

**TARANIS RESOURCES INC.  
MANAGEMENT DISCUSSION & ANALYSIS,  
FOR THE THREE MONTHS ENDED JUNE 30, 2019  
(Including subsequent events to August 23, 2019)**

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 six months ended June 30, 2019 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 three months ending June 30, 2019 and the audited consolidated financial statements and corresponding notes for the year ended December 31, 2018, 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.

The reader is encouraged to review the Company’s statutory filings on [www.sedar.com](http://www.sedar.com) and general information on its website [www.taranisresources.com](http://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 June 30, 2019 are as follows:

## EXPLORATION AND EVALUATION ASSETS

|                              | June 30,<br>2019    |
|------------------------------|---------------------|
| <b>Thor Property</b>         |                     |
| <b>Acquisition costs:</b>    |                     |
| Balance, beginning of period | \$ 725,637          |
| Additions                    | 1,775               |
| Disposals                    | <u>-</u>            |
| Balance, end of period       | <u>727,412</u>      |
| <b>Exploration costs:</b>    |                     |
| Balance, beginning of year   | <u>4,086,411</u>    |
| Assaying and metallurgy      | 9,721               |
| Geological fees              | 28,460              |
| Engineering and permitting   | <u>113,895</u>      |
|                              | 152,076             |
| Exploration costs recovered  | <u>(21,950)</u>     |
| Balance, end of period       | <u>4,216,537</u>    |
| <b>Total costs</b>           | <u>\$ 4,943,949</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.

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 effort 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 Silver Cup 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”. The 2018 exploration program provided additional information about the deposit, namely that the Thor deposit is composed of a number of en-echelon zones that overlap each other. Within each of these zones, the deposit exhibits zonation that progresses from zinc-rich portions to the southeast, massive sulphides in the middle, and gold-rich zones to the northwest.

Subsequently, during the Mesozoic Era, the zones were subjected to intense folding and faulting, that has profoundly impacted the geometry of the zones at Thor.

## 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 (%) |
|--|-------------|---------|----------|----------|--------|--------|--------|
| <u>Potentially Open Pit Indicated</u>    | \$50        | 471,000 | 0.91     | 204      | 0.14   | 2.77   | 3.68   |
| <u>Inferred</u>                          | \$50        | 189,000 | 1.28     | 218      | 0.16   | 2.70   | 3.83   |
| <u>Potentially Underground Indicated</u> | \$100       | 168,000 | 0.81     | 141      | 0.13   | 1.78   | 3.03   |

|                        |       |                |             |            |             |             |             |
|------------------------|-------|----------------|-------------|------------|-------------|-------------|-------------|
| <u>Inferred</u>        | \$100 | 235,000        | 0.74        | 143        | 0.13        | 1.90        | 2.69        |
| <b>Total Indicated</b> |       | <b>640,000</b> | <b>0.88</b> | <b>187</b> | <b>0.14</b> | <b>2.51</b> | <b>3.51</b> |

|                       |                |             |            |             |             |             |
|-----------------------|----------------|-------------|------------|-------------|-------------|-------------|
| <b>Total Inferred</b> | <b>424,000</b> | <b>0.98</b> | <b>176</b> | <b>0.14</b> | <b>2.26</b> | <b>3.20</b> |
|-----------------------|----------------|-------------|------------|-------------|-------------|-------------|

- 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 and hammer mill.

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 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 that held elevated gold concentrations.

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 of 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).

## **Results of Operation of Gold Pilot Plant (Phase 1)**

The following table details the gold content and recovery from the 600 tonnes of SIF ore.

### **SIF Pilot Gold Plant - Metallurgical Accounting**

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|  | <u>Grams</u>       | <u>Ounces</u>       |
|--|--------------------|---------------------|
| Recovered gold from processing (sold at spot)    | 706.1              | 24.9                |
| Gold lost in lab processing of Super-Concentrate | 27.2               | 1.0                 |
| Gold lost in lab processing of Concentrate       | 248.8              | 8.8                 |
| Gold lost on shaker table in field ("Tails")     | 2,897.7            | 102.2               |
| Total gold contained in ore processed            | 3,879.8            | 136.9               |
| Recovery percentage ("field concentrates")       | 25.3%              |                     |
| Recovery percentage after lab processing         | 18.2%              |                     |
| Total tonnes processed in field milling          | 600                |                     |
|  | <b>Grams/tonne</b> | <b>Ounces/tonne</b> |
| Actual grade of processed ore                    | 6.47               | 0.23                |

Although the permit allowed for the extraction and processing of 1,000 tonnes of ore, field conditions limited the processing to 600 tonnes of ore. Despite this shortcoming, this was a large enough sample to provide data to develop general knowledge related to this unique part of Thor.

Of note is the low recoveries exhibited using the Mt. Baker processing plant. In field operations, the plant was only able to recover 25.3% of the gold from the ore, and this is attributable in large part to the use of a hammer mill which could only grind the ore to -1.5 mm in size. The recoveries were further impacted by the loss of gold in the laboratory processing (re-tabling of the concentrates), particularly on the finer-grained concentrate fraction where 35% of the available gold was lost upgrading the material. This contrasts with only 4% of the gold lost re-tabling the super-concentrate fraction which contained much coarser gold.

The crushed tailings from the pilot mill are accessible at Thor, and once optimal production efficiency has been achieved in Phase 2, they will be reprocessed for recovery of the remaining gold in the tailings pond. It is expected that a finer crush size will liberate substantially more gold than can be retrieved using the hammer mill employed in 2017.

### Continuity of Gold at SIF

The SIF zone consists of both fine, disseminated and coarse nuggety gold (up to 4 mm) in quartz. One of the objectives was to determine whether gold mineralization was restricted to narrow, high-grade structures, or if the gold was disseminated in the quartz-bearing zone. The results of the pilot mill indicate that the gold-bearing material was consistently spread out through the 68-day operating period, and from day to day there was little variation in the gold content of the middlings and tails.

| Launder      | No. Samples | Au<br>Minimum<br>(g/t) | Au<br>Maximum<br>(g/t) | Standard<br>Deviation | Au Mean<br>(g/t) |
|--------------|-------------|------------------------|------------------------|-----------------------|------------------|
| #3 Middlings | 62          | 1.9                    | 34.8                   | 5.8                   | 6.9              |
| #4 Waste     | 62          | 1.0                    | 19.5                   | 2.8                   | 4.3              |

The occurrence of gold throughout the zone is reasonably consistent with the interpretation that the zone is a stratabound gold occurrence and has the potential to be related to a much larger gold occurrence that remains undiscovered.

## Metallurgical Accounting & Methodology

During the daily operation of the mill, samples were taken from the #3 & #4 launders of the shaker table and analyzed for gold and 32 element ICP. In addition to this, material was collected from the #1 & #2 launders (super-concentrate and concentrate respectively) which contained all recoverable gold from the shaker table. The concentrates contained concentrated pyrite as well as trace levels of galena. These bags were weighed daily and were sent for subsequent upgrading offsite at Met-Solve Laboratories Inc. (“Met-Solve”).

During the operation of the plant, the volume of material (and gold content) that was discharged from the #3 and #4 launders was measured. This was reconciled with the number of feed hoppers of ore put through the mill as well as a volume calculation of the tailings pond to deduce that 600 tonnes of ore had been processed. The following table shows the amount of concentrate that was produced from the Mt. Baker plant over the entire 68-day operating period.

| Concentrate Product            | Kg           |
|--------------------------------|--------------|
| Super-concentrate (#4 launder) | 91.2         |
| Concentrate (#3 launder)       | 388.2        |
| <b>Total concentrate</b>       | <b>479.4</b> |

### Concentrate Upgrading (Met-Solve Laboratories Inc.)

The concentrates were upgraded by Met-Solve in controlled laboratory conditions. This consisted of two phases, the first being the tabling of the super-concentrates, and the second being tabling of the concentrates. Gold mass balance charts were created for the super-concentrate and concentrate products that showed the grade, recovery and mass distribution for each of the products.

### Magnetic Separation of Super-Concentrate and Concentrate products

Products from the tabling at Met-Solve were separated magnetically. The initial hypothesis was that this process would have merit in removing tramp iron ablated from the hammer mill, but this early hypothesis was disproven. In fact, the magnetic component had much higher gold grades than the non-magnetic fraction and this is most probably due to retention of gold smeared on denuded metal from the hammers in the hammer mill.

### Roasting of Pyritic Concentrates

It was expected that gravity concentrates could be smelted in their raw state. After tabling of the products, several batches of concentrate were smelted in a furnace to recover the gold, and it was found that high levels of pyrite (up to 60%) caused gold splattering in the furnace. Roasting of the remaining concentrates (Kingston Process Metallurgy Inc.) was thus required to reduce the amount of sulphur. The following table shows the reduction in pyrite and sulphur before and after roasting of the ore.

| Concentrate Product          | Estimated pyrite content | Sulphur content | Mass loss |
|------------------------------|--------------------------|-----------------|-----------|
| Pre-Roasting (Non-Magnetic)  | 59.9%                    | 32.0 %          | -         |
| Post-Roasting (Non-Magnetic) | 9.4%                     | 3.5 %           | 31%       |

|                          |     |       |       |
|--------------------------|-----|-------|-------|
| Pre-Roasting (Magnetic)  | 9.4 | 5.6 % | -     |
| Post Roasting (Magnetic) | 6.0 | 5.0 % | 16.4% |

Future production using gravity methods will incorporate the relatively simple roasting processes that greatly improves efficiency and cost of smelting.

### **Recoverable Gold**

Final smelting of the concentrates and recovery of gold was undertaken at Northern Mining Analytical Laboratory Inc. in Timmins, Ontario and Technic Canada in Richmond, B.C. The final product (635.73 grams Au) was sold at the prevailing spot metal price and the funds were credited to the Company.

### **Phase 1 Reclamation, 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 (10,000 tonne bulk sample)**

Taranis submitted a Joint Environmental Mining Application (“JEMA”) on October 15, 2018 to the Ministry of Energy, Mines and Petroleum Resources (“MEMPR”) that outline plans to process 9,500 tonne of stockpiled sulphide material and 500 tonne of remaining SIF ore. The installation, operation and decommissioning of the plant will occur in a period of up to three years.

After a series of meeting with MEMPR, Taranis has amended its original JEMA application and submitted the JEMA for screening by MEMPR. The JEMA and Information Resources Table (“IRT”) were amended to include references to data and Qualified Person reports that have addressed issues concerning the construction and operation of the bulk sampling facility that will be located at the True Fissure mill site.

Taranis has also commenced community consultation that outlines to the public the proposed purpose and scope of the sampling facility. This has included posting of a number of signs in the area of the project, at the Trout Lake general store, the Trout Lake Community Hall and also the B.C. Gazette. There is also a link on the Taranis website where people can provide anonymous comments that will be used by the Company to facilitate public concerns into the operation of the plant.

The processing plant will utilize a new technology to separate ore and waste products onsite called an InLine Pressure Jig (“IPJ”). 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 requirement 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 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 IPJ 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 Separation ("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.

Pursuant to the signing of the Information Requirements Table by Taranis, the Ministry of Environment, Environmental Protection Division, and the Ministry of Mines, Mines and Minerals Resources Division, Taranis is now finalizing the specifications for the 10,000 tonne sample from the main Thor Ag-Au-Pb-Zn-Cu-In deposit using the following industry experts.

- Allnorth Engineering ("Allnorth") completed initial engineering of the 10,000 tonne bulk sample facility at Thor. Allnorth is a multidisciplinary engineering and technical services consulting company that will design the site plan in conjunction with Gekko Engineering.
- Masse Environmental Consultants Limited ("Masse") of Nelson, British Columbia has completed a study to provide supporting environmental studies of the 10,000 tonne sample including biology, groundwater, hydrogeology and other aspects. Masse has a long and impressive history, including work in the Trout Lake area.
- Aero Geometrics Limited completed a LiDAR survey over the property in July of 2019.

Processing 10,000 tonnes of material at Thor is the final phase of mine development proximal to commercial mining of the high-grade in situ resource. Due to the modular design of the IPJ plant, ongoing mining and milling activity can easily be achieved through scaling-up of the same plant circuits and general mine plan.



Permitting efforts are continuing and are progressing within a reasonable timeframe.

### **Ridge Target Exploration Permit (NOW 1630302201901)**

Taranis has submitted a 5-year Multi Year Area Based Permit (“MYAB”) exploration program to MEMPR that outlines the plans to construct a series of new roads northwest of the existing deposit on an area called the Ridge Target. This area requires the construction of two new temporary bridges over True Fissure Creek and the construction of new roads on the south side of Thor’s Ridge. A total of twelve drill sites are planned, each of which will have multiple drill holes completed from each site.

This application has been sent out for consultation and the Company is awaiting approval to commence the construction of the roads and drill sites. Taranis has a diamond drill located in Ferguson that is awaiting the approval of the 5-year MYAB permit.

### **Detailed Geological Mapping**

Taranis has undertaken a detailed structural mapping program at Thor that is designed to provide further geological information about the deposit. This program is already yielding valuable information about the deposit that was known prior to 2019 and is expected to add valuable exploration insight and also modeling of the existing resource.

### **Baseline Environmental Studies**

As part of the Joint Application for the Phase II Mining at Thor, Taranis has continued water baseline sampling initiated at Thor in 2017, and this has extended into 2019.

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.

### **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](http://www.taranisresources.com).

### **SUMMARY OF QUARTERLY RESULTS**

|                           | June 30,<br>2019 | Mar 31,<br>2019 | Dec 31,<br>2018 | Sept 30,<br>2018 | June 30,<br>2018 | Mar 31,<br>2018 | Dec 31,<br>2017 | Sept 30,<br>2017 |
|---------------------------|------------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|------------------|
|                           | \$               | \$              | \$              | \$               | \$               | \$              | \$              | \$               |
| Net Income (Loss)         | (24,685)         | (31,395)        | 25,793          | (17,120)         | (63,086)         | (180,923)       | (39,529)        | (90,099)         |
| 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 losses 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, 2019, 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 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 periods 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 August 23, 2019

66,056,042 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               | 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 | 2,000,333        | \$0.15         | December 29, 2019  |
|                       | 2,150,000        | \$0.15         | September 18, 2020 |
| Regular Warrants      | 920,000          | \$0.10         | September 7, 2019  |
|                       | 80,000           | \$0.15         | September 7, 2019  |
|                       | 1,500,000        | \$0.15         | September 18, 2019 |
|                       | 833,333          | \$0.15         | November 17, 2019  |

### **TRANSACTIONS WITH RELATED PARTIES**

During the period ended June 30, 2019 the Company entered into the following transactions with related parties:

- a) paid or accrued \$3,500 (2018 - \$3,500) to a director and CFO, Gary McDonald, for accounting services;
- b) paid or accrued \$7,000 (2017 - \$9,000) for legal services to a corporation controlled by Glenn R. Yeadon, a director and the Secretary of the Company;
- c) accrued loan interest of \$3,000 (2017 \$3,000) to Matachewan Consolidated Mines Limited, a corporation related to the Company through a common director;
- d) accrued loan interest of \$706 (2018 \$nil) to McChip Resources Inc., a corporation related to the Company through a common director;
- e) accrued loan interest of \$778 (2018 778) 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.

## **CAPITAL RESOURCES AND LIQUIDITY**

As at June 30, 2019 the Company had a working capital deficiency of \$310,570 and cash of \$223,707. 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.

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.

On September 18, 2018 the Company issued 1,500,000 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 September 18, 2019.

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

## **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, 2019, the Company had a cash balance of \$223,707 (2018 –\$307,374) to settle current liabilities of \$540,935 (2018 – \$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 June 30, 2019 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 period ended June 30, 2019.

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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                          |
| 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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V6E 2L3

Transfer Agent  
Computershare Investor Services Inc.  
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Vancouver, B.C. V6C 3B9

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 December 31, 2018            | 64,843,067 common shares                                      |
| Issued and Outstanding at August 23, 2019              | 66,056,042 common shares                                      |
| Incentive Stock Options outstanding at August 23, 2019 | 3,750,000   |
| Share purchase warrants outstanding at August 23, 2019 | 7,483,666   |