium prospect on cross-cutting faults. Gracie (2009) has postulated that the Key Lake SW property is along the projected extension of both the P2 fault, which extends southerly from the McArthur River mine, and the Key Lake fault, which extends southwesterly from the former Key Lake mine.

GREVET

Kirrin has an option agreement with Michel Proulx ('MP') allowing Kirrin to earn a 100% interest in the Grevet REE property, which is located in northwestern Quebec. Kirrin is required to spend \$1,850,000 on exploration, including a minimum first year commitment of \$200,000, and make payments to MP of \$20,000, over four years.

Kirrin has conducted two field programs at Grevet since its acquisition in February 2010. The first, in April, was led by Dr. Reg Olson and Dr. David Lentz. Dr. Lentz, Professor of Economic Geology at the University of New Brunswick, is a consultant to Kirrin and has suggested that, because of the ferroan carbonatite association with magnetite, the Grevet property has some geological similarities to the large Bayan Obo REE-bearing carbonatitic body in Mongolia, China. Bayan Obo is the world's largest REE deposit, containing about 70% of the world's known REE resources.

Work during the Phase 1 April visit included an examination of selected important REE showings within the Grevet property, an evaluation of the Grevet block geology, including geology in adjacent open areas that might be prospective for staking, and obtaining sufficient GPS (global positioning system) points to enable the Grevet physical grid cut in 2001 and 2002 to be georeferenced in GIS.

The Phase 2 field program commenced in mid May and was completed on June 20. It was led by Michel Proulx, Kirrin's project consultant on the Grevet property. This program included physical grid refreshment of portions of the 2001 and 2002 grids; line cutting of about 31 line-km to expand the existing physical grid; prospecting; and the collection of 160 rock channel, chip or grab samples from carbonatites and associated magnetite/siderite stockwork occurrences believed prospective for REE.. Encouraging results from the 2010 rock sampling included the confirmation of historic samplings and the discovery of 29 potentially REE related occurrences. Kirrin has applied to expand the property by 56%, to 1,035 hectares. The recent program also confirmed that the 1988 REE discovery, which sparked interest in REE in the area, lies within Kirrin's property. The samples were sent to ALS Chemex at Val d'Or, Quebec for analysis and the results were received in late July. These are in the process of being verified, evaluated and interpreted and the results from this process will be released in August

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The Phase 2 program has both confirmed and indicated positive results from other potential REE-bearing carbonatites at Grevet and Kirrin is planning a Phase 3 follow-up field work program at Grevet during the latter part of 2010.

ALEXIS RIVER

The Alexis River property, located in southeastern Labrador, is approximately 2,500 hectares in size and the area is underlain by rocks assigned to the Pinware Terrane of the Eastern Grenville Province, which are potential hosts for uranium mineralization. Kirrin may earn a minimum 60% interest in the Alexis River property over five years by spending \$1,250,000 on exploration and issuing 250,000 shares to Altius Resources Inc. ('Altius').

Since acquiring an interest in Alexis River, Kirrin has overseen a helicopter borne radiometric and magnetometer survey conducted by Altius in July 2007; limited follow-up prospecting by Altius over selected airborne radiometric anomalies; additional lake sediment sampling of Anomaly Lake during August and September 2007; further systematic lake sediment sampling conducted by Altius in February 2008 and by Kirrin in June and July 2008; and a total of 1,294.5 m drilled in five holes in October 2008 intended to test bedrock beneath Anomaly Lake.

The lake sediment sample results for uranium are unusually high, being well over two orders of magnitude higher than the average uranium content of lake sediment samples within Labrador. The highest uranium content recorded during the above sampling programs was 2,370 ppm U.

The key drilling results are from two holes, with the best intercepts (a) in hole AL0802 being 0.754% U_3O_8 across 0.2 m from 58.9 m to 59.1 m core length, plus a second intercept of 0.069% U_3O_8 across 2.0 m from 83.0 m to 85.0 m core length, and (b) in hole AL0805 being 0.188% U_3O_8 across 0.85 m from 197.7 m to 198.55 m core length, with five other lower grade intercepts higher in the hole ranging down to 0.034% U_3O_8 across 0.4 m from 16.7 m to 17.1 m core length. These intersections are all from unaltered, biotitic coarse-grained granitic dykes cutting mafic rocks.

2010/2011 plans include a more detailed interpretation of selected airborne geophysical, hydrological, regional geochemical and geological data, to be followed by additional prospecting, sampling and possibly expanded airborne or follow-up ground geophysical surveys.

LOST POND URANIUM AND BOTTOM BROOK REE PROJECTS

These projects share the same land area in western Newfoundland. The Company has an option agreement with Ucore Uranium Inc. ('Ucore') dated September 15, 2008 to earn a minimum 50% over four years in the Lost Pond uranium and Bottom Brook REE property. Kirrin is required to spend \$2,600,000 on exploration, including a minimum first year commitment of \$700,000, and issue 300,000 shares to Ucore, including 50,000 shares on signing and the balance over four years on each anniversary of the agreement.

Initial prospecting determined a 200 m wide uranium mineralisation zone and drilling discovered 0.045% U_3O_8 over 12.3 m core length at 72 m depth. Kirrin's 2008 drilling extended the uranium discovery with 0.038% U_3O_8 over 20.1 m at 235 m depth. Uranium mineralisation remains open to depth and future exploration will pursue the potential that the width and grade of the zone continues to increase in the down plunge direction.

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The project's drilling results point to high grade REE mineralization (REE grades are usually reported as calculated rare earth oxides (REO)) - 4.47% total REO over 5.64 m core length, 4.32% total REO over 2.0 m core length, and 1.16% total REO over 15.3 m core length.

The REE potential at Bottom Brook was re-evaluated during 2009 and the results of the subsequent exploration program exceeded expectations. There are now nine REE targets at Bottom Brook and the best result from the latest assays shows 10.04% total REO, which includes individual assays of 4.13% Ce₂O₃ (cerium), 2.22% La₂O₃ (lanthanum) and 1.88% Nd₂O₃ (neodymium). A follow-up program of ground magnetics and geochemistry is planned, to be followed by trenching and/or drilling on the discrete magnetic targets. Additional prospecting will also be done on the other targeted areas.

BOXEY POINT

The Company had an option agreement with Altius dated January 15, 2008 to earn a 60% interest over four years in the Boxey Point uranium property, located in southern Newfoundland. The 2009 exploration program did not sufficiently improve the project's prospects and the Company terminated the option and wrote off its \$553,000 carrying cost.

Properties Analysis

The following table presents the approximate carrying amounts and expenditures on the Company's mineral properties:

Property	December 31, 2009	Incurred during the period ended June 30, 2010	Expensed, amortized, disposed of or written down in 2010	June 30, 2010
Alexis River	\$ 759,200	\$ 1,400	\$ -	\$ 760,600
Boxey Point	-	12,900	(12,900)	-
Lost Pond	669,700	12,400	-	682,100
Key Lake	-	193,800	-	193,800
Grevet	-	157,500	-	157,500
Projects under review	-	1,900	(1,900)	-
Office equipment	-	<u>2,300</u>	<u>(300)</u>	<u>2,000</u>
Total	\$ <u>1,428,900</u>	\$ <u>382,200</u>	\$ <u>(15,100)</u>	\$ <u>1,796,000</u>

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Results of Operations

Operations

All of the Company's operations are at the exploration stage. Therefore, other than minimal interest earned on its cash deposits, the Company continues to create operating losses as a result of general and administration expenses required to review, acquire and evaluate assets and to maintain a public listing.

The Company initiated its exploration activity on the Grevet REE and Key Lake SW properties. At Grevet this included physical grid refreshment (originally cut in 2001 and 2002); line cutting of about 31 line-km to expand the existing physical grid; prospecting; the collection of 160 rock channel, chip or grab samples; and the staking of a further 19 claims. At Key Lake SW, this included a 1,076 line-km magnetic-electromagnetic (EM) airborne survey and the subsequent interpretation of its results.

One of the Company's objectives remains the identification of suitable uranium companies and assets for acquisition, merger, strategic partnership or joint venture.

General and Administration Expenses

The gross costs (with comparative figures for 2009) are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Salaries and benefits	\$ 27,249	\$ 79,282	\$ 55,590	\$ 183,083
Financial administration	29,773	45,483	57,352	91,274
Audit	16,400	11,755	26,400	34,451
Legal	2,658	13,390	5,501	29,560
Investor relations	33,165	24,714	66,326	74,610
General office and miscellaneous	5,878	18,789	15,077	85,688
Travel and marketing	<u>3,887</u>	<u>36,749</u>	<u>15,316</u>	<u>47,418</u>
Total	\$ <u>119,010</u>	\$ <u>230,162</u>	\$ <u>241,562</u>	\$ <u>546,084</u>

Despite the increased size of the Company's exploration property portfolio and consequent increase in activity, most G&A expense lines decreased as a result of tight cost control.

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Summary of Quarterly Results

Quarterly results are unaudited.

(All figures are in \$ except share numbers)

	Three months ended							
	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Exploration and Project development	3,263	14,105	745	21,949	12,266	54,716	125,786	(93,146)
Amortization	161	174	-	-	-	-	-	-
(Income) loss for the period	130,955	(41,424)	786,119	131,803	(218,042)	225,028	108,409	60,620
Working capital	4,150	280,409	303,164	(210,403)	(93,198)	(197,601)	(57,808)	1,136,715
Mineral interests	1,794,024	1,507,552	1,428,943	1,750,386	1,732,299	1,739,691	1,696,373	757,906
Equipment	1,988	2,149	-	-	-	-	-	-
Total assets	2,053,325	2,066,044	2,312,870	1,862,549	2,166,960	1,901,213	2,492,998	2,244,574
Shareholders' equity	1,600,162	1,680,110	1,622,107	1,429,983	1,529,101	1,322,090	1,528,565	1,674,621
Shares outstanding ⁽¹⁾	22,743,263	22,393,263	20,599,673	12,477,002	12,387,002	12,387,002	12,347,002	12,297,002
Net (income) loss per share – basic and diluted	0.00	0.00	0.04	0.01	0.02	0.00	0.00	0.10

1. Share consolidation on the basis of one new common share for ten old common shares was approved by the shareholders on May 1, 2009. All share and per share amounts have been restated to reflect the 1 for 10 share consolidation.
2. Quarterly information has been conformed to year end presentation.
3. No dividends have ever been paid.
4. The above information has been summarized from the consolidated financial statements of the Company prepared in accordance with accounting principles generally accepted in Canada.
5. Refer to 'Results of Operations' for a discussion of factors that have caused period to period variations, significant acquisitions, changes in direction of Kirrin's business and other information relevant to an understanding of the Company's financial condition and results of operations.

Liquidity

Working Capital

At June 30, 2010, the Company had working capital of \$4,150 (December 31, 2009 – working capital of \$303,164). The Company does not generate positive cash flow from operations and is dependent on its current working capital, private placements and the exercise of stock options to supplement its limited financial resources. The Company continues to face difficult capital market conditions particularly for financing of its working capital needs.

Amount due to related party

The President of the Company is owed \$225,000 (December 31, 2009 - \$245,000) in respect of accumulated remuneration. \$200,000 (December 31, 2009 - \$110,000) has been recorded as long term as the President has agreed not to demand repayment of this amount before July 2011. The balance is recorded in accounts payable.

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Stock Options

On January 25, 2010, the Company granted options over 640,000 common shares to eight directors, employees and consultants at an exercise price of \$0.14 per share, and on February 21, 2010, the Company granted options over 30,000 common shares at an exercise price of \$0.14 each to a consultant. The options vest 25% per annum commencing on the date of grant and expire between January 25 and February 21, 2015.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet financial arrangements.

Environmental Liabilities

Kirrin maintains its environmental rehabilitation liabilities on a current basis, thus obviating the need to accumulate a provision for this purpose.

Capital Resources

At the Annual General and Special Meeting held on May 1, 2009, shareholders approved the change of name of the Company to 'Kirrin Resources Inc.' and the consolidation of the share capital of the Company on the basis of one new common share for each ten old common shares of the Company. All shares and per share amounts have been restated to reflect the 1 for 10 share consolidation.

On April 20, 2010, the Company issued 350,000 common shares at \$0.13 each for consideration of \$45,500 as part of the acquisition of its interest in the Key Lake property.

With continued challenges prevailing in the capital markets and the size of financings the Company is able to complete at any one time severely limited, share issue costs (comprising brokerage and finder's charges, legal fees and related administration expenses) in 2009 were in excess of 16% of the funds raised. The Company continues to work towards reducing this burden but does not foresee a major change in 2010.

Outlook

Kirrin faces distinct challenges in 2010, particularly in relation to financing its overhead and portfolio expansion plans. At June 30, 2010, the Company had met all of its obligations on its existing portfolio of mineral interests and estimates its obligations during 2010 to maintain its interests at \$876,000. The subdued state of the uranium product market and the challenging capital markets have resulted in a marked decrease in activity in Canadian junior markets. Project values have tumbled in response, affording Kirrin a unique opportunity to deliver rapid growth through acquisitions and strategic development, provided it is able to finance these plans. Despite encouraging results from its exploration program, there can be no assurance that the Company will be successful in raising additional capital to expand or even maintain operations.

Transactions with Related Parties

Except for the debt arrangements referred to in '*Liquidity*' there were no significant transactions with related parties.

Critical Accounting Estimates

The Company is a development stage company. The consolidated financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. There are conditions which may raise doubt regarding this assumption. The financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The amounts recorded for capitalized exploration expenses, depletion and amortization, write down of mineral interests, stock based compensation and future income taxes are based on estimates. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates may impact the consolidated financial statements for future periods.

Amounts recorded for mineral interests represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

Changes in Accounting Policies Including Initial Adoption

The Canadian Accounting Standards Board has established 2011 as the year that Canadian companies' financial reporting requirements should comply with International Financial Reporting Standards ('IFRS'). The transition date, January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The Company has completed its initial internal review of the impact of the adoption of IFRS for 2011. This review has considered potential differences between applicable IFRS policies and those currently used by the Company. Accounting policy changes are expected to be required due to IFRS in the areas of business combinations, mineral interests impairment testing, asset retirement obligations, stock based compensation and exploration expenses. Available elections under IFRS will minimize the impact of these changes such that the financial reporting impact of the transition to IFRS is not expected to be material to the Company's financial results. The Company has initiated the planning of the audit of its opening balance sheet under IFRS, which is expected to be completed during the summer of 2010.

Other changes in accounting policies and recent accounting pronouncements are discussed in Notes 2(b) and 2(l) to the consolidated financial statements for the year ended December 31, 2009. These include the adoption of standards with respect to 'Goodwill and Intangible Assets', 'Financial Instruments – Disclosures', 'Credit Risk and Fair Value of Financial Assets and Financial Liabilities', and 'Mining Exploration Costs' as of January 1, 2009.

Financial Instruments and Other Instruments

The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company's exposure to financial risk factors is minimal and is detailed in Note 6 to the consolidated financial statements. While the Company is a development stage company and has no production or sales revenues, it bears commodity price risk in that commodity price may influence investors and thus impact the outcome of the Company's equity financings in 2010 and later. Although the spot price for uranium may remain subdued during 2010, the Company considers that supply and demand fundamentals remain strong and that the spot price will respond positively over the medium term. Rare earth elements are not exchange traded commodities. While the Company considers that supply and demand fundamentals remain strong, the risks associated with monopoly conditions due to China's effective control over global supplies.

Controls and Procedures

In the light of the Company's small size, controls and procedures for financial reporting and proper public disclosure are affected by limited segregation of duties. To help mitigate potential control weaknesses (a) the Chief Executive Officer ('CEO') is actively involved in the day to day business of the Company, including in its overseas jurisdictions, (b) the CEO and Chief Financial Officer ('CFO') jointly review all payments, and (c) the Company has implemented accounting data review procedures to assist the integrity of reports. It is not economically feasible, at the Company's current size and with the limited number of staff available, to achieve optimum or complete segregation of duties. Also, Kirrin does not have a sufficient number of finance personnel, with all of the technical accounting knowledge, to address all complex and non-routine accounting transactions that may arise. These weaknesses in internal controls raise the possibility that a material misstatement may not be prevented or detected.

Management and the Board of Directors work towards mitigating the risk of material misstatements (a) the integral role of the CEO in day to day operations provides a direct connection to source data, (b) the review and approval by the Board of all material transactions and (c) use of accounting data review procedures, all provide a further level of assurance. Kirrin currently has no plans to remediate the above mentioned weaknesses which are linked with its current size and nature of operations.

Other Matters

Investor Relations

The investor relations program is aimed primarily at investor communications and interaction with the financial community in Canada and Europe. CHF Investor Relations of Toronto and Calgary is the Company's investor relations counsel in Canada. The monthly fee is \$4,000, plus expenses which arise, *inter alia*, in relation to briefings, presentations and the provision of publicity materials. In addition, CHF has been granted an option to acquire 125,000 shares in the Company expiring April 2012 exercisable at \$0.10 each. Investment Connections of Versoix, Switzerland, is the Company's investor relations counsel in Europe. Remuneration arrangements are on a *per diem* basis as well as a finder's fee for private placements of the Company's securities.

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Disclosure of Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value and unlimited preferred shares in one or more series. No preferred shares have been issued. Outstanding share data at June 30, 2010 and August 6, 2010 was:

	June 30, 2010	August 6, 2010
Issued and outstanding common shares	22,743,263	22,793,263
Warrants outstanding	8,679,338	8,679,338
Options outstanding (Note 1)	2,107,492	2,107,492

Note 1: 671,492 options are brokers' options which upon due exercise entitle the holder to acquire 671,492 common shares as well as 619,692 warrants. The latter warrants (none of which are currently outstanding) are exercisable to acquire 619,692 common shares, which latter shares are not included in the foregoing table.

Business Risks

The exploration and development of natural resource properties involves a wide range of risks which includes, but is not limited to, the uncertainty of discovery, lack of commercial deposits following discovery, title to properties, changes in government regulations, uninsured risks, product price fluctuations, environmental factors, political and economic risks, exchange rate fluctuations and exchange controls.

Kirrin's projects are at an early stage of exploration. Kirrin's success will depend on the expertise of its management in pursuing business opportunities. The Company is in competition with companies possessing greater financial resources for both properties and personnel. The Company does not generate positive cash flow, has limited financial resources and must raise additional capital to implement its programs. The subdued state of the uranium product market combined with challenging capital markets have resulted in a marked decrease in activity in Canadian junior markets and there can be no assurance that the Company will be successful in raising additional capital to maintain operations.

Readers are directed to the Company's web site for a fuller disclosure of business risks.

Additional Information

Additional information regarding the Company is available on the Company's web site at www.kirrinresources.com.