**TARANIS RESOURCES INC.**
**MANAGEMENT DISCUSSION & ANALYSIS,**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**
**(Including subsequent events to NOVEMBER 23, 2018)**

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 nine months ended September 30, 2018 and comparing results with the previous year. It should be read in conjunction with the Company's unaudited interim consolidated financial statements and corresponding notes for the nine months ending September 30, 2018 and the audited consolidated financial statements and corresponding notes for the year ended December 31, 2017, which were prepared in accordance with the new 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.

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.

## 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 as at September 30, 2018 are as follows:

**EXPLORATION AND EVALUATION ASSETS 2018**

| | September 30, 2018 |
|---|---|
| **Thor Property** | |
| **Acquisition costs:** | |
| Balance, beginning of period | $ 684,566 |
| Additions | 41,071 |
| Disposals | - |
| Balance, end of period | 725,637 |
| **Exploration costs:** | |
| Balance, beginning of year | 3,570,460 |
| Drilling and trenching | 205,956 |
| Assaying and metallurgy | 88,013 |
| Geological fees | 179,107 |
| Exploration costs recovered | (19,393) |
| | 453,683 |
| Balance, end of period | 4,024,143 |
| **Total costs** | $ 4,749,780 |

## 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 19 Mineral Tenures covering approximately 3,314 hectares forming a contiguous 100% owned property over the Thor precious and base metal deposit.

Silver, gold, copper, lead and zinc lodes are associated with the Thor Anticline, a major geological structure that extends for upwards of 4 km on the property in a northwest direction. This feature is a parallel structure to the Silver Cup Anticline, that hosts many other deposits in the Silver Cup Mining District. Precious and base metal mineralization occur along a major stratigraphic contact on the northeast limb of the anticline, directly on top of carbonaceous argillite Sharon Creek formation, and directly below clastic sediments (Broadview Formation). Along this single stratigraphic contact there is widespread hydrothermal alteration that accompanies the precious and base metal mineralization and is related to a widespread volcanic unit called the Jowett Formation.

## Geological Model

The Company has invested considerable resources into establishing a geological model for the mineralization at Thor as this is expected to have significant impact on the exploration efforts around the existing deposit. At Thor, most of the economic mineralization is associated with a distinctive green-colour volcanic horizon that is thought to be the lateral equivalent of the Jowett Formation found throughout the Revelstoke Mining District. Potassium-argon age dating has shown that the Jowett Formation is upper Paleozoic in age (Carboniferous), and infers that the ore-bearing zone at Thor is probably of the same age.

Based on the age of mineralization, and other factors such as the stratabound nature ore zone, metal ratios and other criteria, the Company has determined that Thor belongs to a specific group of ore deposits called "siliclastic-felsic VMS deposit".

During the Mesozoic Era, the tabular mineralization was subjected to intense folding and faulting that has profoundly impacted the mineralization at Thor. Particularly near the center of the Thor Anticline, the mineralized zone has been folded tightly, and can be found repeating itself in single drill holes. Gold-enriched zones in quartz are found peripheral to the main sulphide deposit, and this is a common feature found in these types of deposits.

## National Instrument 43-101 Resource Estimate

In 2013, the Company completed an initial NI 43-101 compliant Resource estimate on Thor based on its 2007 and 2008 drilling programs that included 152 diamond drill holes, and numerous surface and underground channel samples. The estimate was prepared by Roscoe Postle Associates Inc. ("RPA"), which examined the Resource from both an open pit and underground Resource potential. Mineral resources are estimated using a Net Smelter Return cut-off value of US$50/t for potential open pit and US$100/t for potential underground. A preliminary Whittle Pit was applied to constrain the potential open pit resource.

**THOR MINERAL RESOURCE ESTIMATE SUMMARY***

| Zone and Category | NSR Cut-off | tonnes | Au (g/t) | Ag (g/t) | Cu (%) | Pb (%) | Zn (%) |
|---|---|---|---|---|---|---|---|
| Potentially Open Pit Indicated | $50 | 471,000 | 0.91 | 204 | 0.14 | 2.77 | 3.68 |
| Inferred | $50 | 189,000 | 1.28 | 218 | 0.16 | 2.70 | 3.83 |
| Potentially Underground Indicated | $100 | 168,000 | 0.81 | 141 | 0.13 | 1.78 | 3.03 |
| Inferred | $100 | 235,000 | 0.74 | 143 | 0.13 | 1.90 | 2.69 |
| **Total Indicated** | | **640,000** | **0.88** | **187** | **0.14** | **2.51** | **3.51** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total Inferred** | **424,000** | **0.98** | **176** | **0.14** | **2.26** | **3.20** |

- CIM definitions were followed for the Mineral Resources classification, and Mineral Resources are estimated using an average long-term gold price of US$1,650 per Oz, a silver price of US$27/Oz, a copper price of US$3.50/lb, a lead price of US$1.15/lb and zinc price of US$1.25/lb. A 1.5 m minimum mining width was utilized. Numbers may not add due to rounding.

## Phase 1 Mining Operation

During the summer of 2017 the Company operated a gold pilot plant on the property. Information was collected that allowed the Company to evaluate the usefulness of processing high-grade gold ore using a simple gravity system.

The SIF gold occurrence is characterized by both coarse nuggety gold, and fine-grained microscopic disseminations of gold that make quantifying its gold content extremely difficult using surface sampling and/or diamond drilling.

The only way to accurately quantify the amount of gold and other associated metals in the SIF outcrop is through large-scale excavation and sampling of the material. To accomplish this sampling, Taranis permitted a 1,000 tonne sample from the SIF zone using a Mt. Baker processing plant and conducted extensive test sampling of the material during the operation of the mill. The processing was undertaken in the summer of 2017 using a hammer mill and gravity concentration (shaker) table that was able to process the ore and recover heavy mineral concentrates.

The Mt. Baker processing plant was chosen to process the ore owing to its relatively easy use of operation, its use of water as a processing agent (no chemicals), and its relatively low cost compared with other type of processing solutions. The plant was relatively easy to permit as it did not utilize any chemicals during the processing of the ore, and previous work had shown that the ore was essentially devoid of any toxic trace elements..

The main objective of operating the plant was to assess the gold tenor of the SIF zone via large-volume sampling, but also to assess the metallurgical characteristics of the ore. The analyses of the ore included:

- Daily recovery of super-concentrate and concentrate products from the shaker table.
- Daily sampling of the tailings that were collected in a tailings pond facility that could be used to gauge the ability of the plant to recover gold using gravity concentration.
- Processing of initial ‘scoping’ samples of the super-concentrate (12.5 kg) and concentrate (15.1 kg) by Met-Solve Laboratories (“Met-Solve”) of Burnaby, B.C. This involved the re-tabling of each concentrate product in a controlled laboratory environment to sieve and process samples to upgrade the concentrates and determine where the bulk of the gold was residing in the SIF ore.
- Completion the bulk processing phase of the operation at Met-Solve which involved the processing of the remaining super-concentrate (78.7 kg) and concentrate (328.9 kg) to recover the gold in the material. This processing included sieving of the samples and tabling of the various mesh size products (namely -20 mesh and +20 / -11 mesh products).

By being able to accurately assess the loss of gold to the tailings pond, recover gold from the concentrates, and determine losses of gold in the processing of the concentrates, the total amount of gold processed in the ore can be ascertained. In addition, sampling of the waste and concentrate products from the processing plant provides valuable insight to the occurrence of gold, silver and other metals in the ore. This information cannot be derived from trenching, diamond drilling or even small bulk samples. In addition, geological information was also gained about the SIF occurrence by exposing the zone at various depths during the mining of the material.

The concentrate products created from the Met-Solve re-tabling of the super-concentrate and concentrates were then processed using a magnetic separation to see if there was any merit in undertaking this process on the material. Theoretically, magnetic separation of the concentrated should be able to remove much of the tramp iron from the concentrate that arises during the denudation of the hammers in the hammer mill.

At the end of the Met-Solve table processing, the following products were created:

| Phase of Met-Solve Processing | Concentrate Product | Weight (kg) |
|---|---|---|
| Scoping Phase | Super Concentrate – non-magnetic | 4.51 |
| Bulk Processing Phase | Concentrate – non-magnetic | 28.48 |
| | Total Concentrate Produced | 32.99 |

After receipt of the final concentrates, an attempt was then made to smelt the products to recover the gold in the concentrates using 4.12 kg of the concentrate. This processing demonstrated that the products had exceptionally high sulphur content and attempting to process the material in a furnace caused excessive splattering (loss of the material in the crucibles into the furnace). Despite this, in the limited amount of material that was smelted, 7.2 Ounces of gold was recovered from a very small portion of the concentrate material.

The only available means of reducing the amount of sulphur in the concentrates was by using a roasting process. This process converts the two main sulphide species in the concentrate (pyrite and galena) to iron and lead oxide minerals that are more amenable to being smelted in a furnace. This was done by roasting the remaining concentrates at Kingston Process Metallurgy in Kingston, Ontario.

The roasting of the concentrates was completed in August of 2018, and the following table shows reduction in the sulphur content for both the magnetic and non-magnetic fractions.

| Material | Original Sulphur Content | Post-Roasting Sulphur Content |
|---|---|---|
| Magnetic fraction (concentrate) | 5.6% | 4.77% |
| Non-Magnetic fraction (concentrate) | 32.0% | 4.07% |

The final phase of the project involves the determination of the total amount of recoverable gold in the magnetic and non-magnetic concentrates, and this commenced in November of 2018. Taranis has engaged Northern Mining Analytical Laboratory of Timmins, Ontario to process the remaining concentrates and recover the remaining gold and silver.

This information, in conjunction with other data collected during the operation of the plant will then enable the back-calculation of the amount of gold present in the 600 tonnes of ore removed from the SIF Zone, and provide a definitive grade and tonneage for the SIF Zone.The collective information is expected to be very useful in designing a process to enhance recoveries of the remaining SIF ore outlined in the Joint Application, and in the exploration efforts to located other zones similar to SIF. In particular, the mining of the outcrop has clearly demonstrated that the known SIF zone has been faulted-off on the west side of the outcrop, and the extension of the zone remains undiscovered.

**Gold Pilot Plant Tailings Facility Closure (2017)**

The Company completed the tailings pond reclamation at Thor with geotechnical engineering supervision provided by Norwest Corporation. The operation of the tailings pond was carefully monitored throughout the summer 2017 mining season and was visually monitored in 2018. This included daily analysis of waste discharge, and weekly water sampling of both the source and exfiltration ponds, ensuring that the tailings from the high-grade, gold-bearing SIF zone were disposed of in conformity with environmental regulations.

The building, operation and successful closure of the bulk sample tailings facility will serve as a model of conservative, environmentally-safe tailings disposal for planned future ore-processing operations at Thor.

**Phase II Mining Operation**

Taranis submitted a "Joint Mining and Environmental Application" on October 15, 2018 to the British Columbia Ministry of Energy and Mines that outlines plans to process 9,500 tonnes of stockpiled sulphide material and 500 tonnes of remaining SIF ore. The processing plant will utilize a new technology to separate ore and waste products onsite called an InLine Pressure Jig. This technology could prove to be instrumental in finding an economic means to recover silver, gold, lead, zinc, copper and indium from the deposit via test work on existing stockpiles of ore found at surface. Taranis feels that gravity pre-concentration of ore onsite could potentially eliminate the requirements for expensive infrastructure to process the ore. It is noteworthy that the two prior attempts at mining the Thor deposit in the 1930's and the 1970's failed in-part owing to the decision to install turnkey milling infrastructures onsite. With the recent advances made in gravity pre-concentration the Company feels that this approach will reduce or eliminate

the need for costly onsite infrastructure and minimize environmental impact. Gravity pre-concentration also allows the concentrate to be shipped much greater distances as opposed to the transport of unprocessed ore.

The stockpiled ore at surface is typical of the main Thor deposit, and carries significant concentrations of lead, zinc, copper, silver, indium and gold. The stockpiles date back to previous mining operations from both the early 1900's and the 1970's and represent a potential source of revenue for the Company. However, the main reason for undertaking Phase II mining operations is to establish the applicability of InLine Pressure jigs as a viable means of conducting gravity pre-concentration, as well as gaining further understanding of the operating criteria such as water consumption, waste products and water discharge.

The stockpiles were studied in detail during the 2015 field season and were subject to extensive sampling and volume calculations. The work was completed to NI 43-101 standards. The main sulphide deposit at Thor is ideally suited to Density Media Concentration ("DMS") since almost 100% of the value of the ore occurs within dense minerals. This, coupled with the coarse-grained nature of the sulphide material, allows for easing separation simply by crushing and sorting onsite to 19 mm in size. The processing of the stockpiles would also allow for removal of virtually all the Acid Rock Drainage ("ARD") producing ore from the property, and this should simplify the permitting process.

The Company received final test results (Met Solve Laboratories) from a sample of the main Ag-Au-Pb-Zn-Cu-In deposit at Thor that was undertaken to determine the applicability of gravity pre-concentration in processing ore from the project.

The results of this testing were conclusive in showing that gravity processing is ideally suited for processing the sulphide-type ore onsite. This opens two exciting developments at Thor, first that the pre-concentrated ore can be transported economically over much greater distances to a smelter or mill where further upgrading can occur, and second that sulphide-rich ore which typically has Acid Rock Drainage ("ARD") characteristics can be separated onsite from waste rock that is minimally-ARD producing and can be stored onsite.

The following table shows the recoveries for each of the metals crushing the rock to 19 mm in size and performing DMS at a specific gravity of 2.75

| **Cut Point Specific Gravity ("SG")** | **Mass Rejected (%)** | **Au (% Recovery)** | **Ag (% Recovery)** | **Zn (% Recovery)** | **Pb (% Recovery)** | **Cu (% Recovery)** |
|---|---|---|---|---|---|---|
| 2.75 | 54.6 | 94.7 | 93.1 | 96.7 | 98.0 | 96.2 |

For 85 mm material, at a SG cut point of 2.75, 54.6% of the mass was rejected with metal losses of only 2.0-6.9%. This means that almost 55% of the ore zone material could be rejected onsite and the balance transported off the property for further upgrading either by gravity concentration or flotation.

The main sulphide deposit at Thor is ideally suited to this type of processing because almost 100% of the value of the ore occurs within dense minerals. This, coupled with the coarse-grained nature of the sulphide material, allows for easy separation simply by crushing and sorting onsite to 19 mm in size. It also allows removal of virtually all ARD producing ore from the property,

and this should simplify the future permitting process for the Thor deposit. There are large stockpiles of ore on surface that could be processed using this relatively inexpensive technology, and Taranis is currently exploring a path to permit these, with hope of transitioning into mining the main in-situ deposit.

**1630302201702 Exploration Permit**

On August 14, 2017 the Company was informed that it had received approval for a Notice of Work application ("NOW") to conduct exploration north of the existing Ag-Au-Pb-Zn-Cu deposit. In early 2017 after completing an exhaustive review of the geology of the deposit, the Company determined that an area under Thor's Ridge had considerable potential to host a northern extension of the existing deposit. Successful exploration at the Ridge Target would expand the deposit to almost 4 km in strike length, from the known 2 km strike length. For this reason, the target has been given a high-priority to test.

The Ridge Target is accessible using a road completed in the early 1980's by a previous operator and was never reclaimed to government standards. During review of the NOW permit application, the Ministry of Energy and Mines suggested that by using the road to access and service the drill locations the Company might have to assume responsibility for the reclamation of the entire 4 km long road. After considering the matter the Company elected to not use the existing road and opted to modify the original NOW as a helicopter-assisted drilling program.

The approved NOW application includes approximately 5 drill sites and 15 drill holes that would be located both on top of and on the north side of Thor's Ridge. The Company is currently examining options that would involve the financing and drilling of the Ridge Target, and the requisite financial bond has been posted.

**1630302201701 Exploration Permit**

On July 25, 2017 the Company was informed that it had received approval for its 1630302201701 NOW application that involves extensive road building and construction of 31 drill sites at the Broadview Mine on the south end of the property.

Although the geology of the Broadview Mountain area is well known, the Company has only completed minimal drilling in the area, namely at the top of the topographic feature where there is a high-grade stockpile of ore and underground workings dating back to the early 1900's. Extensive surface and underground exposures have shown that much of Broadview Mountain is underlain by the south continuation of the Thor deposit, and systematic drilling in the area is expected to add considerable tonneage of low-mid-grade material to the existing Resource.

All drilling planned for this area is definition drilling that will be spaced at 40-45 m grid sections and will involve the drilling of multiple holes from the same drill pad to meet the required density of drill holes to move the material into a Resource category. The requisite financial bond has been posted.

**Baseline Environmental Studies**

As part of the Joint Application for the Phase II Mining at Thor, Taranis initiated water baseline sampling at Thor in 2017, and undertook substantial water sampling at a number of locations on the property in 2018.

This data collection includes the following information:

- Water chemistry sampling at a number of stations in the Broadview and True Fissure watersheds
- Sampling of water from a number of pre-existing adits and exploration tunnels on the property
- Sampling of water seepage from existing stockpiles
- Stream sediment and silt sampling
- Continued monitoring of stream flow at one station in the Broadview watershed and one station in the True Fissure watershed.

This data collection has enabled Taranis to build a detailed understanding of metal contaminants in both watersheds and forms an integral part of the Joint Application for the Phase II Mining application.

**2018 Drilling and Exploration Program**

**Core Diamond Drilling**

Taranis completed a 1,983 m (30 hole) NQ drilling program on the property in mid-September 2018, bringing the number of drill holes completed by the Company at Thor to over 250. All drill holes were located southeast of the existing Great Northern deposit. Results of this drilling are pending and will be released upon conclusion of the analytical work and interpretation of the data. All drill holes were subjected to rigorous NI-43-101 quality control methods and were surveyed with a downhole magnetic tool upon completion. Drill core was also subjected to on-site specific gravity measurements.

Schlumberger Resistivity Surveys

Taranis completed 3.5 km (22 lines) of detailed (5 metre spacing) resistivity profiling at areas of the Thor deposit to better define structure, stratigraphy and potential new targets. Some of the highlights of this surveying include:

- Discovery of the southeast extension of the deposit under Broadview Creek that was subsequently confirmed with diamond drilling.
- Discovery of a large area of quartz-veining 250 m northwest of the SIF gold zone that lies under conductive black schists that is possibly the faulted-off parent portion of the SIF gold zone. This newly discovered area referred to as the "crossover" also seems to connect the existing Thor deposit to an area to the northwest that has never been drilled called the Megagossan.

- Re-discovery of an extension of the Great Northern Zone to the northwest that has not been drilled but was originally discovered in the early 1970's by Columbia Metals. In the 1970's this area was trenched and referred to as the "New Zone" and sampling returned gold values in excess of 1 Oz/ton gold. This is like other gold-rich areas at Thor that typically occur along the terminations of sulphide bodies that are highly enriched in quartz.

Magnetic & VLF Surveys

Additional ground magnetic and electromagnetic surveys were completed in the area directly over SIF and to the northwest of SIF to gain better understanding of the complex structural geology of this area. Although this data has not been finalized, it shows that the SIF Gold Zone has been dissected by a dextral fault along the west side and that the possible continuation of SIF is located to the northwest. Prolific areas of quartz veining were discovered 250 m northwest of SIF that resemble the SIF deposit including vugging and extensive iron-oxide alteration. Grab samples were collected at surface an an effort to identify anomalous gold mineralization, and the area was subjected to stream sediment sampling.

**Silver Equivalent (AgEq)**

The Company has recently moved to using Silver Equivalent ("AgEq") as a means of simplifying the tenor of intercepts at Thor. Thor is primarily a silver deposit, but also contains valuable concentrations of gold, lead, zinc and copper. These metals are converted to AgEq using the following metal prices; Silver $19.00/Oz., Gold $1,300/Oz., Lead $0.90/lb., Zinc $1.05/lb. and Copper $2.10/lb. All amounts are in US$. Recoveries are not factored into the calculation of the AgEq values. Additional information concerning the use of AgEq is available at the website www.taranisresources.com.

## SUMMARY OF QUARTERLY RESULTS

| | Sept 30, 2018 | June 30, 2018 | Mar 31, 2018 | Dec 31, 2017 | Sept 30, 2017 | June 30, 2017 | Mar 31, 2017 | Dec 31, 2016 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Net Income (Loss) | (17,120) | (63,086) | (180,923) | (33,529) | (90,099) | (48,910) | (91,371) | (28,299) |
| 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 experienced quarterly loses over the last two years. This is a result of the fact that as a mineral exploration company it 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.

## NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2016, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

The Company anticipates that the application of these standards, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

*IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

*IFRS 16 Leases*

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

## 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 November 23, 2018
64,213,067 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 | 900,000 | $0.05 | February 12, 2019 |
| | 1,000,000 | $0.05 | January 27, 2021 |
| | 200,000 | $0.10 | December 13, 2021 |
| | 750,000 | $0.11 | August 8, 2022 |
| | 1,500,000 | $0.10 | March 20, 2023 |
| | 300,000 | $0.11 | April 16, 2023 |
| Flow-through Warrants | 2,150,000 | $0.15 | September 18, 2020 |
| Regular Warrants | 400,000 | $0.11 | January 12, 2019 |
| | 1,000,000 | $0.15 | March 7, 2019 |
| | 1,500,000 | $0.15 | September 18, 2019 |
| | 833,333 | $0.15 | November 17, 2019 |
| | 2,000,333 | $0.15 | December 29, 2019 |

## TRANSACTIONS WITH RELATED PARTIES

During the nine months ended September 30, 2018 the Company entered into the following transactions with related parties:

a) paid or accrued $10,500 (2017 - $10,500) to a director and CFO, Gary McDonald, for accounting services;

b) paid or accrued $30,000 (2017 - $25,500) for legal services to a corporation controlled by Glenn R. Yeadon, a director and the Secretary of the Company;

c) accrued loan interest of $9,000 (2017 $9,000) to Matachewan Consolidated Mines Limited, a corporation related to the Company through a common director;

d) accrued loan interest of $1,961 (2017 nil) to McChip Resources Inc., a corporation related to the Company through a common director;

e) accrued loan interest of $2,364 (2017 $2,364) to John J.Gardiner & Associates, LLC a corporation controlled by John J. Gardiner a director and the President and Chief Executive Officer of the Company;

f) Settled debts to various related parties of $103,438 through the issuance of 1,477,685 common shares.

Included in accounts payable and accrued liabilities is $132,682 (December 31, 2017 - $170,646) due to directors, companies controlled by directors of the Company and companies related to the Company by virtue of a common director. Amounts due to related parties are due to a director and companies controlled by directors of the Company and are non-interest bearing and have no specific terms of repayment.

## CAPITAL RESOURCES AND LIQUIDITY

As at September 30, 2018 the Company had a working capital deficiency of $348,052 and cash of $512,875. Additional financing is required in the immediate future to enable the Company to sustain its historic level of exploration activity. Management is currently exploring a number of financing options.

During the nine months ended September 30, 2018 the Company issued 300,000 flow-through common shares upon the exercise of 300,000 flow-through share purchase warrants for total consideration of $30,000.

On September 18, 2018 the Company issued 1,500,000 units at a price of $0.10 per unit, each unit, each unit consisting of one common share and one common share warrant with each warrant entitling the holder to purchase one additional common share at a price of $0.15 until September 18, 2019

On September 18, 2018 the Company issued 2,150,000 flow-through units at a price of $0.15, each unit consisting of one common flow-through 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 September 18, 2020.

On January 12, 2017 the Company issued 650,000 units at a price of $0.10 per unit, each unit consisting of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.11 until January 12, 2019.

On March 7, 2017 the Company issued 1,000,000 units at a price of $0.10 per unit, each unit consisting of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.15 until March 7, 2019.

On November 17, 2017 the Company issued 833,333 units at a price of $0.12 per unit, each unit consisting of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.15 until November 17, 2019.

On December 29, 2017 the Company issued 2,000,333 units at a price of $0.15 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 December 29, 2019.

## 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 September 30, 2018, the Company had a cash balance of $512,875 (2017 –$307,374) to settle current liabilities of $869,830 (2017 – $728,573). 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 September 30, 2018 are denominated in United States Dollars or Euro

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 period ended September 30, 2018.

TARANIS RESOURCES INC.
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Trading Symbol: TSX-V: TRO
Website: www.taranisresoures.com

## 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 |
| James M. Helgeson, Reno, Nevada, U.S.A. | Vice-President and Director |
| Gary R. McDonald, New Westminster, B.C., Canada | Chief Financial Officer and Director |
| Richard D. McCloskey, Toronto, Ontario, Canada | Director |

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Computershare Investor Services Inc.
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Auditors
Davidson & Company LLP
Suite 1200 – 609 Granville Street
Vancouver, B.C., Canada V7Y 1G6

Share Capitalization

| | |
|---|---|
| Authorized | Unlimited common shares<br>Unlimited Class A preferred shares |
| Issued and Outstanding at September 30, 2018 | 64,213,067 common shares |
| Issued and Outstanding at November 23, 2018 | 64,213,067 common shares |
| Incentive Stock Options outstanding at November 23, 2018 | 4,650,000 |
| Share purchase warrants outstanding at November 23, 2018 | 7,883,666 |