TARANIS RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

SEPTEMBER 30, 2010

TARANIS RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"John J. Gardiner"

President and Chief Executive Officer

TARANIS RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current		
Cash	$ 359,912	$ 181,699
Receivables	53,079	22,080
Marketable securities (Note 3)	60,000	30,000
	472,991	233,779
Buildings and equipment (Note 4)	47,659	47,659
Mineral properties (Note 5)	4,236,253	3,658,324
	$ 4,756,903	$ 3,939,762
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 97,752	$ 262,268
Due to related parties (Note 6)	10,495	11,156
	108,247	273,424
Future income tax liability	342,247	342,247
	450,494	615,671
Shareholders' equity		
Capital stock (Note 7)	5,750,238	4,655,346
Contributed surplus (Note 7)	839,818	687,418
Deficit	(2,283,647)	(2,018,673)
	4,306,409	3,324,091
	$ 4,756,903	$ 3,939,762

Nature of operations (Note 1)
Basis of presentation (Note 2)

On behalf of the Board:

"John J. Gardiner" Director *"George R. Kent"* Director

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

TARANIS RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited)

	Three Month Period Ended September 30, 2010	Three Month Period Ended September 30, 2009	Nine Month Period Ended September 30, 2010	Nine Month Period Ended September 30, 2009
EXPENSES				
Consulting travel and marketing	$ 4,270	$ (19)	$ 27,400	$ 8,341
Courier and postage	77	(2)	201	502
Interest and bank charges	575	122	999	403
Licenses and fees	1,693	3,017	18,355	13,367
Office and miscellaneous	-	(43)	2,545	3,172
Professional fees	22,979	7,977	64,609	66,458
Property evaluation	-	(432)	3,154	12,654
Stock-based compensation	-	-	152,400	-
	(29,594)	(10,620)	(269,663)	(104,897)
OTHER ITEMS				
Foreign exchange gain (loss)	(5,918)	3,672	2,319	(4,357)
Unrealized gain on marketable securities	-		30,000	
Write-off of mineral properties (note5)	(27,630)	-	(27,630)	-
	(33,548)	3,672	4,689	(4,357)
Loss, before income taxes	(63,142)	(6,948)	(264,974)	(109,254)
Future income tax recovery	-	-	-	180,000
Income (loss) and comprehensive income (loss), for the period	(63,142)	(6,948)	(264,974)	70,746
Deficit, beginning of period	(2,220,505)	(1,802,395)	(2,018,673)	(1,880,089)
Deficit, end of period	$ (2,283,647)	$ (1,809,343)	$ (2,283,647)	$ (1,809,343)
Basic and diluted loss per common share:	$ (0.00)	$ (0.00)	$ (0.01)	$ 0.01
Weighted average number of common shares outstanding:	26,623,260	18,707,875	23,020,667	18,581,501

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

TARANIS RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Month Period Ended September 30, 2010	Three Month Period Ended September 30, 2009	Nine Month Period Ended September 30, 2010	Nine Month Period Ended September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the period	$ (63,142)	$ (6,948)	$ (264,974)	$ 70,746
Items not affecting cash:				
Unrealized gain on marketable securities	-	-	(30,000)	-
Future income tax recoveries	-	-		(180,000)
Stock-based compensation	-	-	152,400	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(14,760)	(507)	(30,999)	55,853
Increase (decrease) in accounts payable and accrued liabilities	(3,730)	3,101	(45,420)	(55,730)
Net cash provided by (used in) operating activities	(81,632)	4,354	(218,993)	(109,131)
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral property expenditures	(221,302)	(37,205)	(697,025)	(204,705)
Mineral property cost recoveries	-	(949)		97,306
Net cash used in investing activities	(221,302)	(38,154)	(697,025)	(107,399)
CASH FLOWS FROM FINANCING ACTIVITIES				
Due to related parties	-	(241)	(661)	598
Capital stock issued	-	-	1,183,077	100,000
Issuance costs	(11,200)	(750)	(88,185)	(10,100)
Net cash provided by (used in) financing activities	(11,200)	(991)	1,094,231	90,498
Change in cash during the period	(314,134)	(43,499)	178,213	(126,032)
Cash, beginning of period	674,046	102,064	181,699	184,597
Cash, end of period	$ 359,912	$ 58,565	$ 359,912	$ 58,565
Cash paid for interest	$ -	$ -	$	$ -
Cash paid for income taxes	$ -	$ -	$	$ -

Supplemental disclosure with respect to cash flows (Note 8)

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

1. NATURE OF OPERATIONS

The Company is incorporated under the laws of the Province of British Columbia and its principal business activity is the exploration and development of mineral properties.

2. BASIS OF PRESENTATION

The consolidated financial statements contained herein include the accounts of Taranis Resources Inc. (the "Company") and its wholly owned subsidiaries, ENVI Joint Venture, LLC, and Taranis Resources US Inc., each incorporated in the State of Nevada, and Tailtiu Oy, incorporated in Finland. The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

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 projects, 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. The consolidated 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.

New accounting pronouncements

International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with restatement of comparative amounts. The Company is currently assessing the impact of IFRS on its financial statements.

3. MARKETABLE SECURITIES

	September 30, 2010	December 31, 2009
Excalibur Resources Ltd.	$ 60,000	$ 30,000

4. BUILDINGS AND EQUIPMENT

	September 30, 2010			December 31, 2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 33,634	$ 1,280	$ 32,354	$ 32,354
Equipment	18,895	3,590	15,305	15,305
	$ 52,529	$ 4,870	$ 47,659	$ 47,659

No depreciation was charged during the period.

5. MINERAL PROPERTIES

	Canada	United States	Finland	Total September 30, 2010	Total December 31, 2009
Acquisition costs:					
Balance, beginning of period	$ 623,420	$ -	$ 129,079	$ 752,499	$ 714,671
Additions	1,959	27,630	24,827	54,416	
Disposals		(27,630)		(27,630)	37,828
Balance, end of period	625,379		153,906	779,285	752,499
Exploration costs:					
Balance, beginning of period	2,297,236	-	608,589	2,905,825	2,731,913
Assaying	7,751		65,004	72,755	27,344
Geological fees			42,438	42,438	55,029
Surveying			18,274	18,274	200,126
Drilling			417,676	417,676	5,584
	7,751	-	543,392	551,143	288,083
Exploration costs recovered					(114,171)
Balance, end of period	2,304,987	-	1,151,981	3,456,968	2,905,825
Total costs	$ 2,930,366	$ -	$ 1,305,887	$ 4,236,253	$ 3,658,324

5. MINERAL PROPERTIES (cont'd…)

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.

Nevada Properties

WSM Claims

In early 2010, the Company located 181 WSM claims in White Pine County, Nevada. These claims have now been abandoned.

Finland

Kettukuusikko Property

The Company has six mineral claims located in Finland known as the Kettukuusikko Gold Deposit. Pursuant to an agreement with the Finnish Government, the Company was required to incur staged exploration expenditures of EUR 1,421,860 to October 2008. Any future commercial production from the property covered by this agreement is subject to a 2% NSR.

The Company has incurred substantially all the required exploration expenditures, but due to delays in the permitting process with the Finnish Government, the Company has not yet fulfilled the entire required exploration expenditure requirement. During fiscal 2008 the Company notified the Ministry of Employment and Economy of its inability to complete the requirements owing to delays associated with the issuance/re-issuance of the Kettukuusikko 1 and Kortemännikkö 1 Mining Claims. Management considers these to be the most significant Mining Claims on the Kettukuusikko property and has incurred the majority of the exploration on these claims. Subsequent to notifying the Ministry of Employment and Economy, these two Mining Claims were renewed to the Company to November 2013.

The Company entered into an agreement with Royal Gold, Inc. ("Royal Gold") pursuant to which Royal Gold funded exploration expenditures on the Kettukuusikko Gold Prospect sufficient to earn a 2% NSR on the prospect and copies of the exploration data. Royal Gold had the option to acquire a 51% interest in the prospect in consideration for funding additional exploration expenditures and terminating the 2% NSR on the prospect. Royal Gold could have acquired an additional 24% of the property by funding a feasibility study and arranging financing to bring the property into commercial production. During fiscal 2009, Royal Gold decided to forgo its earn-in rights and hold its 2% NSR.

5. MINERAL PROPERTIES (cont'd…)

Finland (cont'd…)

Other Properties

The Company has two claim groups (Marskinkuusikko 1 – 3 and Naakenavaara 1 – 4) covering approximately 5.8 square kilometers on lands outside of the Kettukuusikko area. Royal Gold holds a 2% NSR on both properties.

Royal Gold also has the option to acquire a 51% interest in any new properties in consideration for incurring 200% of the amounts expended by the Company on exploration activities and terminating the 2% NSR on the property. Royal Gold can acquire an additional 24% of the property by funding a feasibility study and arranging financing to bring the property into commercial production. Royal Gold has terminated its option with respect to the Naakenavaara property.

British Columbia Properties

Thor Property

During fiscal 2006, the Company acquired a 100% interest in certain mineral rights entitled the Thor Property located in the Revelstoke Mining District of British Columbia, Canada by paying $74,815 and issuing 1,250,000 common shares valued at $525,000.

The Company has subsequently staked additional contiguous mineral claims.

Sullivan South Property

During the fiscal 2009 the Company acquired, by staking, 13 claims in the Cranbrook Mining District of British Columbia.

6. RELATED PARTY TRANSACTIONS

The Company conducted the following transactions with related parties:

a) Paid or accrued deferred exploration costs of $54,362 (September 30, 2009 - $196,823) to a company controlled by a director.

b) Paid or accrued consulting costs of $11,778 (September 30, 2009 - $5,375) to companies controlled by directors.

c) Paid or accrued professional fees of $29,000 (September 30, 2009 - $27,600) to a law firm in which a director is associated.

d) Paid or accrued professional fees of $10,800 (September 30, 2009 - $8,160) to a director.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are non-interest bearing and have no specific terms of repayment.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital stock		Contributed Surplus
	Number of Shares	Amount	
Authorized			
Unlimited common shares without par value			
Unlimited Class A preferred shares with a par value of $1			
Common shares issued			
Balance, December 31, 2008	18,207,875	$ 4,707,696	$ 687,418
Private placement	2,500,000	350,000	-
Share issue costs	-	(15,850)	-
Tax benefits renounced to flow-through share subscribers	-	(386,500)	-
Balance, December 31, 2009	20,707,875	4,655,346	687,418
Private placement	5,000,000	1,000,000	-
Share issue costs	-	(88,185)	-
Stock-based compensation	-	-	152,400
Shares issued for debt	915,385	183,077	-
Balance, September 30, 2010	26,623,260	$ 5,750,238	$ 839,818

Private placement

During fiscal 2010, the Company:

a) Settled debts to various creditors of $183,077 (US$171,100) all of whom are related parties by issuance of 915,385 common shares of the Company.

b) Granted 700,000 incentive options to directors and officers of the Company. The options are exercisable at $0.21 per share for a period of 5 years from February 10, 2010.

c) Issued 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.30 until April 15, 2012, subject to potential early expiry. The Company also issued finder's options entitling the holders to purchase up to 248,500 units at a price of $0.20 until April 15, 2012. Each finder's unit has the same terms as the units issued pursuant to the private placement. The Company also paid finder's fees of $49,700 in respect of the private placement.

During fiscal 2009, the Company:

a) Issued 500,000 units for proceeds of $100,000. Each unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to acquire one additional common share at $0.25 until March 4, 2011.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Private placement (cont'd…)

b) Issued 2,000,000 units at $0.125 per unit for gross proceeds of $250,000. Each unit consisted 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 $0.25 until November 4, 2011. The Company also issued finder's options entitling the holders to purchase up to 28,000 common shares at a price of $0.25 per share until November 4, 2011. The estimated value of the finders' options was not considered significant, consequently, no amount was ascribed to it.

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 $0.10. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

The following options and warrants to acquire common shares of the Company were outstanding at September 30, 2010:

	Number of Shares/Units	Exercise Price	Expiry Date
Options	100,000	$ 0.35	January 16, 2011
	450,000	0.55	November 7, 2012
	700,000	0.20	October 15, 2013
	700,000	0.21	February 10, 2015
Warrants	500,000	0.25	March 4, 2011
	2,000,000	0.25	November 4, 2011
	5,000,000	0.30	April 15, 2012 (1)
Finder's options	248,500	0.20	April 15, 2012 (2)
Finder's warrants	28,000	0.25	November 4, 2011

(1) Each warrant is exercisable at $0.30 into one common share until April 15, 2012 (subject to potential acceleration if the closing price of the Company's shares is $0.50 or greater for 20 consecutive trading days).

(2) Each finder's option is exercisable at $0.20 into one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at $0.30 until April 15, 2012.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended September 30, 2010 included:

a) Accruing mineral property expenditures of $75,407 through accounts payable and accrued liabilities at September 30, 2010.

Significant non-cash transactions during the period ended September 30, 2009 included:

a) Accruing mineral property expenditures of $223,835 and share issue costs of $9,000 through accounts payable and accrued liabilities at September 30, 2009.

9. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any long term debt that may be issued. As at September 30, 2010, the Company's shareholders' equity was $4,306,409 and there was no long term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital.

10. FINANCIAL INSTRUMENTS

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company's receivables are primarily from government agencies and are subject to certain risks that would be considered normal in this environment. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

Fair value

Financial instruments consist of receivables, accounts payable and accrued liabilities and due to related parties, the fair value of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation. Cash and marketable securities are carried at fair value using a level 1 fair value measurement.

Currency risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the exploration and development of mineral properties. Geographic information is as follows:

	September 30, 2010	December 31, 2009
Capital assets:		
Finland	$ 1,305,887	$ 737,668
USA	-	-
Canada	2,930,366	2,968,315
	$ 4,236,253	$ 3,705,983