

**TARANIS RESOURCES INC.
MANAGEMENT DISCUSSION & ANALYSIS,
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(Including subsequent events to August 20, 2021)**

This Management Discussion and Analysis (“MD&A”) is provided for the purpose of reviewing the performance of Taranis Resources Inc. (“Taranis” or “the Company”) for the year ended December 31, 2020 and comparing results with the previous year. It should be read in conjunction with the Company’s unaudited, condensed consolidated financial statements and corresponding notes for the six months ended June 30, 2021 and its audited consolidated financial statements and corresponding notes for the year ended December 31, 2020, both of which were prepared in accordance with International Financial reporting Standards (“IFRS”)

The Company’s management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company’s board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

The reader is encouraged to review the Company’s statutory filings on www.sedar.com and general information on its website www.taranisresources.com.

FORWARD LOOKING STATEMENTS

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company’s intentions, plans, expectations and beliefs and are subject to risks, uncertainties and other factors of which many are beyond its control. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

OVERALL PERFORMANCE

As of August 20, 2021 Taranis has sufficient funds to meet its fixed overhead commitments to the end of December 2021. See “Capital Resources and Liquidity” and “Financial Instruments and Capital Risk Management” for more information.

DESCRIPTION OF BUSINESS

The Company is principally engaged in the acquisition, exploration and, if results warrant, development of precious and base metal projects. It is currently actively exploring and developing one advanced-stage precious/base metal prospect in British Columbia, Canada.

All of the Company's exploration activities are overseen by John Gardiner (P. Geol.), a Qualified Person under the meaning of Canadian National Instrument 43-101.

RESULTS OF OPERATIONS

The cumulative costs of Exploration and Evaluation Assets for the six months ended June 30, 2021 are as follows:

EXPLORATION AND EVALUATION ASSETS

	June 30, 2021
Thor Property	
Acquisition costs:	
Balance, beginning of year	\$ 780,784
Additions	<u>6,407</u>
Balance, end of year	<u>787,191</u>
Exploration costs:	
Balance, beginning of year	4,767,770
Assaying and metallurgy	7,418
Geological fees	4,103
Engineering and permitting	11,002
Drilling and metallurgy	<u>20,943</u>
	43,466
Exploration costs recovered	<u>-</u>
Balance, end of year	4,811,236
Total costs	<u>\$ 5,598,427</u>

Other Projects/Evaluations

Periodically the Company evaluates other exploration opportunities that have either been directly identified by it or have been brought to its attention. These projects fall under the heading of Property Evaluation and typically include the cost of data evaluation and site visits. These costs are capitalized if the property is acquired; otherwise they are written off.

Thor Property, British Columbia, Canada

The Company's Thor property, which is in the Revelstoke Mining District of British Columbia and includes 27 Crown Granted Mineral Claims and 14 Mineral Tenures covering approximately 3,314 hectares, forms a contiguous 100% owned property over the Thor precious and base metal deposit.

The Thor deposit occurs on the northwest end of a major geological structure called the Silver-Cup Anticline. The Silver Cup Anticline hosts almost all of the major known precious-base metal deposits in the Silver Cup mining District. The Silver Cup mining district saw extensive development in the early 1900's and had a number of former producing mines operating including the Silver Cup, Triune and Nettie L. Mines.

General Geology of the Thor Project

Silver, gold, copper, lead and zinc lodes are associated with the Thor Fault Zone ("TFZ"), a major geological structure that extends for upwards of 4 km on the property in a northwest direction. The TFZ dips moderately to the ENE and consists of a number individual segments that commonly overlap, in a typical en-echelon fashion.

The TFZ contains all of the known mineralized zones on the property. These include, from south-southeast to north-northwest, the Broadview, Great Northern, True Fissure, SIF, Blue Bell and the Ridge Zones. The TFZ crosscuts the western end of the Silver Cup Anticline, which trends Northwest-Southeast generally along the axis of True Fissure Creek. The westernmost terminus of the Silver Cup Anticline in this area is referred to as the "Thor Anticline", but it is almost certainly the extreme northwest end of the Silver Cup Anticline and is an important geological feature that hosts the other known precious-base metal deposits of the area.

The interaction of the Thor Anticline with the TFZ is responsible for the localization and geometry of the lodes at Thor, and in general, the Thor deposit has an inverted "U-shaped" geometry that is due to the interaction of the TFZ with the Thor Anticline.

Stratigraphy

There are three important rock types found on the property and these are described briefly below.

- **Sharon Creek Formation** - The oldest rocks found on the property are carbonaceous shales that are generally black in color, and also prone to weathering. Rocks of this formation are commonly found in recessively weathered areas and valleys. True Fissure Creek is localized along the axis of the Thor Anticline. These rocks are generally devoid of mineralization.
- **Broadview Formation** - Directly overlying the Sharon Creek Formation are resistive weathering greywacke/clastic rocks of the Broadview Formation. These rocks are typically massive and very siliceous and are commonly found on hilltops and higher areas of elevation.

- **Jowett Formation (Intrusive and Volcanic Rocks)** - In a regional setting, the Sharon Creek formation and the younger Broadview Formation are separated by the Jowett Formation. The Jowett Formation largely consists of volcanic rocks (agglomerates, breccias, pyroclastic rocks and mafic volcanic flows) with minor sediments (argillite and limestone). Although the Jowett Formation has not been formally identified at Thor, its presence is strongly inferred from a complex series of rocks that are commonly referred to as “Green Tuff” in the mine site geology. Its presence is also indicated from magnetic modeling that has indicated the presence of a large ‘intrusive’ feature at depth below the deposit that has an orientation similar to the Thor/ Silver Cup anticlines.

Model of Mineralization at Thor – The Epithermal/Porphyry Model

The age of mineralization at Thor postdates the folding event that created the Silver Cup and Thor Anticlines. Silver/gold and base metals are preferentially emplaced along the TFZ and strike NNW and dip moderately to the ENE (45 degrees). Slickensides indicate that there has been significant strike-slip movement along the TFZ, but it is also suspected that the fault had an earlier normal episode where the northeast side has been down-dropped. This portion of the Thor deposit is undoubtedly structurally controlled.

The model that is used to describe the deposit is an intermediate-sulfide epithermal model. The model is useful because it accounts for many of the features found in the deposit including vuggy, gold bearing deposits (SIF) at the top and periphery of the deposit that have extensive jarosite alteration, and a general progression to increased base metal content at depth along the deposit. Importantly, the model also suggests a genetic relationship to a large intrusive (‘porphyry’) body that is found under the Thor deposit that was originally identified on ground magnetic surveys. Other indications for this intrusive body abound including some dyke-like bodies at surface that host sphalerite mineralization, and extensive hydrothermal alteration that produces a distinctive pistachio-green color to altered rocks (ammonium-illite alteration) that is not related to the TFZ. Increasingly, this intrusive body appears to be a possible source of the precious and base-metal deposits in the Thor deposit, and requires deep drill holes to test for the presence of mineralization, and its geological characteristics.

Stratigraphic Control of the Thor deposit

Within the plane of the TFZ, mineralization is preferentially emplaced along the Sharon Creek/Broadview Formation contact that abut the fault zone. Mineralizing fluids have ascended along the TFZ structure, and where they hit the base of the Broadview Formation in the wall rocks, there occur extensive and wide zones of mineralization. This geological framework creates an inverse “U-shaped” geometry to the deposit in longitudinal section along the TFZ where the Thor Anticline intersects the TFZ. This has become an important geological model for future exploration on the property since virtually all of the known mineralization occurs on the south side of the inverted “U” in the True Fissure, Great Northern and Broadview Zones. There has been no exploration completed on the northwest side of the inverted “U” and this where Taranis is planning extensive drilling in the future in an area called the Ridge Target. The Ridge Target occurs in a topographically difficult area north of the Thor Deposit called Thor’s Ridge, and was permitted for exploration drilling in 2020.

Updating of Modeling of Deposit and In-House Resource Estimate

The last NI 43-101 Mineral Resource estimate was completed in 2013 by Roscoe Postle Associates (“RPA”). Since that time, Taranis has completed a further 100 drill holes on the project which has had substantial impact on the Resource. In addition to this, a number of other refinements were available in 2020 that were not available in 2013, the most notable of which was the completion of a Lidar survey that provided accurate drill collar elevations and topographic control.

Geologic modeling was completed in-house and is referred to as an ‘In-House Resource Estimate’ (“IHRE”) by the Company. Although the IHRE is not NI 43-101 compliant and it cannot be disclosed publicly, it provides useful guidance to management particularly for planning further drilling. A similar IHRE was completed in 2012 prior to RPA undertaking its Resource assessment and proved to be extremely valuable.

In conjunction with the IHRE, extensive geological modeling was undertaken including maps that showed zonation, isopach (thickness) and commodity value estimates. Two areas of exploration growth are being targeted as a result of the IHRE. These are the Ridge Target and the Intrusive Target. The following sections describe these two areas that will become the focus of exploration at Thor in the near future:

Ridge Target

The Ridge Target is an area that has been identified based on prior work including drilling, surface mapping/sampling and geophysical surveys. Exploration of this area is a priority because of the discovery of a new zone that occurs 60 m in the hanging-wall of the Blue Bell Zone – the last and most northern of the mineralized zones at Thor. Previous drill holes Thor-110, 104 and 101 all unexpectedly encountered a mineralized zone near the collars of the holes. The target of the original drill holes was to intersect the Blue Bell Zone at depth far below the collars of the drill holes. These intercepts, now known to be within the Ridge Zone are also exposed in a broad area of surface outcropping. It is expected that these zones extend far under Thor’s Ridge to the NNW of the existing deposit. The area is difficult to access owing to the steep terrain, and an access road was installed in 2020 that will have the ability to access a number of drill sites that are planned for the area.

Intrusive Target

Future deep drilling will test for the presence/characteristics of an intrusive body that is found under the Thor deposit. This is an important feature since the presence of this body would suggest it is the ‘heat engine’ for the entire Thor deposit, and secondly – and most importantly, that the intrusive body itself could be mineralized. The presence of the body is an interpretation based on ground magnetic surveying and petrology investigations by the Colorado School of Mines that was completed on some “porphyritic” rocks found in Broadview Creek. This petrographic work identified ‘hornfels’ – a rock associated with contact metamorphism around intrusive bodies. This hornfels also appeared to be mineralized with sulfide minerals including pyrite, tetrahedrite/galena and it is known that sphalerite occurs in ‘dyke rocks’ further up Broadview Creek in previous drill holes.

Diamond drilling will test the magnetic body at two levels. The intrusive body that was modeled from the ground magnetics appears to have a juncture between two portions – an upper part that strikes NNW and a lower part that strikes almost east-west. This juncture causes a significant magnetic feature at this location, and it is almost certainly related to intrusive rocks. Exploration drilling will target the magnetic body where it appears that the Great Northern Zone projects down into the magnetic body, and there is a large conductive area lying on the top of the magnetic body.

Outcrop Channel Sampling

Several important outcrops were sampled during the summer of 2020 that were previously unknown, between the True Fissure and Blue Bell zones.

The first of the outcroppings is exposed south of True Fissure Creek and is comprised of a large area of quartz sulphide breccia. Sampling at this location yielded 3.05 m true thickness of 3.72 g/t gold, 345 g/t silver, 0.07% copper, 2.24% lead and 0.38% zinc. The base of this zone was not exposed in the outcrop and the actual mineralization is possibly thicker. Mineralization consisted of massive quartz with large clots of pyrite, and subordinate amounts of tetrahedrite and galena.

20 m north of the BBS-1 outcrop, and north of True Fissure Creek, another outcrop was found dominated by white quartz with large masses of pyrite and tetrahedrite. Sampling at this location yielded 2.52 m true thickness of 1.29 g/t gold, 72 g/t silver, 0.02% copper, 1.40% lead and 0.71% zinc.

Exploration Drilling

The Company currently has one exploration drill that is exploring the Ridge Target. Results of this exploration activity will be reported when available.

Other Exploration Work

Geophysical investigations and surveying continues on the Ridge and Intrusive Targets. These surveys consist of electromagnetic and deep sounding electrical surveys that are used to outline areas of prospective mineralization and map geological features.

The Company is nearing finalization of engineering design for two bridges that will be used to access the area north of the Thor deposit. These documents will be submitted to EMLI for final review before the construction of the bridges is undertaken.

Thor 10,000 tonne Bulk Sample

Taranis has received Mining and Environmental permits for the Thor 10,000 tonne bulk sample. Initial engineering work will consist of geotechnical drilling in the area of the True Fissure Millsite and is scheduled for completion in September of 2021. This work was bonded under the Mining Permit.

The 10,000 tonne bulk sample is deemed a crucial aspect of any further exploration effort at Thor, as it documents the physical and chemical characteristics of the Thor deposit that can be

used in future feasibility studies of mining the deposit. Apart from the silver-gold-lead-zinc-copper aspects of the deposit, the deposit is known to contain by-product minerals including antimony, tin and indium. The bulk sampling operation will produce a pre-concentrate onsite (separating valuable minerals from gangue), and the pre-concentrate will undergo extensive testing for metal content, recoveries and physical characteristics. The pre-concentrate will then be sent to a hydro-metallurgical facility where it will up-graded to a commercially saleable concentrate. This concentrate will then be shipped to a smelter where it will be of sufficient size to formulate a smelter contract.

SUMMARY OF QUARTERLY RESULTS

	June 30, 2021	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Net Income (Loss)	(46,171)	34,825	(135,009)	(27,937)	6,412	(27,046)	(55,983)	(13,722)
Earnings (loss) per share								
Basic	(0.00)	0.00	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.00)
Diluted	(0.00)	0.00	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.00)

The Company has generally experienced quarterly losses over the last two years. This is a result of the fact that as a mineral exploration company the Company does not have a regular revenue stream. The majority of its expenditures are for capitalized exploration costs which are not accounted for as operation expenses. Differences in quarterly losses can generally be attributed to the variations in share-based payments and the periodic write-off of Exploration and Evaluation Assets.

The comprehensive income during the first quarter of 2021 was the result of the sale by the Company of certain exploration data relating to previously abandoned properties. The comprehensive income during the second quarter of 2020 was a result of the sale of exploration equipment.

The larger than usual loss in the fourth quarter of 2020 is the result of an increase in professional fees during the quarter and a loss incurred (\$21,434) on the settlement of debt through the issuance of shares.

OUTSTANDING SHARE DATA

Authorized

Unlimited common shares without par value
Unlimited class A preferred shares with a par value of \$1

Issued and outstanding as at August 20, 2021

78,328,424 common shares

As at the date of this MD&A the following incentive stock options and share purchase warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	200,000	\$0.10	December 13, 2021
	600,000	\$0.11	August 8, 2022
	1,200,000	\$0.10	March 20, 2023
	300,000	\$0.11	April 16, 2023
	50,000	\$0.08	October 24, 2024
Flow-through Warrants	2,000,333	\$0.15	December 29, 2022
	2,100,000	\$0.15	August 28, 2021
	2,520,000	\$0.15	August 25, 2022
Regular Warrants	833,333	\$0.15	November 17, 2022
	775,100	\$0.15	August 28, 2021

TRANSACTIONS WITH RELATED PARTIES

During the six months ended June 30, 2021 the Company entered into the following transactions with related parties:

- a) paid or accrued \$7,000 (2020 - \$7,000) to a director and CFO, Gary McDonald, for accounting services;
- b) paid or accrued \$17,000 (2020 - \$14,000) for legal services to a corporation controlled by Glenn R. Yeadon, a director and the Secretary of the Company;
- c) paid or accrued \$23,974 (2020 - \$5,630) for exploration and administrative services to a corporation controlled by John J. Gardiner, a director and CEO of the Company;
- d) accrued loan interest of \$4,000 (2020 - \$4,000) to Matachewan Consolidated Mines, Limited, a corporation related to the Company through a common director;
- e) accrued loan interest of \$1,412 (2020 - \$1,412) to McChip Resources Inc., a corporation related to the Company through a common director.

Included in accounts payable and accrued liabilities is \$120,325 (2020 - \$95,455) due to directors and companies controlled by directors of the Company

OFF BALANCE SHEET ARRANGEMENTS

Taranis does not utilize off-balance sheet arrangements.

PROPOSED TRANSACTIONS

As at August 20, 2021 the Company has no proposed transactions.

CAPITAL RESOURCES AND LIQUIDITY

As at June 30, 2021 the Company had working capital of \$66,654 and cash of \$505,987. Periodically, additional financing is required to enable the Company to sustain its historic level of exploration activity. Management continually evaluates different financing options.

On May 10, 2021 the Company issued:

- a) 2,086,667 flow-through common shares at a price of \$0.12 each and
- b) 1,696,500 ordinary shares at a price of \$0.10 each.

On August 25, 2020 the Company issued 2,520,000 flow-through units at a price of \$0.10 per unit, each unit consisting of one flow-through share and one share purchase warrant, with each warrant entitling the holder to purchase one additional flow-through share at a price of \$0.15 until August 25, 2022.

On August 28, 2019 the Company issued 775,100 units at a price of \$0.10 per unit, each unit consisting of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.15 until August 28, 2021.

On August 28, 2019 the Company issued 2,100,000 flow-through units at a price of \$0.10 per unit, each unit consisting of one flow-through common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional flow-through common share at a price of \$0.15 until August 28, 2021.

FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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;

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, loan payable, due to related parties and accounts payable and accrued liabilities approximate their carrying value, due to the short-term nature of these instruments. The Company's cash under the fair value hierarchy is based on level 1 quoted prices in active markets for identical assets or liabilities.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk with respect to financial instruments included in receivables is remote, because these instruments are due primarily from government agencies and cash is held with reputable financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at June 30, 2021, the Company had a cash balance of \$505,987 (2020 –\$252,829) to settle current liabilities of \$459,059 (2020 – \$472,230). All of the Company's financial liabilities are subject to normal trade terms.

Management is actively pursuing options to enable it to meet its current obligations as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

The Company has cash balances and loans payable bearing interest at 5% and 8% per annum. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions when deemed appropriate. Management periodically monitors such investments and debts and makes adjustments as necessary but does not believe interest rate risk to be significant.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in United States Dollars or Euros. Management believes the risk is not currently significant as only a small portion of these assets and liabilities as at June 30, 2021 are denominated in United States Dollars or Euros.

c) Price risk

The Company is not a producing entity so is not directly exposed to fluctuations in commodity prices. The Company is exposed to price risk with respect to 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. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken. Fluctuations in pricing may be significant.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition and exploration of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 2021.

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CORPORATE INFORMATION

John J. Gardiner, Estes Park, Colorado, U.S.A.	President, Chief Executive Officer and Director
Glenn R. Yeadon, Vancouver, B.C., Canada	Secretary and Director
Gary R. McDonald, New Westminster, B.C., Canada	Chief Financial Officer and Director
Richard D. McCloskey, Toronto, Ontario, Canada	Director
Thomas Gardiner, Estes Park, Colorado, U.S.A	Director

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Share Capitalization	
Authorized	Unlimited common shares Unlimited Class A preferred shares
Issued and Outstanding at June 30, 2021	78,328,424 common shares
Issued and Outstanding at August 20, 2021	78,328,424 common shares
Incentive Stock Options outstanding at August 20, 2021	2,350,000
Share purchase warrants outstanding at August 20, 2021	8,228,766