

TARANIS RESOURCES INC.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

DECEMBER 31, 2025

DAVIDSON

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Taranis Resources Inc.

Opinion

We have audited the accompanying financial statements of Taranis Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of operations and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 on the financial statements, which indicates the Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. As stated in Note 1, these material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 5 to the financial statements, the carrying amount of the Company's E&E Assets was \$8,670,518 as of December 31, 2025. As more fully described in Notes 2 and 3 to the financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing the Company's rights to explore E&E Assets.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kyle McElwee

Davidson & Company LLP

Chartered Professional Accountants

Vancouver, Canada

April 17, 2026

TARANIS RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

	2025	2024
ASSETS		
Current		
Cash	\$ 254,666	\$ 489,312
Receivables and prepaid expenses	<u>66,785</u>	<u>84,133</u>
	321,451	573,445
Buildings and equipment (Note 4)	25,528	27,770
Exploration and evaluation assets (Note 5)	<u>8,670,518</u>	<u>8,189,055</u>
	<u>\$ 9,017,497</u>	<u>\$ 8,790,270</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 654,794	\$ 616,429
Loan payable (Note 7)	<u>100,000</u>	<u>100,000</u>
	754,794	716,429
Deferred income taxes (Note 12)	<u>354,000</u>	<u>377,000</u>
	<u>1,108,794</u>	<u>1,093,429</u>
Shareholders' equity		
Capital stock (Note 8)	14,427,710	14,023,525
Share-based payment reserve (Note 8)	2,453,893	2,001,893
Deficit	<u>(8,972,900)</u>	<u>(8,328,577)</u>
	<u>7,908,703</u>	<u>7,696,841</u>
	<u>\$ 9,017,497</u>	<u>\$ 8,790,270</u>

Nature and continuance of operations (Note 1)

Subsequent event (Note 13)

Approved and authorized by the Board on April 17, 2026

"John J. Gardiner" Director "Gary R. McDonald" Director

The accompanying notes are an integral part of these financial statements.

TARANIS RESOURCES INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEAR ENDED DECEMBER 31

	2025	2024
EXPENSES		
Licenses and fees	\$ 58,476	\$ 60,390
Office and miscellaneous	27,379	102,938
Interest and bank charges	912	1,002
Professional fees (Note 6)	128,556	136,057
Stock-based compensation (Notes 6 and 8)	<u>452,000</u>	<u>-</u>
	(667,323)	(300,387)
Interest income	-	8,107
	<u>(667,323)</u>	<u>(292,280)</u>
Loss before taxes	<u>(667,323)</u>	<u>(292,280)</u>
Deferred tax recovery (Note 12)	<u>23,000</u>	<u>3,000</u>
Loss and comprehensive loss for the year	<u>\$ (644,323)</u>	<u>\$ (289,280)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Basic and diluted weighted average number of common shares outstanding	<u>101,279,091</u>	<u>97,098,420</u>

The accompanying notes are an integral part of these financial statements.

TARANIS RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEAR ENDED DECEMBER 31

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (644,323)	\$ (289,280)
Items not affecting cash:		
Deferred tax recovery	(23,000)	(3,000)
Stock-based compensation	452,000	-
Changes in non-cash working capital items:		
Decrease (Increase) in receivables	17,348	(47,932)
Increase (decrease) in accounts payable and accrued liabilities	(11,959)	35,119
Net cash used in operating activities	(209,934)	(305,093)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures, net of recoveries	(437,797)	(1,102,316)
Net cash used in investing activities	(437,797)	(1,102,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	413,085	1,421,550
Net cash provided by financing activities	413,085	1,421,550
Change in cash during the year	(234,646)	14,141
Cash, beginning of year	489,312	475,171
Cash, end of year	\$ 254,666	\$ 489,312
Cash paid for interest	\$ -	\$ -
Cash received for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these financial statements.

TARANIS RESOURCES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock		Share-based Payment Reserve	Deficit	Total
	Number of Shares	Amount			
Balance as at December 31, 2023	94,587,027	\$ 12,616,000	\$ 2,001,893	\$ (8,039,297)	\$ 6,578,596
Loss for the year	-	-	-	(289,280)	(289,280)
Private placements	2,495,100	821,550	-	-	821,550
Share issuance costs	-	(14,025)	-	-	(14,025)
Warrant exercise	3,000,000	600,000	-	-	600,000
Balance as at December 31, 2024	100,082,127	14,023,525	2,001,893	(8,328,577)	7,696,841
Loss for the year	-	-	-	(644,323)	(644,323)
Private placement	2,072,693	373,085	-	-	373,085
Share issuance costs	-	(8,900)	-	-	(8,900)
Warrant exercise	266,667	40,000	-	-	40,000
Share-based compensation	-	-	452,000	-	452,000
Balance as at December 31, 2025	102,421,487	\$ 14,427,710	\$ 2,453,893	\$ (8,972,900)	\$ 7,908,703

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Taranis Resources Inc. (the “Company”) is an exploration stage company incorporated in the Province of British Columbia. The registered office and records office of the Company are located at Suite 1710 – 1177 West Hastings Street, Vancouver, BC. The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. The Company continues to be dependent upon its ability to finance its operations and exploration programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration and evaluation assets and ultimately, the Company’s ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the properties, and upon future profitable production or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis, all of which are uncertain. While the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Global issues, including recent geo-political conflicts have adversely affected workplaces, economies, supply chains, and financial markets worldwide. It is not possible for the Company to predict the duration or magnitude of the adverse results of these issues and their effects on the Company’s business or results of operations at this time.

2. BASIS OF PRESENTATION

These financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Critical accounting estimates and judgements

The preparation of these financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities (in the event that actual results differ from assumptions made) relate to, but are not limited to, the following:

2. BASIS OF PRESENTATION (*cont'd...*)

Critical accounting estimates and judgements (*cont'd...*)

Judgement

The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the carrying value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Estimates

- i) The inputs used in calculating the fair value for stock-based compensation expense included in profit or loss and stock-based share issuance costs included in shareholders' equity. The stock-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.
- ii) The valuation of shares issued in non-cash transactions, including the settlement of debt. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iii) The determination of income tax is inherently complex and requires making certain judgements about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, and any new legislation may result in an increase or decrease in our provision for income taxes.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for the Company to be the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the exchange rate at the reporting date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss in the period in which they arise.

3. MATERIAL ACCOUNTING POLICY INFORMATION (*cont'd...*)

Financial instruments

Financial assets

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39, except that fair value changes due to changes in an entity's own credit risk are recorded in other comprehensive income rather than in net earnings.

Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL, or FVOCI. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (*cont'd...*)

Classification (*cont'd...*)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Asset or Liability	IFRS 9 classification
Cash	Amortized cost
Loan payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (*cont'd...*)

Financial Instruments (*cont'd...*)

Measurement (*cont'd...*)

Financial assets at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in FVOCI. On derecognition, gains and losses accumulated in FVOCI are reclassified to profit or loss.

Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortized cost, and debt investments at FVOCI, the Company applies the expected credit loss impairment model.

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Buildings and equipment

Buildings and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at an annual rate of 4% for buildings and 20% for equipment. Buildings and equipment that are withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to items of buildings and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance.

Gains and losses on disposal of an item of buildings and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset and are recognized in the statement of operations and comprehensive loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (*cont'd...*)

Exploration and evaluation - mineral properties

Pre-acquisition costs are expensed as incurred. Costs related to the acquisition and exploration of mineral properties are capitalized by property. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mining assets". Exploration and evaluation acquisition costs accumulated are also tested for impairment before they are transferred to development properties. If commercially profitable ore reserves are developed and the Company has commenced commercial production, capitalized costs of the related mining assets are amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

3. MATERIAL ACCOUNTING POLICY INFORMATION (*cont'd...*)

Provision for environmental rehabilitation (*cont'd...*)

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Stock-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in share-based payment reserve is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion of stock-based compensation previously recorded in share-based payment reserve. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the stock-based compensation. Otherwise, stock-based compensation is measured at the fair value of goods or services received.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the Company does not recognize the deferred tax asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (*cont'd...*)

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in income at the same time the qualifying expenditures are made and renounced to the shareholders.

Capital stock

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The value of the warrant components is measured using the residual value approach.

New accounting pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning after January 1, 2025, or later periods.

The Company has reviewed these updates and determined that none are applicable or consequential to the Company and have been excluded from discussion in these financial statements other than the following:

IFRS 18 *Presentation and Disclosure in Financial Statements*, which will replace IAS 1. *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined sub totals, disclosures about management-defined performance measures and new principles for aggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 *Statement of Cash Flows*. IFRS is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company has not yet determined the impact of this amendment on its financial statements.

TARANIS RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2025

4. BUILDINGS AND EQUIPMENT

	Buildings	Equipment	Total
Balance, December 31, 2023, 2024 and 2025	\$ 33,634	\$ 45,662	\$ 79,296
Balance, December 31, 2023	10,547	38,471	49,018
Depreciation for the year	923	1,585	2,508
Balance, December 31, 2024	\$ 11,470	\$ 40,056	\$ 51,526
Depreciation for the year	887	1,355	2,242
Balance, December 31, 2025	\$ 12,357	\$ 41,411	\$ 53,768
Carrying amounts			
As at December 31, 2025	\$ 21,277	\$ 4,251	\$ 25,528
As at December 31, 2024	\$ 22,164	\$ 5,606	\$ 27,770

During the year ended December 31, 2025 the Company capitalized \$2,242 (2024 - \$2,508) of depreciation to exploration and evaluation assets (Note 5)

5. EXPLORATION AND EVALUATION ASSETS

December 31	2025	2024
Acquisition costs:		
Balance, beginning of year	\$ 849,132	\$ 843,401
Additions	58,537	5,731
Balance, end of year	907,669	849,132
Exploration costs:		
Balance, beginning of year	7,339,923	6,146,756
Assaying and metallurgy	81,469	112,182
Geological fees	178,706	114,219
Engineering	148,682	123,120
Drilling	513,663	843,646
Exploration costs recovered	922,520 (499,594)	1,193,167 -
	422,926	1,193,167
Balance, end of year	7,762,849	7,339,923
Total costs	\$ 8,670,518	\$ 8,189,055

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

TARANIS RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2025

5. EXPLORATION AND EVALUATION ASSETS (*con't...*)

British Columbia Properties

Thor Property

The Company owns a 100% interest in certain mineral rights entitled the Thor Property located in the Revelstoke Mining District of British Columbia, Canada and has acquired additional contiguous mineral claims by staking and making certain payments.

The Company includes \$197,975 (2024 - \$182,075) in reclamation deposits within its exploration and evaluation assets.

6. RELATED PARTY TRANSACTIONS

Key management personnel include executive officers and directors of the Company. The Company entered into transactions with related parties, who are also considered key management, as follows:

- a) Paid or accrued professional fees of \$26,600 (2024 - \$29,975) and share issue costs of \$8,900 (2024 - \$14,025) to a corporation controlled by a director.
- b) Paid or accrued administrative costs and deferred exploration costs of \$131,762 (2024 - \$164,780) to a company controlled by a director.
- c) Paid or accrued professional fees of \$15,800 (2024 - \$15,000) to a director.
- d) Recognized \$452,000 (2024 - \$nil) in stock-based compensation for stock options granted to officers and directors.

Amounts included in accounts payable and accrued liabilities of \$510,111 (2024 - \$442,841) are due to directors and companies controlled by directors of the Company. These amounts are non-interest bearing and have no specific terms of repayment.

7. LOAN PAYABLE

	2025	2024
A loan of \$100,000 is due to a corporation controlled by the estate of a former director of the Company. It is unsecured, bears interest at a rate of 5% per annum and is repayable on demand or upon the Company completing one or more financings totalling at least \$2,000,000. At the discretion of the lender, the loan and any unpaid interest thereon may be converted into common shares of the Company at the minimum price per share provided for under the rules and policies of the TSX Venture Exchange. Such conversion would be subject to acceptance by the TSX Venture Exchange.	\$ 100,000	\$ 100,000

TARANIS RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2025

8. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE

Authorized

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

Private placements

Fiscal 2025

Issued 2,072,693 units at a price of \$0.18 per unit for gross proceeds of \$373,085 with each unit consisting of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.25 until July 21, 2027.

Fiscal 2024

Issued 1,353,888 units at a price of \$0.27 per unit for gross proceeds of \$365,500 with each unit consisting of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.35 until July 3, 2026.

Issued 20,000 flow-through units at a price of \$0.30 per unit for gross proceeds of \$6,000 with each unit consisting of one flow-through common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.35 until July 3, 2026

Issued 666,666 flow-through units as a price of \$0.30 per unit for gross proceeds of \$200,000 with each unit consisting of one flow-through common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.35 until October 1, 2026.

Issued 454,546 flow-through units as a price of \$0.55 per unit for gross proceeds of \$250,000 with each unit consisting of one flow-through common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.50 until November 13, 2026.

TARANIS RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2025

8. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

Stock options and warrants

The Company has a stock option plan whereby, from time to time, at the discretion of the Board of Directors, stock options are granted to directors, officers, employees and certain consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant, subject to a minimum price of \$0.05. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options (including Finders' Options)	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2023	10,975,000	0.17	3,700,000	0.15
Granted	2,495,100	0.38	-	-
Exercised	(3,000,000)	0.20	-	-
Expired/cancelled	(375,000)	0.20	(50,000)	0.08
Outstanding, December 31, 2024	10,095,100	\$ 0.21	3,650,000	\$ 0.15
Granted	2,072,693	0.25	2,000,000	0.26
Exercised	(266,667)	0.15	-	-
Outstanding, December 31, 2025	11,901,126	0.22	5,650,000	\$ 0.19
Number currently exercisable	11,901,126	\$ 0.22	5,650,000	\$ 0.19

The following options and warrants to acquire common shares of the Company were outstanding at December 31, 2025:

	Number of Shares/Units	Exercise Price	Expiry Date
Options			
	1,150,000	\$ 0.10	September 14, 2026
	2,500,000	\$ 0.17	February 17, 2028
	2,000,000	\$ 0.26	July 15, 2030
Warrants			
	7,333,333	\$ 0.15	July 24, 2026
	1,373,888	\$ 0.35	July 3, 2026
	666,666	\$ 0.35	October 1, 2026
	454,546	\$ 0.50	November 13, 2026
	2,072,693	\$ 0.25	July 21, 2027

TARANIS RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2025

8. CAPITAL STOCK AND SHARE-BASED PAYEMENT RESERVE *(cont'd...)*

During fiscal 2025, the Company granted 2,000,000 options to directors, officers, employees and/or consultants. Using the Black-Sholes option pricing model, the stock options were recorded at fair value in the statement of operations and comprehensive loss. The total stock-based compensation recognized in the statement of operations and comprehensive loss during fiscal 2025 was \$452,000.

The following weighted average assumptions were used for the valuation of stock options:

	December 31, 2025	December 31, 2024
Risk-free interest rate	3.13%	N/A
Expected life of options	5 years	N/A
Annualized volatility	124.97%	N/A
Dividend rate	N/A	N/A
Forfeiture rate	N/A	N/A

9. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties.

The Company's assets are all located in Canada.

10. 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;
and

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

The fair value of the Company's cash, loan payable, and accounts payable and accrued liabilities approximate their carrying value, due to the short-term nature of these instruments.

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 these financial instruments 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, 2025, the Company had a cash balance of \$254,666 to settle current liabilities of \$754,794. 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% 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.

10. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (*cont'd...*)

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, 2025 and 2024 are denominated in United States Dollars. A 10% fluctuation on foreign exchange would have a \$7,870 (2024 - \$20,700) impact on profit or loss.

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 components of 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 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 the year ended December 31, 2025.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended December 31, 2025 included:

- a) Capitalizing \$2,242 in depreciation to exploration and evaluation assets,
- b) Accruing share issuance costs of \$43,325 through accounts payable and accrued liabilities, and
- c) Accruing mineral property expenses of \$329,086 through accounts payable and accrued liabilities.

Significant non-cash transactions during the year ended December 31, 2024 included:

- a) Capitalizing \$2,508 in depreciation to exploration and evaluation assets,
- b) Accruing share issuance costs of \$34,425 through accounts payable and accrued liabilities, and
- c) Accruing mineral property expenses of \$287,662 through accounts payable and accrued liabilities

TARANIS RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2025

12. INCOME TAXES

a) A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2025	2024
Loss before income taxes	\$ (667,323)	\$ (292,280)
Expected income tax recovery	\$ (180,000)	\$ (79,000)
Non-deductible expenditures and other	122,000	-
Impact of flow-through shares	90,000	33,000
Share issue costs	(2,000)	(4,000)
Adjustment to prior years provision	(53,000)	47,000
Net deferred tax recovery	\$ (23,000)	\$ (3,000)

b) Significant components of the Company's deferred tax assets and liabilities are as follows:

	2025	2024
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ (1,457,000)	\$ (1,420,000)
Losses available for future periods	1,045,000	982,000
Other items	58,000	61,000
Net deferred tax liability	\$ (354,000)	\$ (377,000)

c) Significant components of the Company's temporary differences and unused tax losses are as follows:

	2025	Expiry date	2024
Allowable capital losses	\$ 2,484,000	No expiry date	\$ 2,484,000

13. SUBSEQUENT EVENT

Subsequent to December 31, 2025 the Company issued 1,318,000 units at a price of \$0.18 each, with each unit consisting of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.25 until March 30, 2029.