

**TARANIS RESOURCES INC.
MANAGEMENT DISCUSSION & ANALYSIS,
FOR THE YEAR ENDED DECEMBER 31, 2018
(Including subsequent events to April 11, 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 year ended December 31, 2018 and comparing results with the previous year. It should be read in conjunction with the Company’s audited consolidated financial statements and corresponding notes for the year ending 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 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 December 31, 2018 and December 31, 2017 are as follows:

British Columbia, Canada

	2018	2017
Acquisition costs:		
Balance, beginning of year	\$ 684,566	\$ 683,778
Additions	<u>41,071</u>	<u>788</u>
Balance, end of year	<u>725,637</u>	<u>684,566</u>
Exploration costs:		
Balance, beginning of year	<u>3,570,460</u>	<u>3,185,480</u>
Assaying and metallurgy	110,772	265,667
Geological fees	181,870	70,243
Engineering	50,400	10,390
Drilling and trenching	<u>226,157</u>	<u>42,296</u>
	569,199	388,596
Exploration costs recovered	<u>(53,248)</u>	<u>(3,616)</u>
Balance, end of year	<u>4,086,411</u>	<u>3,570,460</u>
Total costs	<u>\$ 4,812,048</u>	<u>\$ 4,255,026</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 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 (%)
<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</u>	\$100	168,000	0.81	141	0.13	1.78	3.03

<u>Indicated</u>							
<u>Inferred</u>	\$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 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).

Phase I 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

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 (“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 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.

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”) has been selected to undertake the 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 been selected 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 was engaged to complete a LiDAR survey over the property in June/July of 2019 that will enhance the existing topographic and aerial imagery of the project.

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.

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.

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 Exploration Program (Schlumberger Resistivity and VLF Surveys)

Taranis completed 3.5 km (22 lines) of detailed (5 m spacing) resistivity profiling at areas of the Thor deposit to better define structure, stratigraphy and identify new targets. This data was compiled and analyzed in March of 2019 and was submitted as part of an assessment report used to maintain Mineral Tenures in good-standing. Some of the highlights of this surveying include:

- Previously there were two possible hypotheses that existed regarding the northwest end of the Thor deposit for exploration targeting. The first of these was that there was a major fold whereby the receptive Thor horizon was folded across the Meadow-Crossover area to the Megagossan area. This option has been reasonably discounted and is no longer a possibility. What is clear from the geophysical work outlined in this report is that the Thor Anticline continues directly to the northwest under the ridge area north of Thor. This anticline plunges at a shallow angle (~10-15 degrees) and is concealed under the ridge.
- Carbonaceous, fissile rocks in the Meadow Area do not belong to the Sharon Creek Formation. Rather, these rocks are related to a previously unknown member of the Broadview Formation that overlies the main mineralized horizon at Thor that typically occurs along the Sharon Creek / Broadview Formation Contact. This unit is extensively stained with iron-oxides, and this appears to be a distal alteration feature of the gold-bearing silicified zones. This unique rock unit is also seen at SIF and it directly overlies the gold and quartz-bearing zone. The Meadow itself is underlain by these rocks which are generally flat-lying, and this indicates that the receptive contact for gold mineralization could be located at depth under this area. This accounts for the presence of the Meadow as a bowl-shaped depression, and the east side of the Meadow is ‘buttressed-up’ by the Thor Anticline providing an edge to the bowl.
- The geophysical lines that were completed in the Great Northern area were completed in zones of complex geology and were designed to gain better understanding thereof. Perhaps unsurprisingly, this data has shown that these are the areas where individual zones within the Thor deposit “staircase” over to other zones and create the characteristic en-echelon pattern of zones in the

deposit. It is very noteworthy that at the northwest terminus of each of these zones high-grade gold zones are found. At the northwest end of the Broadview zone, the high-grade Gold Pit zone is found, and at the northwest end of the Great Northern zone, there is historic reference made to the “New Showing” that contained metal values up to 0.20 Oz/ton Au, 82.8 Oz/ton Ag, 28.3% Pb and 4.5% Zn. Taranis has never been able to locate this zone, but the recent geophysical surveys have potentially identified this zone. Finally, it appears that the gold-rich SIF zone is the northwest terminus of the True Fissure Zone.

- The Broadview Shaft area showed a very strong VLF anomaly that corresponds with the Broadview zone at surface, but it also shows a similar VLF anomaly further to the southwest. On the southwest side of the line, there is a very interesting VLF and magnetic anomaly that has not been explored with drilling, and the geological en-echelon model discussed in the report would predict that there may be a “step-over” in this area to a possible new zone. If this were the case, then there exists the possibility of a new zone in the footwall of the main Broadview zone that has not been discovered.

Silver Equivalent (AgEq)

The Company 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, copper and indium. 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, Copper \$2.10/lb and Indium (\$200/kg). 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.

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$	\$
Net Income (Loss)	(235,336)	(296,909)	(248,448)
Income (Loss) per common share			
Basic	(0.00)	(0.00)	(0.01)
Diluted	(0.00)	(0.00)	(0.01)
Total Assets	5,207,456	4,814,882	4,272,385
Exploration and evaluation assets	4,812,048	4,255,026	3,869,258
Working Capital (Deficiency)	(309,830)	(360,481)	(324,094)

December 31, 2018 compared to December 31, 2017

During 2018 the Company increased its net exploration costs on the Thor property from \$384,980 in 2017 to \$515,951. The main areas of activity during the year were a drilling program designed to expand the deposit and geological mapping and geophysical surveying to identify drilling targets on the north end of the deposit.

December 31, 2017 compared to December 31, 2016

During 2017 the Company increased its net exploration costs on the Thor property from \$337,526 in 2016 to \$384,980. The focus that the year's work was centred on metallurgical testing of both the high-grade old ore and the larger Ag-Au-Pb-Zn-Cu sulphide deposit.

SUMMARY OF QUARTERLY RESULTS

	Dec 31, 2018	Sept 30, 2018	June 30, 2018	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30, 2017	Mar 31, 2017
	\$	\$	\$	\$	\$	\$	\$	\$
Net Income (Loss)	25,793	(17,120)	(63,086)	(180,923)	(39,529)	(90,099)	(48,910)	(91,371)
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.

CHANGES IN ACCOUNTING POLICY

The Company has adopted the new accounting standard IFRS9 – Financial Instruments, effective January 1, 2018.

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 April 11, 2019

64,843,067 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	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	80,000	\$0.15	September 7, 2019
	920,000	\$0.10	September 7, 2019
	1,500,000	\$0.15	September 18, 2019
	833,333	\$0.15	November 17, 2019

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2018 the Company entered into the following transactions with related parties:

- a) paid or accrued \$89,980 (2017 - \$90,917) to a Corporation owned by John J. Gardiner, a director and the Company's Chief Executive Officer. Services provided include geological, engineering and claim staking costs, equipment rental, and administrative services;
- b) paid or accrued \$16,000 (2017 - \$14,000) to a director, Gary McDonald, for accounting services;

- c) paid or accrued \$40,000 (2017 - \$40,000) for legal services to a corporation controlled by Glenn R. Yeadon, a director and the Secretary of the Company.
- d) settled \$110,848 (2017 - \$58,560) in debt with related parties through the issuance of 1,548,771 common shares (2017 – 585,600 common shares).
- e) accrued loan interest of \$12,000 (2017 - \$12,000) to Matachewan Consolidated Mines, a corporation related to the Company through a common director.
- f) Accrued loan interest of \$2,667 (2017 – nil) to McChip Resources Inc., a corporation related to the Company by virtue of a common director.
- g) Accrued loan interest of \$3,152 (2017 - \$3,152) to a corporation controlled by John J. Gardiner, a director and Chief Executive Officer of the Company.
- h) included in accounts payable and accrued liabilities is \$82,578 (2017 - \$170,646) due to directors and companies controlled by directors of the Company.
- i) key management personnel include executive officers and directors of the Company. Compensation paid to key management personnel consist of share-based payments of \$147,000 for the year ended December 31, 2018 (2017 - \$77,000).

CAPITAL RESOURCES AND LIQUIDITY

As at December 31, 2018 the Company had a working capital deficiency of \$309,830 and cash of \$254,112. 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 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.

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 with 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. Subsequent to December 31, 2018, all 1,000,000 warrants were extended to September 7, 2019 and 920,000 of them were repriced to \$0.10.

On November 17, 2017 the Company issued 833,333 units at a price of \$0.12 per unit, with 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, with 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 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 to 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 concentration with respect to financial instruments included in these 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 December 31, 2018, the Company had a cash balance of \$254,112 (2017 –\$436,510) to settle current liabilities of \$610,604 (2017 – \$802,454). 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 a loans payable bearing interest between 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 December 31, 2018 and 2017 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 by the Company. 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 the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

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 2018.

Off- balance sheet arrangements and proposed transactions

The Company has no off-balance sheet arrangements or proposed transactions.

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CORPORATE INFORMATION

John J. Gardiner, Lakewood, 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	Director
Richard D. McCloskey, Toronto, Ontario, Canada	Director

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Auditors
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Share Capitalization	
Authorized	Unlimited common shares Unlimited Class A preferred shares
Issued and Outstanding at December 31, 2018	64,843,067 common shares
Issued and Outstanding at April 11, 2019	64,843,067 common shares
Incentive Stock Options outstanding at April 11, 2019	3,750,000
Share purchase warrants outstanding at April 11, 2019	7,483,666