



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended December 31, 2024

Dated: March 28, 2025

**TABLE OF CONTENTS**

FORWARD-LOOKING INFORMATION.....	3
GOING CONCERN.....	5
SUMMARY OF ANNUAL RESULTS .....	6
REVIEW OF ANNUAL RESULTS.....	6
SUMMARY OF QUARTERLY RESULTS .....	8
COMPANY OVERVIEW .....	9
CAPITAL EXPENDITURES ON EXPLORATION PROJECTS .....	20
FINANCIAL INSTRUMENTS .....	21
FINANCIAL CONDITION, CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES.....	24
RISKS AND UNCERTAINTIES.....	29
RELATED PARTY TRANSACTIONS AND BALANCES .....	40
UPX OPTION AGREEMENT - MICHIGAN.....	42
SUBSEQUENT EVENT – EXCLUSIVITY AGREEMENT WITH LUNDIN MINING.....	43
CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES .....	43
INTERNAL CONTROL OVER FINANCIAL REPORTING .....	45
OUTLOOK .....	45

*This Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for the year ended December 31, 2024 should be read in conjunction with the consolidated financial statements of Talon Metals Corp. ("Talon" or the "Company") and notes thereto for the year ended December 31, 2024. The MD&A enables readers to assess material changes in financial condition and results of operations in comparison to the corresponding prior year periods.*

Unless otherwise indicated, all monetary statements in this document are in Canadian dollars.

## **FORWARD-LOOKING INFORMATION**

This MD&A contains certain "forward-looking information". All information, other than information pertaining to historical fact, which addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, including, among other things, the completion and timing of the Company's objectives, including exploration plans, drilling plans, geophysical work, mine plans, metallurgical and processing work, environmental studies, permitting, social/community impact and government relations work, engineering and feasibility study work (including, the completion of a feasibility study), trade-off studies (including, pre-feasibility study level trade-off studies) and the costs and timing thereof; the environmental review process, including timing related to the EAW (defined below) process and the preparation of the EIS (defined below); payments to Kennecott (defined below) pursuant to the 2018 Option Agreement (defined below); the supply of nickel concentrate to Tesla Inc. and copper concentrate to one or more smelters pursuant to the Tesla Supply Agreement (defined below); the estimates in respect of mineral resource quantities, mineral resource qualities; US government support for building a domestic battery supply chain, including the DOE BMPF Grant (defined below) and the amount of funds to be received by the Company and timing in respect thereof; the timing and finalization of the selection of a processing location at a brownfields industrial site in North Dakota; the amount and timing of funds to be received by the Company pursuant to the DOD Exploration Grant (defined below); the receipt of funds pursuant to the DLA grant (defined below); the Company's targets, goals, objectives and plans, the Company's business plans, priorities, milestones and budget, projections in respect of capital expenditures and the Company's liquidity and capital resources (including, the Company's expected uses and requirements of working capital and the Company's plans to raise additional capital, reduce expenditures or certain activities, sell non-core assets, receive government grant funding, generate revenue and profit from drilling and exploration services and/or develop the Tamarack Project into a profitable mine) and the earn-in under the UPX Option Agreement (defined below), is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. With respect to forward-looking information contained in this MD&A, the Company has made assumptions regarding, among other things, future currency and interest rates, the regulatory framework (including tax and trade laws and policies) in the countries in which the Company conducts its business, and the Company's ability to obtain suitably qualified staff and equipment in a timely and cost-efficient manner to meet the Company's needs.

Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but

are not limited to: the failure of exploration programs to identify mineralization, the failure to establish estimated mineral resources and any reserves; the grade, quality and recovery of mineral resources varying from estimates; risks related to the exploration stage of the Company's properties; the possibility that future exploration results and metallurgical testing will not be consistent with the Company's expectations; changes in nickel, copper and/or PGE prices; COVID-19; the wars in Ukraine and Israel; trade wars; tariffs; increased global uncertainty; increasing interest rates; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities, including approval of applications for licences/permits required to conduct field based programs; uncertainties involved in interpreting drilling results, and the beneficiation process and other geological and product related data; changes in the anticipated demand for nickel, copper, cobalt and/or gold and PGEs; changes in equity and debt markets; inflation; changes in exchange rates; declines in U.S., Canadian and/or global economies; US government funding changes in respect of grants; uncertainties relating to the availability and costs of financing needed to complete exploration activities and demonstrate the feasibility of the Company's projects; exploration costs varying significantly from estimates; delays in the exploration, mineral processing and development of, and/or commercial production from the properties Talon has an interest in; equipment failure; unexpected geological or hydrological conditions; political risks; imprecision in preliminary resource estimates; success of future exploration and development initiatives; the existence of undetected or unregistered interests or claims, whether in contract or in tort, over the property of Talon or the Tamarack Project; changes in government regulations and policies; risks relating to labour; other exploration, development and operating risks; liability and other claims asserted against Talon; volatility in prices of publicly traded securities; and other risks involved in the mineral exploration and development industry and risks specific to the Company, including the risks discussed in this MD&A under "*Risks and Uncertainties*".

Forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

The mineral resource figures referred to in this MD&A are estimates, and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results, beneficiation tests and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates included in this MD&A are well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

***Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.***

*Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2024, is available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).*

## **GOING CONCERN**

The consolidated financial statements of the Company have been prepared on a going concern basis which presumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent on its ability to raise financing, reduce expenditures or certain activities, sell non-core assets, receive government grant funding, generate revenue and profit from drilling and exploration services, and/or develop the Tamarack Project into a profitable mine. The Company has taken, and continues to take, a number of steps to reduce expenditures, including by reducing the number of employees, reducing office space, reducing the usage of consultants, deferring certain engineering work, issuing options in lieu of consulting fees to certain consultants and deferring the salaries of the Company's CEO, former President and the CFO. There can be no assurance that the Company will be successful in carrying out any of these activities to meet the Company's future working capital requirements and commitments and continue operations for the foreseeable future.

The Company has not earned any revenue to date from its operations. The Company, and its joint venture partner, Kennecott Exploration Company ("**Kennecott**"), are in the process of exploring the Tamarack Project (defined below) and the Company has not yet determined whether the Tamarack Project contains ore reserves that are economically recoverable. The recoverability of the Company's property carrying value and of the related deferred exploration expenditures depends on the Company's ability to maintain an interest in the Tamarack Project, discover economically recoverable reserves and on the Company's ability to obtain necessary financing to complete the development and to establish profitable production in the future, or the receipt of sufficient proceeds on disposal of its interest in the Tamarack Project.

As of December 31, 2024, the Company had working capital of \$3.1 million (December 31, 2023 – \$19.0 million). The working capital amount does not include government cost-share payments expected to be received by the Company as a result of expenditures made by the Company which are eligible for cost-share pursuant to the Company's government grants.

Working capital is defined as current assets less current liabilities. The Company has incurred losses and negative cashflows from operations and has an accumulated deficit of \$109.2 million (December 31, 2023 – \$106.9 million).

On March 28, 2025, the Company had cash, cash equivalents, treasury bills and term deposits of \$9.5 million which included a deposit of \$7.2 million from Lundin Mining Corporation related to a potential contract for drilling and geophysics services. Estimated working capital as of March 28, 2025, which includes both the deposit of \$7.2 million discussed above and a liability for the same amount, was in a deficit position of approximately \$1.1 million. Not included in working capital is approximately \$0.8 million related to cost-share payments from government grants, which the Company expects to receive although the specific timing of receipt is uncertain. Additional amounts are expected to be received from government grants throughout 2025 and beyond, commensurate with the Company's level of grant eligible spending. The Company expects the \$7.2 million deposit and liability noted above to be recognized as revenue over the next six months, resulting in earnings and cash flow that will increase working capital.

See the sections below entitled “US Department of Defense – Support for Talon’s Nickel Exploration”, “Battery Minerals Processing Facility – North Dakota” and “Defense Logistics Agency - Support for New Mineral Extraction Approaches” and the related Risk Factors for further information.

These circumstances create a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern and ultimately on the appropriateness of the use of accounting principles applicable to a going concern.

## **SUMMARY OF ANNUAL RESULTS**

	Year ended Dec 31, 2024 (audited)	Year ended Dec 31, 2023 (audited)	Year ended Dec 31, 2022 (audited)
Interest income	\$442,484	\$968,518	\$266,278
Net loss	(2,320,931)	(2,348,516)	(1,498,033)
Net loss per shares – basic and diluted	(0.00)	(0.00)	(0.00)
Comprehensive income (loss)	17,243,047	(7,236,717)	7,940,187
Total assets	258,490,200	237,065,859	218,194,973
Total non-current financial liabilities	263,750	-	-
Dividends	-	-	-

## **REVIEW OF ANNUAL RESULTS**

### **Interest income**

Interest income is earned on the Company’s cash, cash equivalents, treasury bills and term deposits. Interest income for the year ended December 31, 2024 was \$442,484 compared to \$968,518 during the same period in the prior year. The decrease in interest income for the current year compared to the prior year was due to a reduction in the balance of treasury bills and term deposits.

### **Expenses**

Salaries, benefits, consulting and board fees were relatively constant at \$1,137,744 for the year ended December 31, 2024 compared to \$1,172,951 for the year ended December 31, 2023.

Professional fees decreased to \$274,724 for the year ended December 31, 2024 compared to \$469,278 for the year ended December 31, 2023. The decrease for the year ended December 31, 2024, compared to the same period in the prior year, was due to a reduction in legal costs.

Office and general expenses were also relatively constant at \$58,516 for the year ended December 31, 2024 compared to \$64,101 for the year ended December 31, 2023.

Marketing and travel expenses decreased to \$165,936 for the year ended December 31, 2024 compared to \$355,087 for the year ended December 31, 2023. The decrease during the year

ended December 31, 2024, compared to the same period in the prior year, was primarily the result of less expenditures on investor marketing consultants and travel.

Listing, filing and shareholder communications expenses decreased to \$209,576 for the year ended December 31, 2024 compared to \$261,969 for the year ended December 31, 2023. The decrease during the year ended December 31, 2024 compared to the same period in the prior year was primarily the result of reductions in TSX and regulatory fees due to a decrease in the Company's market capitalization, offset by increased costs associated with a special shareholder meeting in 2024.

Stock option compensation expense increased to \$1,512,866 during the year ended December 31, 2024 compared to \$258,742 for the year ended December 31, 2023. The increase for the year ended December 31, 2024 was primarily related to the following amendments made to certain stock options. On February 27, 2024, after receiving shareholder and TSX approval, 107,483,532 stock options were amended by (i) reducing the exercise price to \$0.20, and in the case of stock options held by the directors, the CEO, the former President and the CFO, reducing the exercise price to \$0.25; and/or (ii) extending the expiration date by five years from the date of their original expiration date (only if the stock options were expiring on or before December 28, 2025). All stock options that were amended are subject to a new vesting schedule: 50% of the stock options vest on February 27, 2025 and 50% vest on August 27, 2025.

### **Foreign Currency Translation**

Foreign currency translation resulted in a gain of \$724,840 for the year ended December 31, 2024 compared to a loss of \$590,879 for the year ended December 31, 2023. This balance is highly variable due to the volatility of exchange rates and the amount of U.S. dollars held by the Company.

### **Net Income (Loss)**

Net loss for the year ended December 31, 2024 was \$2.3 million or \$nil per share (basic and diluted). The net loss was primarily the result of administration expenses<sup>1</sup> and stock option compensation, offset by foreign currency gain and interest income. This compares to a net loss of \$2.3 million or \$nil per share (basic and diluted) for the year ended December 31, 2023, which was primarily the result of administration expenses, stock option compensation and foreign currency loss, offset by interest income.

### **Comprehensive Income (Loss)**

During the year ended December 31, 2024, the Company recognized comprehensive income of \$17.2 million. During the year ended December 31, 2023, the Company recognized a comprehensive loss of \$7.2 million. Both the recognized comprehensive income and the recognized comprehensive loss were primarily related to the foreign exchange conversion from United States dollars to Canadian dollars of the assets and liabilities of Talon Nickel, a U.S. subsidiary of the Company. This IFRS accounting requirement manifests itself on the statements of financial position as a change in the value of Resource properties and deferred expenditures where the Talon Nickel US-denominated balance at the end of each reporting period is converted

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<sup>1</sup> "administration expenses" include the following expenses: Office and general; Professional fees; Salaries, benefits, consulting and board Fees; Insurance; Marketing and travel; Listing, filing and shareholder communications.

to Canadian dollars at the foreign exchange rate at the end of the reporting period. The foreign exchange rate can vary significantly from period to period so at times comprehensive income (loss) may be very volatile.

### **Additional Triple Flag Royalty**

On July 5, 2024, in return for \$10.9 million (US\$8.0 million) gross cash consideration (the “**Triple Flag US Transaction**”), (a) Talon Nickel granted Triple Flag USA Royalties Ltd. (“**Triple Flag US**”), a subsidiary of Triple Flag Precious Metals Corp. an additional 1.67% net smelter returns royalty on the Company’s interest in the Tamarack Nickel Project (subject to the Talon Buy-Back Right further described below) (the “**New Royalty**”); and (b) the Company issued 8 million common share purchase warrants to TF R&S Canada Ltd., each exercisable to acquire one common share of the Company for a period of two years (July 5, 2026) at an exercise price of C\$0.20 per share.

Up until July 5, 2026, subject to acceleration in certain circumstances, the Company has a buy-back right (the “**Talon Buy-Back Right**”) of 0.67% of the New Royalty for US\$5.0 million, which would thereby reduce the New Royalty to 1.0%. The exercise of the Talon Buy-Back Right is at the Company’s discretion.

Triple Flag US has a right to increase the designated percentage of the New Royalty by an additional 0.50% on the payment of an additional US\$2.0 million in the event that the Company’s cash balance decreases to an amount that is less than US\$2.0 million and such decrease is not cured within a period of 60 days. The Talon Buy-Back Right would also terminate in these circumstances. The right of Triple Flag US to increase the designated percentage terminates with respect to an applicable cash balance reduction if such right is not exercised within a further period of 60 days after the expiry of the Company’s cure period.

### **SUMMARY OF QUARTERLY RESULTS**

The following table provides selected quarterly consolidated financial information for the periods ended as indicated. It is derived from the unaudited interim consolidated financial statements and the audited annual consolidated financial statements of the Company. All numbers below are unaudited.

	2024				2023			
	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30	March 31
Interest income	56,759	147,355	78,887	159,483	280,575	166,393	179,063	342,487
Net income (loss)	(758,602)	(603,429)	(673,831)	(285,069)	(695,637)	(455,326)	(635,656)	(561,897)
Basic and diluted net income (loss) per share*	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Comprehensive income (loss)	14,542,594	(3,798,719)	1,604,704	4,894,468	(5,417,784)	3,648,096	(4,733,919)	(733,110)

\*Total of quarterly amounts may not reconcile to annual amount due to rounding



Quarterly trends in interest income reflect for the most part interest received on cash balances. Trends in quarterly expenses are driven primarily by administration expenses (defined above) and stock option compensation. Generally, the most variable component of total expenses over the past eight quarters has been fair value adjustments, foreign currency translation and stock option compensation.

## **COMPANY OVERVIEW**

The Company is a mineral exploration company currently focused on the exploration and development of the Tamarack nickel-copper-cobalt project (the "**Tamarack Project**") in Minnesota, USA (which comprises the "**Tamarack North Project**" and the "**Tamarack South Project**"). As of the date hereof, the only material property of the Company is the Tamarack North Project.

### **Tamarack Project**

#### **Tamarack Earn-in Agreement**

On June 25, 2014, Talon's wholly owned indirect subsidiary, Talon Nickel (USA) LLC ("**Talon Nickel**"), entered into an exploration and option agreement (the "**Tamarack Earn-in Agreement**") with Kennecott, part of the Rio Tinto Group, pursuant to which Talon Nickel received the right to acquire an interest in the Tamarack Project.

On January 4, 2016, pursuant to the terms of the Tamarack Earn-in Agreement, as amended, Talon Nickel earned an 18.45% interest in the Tamarack Project by making payments totalling US\$25,520,800 broken down as follows:

Option payments	\$ 1,000,000
Exploration	21,200,000
Land purchases	3,320,800
	<u>\$ 25,520,800</u>

On December 16, 2016, Talon Nickel entered into an amending agreement with Kennecott (the "**Tamarack Earn-in Third Amending Agreement**") in respect of the Tamarack Earn-in Agreement (as amended). The Tamarack Earn-in Third Amending Agreement provided, among other things, that Kennecott may elect at any time up to and including September 25, 2017 to grant Talon Nickel the option to purchase the Tamarack Project for a total purchase price of US\$114 million (the "**Tamarack Purchase Option**") or proceed with a joint venture (the "**Tamarack Joint Venture**") in respect of the Tamarack Project (the "**Kennecott Decision Deadline**").

On the Kennecott Decision Deadline, Talon Nickel received notification from Kennecott that it had decided to grant Talon Nickel the Tamarack Purchase Option on the terms of the Tamarack Earn-in Agreement (as amended).

On November 16, 2017, Talon Nickel elected not to exercise the Tamarack Purchase Option. As such, pursuant to the terms of the Tamarack Earn-in Agreement (as amended), Talon Nickel and Kennecott had 90 days to enter into the Mining Venture Agreement (defined below) governing the terms of the Tamarack Joint Venture.

On January 11, 2018, Talon Nickel and Kennecott entered into a fifth amending agreement (the "**Tamarack Earn-in Fifth Amending Agreement**") in respect of the Tamarack Earn-in Agreement (as amended), pursuant to which they agreed to (i) enter into the Mining Venture Agreement with immediate effect, and (ii) accelerate the timing of the approval process for the 2018 winter exploration program so that the 2018 winter exploration program was approved with immediate effect.

Following the Tamarack Earn-in Fifth Amending Agreement, Talon Nickel elected to not financially participate in any further funding made in respect of the Tamarack Project while Kennecott was the operator/manager of the Tamarack Project. This resulted in dilution of its interest from 18.45% to 17.56% (which was later increased to 51% and may increase further to 60%). Going forward, Talon Nickel is required to fund the Tamarack Project in accordance with the 2018 Option Agreement (defined below).

### **Tamarack Joint Venture**

On January 11, 2018, Talon Nickel and Kennecott entered into the mining venture agreement in respect of the Tamarack Project (the "**Mining Venture Agreement**").

During the term of the 2018 Option Agreement (defined below), the Mining Venture Agreement is in abeyance and the terms of the 2018 Option Agreement govern the relationship between Talon Nickel and Kennecott in respect of the Tamarack Project.

### **2018 Option Agreement**

On November 7, 2018, Talon Nickel entered into an exploration and option agreement (the "**2018 Option Agreement**") with Kennecott which provides Talon Nickel with the right to acquire up to a 60% interest in the Tamarack Project. The 2018 Option Agreement has an effective date of March 13, 2019.

Pursuant to the terms of the 2018 Option Agreement, Talon Nickel has taken over operatorship of the Tamarack Project and Talon had the right to acquire a 51% interest in the Tamarack Project upon:

- (1) the payment of US\$6 million in cash to Kennecott (the "**Initial Cash Payment**");
- (2) the issuance of US\$1.5 million worth of common shares of Talon to Kennecott (the "**Share Payment**");
- (3) within 3 years of the effective date of the 2018 Option Agreement (March 13, 2022), Talon Nickel either spending US\$10 million or completing a pre-feasibility study on the Tamarack Project; and
- (4) within 3 years of the effective date of the 2018 Option Agreement (March 13, 2022), Talon Nickel paying Kennecott an additional US\$5 million in cash.

In late September 2021, approximately 6 months ahead of schedule, Talon completed all of the requirements and earned a 51% interest in the Tamarack Project. Rather than receiving US\$5 million in cash, Kennecott agreed to accept 10,543,333 units of Talon (each a "**KEX Earn-in Unit**")

at a deemed issuance price of C\$0.60 per KEX Earn-in Unit in full satisfaction of the US\$5 million cash obligation. Each KEX Earn-in Unit was comprised of one common share of Talon and one-half of one purchase warrant. Each whole warrant is exercisable to acquire a Talon common share until September 29, 2022 at an exercise price of \$0.80 per share.

Talon Nickel has the right to increase its interest in the Tamarack Project by 9% to a total of 60% by:

- (1) completing a feasibility study on the Tamarack Project within 7 years of the effective date of the 2018 Option Agreement (March 13, 2026); and
- (2) paying Kennecott US\$10 million in cash on or before the seventh anniversary of the effective date of the 2018 Option Agreement (March 13, 2026).

Upon Talon Nickel vesting with its applicable joint venture interest in the Tamarack Project, the parties have agreed to enter into a new joint venture agreement, pursuant to which, so long as Talon Nickel has a majority interest, Talon Nickel will continue to act as operator of the Tamarack Project. In the event Talon Nickel has delivered a feasibility study on the Tamarack Project, upon the completion thereof, the parties have agreed to fund the Tamarack Project in accordance with their respective ownership interests or be subject to dilution.

### **Tamarack North Project**

The Tamarack North Project is located adjacent to the town of Tamarack in north-central Minnesota approximately 100 km west of Duluth and 200 km north of Minneapolis, in Aitkin County.

The Tamarack Igneous Complex ("**TIC**"), which sits within the Tamarack North Project boundaries, is an ultramafic intrusion that is associated with the early evolution of the failed, Midcontinental Rift (dated at 1105ma +/- 1.2). This age is significantly older than the Duluth Complex Intrusions which consistently date at 1099ma and is consistent with other earlier intrusions of the Midcontinental Rift that are often characterised by more primitive melts.

The TIC has intruded into Thomson Formation siltstones and sandstones of the Animikie Group and is preserved beneath shallow Quaternary glacial sediments.

To date, exploration by Kennecott and Talon has included diamond drilling and sampling, as well as a range of geophysical surveys, including, airborne magnetic and electromagnetic (EM, MegaTEM and AeroTEM), ground magnetic and EM, magnetotelluric (MT), gravity, seismic, resistivity/induced polarization and downhole EM.

On June 21, 2023, Talon Nickel submitted its Environmental Assessment Worksheet ("**EAW**") to the Minnesota Department of Natural Resources ("**MDNR**") to begin the State's Environmental Impact Statement scoping process for a proposed small-footprint, high-grade underground nickel mine that would be located within the Tamarack North Project. The EAW is the first step in the state environmental review process and is a document that provides a description of the proposed project and a brief analysis and overview of the potential environmental effects, and identifies the permits and approvals required for the proposed project. On September 18, 2023, the MDNR (as the responsible government unit on behalf of itself, other Minnesota government agencies and proximate sovereign tribal governments) provided a first round of comments on the EAW to which

TALON METALS CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2024

Talon responded on October 10, 2023. A second round of comments on the EAW was received on February 5, 2024 to which Talon responded on December 19, 2024. A third round of comments is expected in April 2025.

On October 19, 2022, Talon released an updated mineral resource estimate prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Minerals Projects* (“**NI 43-101**”) (the “**Resource Estimate**”). In support of the Resource Estimate, on November 2, 2022, Talon released an independent technical report prepared in accordance with NI 43-101 in respect of the Tamarack North Project (the “**November 2022 Technical Report**”). The November 2022 Technical Report is entitled “November 2022 National Instrument 43-101 Technical Report of the Tamarack North Project – Tamarack, Minnesota” with an effective date of November 2, 2022.

TALON METALS CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2024

The Resource Estimate has an effective date of October 10, 2022 and was prepared by independent "Qualified Persons" (as that term is defined in NI 43-101) Mr. Brian Thomas and Mr. Roger Jackson of WSP Golder ("Golder") and is summarized below.

Domain	Classification	%Ni Cut-off	Tonnes (000)	Ni (%)	Cu (%)	Co (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	Fe in Sulphides (%)	NiEq (%)
CGO East MMS/MSU	Indicated Resource	0.5	228	2.84	1.19	0.09	0.31	0.20	0.21	21	3.66
CGO East Disseminated	Indicated Resource	0.5	1,083	0.64	0.44	0.02	0.21	0.11	0.13	2	0.94
CGO West MMS/MSU	Indicated Resource	0.5	330	4.11	1.68	0.11	0.37	0.28	0.19	27	5.22
CGO West Disseminated	Indicated Resource	0.5	586	0.67	0.46	0.02	0.11	0.07	0.07	2	0.96
MSU	Indicated Resource	0.5	490	5.60	2.44	0.12	0.68	0.46	0.26	26	7.10
USMSU	Indicated Resource	0.5	3,338	1.24	0.74	0.03	0.20	0.12	0.12	5	1.70
LSMSU	Indicated Resource	0.5	2,506	1.94	1.05	0.05	0.57	0.34	0.26	8	2.68
<b>Total Indicated</b>	<b>Indicated Resource</b>	<b>0.5</b>	<b>8,564</b>	<b>1.73</b>	<b>0.92</b>	<b>0.05</b>	<b>0.34</b>	<b>0.21</b>	<b>0.17</b>	<b>8</b>	<b>2.34</b>
CGO East MMS/MSU	Inferred Resource	0.5	158	2.53	1.09	0.08	0.28	0.18	0.19	19	3.29
CGO East Disseminated	Inferred Resource	0.5	823	0.62	0.42	0.02	0.20	0.11	0.12	2	0.91
CGO West MMS/MSU	Inferred Resource	0.5	107	3.51	1.45	0.10	0.31	0.22	0.17	25	4.48
CGO West Disseminated	Inferred Resource	0.5	320	0.66	0.44	0.02	0.10	0.06	0.07	2	0.92
MSU	Inferred Resource	0.5	39	5.94	2.53	0.11	0.54	0.45	0.23	25	7.45
LSMSU	Inferred Resource	0.5	121	0.84	0.60	0.02	0.50	0.28	0.23	2	1.31
USMSU	Inferred Resource	0.5	2,932	0.67	0.41	0.02	0.25	0.14	0.12	2	0.96
138 - MZNO	Inferred Resource	0.5	3,957	0.82	0.63	0.02	0.21	0.12	0.14	2	1.21
<b>Total Inferred</b>	<b>Inferred Resource</b>	<b>0.5</b>	<b>8,461</b>	<b>0.83</b>	<b>0.55</b>	<b>0.02</b>	<b>0.23</b>	<b>0.13</b>	<b>0.13</b>	<b>3</b>	<b>1.19</b>

Mineral Resources are in situ and reported at a 0.50% Ni cut-off.

Tonnage estimates are rounded down to the nearest 1,000 tonnes.

Fe in Sulphides % is based on sulphur concentration associated with sulphide minerals and a calculation of stoichiometric Fe concentration in Pentlandite and Pyrrhotite.

Mining recovery and dilution factors have not been applied to the estimates.

NiEq grade based on metal prices in U.S. dollars of \$9.50/lb Ni, \$3.75/lb Cu, \$25.00/lb Co, \$1,000/oz Pt, \$1,000/oz Pd and \$1,400/oz Au using the following formula:  $NiEq\% = Ni\% + Cu\% \times \$3.75/\$9.50 + Co\% \times \$25.00/\$9.50 + Pt[g/t]/31.103 \times \$1,000/\$9.50/22.04 + Pd[g/t]/31.103 \times \$1,000/\$9.50/22.04 + Au[g/t]/31.103 \times \$1,400/\$9.50/22.04$ . Fe is not included in the NiEq calculation.

No adjustments were made for recovery or payability.

The Resource Estimate did not apply metallurgical recovery factors, however, there would be no material change to the nickel-equivalent grades reported in the Resource Estimate if reasonable assumptions for those factors were applied.

Please refer to the November 2022 Technical Report for further information, including the QA/QC, analytical and testing procedures employed at the Tamarack North Project. The November 2022 Technical Report is available under Talon's SEDAR+ profile at [www.sedarplus.com](http://www.sedarplus.com) and on the Company's website at [www.talonmetals.com](http://www.talonmetals.com).

### **Tesla Supply Agreement**

In January 2022, Talon Nickel entered into an agreement with Tesla for the supply and purchase of 75,000 metric tonnes (165 million lbs) of nickel in concentrate (the “**Tesla Supply Agreement**”). Talon Nickel has agreed to use commercially reasonable efforts to achieve commercial production on or before January 1, 2026, which may be extended by the parties for up to 12 months following which Tesla has the right to terminate the agreement and Talon Nickel may elect to sell to other parties. Given the agreement with Tesla, the Company has focused its metallurgical testing with the objectives of producing a nickel concentrate for Tesla and a copper concentrate for selling to one or more smelters.

### **Battery Minerals Processing Facility – North Dakota**

On October 19, 2022 Talon Nickel was selected as a recipient of the first set of projects funded by the *Bipartisan Infrastructure Law*.

Under its application for funding, Talon Nickel proposed an ore processing and tailings management facility (the “**Battery Minerals Processing Facility**” or the “**BMPF**”) located at an existing industrial brownfields site in Mercer County, North Dakota, receiving feedstock from the future underground Tamarack Project mine and other potential sources in North America. The acquisition of the site in North Dakota is actively under negotiations. Removing the processing facilities from the Tamarack mine site in Minnesota significantly reduces land disturbance and the scope of environmental review and permitting. Both facilities will undergo the science based permitting process in both states that include an opportunity for public comment and government-to-government consultations with tribal sovereign governments.

Effective November 1, 2023, Talon Nickel entered into the definitive agreement with the US Department of Energy setting the terms, conditions, and performance milestones for \$165.3 million (US\$114.85 million) in grant funding on a cost-share basis towards project development, construction and execution costs of the Battery Minerals Processing Facility (“**DOE BMPF Grant**”).

### **US Department of Defense – Support for Talon’s Nickel Exploration**

Effective September 11, 2023, Talon Nickel entered into a definitive agreement with the US Department of Defense’s Office of Manufacturing Capability Expansion and Investment Prioritization to accelerate and expand the Company’s efforts to discover and secure additional domestic supply of nickel for the growing US battery manufacturing base and defense related supply chains. Utilizing *Defense Production Act (DPA) Title III* authorities and funds appropriated by the *Additional Ukraine Supplemental Appropriations Act*, the US Department of Defense (“**DOD**”) will contribute funding on a cost-share basis to Talon’s in-house drilling and geophysics teams to, among other things, accelerate the Company’s efforts to discover and delineate more high-grade nickel deposits within the Midcontinent Rift geology of the United States.

As part of the agreement, the DOD will contribute \$29.7 million (US\$20.6 million) (“**DOD Exploration Grant**”) and Talon will contribute \$31.4 million (US\$21.8 million) in matching funding on a cost-share basis (including, use of existing equipment and current employee cost) over a period not to exceed 39 months.

In order for the DOD to contribute funding, on a cost share basis, for any of Talon's drilling and related activities only, Talon and the DOD will be required to complete (i) consultation under Section 106 of the *National Historic Preservation Act*, and (ii) an environmental assessment pursuant to the *National Environmental Protection Act*.

### Defense Logistics Agency – Support for New Mineral Extraction Approaches

On December 11, 2024, Talon Nickel was awarded a research and development contract from the Department of Defense's Defense Logistics Agency ("DLA") to fund scientific research on new approaches for extracting nickel, cobalt and iron from domestic nickel sulphide ores and tailings. As part of this agreement, the DLA will provide funding in the fixed amount of \$3.6 million (US\$2.5 million) over a period of 15 months.

### Work Completed/Expenditures – Tamarack North Project and Tamarack South Project

During the year ended December 31, 2024, the Company incurred \$13.9 million of net expenditures comprised of \$29.1 million of exploration and development costs and deferred expenditures on resource properties, substantially all on the Tamarack North Project, offset by the sale of a royalty for net proceeds of \$10.5 million and government grants received of \$4.6 million as detailed in the table below.

Category	Amount (C\$)
Exploration, drilling and assays	\$10,609,430
Geophysics	1,365,756
Mining, engineering and geotechnical studies	5,525,502
Metallurgical testing	371,908
Environmental, permitting, community and government relations	6,132,602
Economic studies	79,398
Mineral leases, property tax and land purchases	1,373,376
Professional fees	2,459,742
Site costs, travel and general	1,198,681
Site remediation	(66,162) <sup>1</sup>
Gross additions	<b>\$29,050,232</b>
Government grants received	(4,627,070)
Sale of Triple Flag Royalty	(10,520,570)
Total	<b>\$13,902,592</b>

The above spending was in connection with the following: (i) continual drilling to expand the current resource, make new discoveries, and infill drilling; (ii) geophysical work to identify new prospective drilling targets at the Tamarack Project; (iii) work towards a feasibility study; (iv) additional metallurgical test work and downstream processing options; and (v) responding to

<sup>1</sup> During the year ended December 31, 2024, site remediation cost was a credit of \$66,162 given the asset retirement obligation was discounted at higher rate of rate of 4.60% on December 31, 2024, compared to 3.92% on December 31, 2023.

comments on the EAW, and (vi) work undertaken on studies and models to estimate potential environmental impacts and work towards reports that will provide the information needed for development of the Environmental Impact Statement.

Between July 2020 and November 2022, the Company acquired five drill rigs and hired full-time dedicated teams of drillers to operate the drill rigs along with support staff including health and safety, project management and logistics. The primary objective of bringing drilling in-house was to materially increase the number of meters drilled at the Tamarack Project at a substantially reduced cost while maintaining first-in-class health and safety standards. Drill rigs have been deployed to Talon's exploration of the Tamarack Intrusive Complex to explore for additional high-grade nickel deposits. In 2025, the Company intends to use certain of these drill rigs, drillers and other employees to provide contract drilling and geophysics services to third parties.

### **Upcoming Work – Tamarack North Project**

The Company is focused on the advancement of the Tamarack North Project, with specific business initiatives described in more detail below.

In order to continue work towards achieving its business objectives (as described in more detail below), the Company will need to raise additional capital and there can be no assurance that the Company will be successful in doing so.

#### *Exploration, Drilling, Geophysics and Mineral Resource*

The Company has been focussed on converting inferred resources to the indicated category in the resource area at the Tamarack North Project ("**Tamarack Resource Area**"). The aim is to upgrade inferred resources to the indicated category while pursuing resource extensions, with a specific focus on areas exhibiting strong potential for high-grade nickel, as outlined below:

- Drilling in the CGO West has been completed while drilling in the CGO East continues, targeting an electro-magnetic anomaly;
- During exploration in the 138 Zone, the Company entered massive sulphide mineralization at 707.75 meters, drilling 8.25 meters of mineralization that was logged as 95% massive sulphides (assays pending). This intercept is visually similar to some of the high-grade intercepts from the MSU in the Tamarack Resource Area and may indicate a potential extension at depth. A BHEM survey shows a strong off-hole anomaly associated with this intercept and will be targeted with approximately 2,000 meters of drilling.
- Logging of all core and assays are expected to be completed by the end of April 2025 for purposes of updating Talon's block model that will form the basis for Talon's feasibility study.

The primary goal of further exploration within the Tamarack Resource Area is to support the Company's efforts to complete a feasibility study.

#### *Metallurgy and Processing*

In connection with mineral processing and metallurgical testing, the Company intends to:



- Conduct kinetics and variability flotation testing to finalize flotation conditions and to support circuit modelling;
- Continue flowsheet development with potential other downstream partners to produce high purity nickel and iron;
- Perform vendor testing on pilot plant products to facilitate equipment sizing in preparation of basic engineering;
- Continue to explore other revenue streams of traditional sulphide mining waste streams to work towards a near zero waste mine;
- Continue to explore carbon sequestration and/or the production of supplementary cementitious material;
- Identify commercial equipment solutions that could further improve the metallurgical response of the Tamarack North Project mineralization during full-scale operation; and
- Commence basic engineering for the commercial concentrator using the optimized flowsheet and conditions.

If the above activities are successful, Talon plans to maximize the valorizing of each tonne of rock, which means added environmental protection, while deriving significantly higher economic benefits compared to the present nickel supply chain.

*Environmental Studies, Permitting, Social or Community Impact*

Tamarack North Project, Minnesota:

The Company expects to receive and address a third round of coordinated comments from the MDNR, inclusive of feedback from Tribal sovereign governments. Previous rounds of comments have influenced design work by prompting trade-off studies and iterative refinements that directly target environmental risk reduction and improved project sustainability. See "*Anticipated Timing and Costs to take the Tamarack North Project to the Next Milestone*" for further information on the comment process and the impact on the project's design.

Battery Minerals Processing Facility, North Dakota:

- Once an agreement to acquire a site in Mercer County has been reached, the Federal Environmental Assessment will be finalized.

In partnership with the community and tribal sovereign nations, the Company intends to build upon current community engagement and plans to:

- Identify potential community impacts and opportunities connected to project operations;
- Develop community investment plans that align with the community's long-term development goals;
- Ensure best in class community engagement and understanding of project operations; and
- Promote equal opportunities for good-paying, high-quality jobs with involvement of organized labor in the design and establishment of operations.

### *Engineering and Feasibility Study*

In response to the comments received from the MDNR, the Company has taken steps to optimize its mine plan and simplify its mine access and surface infrastructure design and engineering while at the same time materially reducing the potential environmental impacts of the proposed mining project.

The Company is in the final stages of securing an option to acquire a site on rail infrastructure in North Dakota where its Battery Minerals Processing Facility will be located.

The Company is preparing a master mass balance for purposes of producing an optimized Feasibility Study.

The Company believes that there is sufficient resource knowledge, hydrogeological and geotechnical data, and environmental baseline data for Talon to continue to advance engineering work towards a feasibility study for the development of a mine and rail loadout facility at the Tamarack North Project and the Battery Minerals Processing Facility. The engineering work for the feasibility study will consist of four main scope areas:

- Underground mine;
- Mine access development, using civil tunneling or alternative mine access methods;
- Surface facilities (including rail loadout facility) at the underground mine; and
- Battery Materials Processing Facility.

Models for capital costs, operating costs, and revenue will be updated to develop a definitive economic analysis of the Tamarack North Project and the BMPF.

### **Anticipated Timing and Costs to take the Tamarack North Project to the Next Milestone**

The next "milestone" for the Tamarack North Project is the completion of a feasibility study. To achieve this milestone, among other things, the Company undertook a large number of trade-off studies (including, pre-feasibility study level trade-off studies) in 2024 to optimize and de-risk the Tamarack mining project to be located within the Tamarack North Project and to support the environmental review process in advance of completing a feasibility study.

Since the submission of the EAW, the Company has received coordinated comments from the MDNR, including input from Tribal sovereign governments (see also "Company Overview – Tamarack Project – Tamarack North Project"). These comments have resulted in numerous trade-off studies and associated design improvements. These new design improvements have positively affected the project's overall environmental signature. The iterative nature of the EAW process and the nature of the feedback received allows the Company to streamline engineering activities and respond with factual answers, data, or project changes that avoid, further reduce, or mitigate impacts on the environment. The Company continues to make improvements to the design that aim to reduce land disturbance, reduce wetlands impacts, minimize contact water, and avoid exposure of sulfide bearing rock to the atmosphere outside of enclosed facilities or containers.

A third round of comments from the MDNR and Tribal sovereign governments is expected in April 2025. Talon anticipates that the forthcoming comments will enable the finalization of the EAW

data submittal, marking an important milestone in this phase of the environmental review process. Once the MDNR (as the responsible governmental unit) accepts the EAW data submittal, it confirms that the information provided is sufficient for use in developing the draft scoping decision document. This acceptance allows the MDNR to move forward with formally defining the topics and analyses that will be evaluated in the Environmental Impact Statement (“EIS”). In short, it signals the shift from preparing project information to beginning the structured review process that will guide environmental decision-making and subsequent permitting actions.

Given that the EAW process is an iterative process, the Company will continue to align and update its staffing levels to correspond with the EAW process and the likely timing of the completion of the EAW process.

As the Company will have studied a large number of alternatives, the Company is expected to arrive at an optimal design before completing its feasibility study, which is planned for 2025.

The estimated cost of completing the feasibility study, including the trade-off studies, is expected to be approximately \$3.0 million. This amount compares to an estimated working capital deficiency of approximately \$1.1 million as of March 28, 2025, which when added to the estimated amount expected to be received from government grants as of the same date of approximately \$0.8 million equals a deficit of \$0.3 million. Additional amounts are expected to be received from government grants throughout the remainder of 2025 and beyond, commensurate with the Company's level of grant eligible spending. The Company also expects cash flow from contract drilling and geophysics services to third parties, particularly in connection with the \$7.2 million deposit for such services from Lundin Mining Corporation. This \$3.0 million cost excludes other costs such as environmental review and permitting in Minnesota and North Dakota, acquiring and maintaining land packages, local costs, cost of operations, community and external engagement, overhead, public company costs and all infill drilling and exploration. In order to earn a 60% interest in the Tamarack Nickel Project, the Company must deliver a feasibility study to Kennecott by March 13, 2026, and pay Kennecott US\$10 million. The feasibility study is co-ordinated with the environmental review.

There is no assurance the various business objectives, plans or milestone as detailed above will be completed on the timelines outlined (or at all). The exploration, development and construction of mineral projects are subject to a number of risks and uncertainties. See section below entitled “*Risks and Uncertainties*”.

### **October 2023 Private Placement**

On October 17, 2023, the Company completed a non-brokered private placement of 80,350,000 common shares of the Company with an investor (the “**October 2023 Private Placement**”). The common shares were issued at a price of approximately \$0.27 per common share for aggregate gross proceeds to the Company of approximately \$21.7 million.

The Company used the proceeds from the October 2023 Private Placement for further exploration, to progress its feasibility study in respect of the Tamarack North Project and the Battery Minerals Processing Facility and to progress the environmental review process towards permitting for the Tamarack North Project and the Battery Minerals Processing Facility, and for general corporate and working capital purposes.

In connection with the October 2023 Private Placement, the Company entered into an investment agreement with the investor pursuant to which the Company has granted the investor a contractual participation right in respect of future equity financings by the Company to allow the investor the ability to maintain its ownership interest in the Company.

### **Additional Triple Flag Royalty**

On July 5, 2024, in return for \$10.9 million gross cash consideration, the Company completed the Triple Flag US Transaction. See section above titled "*Additional Triple Flag Royalty*" for further information.

### **Qualified Persons**

Etienne Dinel, Vice President, Geology of Talon is a Qualified Person within the meaning of NI 43-101. Dr. Dinel has reviewed, approved and verified the technical information disclosed in this MD&A (other than the Resource Estimate), including sampling, analytical and test data underlying the technical information.

The Qualified Persons who are responsible for the Resource Estimate in this MD&A are Mr. Brian Thomas and Mr. Roger Jackson, both independent of Talon. Mr. Thomas and Mr. Jackson have reviewed, approved and verified the data disclosed in this MD&A relating to the Resource Estimate including, sampling, analytical and test data underlying the Resource Estimate and have visited the site and reviewed and verified the QA/QC procedures used at the Tamarack North Project and found them to be consistent with industry standards.

### **CAPITAL EXPENDITURES ON EXPLORATION PROJECTS**

Deferred exploration and development expenditures of the Company are comprised as follows:

	Dec 31, 2023	2024 Additions	2024 Government Grants Received	2024 Sale of Triple Flag Royalty	Foreign Exchange Gain (Loss)	Dec 31, 2024
	<i>Mineral properties - Resource properties and deferred expenditures</i>					
Tamarack Project	\$200,001,325	\$29,050,232	\$(4,627,070)	(10,520,570)	\$18,222,934	\$232,126,851
Michigan Properties	9,853,098	5,178,807	(1,140,453)	-	1,058,630	14,950,082
Total	\$209,854,423	\$34,229,039	\$(5,767,523)	(10,520,570)	\$19,281,564	\$247,076,933

Total deferred exploration and development expenditures for the year ended December 31, 2024 were \$34.2 million, with substantially all spent on the Tamarack Project. The spending on the Michigan Properties for the year ended December 31, 2024 was \$5.2 million.

As detailed in the table above under "*Tamarack Project - Work Completed/Expenditures – Tamarack North Project and Tamarack South Project*" amounts incurred on the exploration of mineral properties for the year ended December 31, 2024 amounted to \$29.1 million in respect of the Tamarack Project.

The foreign exchange gain of \$19.3 million is a non-cash item that is the result of fluctuations in the Canadian dollar denominated carrying value of the project which has been converted from United States dollars, as a result of the change in the Canadian dollar/United States dollar

exchange rate from 1.3226 at December 31, 2023 to 1.4389 at December 31, 2024. IFRS requires that the year-end or period-end United States dollar balance of Resource properties and deferred expenditures be converted to Canadian dollars, which is the reporting currency, at the year-end or period-end exchange rate.

Amounts incurred on the exploration of mineral properties for the year ended December 31, 2023 amounted to \$44.8 million and was the result of amounts incurred by Talon in respect of the Tamarack Project in accordance with the 2018 Option Agreement, primarily for exploration, drilling, geophysics and payments required pursuant to mineral leases.

## **FINANCIAL INSTRUMENTS**

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<i>Held for trading, measured at fair value:</i>		
Cash and cash equivalents	\$ 5,390,841	\$ 6,986,351
Treasury bills and term deposits	44,312	15,795,852

Talon is exposed to various risks related to its financial assets and liabilities. The most significant of these risks are discussed below and are managed on an ongoing basis.

### **Credit Risk Management**

Certain of the Company's financial assets are exposed to a degree of credit risk. The Company endeavors to mitigate credit risk by holding its cash and cash equivalents as cash deposits, short-term government treasury bills, money market funds and term deposits with major commercial banks. The cash deposits and term deposits are held with major international banks.

Credit risk relating to accounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and cash equivalents and receivables.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at reasonable cost. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures.

As of December 31, 2024, the Company had a cash, cash equivalents, treasury bills and term deposits balance of \$5.4 million, (December 31, 2023 – \$22.8 million) to settle current liabilities of \$2.5 million (December 31, 2023 – \$4.4 million).

On October 17, 2023, the Company closed the October 2023 Private Placement.

On July 5, 2024, the Company received \$10.9 million (US\$8 million) in respect of the Triple Flag US Transaction.

The Company receives government cost-share payments of amounts incurred by the Company related to government grants (see Note 6(c) of the financial statements for further information).

On March 28, 2025, the Company had cash, cash equivalents, treasury bills and term deposits of \$9.5 million which included a deposit of \$7.2 million from Lundin Mining Corporation related to a potential contract for drilling and geophysics services. Estimated working capital as of March 28, 2025, which includes both the deposit of \$7.2 million discussed above and a liability for the same amount, was in a deficit position of approximately \$1.1 million. Not included in working capital is approximately \$0.8 million related to cost-share payments from government grants, which the Company expects to receive although the specific timing of receipt is uncertain. Additional amounts are expected to be received from government grants throughout 2025 and beyond, commensurate with the Company's level of grant eligible spending. The Company expects the \$7.2 million deposit and liability noted above to be recognized as revenue over the next six months resulting in earnings and cash flow that will increase working capital.

To meet future working capital requirements, the Company will need to raise financing, reduce expenditures or certain activities, sell non-core assets, receive government grant funding, generate revenue and profit from drilling and exploration services, and/or develop the Tamarack Project into a profitable mine. There can be no assurance that the Company will be successful in carrying out any of these activities to meet the Company's future working capital requirements and commitments.

Such material uncertainty may cast significant doubt on the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

World events, including the wars in Ukraine and Israel, government policy, trade wars, increases in tariffs, increases in interest rates, high inflation, capital and stock market volatility and the decrease in global nickel prices have had a negative impact on the Company's ability to raise capital and/or operations.

See "*Financial Condition, Cash Flow, Liquidity and Capital Resources – Liquidity and Capital Resources*" and "*Risks and Uncertainties*" for further important information.

### **Market Risk**

Market risk is the risk that changes in market prices, including foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

The Company records its investments using the closing price at the end of the reporting period. Changes in the closing price will affect the fair value of these investments.

As of December 31, 2024 and December 31, 2023, the Company held no investments other than cash and cash equivalents, treasury bills and term deposits which management considers to not be materially susceptible to market risks.

### **Foreign Exchange Risk**

The Company is exposed to movements in the United States dollar. Payments made to Kennecott and substantially all of the costs associated with the operatorship of the Tamarack Project are denominated in United States dollars. Talon's head-office salaries, administrative costs and fees

to Canadian-based consultants are denominated in Canadian dollars. Talon's financing activities have been primarily in Canadian dollars.

Given the above, the Company maintains funds in both Canadian and U.S. dollars taking into account cash needs over the medium term.

As of December 31, 2024, Talon was exposed to movements in the United States dollar as a result of cash on hand, certain accounts payable and the majority of costs associated with the development of the Tamarack Project.

At December 31, 2024, the Company had net monetary assets in United States dollars of \$1.9 million (Canadian dollar equivalent). If foreign exchange rates had changed by 5% on the last day of the period with all other facts/assumptions held constant, there would be a change in the net income or loss of the Company for the year ended December 31, 2024 of approximately \$0.1 million.

The majority of costs associated with the development of the Tamarack Project are denominated in United States dollars. Volatility of the Canadian/U.S. dollar exchange rate, such as due to world events, may increase the Canadian dollar denominated cost of the Company's operations.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent of its interest income on holding of cash equivalents, government treasury bills, money market funds and term deposits.

The cash equivalents, government treasury bills, money market funds and term deposits typically have a term to maturity of three to nine months. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from the cash equivalents, government treasury bills, money market funds and term deposits due to their short maturities and high credit ratings of the counterparty. The Company mitigates its risk by holding investments that are low in risk and have a relatively short term to maturity.

The carrying values of the Company's financial instruments approximate their fair values unless otherwise noted.

The Company's financial instruments are classified as current assets or liabilities on the statement of financial position of the Company. For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

### **Fair Value Hierarchy**

The fair value hierarchy establishes three levels to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices). Level 3 inputs are unobservable (supported by little or no market activity), such as non-corroborative indicative prices for a particular instrument provided by a third party.

The Company has classified its financial assets and liabilities as follows at December 31, 2024:

Level 1

Cash and cash equivalents	\$ 5,390,841
Treasury bills and term deposits	44,312

**FINANCIAL CONDITION, CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES**

**Cash Flow Highlights**

	Year ended Dec 31, 2024	Year ended Dec 31, 2023
Operating activities	\$(1,275,333)	\$(1,745,419)
Investing activities	(893,572)	(28,077,429)
Financing activities	481,153	21,841,518
Increase (decrease) in cash & cash equivalents	(1,687,752)	(7,981,330)
Effect of foreign exchange on consolidation	92,242	(18,739)
Beginning cash & cash equivalents	6,986,351	14,986,420
Ending cash & cash equivalents	\$5,390,841	\$6,986,351

***Operating Activities***

Operating activities for the year ended December 31, 2024 consumed \$1.3 million of cash primarily due to net operating expenses and a decrease in working capital. This compares to \$1.7 million consumed during the year ended December 31, 2023.

***Investing Activities***

Investing activities for the year ended December 31, 2024 consumed \$0.9 million compared to \$28.1 million in the prior year. The decrease was primarily the result of net sales of treasury bills and term deposits. Excluding the investments in treasury bills and term deposits, investing activities for the year ended December 31, 2024 consumed net \$17.5 million primarily relating to capitalized exploration costs compared to net \$40.3 million in the prior year. On July 5, 2024, the Company received \$10.5 million in respect of the sale of the New Royalty as part of the Triple Flag US Transaction. During the year ended December 31, 2024, the Company received government grants of \$5.8 million compared to \$0.2 million in the prior year. For details on the spending during the year ended December 31, 2024, see the section titled “*Work Completed/Expenditures – Tamarack North Project and Tamarack South Project*”, with the difference due to non-cash expenditures, working capital adjustments, and capitalized fixed assets that are being depreciated to Resource properties and deferred expenditures.

***Financing Activities***

Financing activities for the year ended December 31, 2024 generated \$5.0 million compared to \$21.8 million in the prior year. On July 5, 2024, the Company received \$0.2 million in respect of the sale of warrants as part of the Triple Flag US Transaction.

On February 17, 2023, the Company filed a final short form base shelf prospectus (the “**2023 Base Shelf Prospectus**”) with the securities regulatory authorities in each of the provinces of



Canada. Pursuant to the 2023 Base Shelf Prospectus, Talon was permitted to issue common shares, debt securities, subscription receipts or warrants or any combination of such securities as units, in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to \$150 million during the 25-month period that the 2023 Base Shelf Prospectus remained effective. The 2023 Base Shelf Prospectus expired on March 17, 2025.

On October 17, 2023, the Company closed the October 2023 Private Placement.

The Company evaluates possible financing activities on an ongoing basis, the Company's short and long-term budgets in respect of its projects and working capital requirements, as well as the availability and costs associated with raising additional capital.

### **Liquidity and Capital Resources**

On March 28, 2025, the Company had cash, cash equivalents, treasury bills and term deposits of \$9.5 million which included a deposit of \$7.2 million from Lundin Mining Corporation related to a potential contract for drilling and geophysics services. Estimated working capital as of March 28, 2025, which includes both the deposit of \$7.2 million discussed above and a liability for the same amount, was in a deficit position of approximately \$1.1 million. Not included in working capital is approximately \$0.8 million related to cost-share payments from government grants, which the Company expects to receive although the specific timing of receipt is uncertain. Additional amounts are expected to be received from government grants throughout 2025 and beyond, commensurate with the Company's level of grant eligible spending. The Company expects the \$7.2 million deposit and liability noted above to be recognized as revenue over the next six months resulting in earnings and cash flow that will increase working capital.

As of December 31, 2024, the Company had working capital of \$3.1 million (December 31, 2023 – \$19.0 million). The working capital amount does not include government cost-share payments in the approximate amount of \$1.6 million (as of December 31, 2024) expected to be received by the Company as a result of government grants.

Working capital is defined as current assets less current liabilities. The Company has incurred losses and negative cashflows from operations and has an accumulated deficit of \$109.2 million (December 31, 2023 – \$106.9 million).

Working capital as of December 31, 2024 combined with the receipt of anticipated government grants, expected cash flow from contract drilling and geophysics services to third parties and, if necessary, a financing is expected to be sufficient to meet the next milestone discussed in the section above "*Anticipated Timing and Costs to take the Tamarack North Project to the Next Milestone*".

To meet future working capital requirements, the Company will need to raise financing, reduce expenditures or certain activities, sell non-core assets, receive government grant funding, generate revenue and profit from drilling and exploration services, and/or develop the Tamarack Project into a profitable mine. The Company has taken, and continues to take, a number of steps to reduce expenditures, including by reducing the number of employees, reducing office space, reducing the usage of consultants, deferring certain engineering work, issuing options in lieu of consulting fees to certain consultants and deferring the salaries of the Company's CEO, former President and the CFO.. There can be no assurance that the Company will be successful in

TALON METALS CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2024

carrying out any of these activities to meet the Company's future working capital requirements and commitments.

The Company's monthly cash outflows are dependent on whether and to what extent the Company is pursuing an active exploration program. The Company's monthly cash outflows are also dependent on the outlook for raising additional capital and the current amount of working capital. As such, the Company can reduce operating and investing spending to adjust for periods when access to financing is constrained.

Pursuant to an investment agreement dated November 7, 2018 between the Company and Resource Capital Fund VI L.P. ("**RCF**"), for as long as RCF and its affiliates, on a partially diluted basis, hold common shares of the Company equal to or exceeding 10% of all common shares issued and outstanding, RCF has the right to participate in any equity financings of the Company (other than certain exempt issuances) at the same price and on the same terms, on a pro rata basis, such that RCF is entitled to maintain its percentage interest in common shares of the Company on a partially diluted basis. On October 30, 2024, RCF sold all of its common shares of the Company and, as such, the rights provided to RCF in the investment agreement terminated on that date.

See "*Financial Instruments – Liquidity Risk*" and "*Risks and Uncertainties*" for further important information.

**A summary of Contributed Surplus for the period from January 1, 2023 to December 31, 2024 is as follows:**

Balance	December 31, 2022	\$39,743,489
Stock options	Stock option compensation	3,687,487
Stock options	Stock options exercised	(126,371)
Balance	December 31, 2023	43,304,605
Stock options	Stock option compensation	5,318,024
Stock options	Stock options exercised	-
Balance	December 31, 2024	\$48,622,629

## DISCLOSURE OF OUTSTANDING SHARE DATA

As of March 28, 2025, the Company had 934,718,967 common shares issued and outstanding.

The following table details the common shares and convertible securities of the Company which are outstanding as of March 28, 2025:

	Expiry Date	Exercise Price	Total
Common Shares			934,718,967
Stock Options	14-Aug-2025	0.26	625,000
Stock Options	28-Dec-2025	0.51	740,000
Stock Options	19-Mar-2026	0.20	3,557,736
Stock Options	28-May-2026	0.20	450,000
Stock Options	28-May-2026	0.25	3,750,000
Stock Options	25-Jun-2026	0.20	8,050,000
Stock Options	22-Oct-2026	0.20	1,450,000
Stock Options	01-Nov-2026	0.10	4,200,000
Stock Options	13-Jan-2027	0.25	1,600,000
Stock Options	03-Feb-2027	0.20	4,600,000
Stock Options	18-Feb-2027	0.20	1,300,000
Stock Options	09-Mar-2027	0.20	1,550,000
Stock Options	14-Apr-2027	0.20	200,000
Stock Options	16-May-2027	0.20	200,000
Stock Options	15-Sep-2027	0.20	200,000
Stock Options	29-Sep-2027	0.20	100,000
Stock Options	20-Dec-2027	0.20	4,400,000
Stock Options	20-Dec-2027	0.25	1,500,000
Stock Options	16-Jan-2028	0.20	1,100,000
Stock Options	15-Feb-2028	0.20	100,000
Stock Options	15-Mar-2028	0.20	200,000
Stock Options	23-May-2028	0.20	3,500,000
Stock Options	15-Jun-2028	0.20	1,050,000
Stock Options	01-Nov-2028	0.20	600,000
Stock Options	21-Dec-2028	0.20	200,000
Stock Options	21-Dec-2028	0.205	200,000
Stock Options	31-Dec-2028	0.10	500,000
Stock Options	15-Jan-2029	0.20	1,750,000
Stock Options	22-Mar-2029	0.095	26,218,061
Stock Options	15-Apr-2029	0.20	1,700,000
Stock Options	21-May-2029	0.20	800,000
Stock Options	30-May-2029	0.20	10,850,000
Stock Options	06-Jun-2029	0.18	4,962,735
Stock Options	02-Oct-2029	0.18	1,000,000
Stock Options	28-Oct-2029	0.165	6,000,000
Stock Options	28-Oct-2029	0.10	950,000
Stock Options	26-Nov-2029	0.085	3,855,965
Stock Options	12-Dec-2029	0.145	900,000
Stock Options	19-Dec-2029	0.09	6,550,000
Stock Options	13-Mar-2030	0.10	1,980,000
Stock Options	22-Jul-2030	0.145	350,000
Stock Options	23-Jul-2030	0.145	500,000
Stock Options	07-Aug-2030	0.20	350,000
Stock Options	14-Aug-2030	0.20	150,000
Stock Options	15-Aug-2030	0.20	200,000
Stock Options	28-Oct-2030	0.20	200,000
Stock Options	28-Dec-2030	0.20	7,000,000
Stock Options	28-Dec-2030	0.25	7,915,000
Total number of shares issuable on exercise of convertible securities (i.e., fully-diluted shares outstanding):			1,064,823,464

Stock options were issued by the Company during 2023 and 2024 primarily to employees and consultants.

The following summarizes the change in stock options outstanding of the Company during the year ended December 31, 2024:

	Options	Exercise Price
Outstanding – beginning of year	124,267,682	\$0.37
Granted	33,005,965	0.15
Exercised	-	-
Cancelled	(18,650,000)	0.37
Expired	(2,169,150)	0.10
Amended	(107,483,532)	0.36
Amended - change in exercise price and expiry date	17,515,000	0.22
Amended - change in exercise price only	47,307,736	0.21
Amended - change in expiry date only	42,660,796	0.12
Outstanding – end of period	136,454,497	\$0.17

All of the stock options outstanding have been issued pursuant to the Company's stock option plan.

As detailed in the table above, on February 27, 2024, after receiving shareholder and TSX approval, 107,483,532 stock options were amended by (i) reducing the exercise price to \$0.20, and in the case of stock options held by the directors, the CEO, the former President and the CFO, reducing the exercise price to \$0.25; and/or (ii) extending the expiration date by five years from the date of their original expiration date (only if the stock options were expiring on or before December 28, 2025). All stock options that were amended are subject to a new vesting schedule: 50% of the stock options vest on February 27, 2025 and 50% vest on August 27, 2025. The additional stock-based compensation as a result of the amendments was \$4.3 million which will be amortized to the Income Statement, and resource properties and deferred expenditures over the period February 27, 2024 to August 27, 2025.

### Estimated fair value of stock options

The Company determined the fair value of the stock options issued or amended during the year ended December 31, 2024 and 2023 using the Black-Scholes option pricing model using the following assumptions:

	Year ended December 31, 2024	Year ended December 31, 2023
Share Price	Closing price on the day prior to the grant date	
Risk-free interest rate	3.40% - 4.43%	2.94% - 4.12%
Expected life	5 years	5 years
Expected volatility	60%	60%
Dividend yield	0%	0%
Forfeiture rate	0%	0%

Stock option compensation expense for the year ended December 31, 2024 and 2023, presented in the table below, was recognized in the consolidated statements of loss and comprehensive loss and includes the cost of the stock option amendment. In addition, amounts related to stock

option compensation attributable to work carried out on the Tamarack Project were capitalized to Resource properties and deferred expenditures for the year ended December 31, 2024 and 2023, also presented in the table below.

	Year ended December 31, 2024	Year ended December 31, 2023
Stock option compensation - expensed	\$ 1,512,866	\$ 258,742
Stock option compensation - capitalized	3,805,158	3,428,745
Stock option compensation - total	<u>\$ 5,318,024</u>	<u>\$ 3,687,487</u>

## **RISKS AND UNCERTAINTIES**

Talon is subject to a number of risk factors due to the nature of the mineral business in which it is engaged, the limited extent of its assets and its stage of development.

The exploration operations of the Company are speculative due to the high-risk nature of its business which is primarily focused on the acquisition, exploration and development of mineral projects. The Company's activities in pursuit of its objectives are subject to a number of risks and uncertainties.

The following is a summary of the most significant of those risks and uncertainties affecting or that could affect the financial condition or results of operations of the Company. For a further discussion of the risks and uncertainties facing the Company, please refer to the Company's Annual Information Form for the year ended December 31, 2024 under the heading "Risk Factors" available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The Company may face additional risks and uncertainties, including, risks and uncertainties that are unknown to the Company or risks and uncertainties that the Company now believes to be unimportant, which could have a material adverse effect on the business of the Company. If any of the risks actually occur, the business, financial condition or results of operations of the Company could be negatively affected.

### *Working Capital Requirements*

In order to meet future working capital requirements, the Company will need to raise additional capital, reduce expenditures or certain activities, sell non-core assets, receive government grant funding, generate revenue and profit from contracts for drilling and exploration services, and/or develop the Tamarack Project into a profitable mine. If the Company seeks to raise additional capital, it may not be available when needed, or if available, the terms of such capital might not be favourable to the Company. Global securities markets continue to experience volatility caused by, among other things, certain world events including the wars in Ukraine and Israel, government policy, trade wars, increasing tariffs, high inflation, increasing interest rates and fears of recession, which may result in difficulty raising equity capital and market forces may render it difficult or impossible for the Company to secure investors to purchase any new share issuances at prices which will not lead to severe dilution to existing shareholders, or at all. There can be no assurance that the Company will be successful in raising additional capital, reducing expenditures or certain activities, selling non-core assets and/or developing the Tamarack Project into a profitable mine to meet the Company's future working capital requirements. If the Company is not successful in

doing so (or in doing so sufficiently), it may have a material adverse effect on the Company's business, financial condition and results of operations (including, in certain circumstances, the ability of the Company to continue to operate as a going concern).

#### *Ability to Continue as a Going Concern*

The Company's financial statements have been prepared on a going concern basis which presumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on its ability to raise financing, reduce expenditures or certain activities, sell non-core assets, receive government grant funding, generate revenue from drilling and exploration services and/or develop the Tamarack Project into a profitable mine. There can be no assurance that the Company will be successful in carrying out any of these activities to meet the Company's future working capital requirements and commitments and continue operations for the foreseeable future. These circumstances create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

#### *US Department of Defense Funding for Exploration*

In order for the US Department of Defense to contribute funding, on a cost share basis, for any of Talon's drilling and related activities only, Talon and the US Department of Defense will be required to complete (i) consultation under Section 106 of the *National Historic Preservation Act*, and (ii) an environmental assessment pursuant to the *National Environmental Protection Act*. If these regulatory matters are not completed or not completed satisfactorily, the US Department of Defense will not contribute funding for such activities and may also potentially revoke further funding.

Talon Nickel will be required to arrange additional financing to pay for its total cost-share portion of the DOD Exploration Grant. If it fails to do so, the US Department of Defense will not provide additional cost-share dollars. If Talon Nickel does not meet the conditions set out in the agreement, the US Department of Defense may also revoke further funding. In addition, the US Department of Defense may terminate the agreement at any time.

Delays in receiving cost-share repayments from the US Department of Defense, rejections of expenditures deemed ineligible by the US Department of Defense for spending that Talon Nickel has already incurred and/or delays, lack of completion or satisfactory completion of the regulatory matters may result in cash flow issues for Talon Nickel and the Company.

Any such events may have a material adverse effect on the Company and its business and operations (including the market price of the common shares of the Company).

#### *2018 Option Agreement*

Pursuant to the terms of the 2018 Option Agreement, Talon Nickel has the further right to acquire a 60% interest in the Tamarack Project, subject to the completion of certain conditions. In the event that Talon Nickel fails to meet the requirements to earn such interest in the Tamarack Project, in certain limited circumstances, Talon Nickel may revert to a minority interest in the Tamarack Project and cease to be the operator of the Tamarack Project. In such case, all future funding requirements for the Tamarack Project would be determined by Kennecott (in its capacity

as operator), and any failure by Talon Nickel to fund its proportional share of such funding would result in dilution of its interest in the Tamarack Project.

In order for Talon Nickel to earn a 60% interest in accordance with the 2018 Option Agreement, the Company will be required to raise additional capital and there can be no assurance that the Company will be successful in raising such capital. If the Company is successful in raising capital, it could result in substantial dilution to existing shareholders of the Company.

#### *Changes in the Price of Nickel and Influence of Indonesia*

The ability to develop the Tamarack Project is directly related to the market price of nickel. Nickel is sold in an active global market and traded on commodity exchanges, such as the LME and the New York Mercantile Exchange. Nickel prices are subject to significant fluctuations (as was seen in March 2022 when the price of nickel spiked and the LME ceased trading of Nickel for a period of time as a consequence of the war in Ukraine) and are affected by many factors, including actual and expected macroeconomic and political conditions, levels of supply and demand, the availability and costs of substitutes, input costs, foreign exchange rates, inventory levels, investments by commodity funds and other actions of participants in the commodity markets. Nickel prices have fluctuated widely, particularly in recent years.

More recently, Indonesia's mined nickel production has jumped to approximately 59% of global output in 2024. This amount of global nickel supply provides Indonesia with the ability to convert market influence into explicit pricing power. The nickel market has been seeing an oversupply of nickel from Indonesia resulting in lower prices which have brought a number of operating nickel mine closures and write-downs in the face of these low prices.

Consequently, the economic viability of the Tamarack Project may be adversely affected by fluctuations in nickel prices and the influence of Indonesia on the nickel market and price.

#### *North Dakota Battery Minerals Processing Facility and Related US Government Funding*

On October 19, 2022, Talon Nickel was selected as a recipient of the first set of projects funded by the United States *Bipartisan Infrastructure Law*. The application proposed an ore processing and tailings management facility located at an existing industrial brownfields site in Mercer County, North Dakota, receiving feedstock from the Tamarack North Project and other potential sources in North America. Effective November 1, 2023, Talon Nickel entered into the definitive agreement with the US Department of Energy setting the terms, conditions and performance milestones for \$165.3 million (US\$114.85 million) in grant funding for the Battery Minerals Processing Facility (the "**Grant Agreement**"). Talon Nickel will be required to arrange financing to pay for its cost-share portion of the grant. If it fails to do so, the US Department of Energy will not provide cost-share dollars and may terminate the grant. If Talon Nickel does not meet the conditions and performance milestones set out in the Grant Agreement, the US Department of Energy may revoke further funding for the Battery Minerals Processing Facility and the Company may be required to arrange financing for the portion of the Battery Minerals Processing Facility that would have been funded by the grant or may no longer be able to continue with the development/construction of the Battery Minerals Processing Facility. In addition, delays in receiving cost-share repayments from the US Department of Energy and/or rejections of expenditures deemed ineligible by the US Department of Energy for spending that Talon Nickel has already incurred may result in cash flow issues for Talon Nickel and the Company.

The acquisition of the site in North Dakota is actively under negotiations and the Company has not entered into any agreements in respect thereof. The Company may not be able to reach any such agreements on favourable terms or at all. If the Company is unable to reach any such agreements, subject to the approval of the US Department of Energy, the Company will need to identify and acquire another site in North Dakota or elsewhere in order to meet its obligations under the Grant Agreement and the Tesla Supply Agreement.

Any such events may have a material adverse effect on the Company and its business and operations (including the market price of the common shares of the Company).

#### *Foreign Operations and Government Policy Changes*

The Company's operations are currently conducted primarily in the United States. The Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, trade wars; tariffs; terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation of funds; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes in natural resource or investment policies or shifts in political attitude in the United States may adversely affect the Company's operations, or investments or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, tariffs, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's business, financial condition and/or results of operations.

#### *U.S. Trade Policy, Tariffs and Trade Wars*

The U.S. government has and continues to make significant changes in U.S. trade policy and has taken certain actions that could negatively impact U.S. trade, including imposing tariffs. There is a concern that the imposition of tariffs by the U.S. could result in the adoption of tariffs and/or retaliatory measures by other countries as well, leading to a broader global trade war which could have a significant adverse impact on the U.S. and global economies.

The implementation and continuance of new tariffs and retaliatory measures is uncertain. To the extent continued, any such tariffs and/or retaliatory measures may have an adverse effect on the Company. In addition, tariffs may adversely affect the capital expenditures required to develop and construct a mine at the Tamarack Project and the Battery Minerals Processing Facility.



### *Defense Logistics Agency Funding*

If Talon Nickel does not meet the conditions set out in the contract with the US Defense Logistics Agency, the US Defense Logistics Agency may revoke the funding. In addition, the US Defense Logistics Agency may terminate the contract at any time.

Delays in receiving payments from the US Defense Logistics Agency or a termination of the contract may result in cash flow issues for Talon Nickel and the Company.

### *Triple Flag Royalties*

The Triple Flag US Transaction provides Talon Nickel with a one-time right up to July 5, 2026 to reduce the percentage of the New Royalty to 1.00% in exchange for cash in the amount of US\$5 million. There is a risk that prior to Talon Nickel's one-time right expiring, Talon Nickel does not have the cash on hand required or does not elect to use cash on hand to reduce the percentage of the New Royalty. In such case, in respect of the New Royalty, Triple Flag US will continue to have a royalty of 1.67% (along with the original royalty, a total of 3.52%) of net smelter returns (to be paid out of Talon Nickel's participating interest in the Tamarack Project), which could negatively impact the overall economic viability of the Tamarack Project.

Pursuant to the terms of the royalties, Talon and its related entities have provided security to the Triple Flag entities to support the payment and performance obligations related to the royalty and the guarantees. In the event Talon Nickel fails to meet such obligations, the Triple Flag entities have the right to exercise its security and may, among other things, acquire Talon Nickel's entire interest in the Tamarack Project.

The royalty agreements contain restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to amend the 2018 Option Agreement, cease to be the operator of the Tamarack Project, sell or dispose of Talon Nickel's interest in the Tamarack Project, incur additional indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets and merge or consolidate with another entity. A failure to comply with these obligations could result in an event of default (as defined under the royalty agreements) which, if not waived, could permit the Triple Flag entities to exercise their security and, among other things, acquire Talon Nickel's entire interest in the Tamarack Project.

Pursuant to the royalty agreements, Talon Nickel is required to make payment to the Triple Flag entities based on an assumed ownership percentage in the Tamarack Project of 60%. In the event that Talon Nickel dilutes below the assumed ownership percentage or does not acquire a 60% ownership percentage in the Tamarack Project, it will nevertheless still be required to make payment to the Triple Flag entities at the assumed ownership percentage of 60%. Given this, there is a risk that the Company may not have enough money to make the required payments to the Triple Flag entities. In such circumstance, the failure by Talon Nickel to make adequate payment to the Triple Flag entities would constitute an event of default under the royalty agreements, thereby entitling the Triple Flag entities to exercise their security and, among other things, acquire Talon Nickel's entire interest in the Tamarack Project.

*Governmental Regulation; Environmental Risks and Hazards*

The mineral exploration activities of the Company and Kennecott (in respect of the Tamarack Project) are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining, beneficiation and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that its and Kennecott's (in respect of the Tamarack Project) exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted, including any limitation, or prohibition, on sulphide mining, or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of the Company's existing and/or new properties.

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates, including, as it relates to the Tamarack Project, the regulations applicable in Minnesota, USA. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Company holds interests that are unknown to the Company at present and that have been caused by previous or existing owners or operators of the properties.

In particular, existing and possible future environmental and social impact legislation, regulations and actions, including the regulation of air and water quality (including, changes to the regulations in Minnesota surrounding the protection of waters in which wild rice inhabits), mining reclamation, solid and hazardous waste handling and disposal, the promotion of occupational health and safety, the protection of wildlife and ecological systems and the protection of the societies and communities of indigenous peoples, could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond its capacity to fund. Environmental and social impact studies may be required for some operations, and significant fines and clean-up responsibilities may be imposed for companies causing damage to the environment in the course of their activities.

In addition, the Company could incur substantial losses as a result of loss of life, severe damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties, suspension of operations and repairs to resume operations.

Government approvals and permits are currently, and, in the future, will be required in connection with the Company's development and operations, including approvals that may be required for the Company to act as operator in respect of the Tamarack Project while the Tamarack Project exploration leases are in the name of Kennecott. To the extent such approvals are required and

not obtained (or delayed), the Company may be curtailed or prohibited from proceeding with planned exploration or development of its properties, including the Tamarack Project.

Design changes made by the Company during the EAW process to a potential mine at the Tamarack Project may result in additional feedback and rounds of comments from the MDNR and Tribal sovereign governments which may result in a longer EAW and environmental review process which could delay the development of the Tamarack Project.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining and beneficiation operations, including the Company, may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations, which may adversely affect the Company.

#### *Exploration, Development and Operating Risks*

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Actual exploration, development and/or other costs and economic returns may differ significantly from those the Company has anticipated. It is impossible to ensure that the exploration programs planned by Talon will result in a profitable commercial mining operation. Talon cannot give any assurance that its current and future exploration activities and/or metallurgical testing will be consistent with the Company's expectations or result in any additional mineralization and/or a mineral deposit containing mineral reserves. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; commodity prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, land tenure, land use, importing and exporting of minerals and environmental protection. In addition, whether a mineral deposit will be commercially viable depends on the quantum of royalties payable, which, in respect of the Tamarack Project, may vary dependent on the interpretation of the royalty calculation under the Tamarack Project state leases. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Talon not receiving an adequate return on invested capital.

Although Talon's present activities are directed towards the financing, exploration and development of mineral projects, its activities may also ultimately include mining operations. Mining and exploration operations generally involve a high degree of risk. Talon's operations are subject to all the hazards and risks normally encountered in the exploration, development, production and beneficiation of nickel, copper and platinum, including unusual and unexpected geologic formations, seismic activity, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, mining and exploration

operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequential liability.

The economic viability of mineral projects, including projects such as the Tamarack Project, may be affected, in part, by the ability of the operator to mine, beneficiate and, to the extent the Company has not already done so, enter into off-take agreements with potential end users. No assurance can be made that Talon will be successful in entering into off-take agreements in respect of local and/or export sales or, if necessary, in accessing local smelting facilities.

#### *Community Relations and Non-Governmental Organizations*

The Company's relationships with the community in which it operates are critical to the success of the Company's operations and the exploration, construction and development of the Tamarack Project. At any given time, there may be ongoing and potentially increasing public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain non-governmental organizations ("**NGOs**"), some of which oppose resource development generally, are often vocal critics of the mining industry and its practices, including processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or Talon's operations specifically, could have an adverse effect on the Company's reputation or financial condition and may impact its relationship with the communities in which it operates. While Talon is committed to operating in a socially responsible and environmentally friendly manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk.

#### *Conditions Relating to the Tesla Supply Agreement*

The Tesla Supply Agreement is conditional upon: (i) Talon earning a 60% interest in the Tamarack North Project; (ii) Talon commencing commercial production at the Tamarack North Project; and (iii) the parties completing negotiations and executing detailed supply terms and conditions. Additionally, Talon will use commercially reasonable efforts to achieve commercial production on or before January 1, 2026 at the Tamarack North Project, which may be extended by the agreement of the parties for up to 12 months following which Tesla has a right to terminate the agreement and Talon may elect to sell to other parties. There is no assurance that any such conditions will be met or that Talon will achieve commercial production at the Tamarack North Project. If such conditions are not met or if the Tesla Supply Agreement is terminated in accordance with its terms, it may have a material adverse effect on the Company and its business and operations (including the market price of the common shares of the Company).

#### *Recent and Future Global Financial Developments*

Global financial markets have experienced increased volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities in 2022 and 2023. This, in turn, has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the companies who borrow from them. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that efforts to respond to the crisis will continue or that, if continued, they will be successful, or these economies will not be adversely affected by the

inflationary pressures resulting from such efforts or central banks' efforts to slow inflation. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Company and the value of its shares.

*Market Price of Common Shares; Impact of Volatility; Litigation resulting from Volatility*

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. In the past several years with the outbreak of COVID-19, the wars in Ukraine/Israel and an overall economic downturn, worldwide securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

The price of Talon's common shares may also be affected by short-term changes in nickel or other relevant mineral prices or in its financial condition or results of operations (see also "*Risks and Uncertainties – Changes in the Price of Nickel and Influence of Indonesia*"). Other factors unrelated to the Company's performance that may have an effect on the price of Talon's common shares include the following: COVID-19, the wars in Ukraine and Israel, government policy, trade wars, tariffs, the economy, the fact that Pallinghurst Nickel International Ltd. owns or may sell a large number of common shares of the Company; the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Talon's common shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of Talon's common shares that persists for a significant period of time could cause the Company's securities to be delisted, further reducing market liquidity.

As a result of any of these factors, the market price of Talon's common shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

*Increased Availability of Alternative Nickel Sources or Substitution of Nickel from End Use Applications*

Demand for primary nickel may be negatively affected by the direct substitution of primary nickel with other materials in current and future applications. In response to high nickel prices or other factors, producers of batteries may shift from batteries with high nickel content to batteries with either lower nickel content or no nickel content. In addition, in response to high nickel prices or other factors, producers and consumers of stainless steel may partially shift from stainless steel with high nickel content to stainless steels with either lower nickel content or no nickel content. One or both of these shifts may adversely affect demand for nickel.

### *Wars in Ukraine and Israel*

The military conflicts in Ukraine and Israel have led to heightened volatility in the global markets, increased inflation, and turbulence in commodities markets, including nickel. In response to Russian military actions in Ukraine, several countries (including Canada, the United States and certain allies) have imposed economic sanctions and export control measures, and may impose additional sanctions or export control measures in the future, which have and could in the future result in, among other things, severe or complete restrictions on exports and other commerce and business dealings involving Russia, certain regions of Ukraine, and/or particular entities and individuals. While the Company does not have any direct exposure or connection to Russia, Ukraine or Israel, as the military conflict is a rapidly developing situation, it is uncertain as to how such events and any related economic sanctions will continue to impact the global economy and commodities markets. Any negative developments in respect thereof could have a material adverse effect on the Company's business, operations or financial condition.

### *Litigation*

The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely against the Company or may delay the Company from proceeding with the Tamarack Project in a timely manner. Specifically, current litigation proceedings in Brazil, even in cases which the Company's legal counsel believes have a possible chance of success by the counterparty, may be determined, in whole or in part, against the Company. One or more of such determinations against the Company may adversely affect the Company's financial condition and may have a material adverse impact on the ability of the Company to carry on operations.

### *Uncertainty Relating to Inferred and Indicated Mineral Resources*

There is a risk that the inferred and indicated mineral resources currently reported for the Tamarack Project cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty that may attach to inferred and indicated mineral resources, there is no assurance that inferred and indicated mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

### *Key Executives and Consultants*

The Company is dependent on the services of key executives, including the directors of the Company and a small number of highly skilled and experienced employees and consultants. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations.

### *Exchange Rate Fluctuations*

Certain of the Company's financing activities are completed in Canadian dollars while the majority of the Company's non-working capital costs are in United States dollars and any payments made under the 2018 Option Agreement and the Royalty Agreement will be made in United States dollars. As such, the Company is exposed to movements in the United States dollar.

A depreciation of the Canadian dollar against the United States dollar may negatively affect the Company's current or future cash balance and may require the Company to raise additional capital to offset additional costs caused by exchange rate fluctuations. In addition, a depreciation of the Canadian dollar against the United States dollar may require the Company to raise more money than it otherwise would have been required to do. The Company may not be able to complete such a larger financing which may result in the Company not being able to meet its obligations in respect of the Tamarack Project. Such a failure may have a material adverse impact on the Company, including potential dilution of its interest in the Tamarack Project and its ability to continue operating.

#### *Land Title*

With respect to the Tamarack Project, the mineral and surface interests are held in Kennecott's name through various Minnesota state leases, private agreements and fee ownership. Maintenance of all of such rights are subject to ongoing compliance with the terms of such licenses, agreements and contracts. While the Company intends to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that it will be successful in extending or renewing mineral rights on or prior to the expiration of their term. The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties (including, the Tamarack Project), there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims (including, native land claims) and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

#### *Insurance and Uninsured Risks*

Talon's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties (including, the Tamarack Project) or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Talon maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with the Company's operations. Talon may also be unable to obtain or maintain insurance to cover risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Talon or to other companies in the mining industry on acceptable terms. Talon might also become subject to liability for pollution or other hazards that may not be insured against or that Talon may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Talon to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

*Political, Judicial, Administrative, Taxation or Other Regulatory Factors*

Talon may be adversely affected by changes in political, judicial, administrative, taxation or other regulatory factors in the areas in which Talon operates and/or holds interests. Such changes could have a material adverse effect on the Company's business, financial condition and results of operations and cause increases in exploration expenses, capital expenditures or production costs, or abandonment or delays in development of the Company's existing and/or new properties, including impacting decisions to continue with the funding of the Tamarack Project.

*COVID-19 Coronavirus Outbreak*

COVID-19 may have a negative effect on the Company and the advancement of the Tamarack Project. In the future, outbreaks of new strains of COVID-19 may result in travel advisories and restrictions, certain restrictions on business operations, social distancing precautions and restrictions on group gatherings which may have direct impacts on businesses in the United States, Canada and around the world and could result in travel bans, closure of assay labs or delays in obtaining results from assay labs, work delays, restrictions on or shutting down of drilling operations, difficulties for contractors and employees getting to site, restrictions related to other mining related business and operations and the diversion of management attention all of which in turn could have a negative impact on development of the Tamarack Project and the Company generally. There can be no assurance that COVID-19 or any other public health crises will not have a material adverse effect on the Company and its business and operations.

*Possible Conflicts of Interest*

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard.

**RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties include directors and officers of the Company, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Included in accounts payable is \$101,368 of board of director fees and fees payable to the chairman of the board (December 31, 2023 – nil) and \$168,233 of deferred salaries payable to the CEO, former President and CFO. The board of directors has agreed to defer receiving payment as part of the Company's cost saving efforts.

The remuneration, including benefits, of directors and officers of the Company for the years ended December 31, 2024 and 2023 was as follows:



TALON METALS CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2024

	<b>Year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Salaries and benefits of officers	\$ 3,911,375	\$ 4,607,353
Board fees	82,500	82,500
Stock-based compensation	3,218,283	1,489,143
Total Aggregate Compensation	<u>\$ 7,212,158</u>	<u>\$ 6,178,996</u>
Capitalized portion included in Total Aggregate Compensation (capitalized to Resource properties and deferred expenditures):		
Salaries and benefits of officers	\$ 3,005,419	\$ 3,649,481
Stock-based compensation	1,812,362	1,255,826
Total	<u>\$ 4,817,781</u>	<u>\$ 4,905,307</u>

Cash compensation and stock option compensation are recorded on the consolidated statements of loss and comprehensive loss in "Salaries, benefits, consulting and board fees" and on the consolidated statements of financial position in "Resource properties and deferred expenditures".

By agreement, the fees paid to the chairman of the board during the year ended December 31, 2024 were reduced from \$100,000 to \$18,868, and the chairman of the board agreed to defer receiving payment of this amount.

In order to preserve cash, commencing November 1, 2024, the CEO, former President and CFO of the Company agreed to defer payment of their salaries until the earlier of certain conditions being met related to the Company being in a sufficiently strong financial position to pay these salaries or May 1, 2025 in exchange for the vesting of all stock options issued to these executives and an additional payment of 50% of the amount of the deferred salaries, if and when, the deferred salaries are paid.

During the year ended December 31, 2023, there were no options issued to directors or officers.

On February 27, 2024, after receiving shareholder and TSX approval, certain stock options issued to directors and officers were amended by (i) reducing the exercise price to \$0.20, and in the case of stock options held by the directors, the CEO, the former President and the CFO, reducing the exercise price to \$0.25; and/or (ii) extending the expiration date by five years from their original expiration date (only if the stock options were expiring on or before December 28, 2025). All stock options that were amended are subject to a new vesting schedule: 50% of the stock options vest on February 27, 2025 and 50% vest on August 27, 2025. A total of 22,507,736 stock options issued to directors and officers had a change in exercise price only, a total of 12,365,000 stock options issued to directors and officers had a change in both the exercise price and the expiry date, and a total of 35,985,438 stock options issued to directors and officers had a change in the expiry date only.

In May 2024, 2,250,000 options were issued to officers with an exercise price of \$0.20 that vest over one year and have an expiration date that is five years from the date of grant.

In November 2024, 4,355,965 options were issued to officers which included 500,000 options with an exercise price of \$0.10 and 3,855,965 options with an exercise price of \$0.085. These options vested at the time of issuance and have an expiration date that is five years from the date of grant.

In December 2024, 1,250,000 options were issued to officers with an exercise price of \$0.09 that vest over one year and have an expiration date that is five years from the date of grant.

### **UPX OPTION AGREEMENT - MICHIGAN**

On August 9, 2022, Talon entered into an option and earn-in agreement (the "**UPX Option Agreement**") with UPX Minerals Inc. (a wholly-owned subsidiary of Sweetwater Royalties) ("**UPX**") to acquire up to an 80% ownership interest in the mineral rights over a land package comprised of approximately 400,000 acres located in the Upper Peninsula of the State of Michigan (the "**Michigan UPX Properties**"). Pursuant to the terms of the UPX Option Agreement, Talon has agreed to a minimum spending obligation of US\$5 million in exploration expenditures or drilling of at least 7,500 meters, with any minimum spending deficiency payable to UPX. Talon has five years (until August 2027) to complete these minimum requirements. Talon will earn a 51% undivided interest in the Michigan UPX Properties upon the completion of 25,000 meters of drilling (the "**Stage One Requirement**"). Talon will have five years (until August 2027) to complete the Stage One Requirement, which may be extended in certain circumstances.

Talon will then have the option to earn an additional 29% interest in the Michigan UPX Properties (resulting in an 80% ownership interest) upon delivering a feasibility study prepared in accordance with NI 43-101 over a portion of the Michigan UPX Properties (the "**Stage Two Requirement**"). In the event that Talon does not complete the Stage Two Requirement within eight-years (which may be extended in certain circumstances) of determining a "mineral resource" as specifically defined in the UPX Option Agreement at the Michigan UPX Properties, Talon's interest in the Michigan UPX Properties will be reduced to 49%.

As partial consideration for entering into the UPX Option Agreement, Talon issued Kennecott 15,321,933 common shares of Talon at a deemed price of \$0.51 per share (based on the 5-day VWAP of the Talon shares on the TSX) in satisfaction of US\$6 million in payment obligations of UPX to KEX as a previous owner of the Michigan UPX Properties. Upon Talon completing the Stage Two Requirement, UPX will be granted a 2% NSR royalty on the Michigan UPX Properties and have the right to participate in proportion to its participating 20% joint venture interest. In the event UPX does not participate in proportion to its participating 20% joint venture interest, its interest in the joint venture will be subject to dilution, and in the event UPX's joint venture interest ultimately dilutes below 10%, UPX's interest in the joint venture will be reduced to 0% and UPX will be entitled to an additional 1% NSR royalty on the Michigan UPX Properties.

In addition to the Michigan UPX properties, on June 26, 2024, the Michigan Department of Natural Resources issued leases for approximately 23,000 acres of additional mineral leases in the Upper Peninsula of Michigan to Talon Michigan LLC (the "**Michigan State Leases**"). The Company also has rights to explore certain other properties in Michigan that are not subject to the UPX Option Agreement (together with the Michigan State Leases, the "**Michigan Talon Properties**"). To the extent the Michigan Talon Properties are within an area of interest defined in the UPX Option Agreement, a royalty of 0.25% is payable to UPX. Collectively, the Michigan UPX Properties and the Michigan Talon Properties are referred to as the "**Michigan Properties**".

In June 2024, Talon began mineral exploration drilling on the Michigan Properties.

### *Michigan Exploration, Drilling, and Geophysics*

Once drilling related to the Tamarack North Project has been completed (anticipated by the end of April) (see “*Upcoming Work – Tamarack North Project*”), the Company will mobilize its exploration division to focus on the Boulderdash prospect within the Michigan Properties. This will include up to three drill rigs and the staff required to log core and collect assays.

### **SUBSEQUENT EVENT – EXCLUSIVITY AGREEMENT WITH LUNDIN MINING**

On March 5, 2025 Talon entered into an exclusivity agreement with Lundin Mining Corporation (“Lundin Mining”) as the parties negotiate an earn-in agreement (the “Option Agreement”) pursuant to which Lundin Mining may acquire up to a 70% ownership interest in an area of interest that includes the Boulderdash and Roland exploration targets (the “Optioned Properties”), which are in close proximity to Lundin Mining’s Eagle Mine. The Optioned Properties form part of the Michigan Properties.

Lundin Mining has advanced Talon US\$5 million (the “Advance Payment”) to, among other things, commence drilling on the Optioned Properties as soon as the Option Agreement is entered into.

In the event that Talon and Lundin Mining do not enter into the Option Agreement for any reason by March 31, 2025 (or such earlier or later date as agreed between the parties), Talon will at its sole election either, (i) repay the Advance Payment in cash, or (ii) issue Lundin Mining that number of common shares of Talon (the “Talon Shares”) equal to the Advance Payment at a deemed price per Talon Share based on the 5-day volume weighted average trading price of the Talon Shares on the TSX at such time.

### **CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of each reporting period and for the periods then ended, 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 valuation of resource properties, the estimation of contingencies and the valuation of the asset retirement obligation.

The uncertainty regarding the valuation of resource properties arises as a result of estimates and judgments such as forecasts of metal prices, operating costs, capital costs and income taxes among numerous other valuation inputs, discount rates, comparability of the Company’s properties to those of other market participants and the selection of market-participant assumptions used to determine recoverable value.

The uncertainty regarding the estimation of contingencies arises as result of the uncertainty as to legal proceedings that are before the courts, as well the amount and probability of a future payment or award.

The uncertainty regarding the valuation of the asset retirement obligation arises as result of certain key inputs such as future estimated costs, future inflation, the possibility of changing laws and requirements, including changes in constructive obligations and the discount rate used to present value the future estimated costs.

Talon considers the following accounting policies to be critical in the preparation of its financial statements:

*Resource properties and deferred exploration and evaluation costs*

Interests in mineral exploration properties are recorded at cost. Exploration expenditures relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If the project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related deferred exploration expenditures are written off.

The cost of mineral properties includes the cash consideration paid and the negotiated value of shares issued on the acquisition of properties. Properties acquired under option agreements, whereby option payments are made at the discretion of the company, are recorded in the financial statements at the time payments are made. The proceeds from options granted or royalties sold on properties are credited to the cost of the related property.

Deferred exploration costs are amortized over the estimated useful life of the related mineral property as commercial production commences. If the net carrying amount of the deferred exploration expenses is not recoverable, these costs are written down to net recoverable amount of the deferred exploration expense.

The amounts shown for mineral properties and deferred exploration costs represents cost to date, and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of future reserves.

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

*Asset retirement obligations*

A provision is recognized on the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with its resource properties. The estimated costs of reclamation are based on current regulatory requirements and the present value of estimated reclamation costs at the future date of purchase. Future changes to those regulations and

standards, as well as changes resulting from operations may result in actual reclamation costs differing from the estimate.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

The CEO and the CFO, with the assistance of management, have conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2024. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2024, the Company's internal control over financial reporting is effective, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework.

No changes were made to the Company's internal control over financial reporting during the three months ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **OUTLOOK**

Please see the section titled "*Upcoming Work – Tamarack North Project*".