
# ANNUAL INFORMATION FORM

**AS AT MARCH 30, 2021**

# TALON METALS CORP.

**FOR THE YEAR ENDED DECEMBER 31, 2020**

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## NOTE TO READER

Wherever used in this Annual Information Form, the "**Company**" and "**Talon**" refer to Talon Metals Corp. and all of its subsidiaries, except where the context otherwise requires. Unless otherwise indicated, all dollar amounts herein are expressed in Canadian dollars.

## FORWARD-LOOKING INFORMATION

This Annual Information Form contains "forward-looking information". All information, other than information concerning historical fact, that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, payments to Kennecott (defined below) pursuant to the 2018 Option Agreement (defined below), capital and operating costs, the economic analysis from the Updated PEA (defined below), the Updated PEA conclusions, estimates in respect of mineral resource quantities, mineral resource qualities, information regarding the potential for increased mineral resources and increased classification through additional exploration, potential mineralization, metallurgical testing and results, drilling and exploration plans, the Company's business plans and priorities, market trends with respect to demand for and the price of nickel and the likelihood of loss for legal proceedings, are forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. 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: 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 Tamarack Project; the possibility that future exploration results and metallurgical testing will not be consistent with the Company's expectations (including identifying additional and/or more extensive mineralization and/or recovery); changes in nickel copper and/or PGE prices; COVID-19; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities; 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, gold and/or PGEs; changes in equity and debt markets; inflation; changes in exchange rates; declines in U.S., Canadian and/or global economies; 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 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 Annual Information Form under "*Risk Factors*".

**Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this Annual Information Form is expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise the forward-looking information herein and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Annual Information Form.**

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information herein is provided as of the date of this Annual Information Form.

The mineral resource figures referred to in this Annual Information Form are estimates, and no assurances can be given that the indicated levels of nickel, copper, cobalt, gold or PGEs will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results 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 Annual Information Form 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. Inferred mineral resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred mineral resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.**

## CORPORATE STRUCTURE

### Name, Address and Incorporation

The Company was formed on April 5, 2005 as a result of a consolidation between Ventures Resources Corporation and Resource Holdings & Investments Inc. ("**RHI**") pursuant to a plan of consolidation under the laws of the British Virgin Islands (the "**RHI Consolidation**"). The RHI Consolidation was a reverse takeover under the policies of the TSX Venture Exchange (the "**TSXV**").

RHI was incorporated by memorandum and articles of association filed under the *BVI Business Companies Act, 2004* (British Virgin Islands) (the "**BVI Act**") on July 8, 2004 for the purpose of engaging in the acquisition, exploration and development of mineral properties in Brazil. Following the RHI Consolidation, the properties and assets of RHI became the properties and assets of the Company and the name of the Company was changed to "Brazmin Corp.".

Effective July 9, 2007, the Company changed its name from "BrazMin Corp." to "Talon Metals Corp." (the "**Name Change**"). No change to the Company's capital structure resulted from the Name Change.

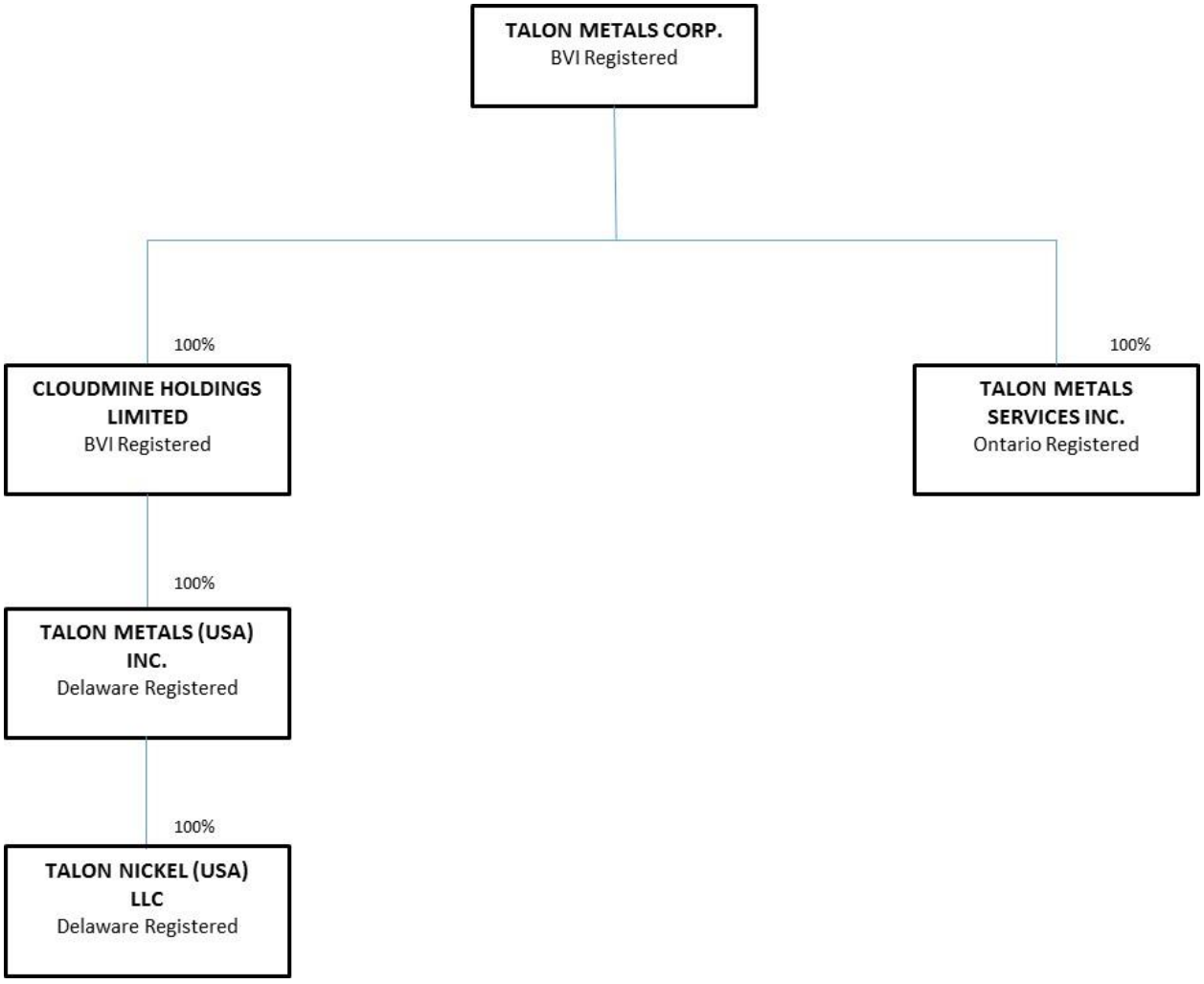
On March 24, 2010, the Company and Saber Energy Corp. ("**Saber**") merged pursuant to a merger effected under the BVI Act (the "**Saber Merger**"). On closing of the Saber Merger, the properties and assets of Saber became the properties and assets of the Company. Talon survived the Saber Merger, retained its corporate name, "Talon Metals Corp.", and continues to be governed by the provisions of the BVI Act.

Pursuant to Talon's memorandum of association under the BVI Act, it is authorized to issue one class and one series of shares divided into 100,000,000,000 common shares of no par value. The common shares of Talon are currently listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "TLO" and have been trading on the TSX since April 13, 2005.

Talon's head and registered office are located at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands. The registered office address of Talon's representative in Canada, Talon Metals Services Inc., is 43-603 Clark Avenue West, Thornhill, Ontario, Canada, L4J 8R2. Talon is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

## Intercorporate Relationships

The following chart sets out all of the Company's material subsidiaries as at the date hereof, their jurisdictions of incorporation and the Company's direct and indirect voting interest in each of these subsidiaries:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

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, a description of which is set forth below under the heading "Description of the Business – Tamarack North Project".

The following summary describes the development of the Company's business over the last three financial years, including acquisitions, dispositions and other factors which influenced the business of the Company.

*Tamarack Earn-in Agreement and Tamarack Purchase Option*

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 |
| | $ 25,520,800 |

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 governing the terms of the Tamarack Joint Venture (see also "*Tamarack Joint Venture"* (below)).

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, among other things, to enter into the Mining Venture Agreement with immediate effect.

Following the Tamarack Earn-in Fifth Amending Agreement, Talon Nickel elected to not financially participate in subsequent funding made in respect of the Tamarack Project. This resulted in dilution of Talon's interest from 18.45% to 17.56%. Going forward, Talon Nickel is required to fund the Tamarack Project in accordance with the 2018 Option Agreement (defined below).

*Resource Capital Fund Unsecured Convertible Loan*

On November 25, 2015, the Company entered into definitive agreements with Resource Capital Fund VI L.P. ("**RCF**"), whereby RCF agreed to provide US$15 million to the Company (the "**RCF Financing**") to be used to earn an 18.45% interest in the Tamarack Project.

The terms of the RCF Financing included the following:

- RCF provided the Company with US$15 million, as follows: (a) US$1 million via a private placement subscription for common shares in the capital of the Company at a subscription price of C$0.12 per common share (the "**RCF Subscription Price**"), and (b) US$14 million via an unsecured convertible loan (the "**RCF Unsecured Loan**", and the agreement governing the RCF Unsecured Loan, the "**RCF Loan Agreement**"). Pursuant to the original terms of the RCF Financing, the RCF Unsecured Loan would have matured on the maturity date (the "**Maturity Date**") being the earlier of: (i) November 25, 2018; and (ii) the date upon which RCF elected to accelerate the due date upon the occurrence of certain events, including an event of default.

- The RCF Unsecured Loan had an interest rate of 12% per annum. All interest accrued and would become payable on the Maturity Date. The Company was only permitted to prepay the RCF Unsecured Loan (including accrued interest), in full or in part, with the prior approval of RCF.

- Under the terms of the RCF Unsecured Loan, RCF could elect to convert all or part of the principal amount of the RCF Unsecured Loan (including all capitalized interest) into common shares of the Company at any time at a conversion price of C$0.156 per common share (the "**Conversion Price**"), representing a 30% premium to the RCF Subscription Price. Interest that was not capitalized would be converted at a price equal to the volume weighted average trading price for the five trading days prior to the conversion. Any amount being converted pursuant to RCF's conversion right would be converted from United States dollars into Canadian dollars based on the currency exchange rate as reported by Bloomberg as of 5:00 p.m. (EST) on the first business day preceding the conversion date. On March 7, 2019,

the principal and interest of the RCF Unsecured Loan was converted into common shares of the Company – see "*Resource Capital Fund Debt Conversion"* (below).

On January 4, 2016, the entire US$15 million amount was transferred via Talon Nickel to Kennecott to earn an 18.45% interest in the Tamarack Project.

On December 16, 2016, Talon entered into an amending agreement (the "**RCF Loan First Amending Agreement**") with RCF to amend the RCF Loan Agreement. Pursuant to the terms of the RCF Loan First Amending Agreement, RCF agreed to increase the principal amount of the RCF Loan by US$2,000,000 (from US$14,000,000 to US$16,000,000) to be provided, subject to certain closing conditions, including the receipt of shareholder approval, in a second advance on substantially the same terms as the RCF Unsecured Loan.

Pursuant to the RCF Loan First Amending Agreement, as consideration for RCF's agreement to increase the amount of the RCF Unsecured Loan, the Company agreed to issue to RCF 15,000,000 common share purchase warrants (the "**RCF Warrants**"), each RCF Warrant exercisable for one common share in the Company at an exercise price of C$0.11 up to January 18, 2021.

The effectiveness of the RCF Loan First Amending Agreement and the issuance of the RCF Warrants were subject to the approval of the shareholders of the Company. On January 18, 2017, at a special meeting of shareholders, the shareholders of the Company approved the RCF Loan First Amending Agreement and the issuance of the RCF Warrants.

On June 25, 2018, Talon entered into an amending agreement (the "**RCF Loan Second Amending Agreement**") with RCF to amend the RCF Loan Agreement, as amended. Pursuant to the terms of the RCF Loan Second Amending Agreement, RCF agreed to extend the maturity date of the RCF Unsecured Loan to April 2, 2019.

The effectiveness of the RCF Loan Second Amending Agreement was subject to the approval of the shareholders of the Company. On July 26, 2018, at the annual general and special meeting of shareholders, the shareholders of the Company approved the RCF Loan Second Amending Agreement.

*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**").

Pursuant to the Mining Venture Agreement:

- Kennecott was appointed "Manager" of the Tamarack Project, with a number of explicit duties and obligations as detailed under the terms of the Mining Venture Agreement.

- Talon Nickel and Kennecott established a management committee to determine overall policies, objectives, procedures, methods and actions under the Mining Venture Agreement, and to provide general oversight and direction to the Manager who is vested with full power and authority to carry out the day-to-day management under the Mining Venture Agreement.

The Management Committee consists of two members appointed by Talon Nickel and two members appointed by Kennecott.

- Beginning with the first program and budget under the Mining Venture Agreement, each proposed program and budget must provide for an annual expenditure of at least US$6.15 million until the completion of a Feasibility Study (as defined under the Mining Venture Agreement). The failure of either party to fund its share of each proposed program and budget will result in dilution (and in certain circumstances accelerated dilution) in accordance with the terms of the Mining Venture Agreement.

- In the event either party's participating interest in the Tamarack Project dilutes below 10%, such party's interest will be converted into a 1% Net Smelter Returns Royalty (as defined under the Mining Venture Agreement).

- In the event of a proposed transfer of either party's interest in the Tamarack Project to a third party, the non-transferring party has a right of first refusal. In the event the non-transferring party elects not to exercise its right of first refusal, the non-transferring party has a tag-along right, while the transferring party has a drag-along right.

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 (see also *"2018 Tamarack Option Agreement"* (below)).

*Resource Capital Fund Promissory Note*

On March 29, 2018, the Company entered into an unsecured non-convertible promissory note in the amount of US$1 million (the "**Promissory Note**") with RCF. Pursuant to the original terms of the Promissory Note, it was to mature on November 25, 2018 and carried an interest rate of 12% per annum (see also *"Loan Extension with Resource Capital Fund"* and *"Resource Capital Fund Debt Conversion*" (below)).

*Loan Extension with Resource Capital Fund*

On June 25, 2018, the Company entered into a loan extension agreement with RCF to extend the Maturity Date of the RCF Unsecured Loan to April 2, 2019 (the "**Loan Extension**"). In addition, RCF also agreed to extend the maturity date of the Promissory Note to April 2, 2019. The effectiveness of the Loan Extension was subject to shareholder approval which was received at a meeting of shareholders on July 26, 2018.

*2018 Tamarack 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 (with certain Kennecott employees being seconded to Talon) and has 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.

Provided Talon Nickel has earned the 51% interest in the Tamarack Project, Talon Nickel shall then have the right to increase its interest in the Tamarack Project to 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 the additional sum of US$10 million in cash on or before the seventh anniversary of the effective date of the 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 will be required to fund the Tamarack Project in accordance with their respective ownership interests, or be subject to dilution.

Pursuant to the 2018 Option Agreement, Talon Nickel initially had until February 5, 2019 to make the Initial Cash Payment and the Share Payment to Kennecott. On February 4, 2019 and on February 28, 2019, Talon was granted extensions by Kennecott to make such payment. On March 13, 2019, Talon Nickel made the Initial Cash Payment and the Share Payment to Kennecott, thereby causing the 2018 Option Agreement to become effective as of that date.

*Resource Capital Fund Debt Conversion*

On March 7, 2019, RCF agreed to convert the outstanding principal and interest under the RCF Unsecured Loan at the previously approved Conversion Price of $0.156 per share (the "**RCF Unsecured Loan Conversion**"). In connection therewith, RCF was issued 196,776,515 common shares in the capital of the Company.

In respect of the Promissory Note, RCF agreed to repayment of the outstanding principal and interest under the Promissory Note by delivering common shares in the capital of Talon at a conversion price of equal to $0.0826 (the **"Promissory Note Conversion"**). In connection with

the Promissory Note Conversion, RCF was issued 18,043,542 common shares in the capital of Talon.

As a result of the RCF Unsecured Loan Conversion and the Promissory Note Conversion, the Company no longer has any debt outstanding to RCF nor any remaining obligations under the RCF Loan Agreement.

*Triple Flag Royalty Financing*

On March 7, 2019, pursuant to a royalty agreement (the "**Royalty Agreement**"), Talon Nickel granted a net smelter returns royalty to 10782343 Canada Limited (the "**Royalty Holder**"), a subsidiary of Triple Flag Mining Finance Bermuda Ltd., in consideration of the payment of US$5 million. The Company, together with its subsidiaries, Cloudmine Holdings Limited and Talon Metals (USA) Inc., agreed to guarantee the payment and performance obligations under the Royalty Agreement. The royalty is 3.5% of net smelter returns and will be based on Talon Nickel's participating interest in the Tamarack Project (the "**Triple Flag Royalty**"), except (i) where Talon Nickel's interest reduces below 17.56%, in which case it will be paid assuming Talon Nickel's interest is unchanged at 17.56% or (ii) where Talon Nickel has vested at 51% and Talon Nickel's interest reduces below 51%, in which case it will be paid assuming Talon Nickel's interest is unchanged at 51%; or (iii) where Talon Nickel has vested at 60% and Talon Nickel's interest reduces below 60%, in which case it will be paid assuming Talon Nickel's interest is unchanged at 60%.

The Royalty Agreement contains a one-time put right pursuant to which the Royalty Holder has an option, exercisable within 10 calendar days of March 7, 2022, to cause Talon Nickel to repurchase the entire Triple Flag Royalty for a cash payment of US$8.6 million (the "**Put Right**"). This option may be accelerated in a number of circumstances, including upon an event of default as defined under the Royalty Agreement. In the event the Royalty Holder does not exercise the one-time put right, Talon Nickel has a one-time option to reduce the percentage of the Triple Flag Royalty to 1.85% in exchange for cash in the amount of US$4.5 million. Talon and its related entities have provided security to the Royalty Holder to support the payment and performance obligations related to the Triple Flag Royalty and the guarantees. In connection with the Royalty Agreement, Talon issued the Royalty Holder 5,000,000 common share purchase warrants each exercisable to acquire one common share in the capital of the Company until March 7, 2022 at an exercise price of $0.0826 per share.

The proceeds received by the Company from the Royalty Agreement and some of the proceeds from the First 2019 Private Placement (defined below) were used by the Company to make the Initial Cash Payment due to Kennecott under the 2018 Option Agreement.

*March 2019 Private Placement*

On March 7, 2019, concurrently with the entering into of the Royalty Agreement, the Company completed a private placement offering of 39,375,000 common shares in the capital of the Company at a price of $0.08 per common share for aggregate gross proceeds of $3.15 million (the "**March 2019 Private Placement**"). A finder's fee, which included 6,444,375 common share purchase warrants were issued in connection with certain orders under the March 2019

Private Placement private placement. Each common share purchase warrant is exercisable to acquire one common share in the capital of the Company until March 7, 2022 at an exercise price of $0.0826 per common share.

*May 2019 Private Placement*

On May 15, 2019, the Company completed a non-brokered private placement of 20,235,000 common shares in the capital of the Company at a price of $0.0868 per common share for aggregate gross proceeds of $1.75 million (the "**May 2019 Private Placement**"). A finder's fee, which included 645,660 common share purchase warrants were issued in connection with certain orders under the May 2019 Private Placement private placement. Each common share purchase warrant is exercisable to acquire one common share in the capital of the Company until May 15, 2022 at an exercise price of $0.116 per common share.

*Qualification Rights Agreement*

Effective July 25, 2019, the Company and RCF entered into a qualification rights agreement (the "**Qualification Rights Agreement**") pursuant to which, under certain circumstances and limitations, RCF has the right to require the Company to qualify shares of the Company held by RCF under a prospectus by way of secondary offering. These qualification rights expire July 25, 2022. Pursuant to the Qualification Rights Agreement, RCF can qualify certain of its shares in the capital of the Company under a prospectus offering initiated by the Company and, subject to certain limitations, can also require the Company to file a prospectus to complete a secondary offering on a maximum of two occasions during the term of the Qualification Rights Agreement. The Company is entitled to postpone any such request by RCF for a period of up to 90 days in certain circumstances, including in the event that the Company is actively employing its best efforts to complete an equity offering, and also in the event that the request is made 60 days after the filing of a final prospectus by the Company.

*2019 Prospectus Offering*

On August 29, 2019, the Company completed an overnight marketed short form prospectus offering of 65,222,300 common shares in the capital of the Company at a price of $0.17 per common share for aggregate gross proceeds of $11,087,791 (the "**2019 Prospectus Offering**"). In connection with the 2019 Prospectus Offering, the Company issued 3,207,450 common share purchase warrants to the underwriters. Each common share purchase warrant is exercisable to acquire one common share in the capital of the Company until August 29, 2021 at an exercise price of $0.17 per common share.

*Sale of Trairao Iron Project*

On January 16, 2020, the Company, along with its wholly-owned subsidiary, Rancover Holdings Inc. ("**Rancover**") entered into a share purchase agreement ("**Share Purchase Agreement**") with MINERAÇÃO TARAUACÁ INDÚSTRIA E COMÉRCIO S.A. and MINERAÇÃO SANTA ELINA INDÚSTRIA E COMÉRCIO S.A. (collectively, the "**Brazil Purchaser**"). Pursuant to the Share Purchase Agreement, on or about February 18, 2020, the Company and Rancover transferred 100% ownership of the Brazilian subsidiary, TALON FERROUS MINERAÇÃO LTDA. (the "**Brazil Subsidiary**"), to the Brazil Purchaser. By

transferring ownership of the Brazil Subsidiary, the Company and Rancover have transferred 100% of its ownership interest in the Trairao Iron Project to the Brazil Purchaser. The Share Purchase Agreement provides that the Company will be paid US$1 million by the Brazil Purchaser if and when the Trairao Iron Project goes into production. The Brazil Purchaser has also agreed to pay all costs associated with maintaining the Trairao Iron Project in good standing, which will significantly reduce the Company's future expenditures in Brazil, enabling the Company to focus its cash resources on the Tamarack Project.

The Company remains responsible for any liabilities pursuant to litigation underway in Brazil as at the time of sale (see "*Legal Proceedings and Regulatory Actions*" (below)).

*2020 Base Shelf Prospectus*

On March 26, 2020, the Company filed a final short form base shelf prospectus (the "**Base Shelf Prospectus**") with the securities regulatory authorities in each of the provinces of Canada, other than the province of Québec. Pursuant to the Base Shelf Prospectus, Talon may 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 $40 million during the 25-month period that the Base Shelf Prospectus remains effective. Talon filed the Base Shelf Prospectus to give it flexibility to take advantage of financing opportunities as they may arise and as the Company deems appropriate, subject to market conditions and other relevant factors.

As of the date of this Annual Information Form, the Company has done offerings for an aggregate of $16.65 million pursuant to two prospectus supplements to the Company's Base Shelf Prospectus (the August 2020 Prospectus Offering (defined below) and the December 2020 Prospectus Offering (defined below)).

*May 2020 Private Placement*

On May 21, 2020, the Company completed a private placement of 40,169,500 common shares at a price of $0.10 per common share for aggregate gross proceeds of $4,016,950.00 (the "**May 2020 Private Placement**"). In connection with the May 2020 Private Placement, the Company issued 1,145,000 broker warrants with an exercise price of $0.10 and an expiration date of May 15, 2022.

*August 2020 Prospectus Offering*

On August 13, 2020, the Company closed an offering of 19,821,600 common shares of the Company (the "**August 2020 Prospectus Offering**") at a price of $0.26 per common share for aggregate gross proceeds of $5,153,616 pursuant to a prospectus supplement to the Company's Base Shelf Prospectus. In connection with the August 2020 Prospectus Offering, the Company issued 1,189,296 broker warrants with an exercise price of $0.26 and an expiration date of August 13, 2022.

*December 2020 Prospectus Offering*

On December 11, 2020, the Company closed an offering of 38,334,100 common shares of the Company (the "**December 2020 Prospectus Offering**") at a price of $0.30 per common share for aggregate gross proceeds of $11,500,230 pursuant to a prospectus supplement to the Company's Base Shelf Prospectus. In connection with the December 2020 Prospectus Offering, the Company issued 2,300,046 broker warrants with an exercise price of $0.30 and an expiration date of December 11, 2022.

*March 2021 Prospectus Offering*

On March 18, 2021, the Company closed an offering of 57,500,000 units (the "**March 2021 Prospectus Offering**") at a price of $0.60 per unit for aggregate gross proceeds of $34,500,000 pursuant to a short form prospectus. Each unit consisted of one common share and one-half of a share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one common share at a price of $0.80 for a period of 12 months following closing of the offering. The issuance of the warrants are governed by a warrant indenture dated March 18, 2021 between the Company and Computershare Trust Company of Canada, as warrant agent (the "**Warrant Indenture**").

## DESCRIPTION OF THE BUSINESS

### General

Talon is a mineral exploration company focused on the exploration and development of the Tamarack Project in Minnesota, USA (which is comprised of the Tamarack North Project and the Tamarack South Project). The Company, through Talon Nickel, holds a 17.56% interest in the Tamarack Project.

As of the date hereof, the Company's only material property is the Tamarack North Project.

### 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 has included diamond drilling and sampling, as well as a range of geophysical surveys, including, airborne magnetic and electromagnetic (EM, MegaTEM and AreoTEM), ground magnetic and EM, magnetotelluric (MT), gravity, seismic, resistivity/induced polarization and downhole EM.

Details regarding the terms of Talon's interest in the Tamarack Project are set out under the heading "General Development of the Business" (above).

*Preliminary Economic Assessment*

On December 18, 2018, Talon released an initial preliminary economic assessment over a subset of the then existing resource estimate within the Tamarack mineral resource area (the "**Tamarack Zone**") as part of an updated independent technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Minerals Projects* ("**NI 43-101**") in respect of the Tamarack North Project. On March 16, 2020, Talon released an updated preliminary economic assessment over a subset of the then existing resource estimate within the Tamarack Zone as part of an updated independent technical report prepared in accordance with NI 43-101 in respect of the Tamarack North Project (the "**March 2020 PEA**").

On February 4, 2021, Talon released a further updated preliminary economic assessment as part of an updated independent technical report prepared in accordance with NI 43-101 in respect of the Tamarack North Project (the "**February 2021 PEA**"). The February 2021 PEA is entitled "NI 43-101 Technical Report Updated Preliminary Economic Assessment (PEA) #3 of the Tamarack North Project – Tamarack, Minnesota" with an effective date of January 8, 2021.

Included in the February 2021 PEA is an updated independent mineral resource estimate prepared in accordance with NI 43-101 (the "**Updated Resource Estimate**"). The Updated Resource Estimate has an effective date of January 8, 2021 and was prepared by independent "Qualified Person" (as that term is defined in NI 43-101) Mr. Brian Thomas of Golder Associates Ltd. ("**Golder**") and is summarized below.

The Updated Resource Estimate has four domains:

1. Upper Semi-Massive Sulphide Unit ("**USMSU**")
2. Lower Semi-Massive Sulphide Unit ("**LSMSU**")
3. Massive Sulphide Unit ("**MSU**")
4. 138 Zone ("**138**")

The Updated Resource Estimate is based on a block modeling methodology consisting of 5m x 5m x 5m blocks for the USMSU, LSMSU and 138 Domains and 2.5m x 2.5m x 2.5m blocks for the MSU. All Domains were "unfolded" and had top cuts applied to restrict outlier values (Pt, Pd and Au). Resources were estimated using either Ordinary Kriged or Inverse Distance methodologies to interpolate grades (Ni, Cu, Co, Pt, Pd and Au) from 1.5m composited drill hole samples. Density values were based on specific gravity measurements and regression formulas where absent. The Updated Resource Estimate is reported at a 0.5% nickel cut-off and was determined to have reasonable prospects for mining.

**Tamarack North Mineral Resource Estimate: Effective January 8, 2021**

| Domain | Classification | %Ni Cut-Off | Tonnes (000) | Ni (%) | Cu (%) | Co (%) | Pt (g/t) | Pd (g/t) | Au (g/t) | NiEq (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| USMSU | Indicated Resource | 0.5 | 1,462 | 1.32 | 0.78 | 0.04 | 0.17 | 0.11 | 0.11 | 1.81 |
| LSMSU | Indicated Resource | 0.5 | 2,340 | 2.08 | 1.10 | 0.05 | 0.55 | 0.34 | 0.25 | 2.87 |
| MSU | Indicated Resource | 0.5 | 124 | 5.72 | 2.36 | 0.12 | 0.60 | 0.46 | 0.23 | 7.23 |
| **Total** | **Indicated Resource** | 0.5 | **3,926** | **1.91** | **1.02** | **0.05** | **0.41** | **0.26** | **0.20** | **2.62** |
| USMSU | Inferred Resource | 0.5 | 2,652 | 0.76 | 0.47 | 0.02 | 0.25 | 0.14 | 0.12 | 1.10 |
| LSMSU | Inferred Resource | 0.5 | 115 | 0.86 | 0.51 | 0.02 | 0.57 | 0.36 | 0.24 | 1.34 |
| MSU | Inferred Resource | 0.5 | 443 | 5.93 | 2.52 | 0.12 | 0.70 | 0.52 | 0.26 | 7.53 |
| 138 | Inferred Resource | 0.5 | 3,953 | 0.82 | 0.63 | 0.02 | 0.21 | 0.12 | 0.14 | 1.21 |
| **Total** | **Inferred Resource** | 0.5 | **7,163** | **1.11** | **0.68** | **0.03** | **0.26** | **0.16** | **0.14** | **1.57** |

All resources reported at a 0.5% Ni cut-off.
No modifying factors have been applied to the estimates.
Tonnage estimates are rounded to the nearest 1,000 tonnes.
Metallurgical recovery factored into the reporting cut-off.
NiEq grade based on base case metal prices of $8.00/lb Ni, $3.00/lb Cu, $25.00/lb Co, $1,000/oz Pt, $1,000/oz Pd and $1,300/oz Au using the following formula: NiEq% = Ni%+ Cu% x $3.00/$8.00 + Co% x $25.00/$8.00 + Pt [g/t]/31.103 x $1,000/$8.00/22.04 + Pd [g/t]/31.103 x $1,000/$8.00/22.04 + Au [g/t]/31.103 x $1,300/$8.00/22.04.
No adjustments were made for recovery or payability.

The February 2021 PEA was prepared by independent "Qualified Persons" (as that term is defined in NI 43-101) Leslie Correia (Pr. Eng) of Paterson & Cooke Canada Inc, Andre-Francois Gravel (P. Eng.) of DRA Americas Inc. ("**DRA**"), Tim Fletcher (P. Eng.) of DRA, Daniel Gagnon (P. Eng.) of DRA, Volodymyr Liskovych (P. Eng.) of DRA, David Ritchie (P. Eng.) of SLR Consulting (Canada) Ltd., Oliver Peters (P. Eng.) of Metpro Management Inc., Andrea Martin (P.E.) of Foth Infrastructure & Environment, LLC and Brian Thomas (P. Geo.) of Golder.

***The February 2021 PEA is preliminary in nature. The February 2021 PEA includes inferred mineral resources. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the February 2021 PEA will be realized.***

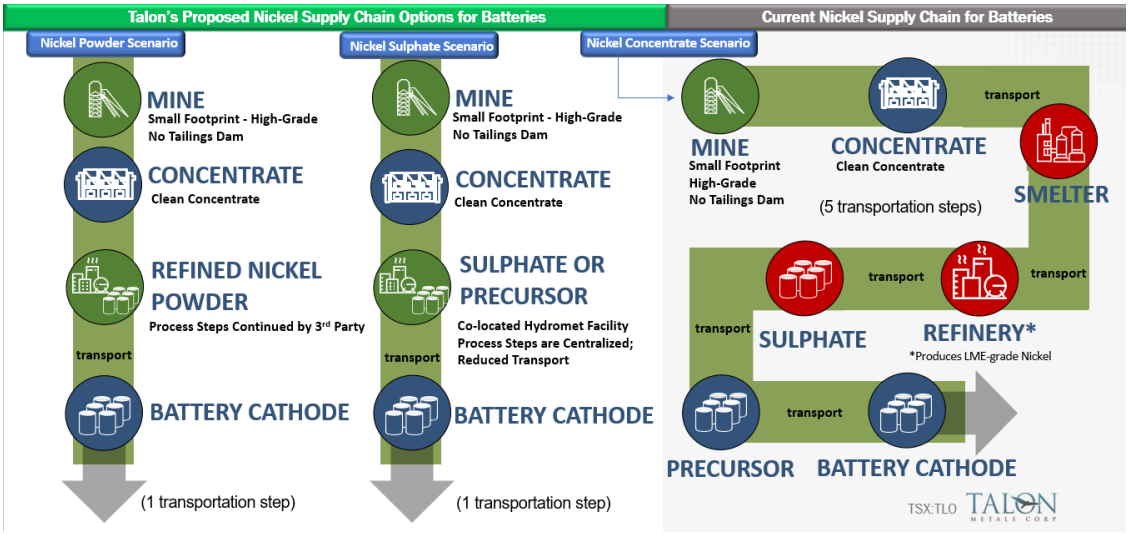
All amounts in this section entitled *"Preliminary Economic Assessment"* are presented on a 100% ownership basis and all dollar amounts are in United States dollars.

**Product Optionality to Meet the Needs of the Electric Vehicle (EV) Battery Supply Chain or Traditional Nickel Smelters**

The February 2021 PEA modelled three scenarios, as follows:

| | Scenario | Description |
|---|---|---|
| **1** | **Nickel Powder Scenario** | Nickel concentrates produced at site and thereafter used to produce refined nickel powder by a third party for the EV market |
| **2** | **Nickel Sulphate Scenario** | Nickel sulphates produced at site for the EV market |
| **3** | **Nickel Concentrate Scenario** | Nickel concentrates produced at site and sold to a smelter, which produces LME grade nickel primarily for the stainless steel market |

The following chart illustrates the three separate potential offtake options that Talon is pursuing. All three options are economic, which enhances the strategic optionality of the Tamarack Nickel Project.




The basis of design of the February 2021 PEA, which was completed on the USMSU, LSMSU, MSU and the 138 Domains, is summarized in the following table:

| No | Parameter | Description |
|---|---|---|
| 1 | Approach and Mandate | Implement best available technologies to protect the environment, while creating a catalyst for establishing a long-term, sustainable industry. |
| 2 | Mine Access Method | Decline ramp from surface with a road header |
| 3 | Mine Methods | Long-hole stoping and drift and fill. Lateral development completed primarily with a road header. |
| 4 | Mine Operations | Contract labour mining with owner equipment supply. Mobile equipment is purchased. |
| 5 | Material Flow | Vertical conveyor (primary) with some truck haulage |

| No | Parameter | Description |
|---|---|---|
| 6 | Mill Feed | 10.8 Mt[(1)] milled at 1.34% Ni, 0.76% Cu, 0.035% Co, 0.27 Pt g/t, 0.17 Pd g/t and 0.14 Au g/t equating to 1.85% NiEq[(2)]. |
| 7 | Type of Metallurgical Process | Bulk rougher flotation followed by cleaning of the bulk rougher concentrate and Cu/Ni separation. In the case of the Nickel Sulphate Scenario, additional hydrometallurgical processing.<br><br>Hydrometallurgical refinery (Nickel Sulphate Scenario only): Pressure oxidation leach, neutralization, Cu recovery, solvent extraction, nickel sulphate and cobalt sulphide production. |
| 8 | Separation of Tailings | Bulk rougher tailings are treated in a desulphurization stage to produce a low-mass high sulphur stream and high-mass low sulphur tailings. |
| 9 | Backfill | Cemented paste backfill utilizing all high sulphur tailings generated and low sulphur tailings. |
| 10 | Co-disposed Filtered Tailings Facility (**"CFTF"**) | Filtered low sulphur tailings (at 85% solids) co-disposed with waste rock in a lined surface facility. The liner system of the facility will consist of a composite liner overlain by a drainage layer. Contact water from the facility will be collected in perimeter ditches and subsequently treated. Upon closure, the CFTF will be encapsulated by a composite cover. The Company is studying the potential for sequestrating $CO_2$ within the CFTF. |
| 11 | Mill Treatment Capacity | 3,600 t/d for concentrator/mill<br><br>475 t/d for hydrometallurgical refinery in the Nickel Sulphate Scenario. |
| 12 | Mine Life | 9 years (excluding construction period). |
| 13 | Existing Project Infrastructure | Paved highway, grid power, railway line across site, port. |
| 14 | Sustainable Development | The Company is studying the potential of establishing a solar garden to generate energy during and post mining. |

(1) Resources included in the Life of Mine Mined Tonnes were evaluated by calculating the NSR, using the following metal prices: $8.00/lb Ni and $3.00/lb Cu. Revenue from Co, Au, Pt and Pd was not considered to be conservative. Relevant functions were applied such as metal recovery curves, smelting and refining terms, transportation costs and state royalties as applicable. The calculated NSR was then compared to the operating cost per tonne to determine inclusion or exclusion of resource into the mine plan based on value addition or destruction.

(2) NiEq% = Ni%+ Cu% x $3.00/$8.00 + Co% x $25.00/$8.00 + Pt [g/t]/31.103 x $1,000/$8.00/22.04 + Pd [g/t]/31.103 x $1,000/$8.00/22.04 + Au [g/t]/31.103 x $1,300/$8.00/22.04. No adjustments were made for recovery or payability.

## Capital and Operating Costs

Capital costs for the Tamarack North Project were estimated by DRA for the mine, process and surface facilities, by Paterson & Cooke Canada Inc. for the paste backfill and by SLR Consulting (Canada) Ltd. for the CFTF. All cost estimates have been forecast in US dollars using constant, fourth quarter 2020 dollars, (i.e. in "real" dollars), without provision for inflation or escalation, and are subject to change if new information is received or circumstances change.

Mine capital costs were mostly based on budgetary quotes from vendors and/or guidance from contractors. The remaining process and surface infrastructure, as well as some minor mine infrastructure costs, were based on consultant database information. Mine, process and surface operating costs are based on a combination of both budgetary quotes and consultant database

information. Various operating parameters are based on historical information or are based on vendor support.

## Capital Costs

The total estimated capital cost for each of the Nickel Powder Scenario or the Nickel Concentrate Scenario is US$394.99 million of which US$315.80 million is the initial cost required during the first three years, including the first production year. The total estimated capital cost of the Nickel Sulphate Scenario is US$646.44 million, of which US$552.61 million is the initial cost required during the first three years, including the first production year. The amounts include indirect costs and contingency.

| US$ millions | **Nickel Powder Scenario or Nickel Concentrate Scenario** | | | **Nickel Sulphate Scenario** | | |
|---|---|---|---|---|---|---|
| **Area** | **Initial Cost (US$M)** | **Sustaining Cost (US$M)** | **Total Cost (US$M)** | **Initial Cost (US$M)** | **Sustaining Cost (US$M)** | **Total Cost (US$M)** |
| Mine | $130.15 | $70.32 | $200.47 | $130.15 | $70.32 | $200.47 |
| Process and Surface Facilities | $167.51 | $22.01 | $189.51 | $390.56 | $50.41 | $440.97 |
| Closure Costs other than CFTF | - | $10.00 | $10.00 | - | $10.00 | $10.00 |
| Salvage Value of Mill | - | ($5.00) | ($5.00) | - | ($5.00) | ($5.00) |
| **Sub Total** | **$297.66** | **$97.33** | **$394.99** | **$520.71** | **$125.73** | **$646.44** |
| Working Capital | $18.15 | ($18.15) | - | $31.90 | ($31.90) | - |
| **Total** | **$315.80** | **$79.18** | **$394.99** | **$552.61** | **$93.83** | **$646.44** |

## Operating Costs

The average operating cost for the 9 year mine life is US$48.15/tonne of mill feed in the Nickel Powder Scenario, US$75.99/tonne of mill feed in the Nickel Sulphate Scenario and US$56.54/tonne of mill feed in the Nickel Concentrate Scenario, and detailed in the following table.

| Cost Category | Operating Cost (US$/t of Mill Feed) | | |
|---|---|---|---|
| | Nickel Powder Scenario | Nickel Sulphate Scenario | Nickel Concentrate Scenario |
| Mining | $27.49 | $27.49 | $27.49 |
| Processing (milling/concentrating) | $14.25 | $14.25 | $14.25 |
| Hydrometallurgical Refining | - | $26.68 | - |
| Product Handling, Transportation, Losses, and Insurance | $1.90 | $2.22 | $10.29 |
| Co-disposed Filtered Tailings Facility (CFTF) | $0.75 | $0.75 | $0.75 |
| General & Administrative | $3.76 | $4.60 | $3.76 |
| **Total OPEX** | **$48.15** | **$75.99** | **$56.54** |

Mining costs include variable and allocated fixed operational costs only. All mobile and other equipment, as well as all development costs, are included in initial and sustaining capital costs.

A review of the underground mine plan was completed with the objective of reducing mine capital and operating costs and accelerating time to first production. Several opportunities were evaluated and incorporated into the February 2021 PEA. These are summarized in the following table:

| | February 2021 PEA |
|---|---|
| Primary Access | Decline |
| Primary Development Method | Road Header |
| Longhole Stope Sizes | 15m W x 25m H x 30m L |
| Drift and Fill Size | 6.5m W x 5.0m H |
| Mobile Equipment | Purchased (capex/sustaining) |
| Material Handling | Vertical Conveyor |
| Main Infrastructure | Surface |

The overall mining cost is US$27.49/t of mill feed and consists of direct mining costs, backfill, cross cut development, material flow, truck haulage, services, management, engineering and supervision.

The breakdown of tonnes milled and cost by mining method is shown in the following table:

| Mining Method | Tonnes Mined | Percentage of Total | Mine Operating Cost (US$/t of mill feed) |
|---|---|---|---|
| Drift & Fill | 779,382 | 7.2% | $39.95 |
| Long hole Stoping | 8,456,397 | 78.6% | $22.86 |
| Ore Development | 1,523,017 | 14.2% | $46.88 |
| **Totals** | 10,758,796 | 100.0% | $27.49 (weighted average) |

Processing costs include variable and allocated fixed costs related to processing of mineralized material, from milling through to concentrate or sulphate production (depending upon the selected scenario).

Product handling, transportation losses and insurance are higher for the Nickel Concentrate Scenario, as the nickel concentrate is sold on a Cost Insured Freight ("**CIF**") basis. In contrast, in the Nickel Powder Scenario, the nickel concentrate is sold on a Free on Board ("**FOB**") basis at the mine gate. In the Nickel Sulphate Scenario, nickel sulphates are sold on an FOB basis. In all scenarios, the copper concentrate is sold on a CIF basis.

The cost of the CFTF consists of all variable and allocated fixed costs from the mill through to mine closure.

**C1 Cost and All-in Sustaining Cost ("AISC")**

***Nickel Powder Scenario***

No benchmark has been set for expressing C1 cash cost or AISC for selling nickel powders to the EV industry in large quantities.

To be consistent with the nickel-to-stainless steel industry best practices, the following methodology has been used:

**C1 Cash Cost:** The cash cost of producing a pound of nickel in concentrate sold FOB at the mine gate less all by-product credits is shown in the following table:

| Cost | $/lb Ni in Concentrate |
|---|---|
| On-site Cash Costs | $1.91 |
| Off-site Costs of By-products | $0.19 |
| Less: By-product Revenue | ($2.01) |
| **Net Cost of Producing Nickel in Concentrate at the Mine Gate** | **$0.08*** |

*Does not total due to rounding

Nickel concentrates need to be refined to produce nickel powder for the EV industry, which will require additional capital and operating costs: For instance, if it costs $1.17/lb to

convert nickel concentrate to a nickel powder, the C1 cash cost of producing nickel powder would be $1.25/lb of nickel. Talon is working towards developing a flowsheet to determine the cost of converting nickel concentrates to nickel powder at the mine site.

**AISC:** The AISC of producing a pound of nickel in concentrate sold FOB at the mine gate is the C1 cash cost plus royalties and sustaining CAPEX as shown in the following table:

| **Cost** | **$/lb Ni in Concentrate** |
|---|---|
| C1 Cash Cost | $0.08 |
| Government and Private Royalties | $0.62 |
| Sustaining CAPEX | $0.37 |
| **AISC of Producing Nickel in Concentrate at the Mine Gate** | **$1.07** |

In the Nickel Powder Scenario, nickel concentrates are sold at a discount to the LME nickel price, similar to the Nickel Concentrate Scenario. However, the discount to the LME nickel price is expected to be smaller for the Nickel Powder Scenario as compared to the Nickel Concentrate Scenario, given the supply chain from mine to battery removes several processing and transportation steps (thereby creating a win-win for both the mining company and the battery company).

Should the facility that converts nickel concentrates to nickel powders for the EV industry be co-located at the mine site, transportation costs will be extremely low compared to the Nickel Concentrate Scenario: Nickel powders for the EV industry require 99.99%+ purity and therefore, almost no waste is transported. In contrast, nickel concentrates at approximately 11% by mass of valuable metals requires the transportation of 89% waste. As with the Nickel Sulphate Scenario, the product under the Nickel Powder Scenario is sold FOB at the mine gate.

Nickel concentrates need to be refined to produce nickel powder for the EV market, which will require additional capital and operating cost: For instance, if it costs $1.17/lb to convert nickel concentrate to a nickel powder, the AISC of producing nickel powder would be $2.24/lb of nickel. Talon is working towards developing a flowsheet to determine the actual cost of converting nickel concentrates to nickel powder at the mine site.

***Nickel Sulphate Scenario***

Nickel sulphates produced at site will be sold FOB at the mine gate and therefore, the C1 cash cost is calculated as shown in the following table:

| **Cost** | **$/lb Ni in Ni Sulphates** |
|---|---|
| On-site Cash Costs | $2.05 |
| On-site Cost of Converting a Nickel Concentrate to a Nickel Sulphate | $1.16 |
| Off-site Costs of By-products | $0.23 |
| Less: By-product Revenue | ($2.42) |
| **Net Cost of Producing Nickel in Nickel Sulphates at the Mine Gate** | **$1.02** |

On site cash costs are higher for the Nickel Sulphate Scenario (before accounting for the cost of converting nickel concentrate to a nickel sulphate), as 95% of nickel in concentrates is expected to be recovered in the hydrometallurgical process, thereby reducing the denominator (pounds of nickel shipped) and increasing the overall cost per pound of nickel.

The higher by-product revenue compared to the Nickel Powder Scenario is due to higher cobalt revenues, as the Nickel Sulphate Scenario produces a cobalt sulphide, which due to its grade has high payabilities (compared to the lower payabilities assumed in the Nickel Powder Scenario).

AISC for nickel sulphates produced at site is calculated as shown in the following table:

| **Cost** | **$/lb Ni in Ni Sulphates** |
|---|---|
| C1 Cash Cost | $1.02 |
| Government and Private Royalties | $0.78 |
| Sustaining CAPEX | $0.51 |
| **AISC of Producing Nickel in Nickel Sulphates at the Mine Gate** | **$2.31** |

In the Nickel Sulphate Scenario, nickel sulphates are sold as opposed to nickel concentrates. The traditional supply chain requires the production of LME grade nickel that is used as a feedstock to produce nickel sulphates. Nickel sulphates are therefore typically sold at a premium to the LME nickel price. In the case of the Tamarack Nickel Project, nickel sulphates could be produced directly from nickel concentrates at site, thereby reducing the number of

process and transportation steps. The premium to market price applies irrespective of processing route.

Royalties per pound are higher in the Nickel Sulphate Scenario compared to the Nickel Powder Scenario because under the Nickel Sulphate Scenario, a value-added product (that results in a premium price) is sold.

AISC under the Nickel Sulphate Scenario is higher than the Nickel Concentrate Scenario because of the incremental CAPEX associated with the hydrometallurgical refinery.

***Nickel Concentrate Scenario***

The Nickel Concentrate Scenario contemplates the traditional nickel-to-stainless steel supply chain.

**C1 Cost:** The cost of producing a pound of nickel in concentrate sold CIF to the smelter less all by-product credits is shown in the following table:

| **Cost** | **$/lb Ni in Concentrate** |
|---|---|
| On-site Cash Costs | $1.91 |
| Less: Value of By-products in Concentrate | ($2.95) |
| **Net Cost of Producing Nickel in Concentrate at the Mine Gate** | **($1.03)*** |
| Product Handling, Transportation, Insurance and Losses | $0.43 |
| Smelting, Refining and Deductions by the Smelter/Refiner | $2.66 |
| **C1 Cost of a lb of Nickel in LME Grade Briquettes** | **$2.05*** |

*Does not total due to rounding

Under the Nickel Concentrate Scenario, by-product revenue is the highest because the by-products are calculated using the gross value of metal in the concentrate transported to the smelter.

Product handling, transportation insurance and losses in the Nickel Concentrate Scenario are high because of the need to transport both the nickel and copper concentrates from the mine to smelters.

The smelting, refining and deductions line item consists of both cash charges by the smelters/refiners such as treatment charges and refining charges as well as deduction of metal units sent to the smelter but not paid to the mine.

**AISC:** The AISC of producing a pound of nickel in concentrate sold CIF to the smelter less all by-product credits less all sustaining capital.

| Cost | $/lb Ni in Concentrate |
|---|---|
| C1 Cost | $2.05 |
| Government and Private Royalties | $0.59 |
| Sustaining CAPEX | $0.37 |
| **AISC of a lb of Nickel in LME grade briquettes** | **$3.01** |

In the Nickel Concentrate Scenario, nickel concentrates are sold at a discount to the LME nickel price. This discount to the LME nickel price is expected to be higher for the Nickel Concentrate Scenario compared to the Nickel Powder Scenario, as the traditional supply chain from mine to stainless steel requires more processing and transportation steps. Traditionally, transportation and insurance costs are incurred by the mining company and is therefore included in the cost calculation.

The C1 cost of $2.05/lb nickel to produce a nickel briquette calculated for the February 2021 PEA is lower than the C1 cost of $2.67/lb Ni in the prior March 2020 PEA. By way of explanation, although there was an initial cost increase due to the addition of lower grade disseminated sulphide materials to the mine plan from both the 138 and USMSU Domains, this cost increase was more than offset by the reduction in costs due to economies of scale realized from increasing the production rate from 2,000 tpd to 3,600 tpd, as well as major improvements to mine access, development and stoping costs and the application of the latest publicly available smelting and refining terms, which have improved since the March 2020 PEA. In total, this resulted in a C1 cost reduction.

Similarly, the AISC of $3.01/lb nickel to produce a nickel briquette calculated for the February 2021 PEA is lower than the AISC of $3.57/lb Ni in the prior March 2020 PEA: royalties have decreased because of the inclusion of lower grade material in the mine plan and sustaining CAPEX on a per lb basis has increased.

## Economic Analysis

At the assumed base case metal prices, key metrics of the February 2021 PEA of the Tamarack North Project are summarized in the following table:

| All amounts in United States dollars | February 2021 PEA | | |
|---|---|---|---|
| | **NICKEL POWDER SCENARIO** | **NICKEL SULPHATE SCENARIO** | **NICKEL CONCENTRATE SCENARIO** |
| **After-Tax NPV**[(1), (2)] | $567 million | $569 million | $520 million |
| **After-Tax IRR**[(1)] | 48.3% | 31.9% | 45.6% |
| **Initial CAPEX and Working Capital** | $316 million | $553 million | $316 million |
| **Payback Period, pre-tax**[(3)] | 1.4 years | 1.8 years | 1.4 years |
| **Payback Period, after-tax**[(3)] | 1.5 years | 2.1 years | 1.6 years |
| **Mine Life**[(3)] | 9 years | 9 years | 9 years |

(1) Metal prices of $8.00/lb Ni, $3.00/lb Cu, $25.00/lb Co, $1,000/oz Pt, $1,000/oz Pd and $1,300/oz Au.
(2) Discount rate of 7%. NPV calculated from the start of construction.
(3) From the start of production

Metal prices used for the base case financial evaluation, as well as for sensitivity cases, are summarized in the following table. Base case prices were based on analyst consensus long-term prices. "Low" was used to estimate a pessimistic scenario. Incentive pricing is based on an estimated price required to incentivize the construction of new mines to meet the projected increased demand for battery metals such as nickel and cobalt during the next decade.

| | **Unit** | **Low** | **Base Case** | **Incentive Pricing** |
|---|---|---|---|---|
| Ni | US$/lb | $6.75 | $8.00 | $9.50 |
| Cu | US$/lb | $2.75 | $3.00 | $3.50 |
| Co | US$/lb | $15.00 | $25.00 | $30.00 |
| Pt | US$/oz | $1,000 | $1,000 | $1,000 |
| Pd | US$/oz | $1,000 | $1,000 | $1,000 |
| Au | US$/oz | $1,300 | $1,300 | $1,300 |

Pre-tax and after-tax NPV at various discount rates, pre-tax and after-tax IRR, EBITDA and EBIT margin over the life of mine, and payback period from start of production in years for the three metal price cases (Low, Base Case and Incentive Pricing) are summarized in the following table**.**

| | | Nickel Powder Scenario | | | Nickel Sulphate Scenario | | | Nickel Concentrate Scenario | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Discount rate | Metal Price Case | | | Metal Price Case | | | Metal Price Case | | |
| | | Low | Base | Incentive | Low | Base | Incentive | Low | Base | Incentive |
| **Pre-tax NPV** | **7%** | 496 | 688 | 917 | 478 | 711 | 970 | 439 | 629 | 854 |
| **US$ millions** | **8%** | 463 | 646 | 863 | 438 | 660 | 906 | 409 | 589 | 803 |
| | **10%** | 404 | 570 | 767 | 367 | 568 | 790 | 355 | 518 | 712 |
| **Pre-tax IRR** | | 45.0% | 56.0% | 67.4% | 29.2% | 37.6% | 45.7% | 41.5% | 52.6% | 64.2% |
| **After-tax NPV** | **7%** | **415** | **567** | **744** | **387** | **569** | **769** | **369** | **520** | **695** |
| **US$ millions** | **8%** | 386 | 530 | 698 | 351 | 524 | 714 | 342 | 485 | 651 |
| | **10%** | 333 | 463 | 616 | 286 | 443 | 615 | 293 | 423 | 573 |
| **After-tax IRR** | | **39.3%** | **48.3%** | **57.7%** | **25.1%** | **31.9%** | **38.6%** | **36.4%** | **45.6%** | **55.1%** |
| **EBITDA margin** | | 64% | **68%** | 70% | 60% | **64%** | 66% | 60% | **64%** | 67% |
| **EBIT margin** | | 43% | **50%** | 55% | 34% | **41%** | 47% | 39% | **46%** | 52% |
| **Payback from start of production (pre-tax, undiscounted)** | | 1.6 | **1.4** | 1.2 | 2.2 | **1.8** | 1.6 | 1.7 | **1.4** | 1.2 |
| **Payback from start of production (after-tax, undiscounted)** | | 1.8 | **1.5** | 1.3 | 2.4 | **2.1** | 1.8 | 1.9 | **1.6** | 1.4 |

## Conclusions of the February 2021 PEA

The February 2021 PEA illustrates a high after-tax IRR, low All-in Sustaining Cost (AISC), low capital intensity and a quick payback for the Tamarack Nickel Project. The February 2021 PEA also demonstrates that the Tamarack Nickel Project has the optionality to produce either nickel sulphates or nickel concentrates for refined nickel powders to be used for the EV market or nickel concentrates for the stainless steel market, with all contemplated scenarios having extremely robust economics.

Please refer to the February 2021 PEA for further information, including the QA/QC, analytical and testing procedures employed at the Tamarack North Project. The February 2021 PEA is available under Talon's SEDAR profile at www.sedar.com and on the Company's website at www.talonmetals.com.

**The summary section from the February 2021 PEA is reproduced in its entirety at Exhibit I of this Annual Information Form and the detailed disclosure in the February 2021 PEA is incorporated by reference herein**.

Dr. 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 Annual Information Form (other than the information from the February 2021 PEA, including the Updated Resource Estimate), including sampling, analytical and test data underlying the technical information.

The independent Qualified Persons who are responsible for the February 2021 PEA are Leslie Correia (Pr. Eng) of Paterson & Cooke Canada Inc, Andre-Francois Gravel (P. Eng.) of DRA, Tim Fletcher (P. Eng.) of DRA, Daniel Gagnon (P. Eng.) of DRA, Volodymyr Liskovych (P. Eng.) of DRA, David Ritchie (P. Eng.) of SLR Consulting (Canada) Ltd., Oliver Peters (P. Eng.) of Metpro Management Inc., Andrea Martin (P.E.) of Foth Infrastructure & Environment, LLC and Brian Thomas (P. Geo.) of Golder. They have reviewed, approved and verified the

data disclosed in this Annual Information Form relating to the February 2021 PEA, including sampling, analytical and test data underlying the technical information in the February 2021 PEA. The independent Qualified Person who is responsible for the Updated Resource Estimate is Mr. Brian Thomas of Golder. Mr. Thomas has reviewed, approved and verified the data disclosed in this Annual Information Form relating to the Updated Resource Estimate including, sampling, analytical and test data underlying the Updated Resource Estimate and has 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.

**Specialized Skill and Knowledge**

In order for the Company to perform its business effectively, the following specialized skills are required: qualified geoscientists, engineers, legal advisors and financial experts and experienced investor relations and marketing people. Talon employs personnel with many of these skills. In addition, it procures the services of consultants and contractors to complement the skills of its employees, wherever necessary.

**Trends**

*Nickel*

Since 2000, nickel prices have traded in a large range from lows of US$2/lb to highs of US$24/lb. During the past year, prices were in the US$5.00/lb to US$8.75/lb range. The key driver of supply and supply changes is unprocessed and processed laterite ore from countries such as Indonesia and the Philippines. Demand, meanwhile, is primarily driven by the production of stainless steel and usage of nickel in consumer and industrial applications. Over the medium-term, prices are forecast to rise due to supply deficits in general, but also due to the increasing demand from electric vehicle batteries which should become meaningful in the mid-2020's. A long-term trend impacting the nickel market has been the decreasing contribution to Class 1 nickel supply from nickel sulphide mines in favour of typically higher cost and more complex nickel laterite mines. This trend is expected to continue, which should have the impact of increasing the marginal total cost of production, thereby supporting higher prices. See also "Risk Factors – *COVID-19 Coronavirus Outbreak*", *"*Risk Factors – *Changes in the Price of Nickel"* and "Risk Factors – *Increased Availability of Alternative Nickel Sources or Substitution of Nickel from End Use Applications*".

**Employees**

As at December 31, 2020, Talon and its subsidiaries employed 23 individuals. As at the date of this Annual Information Form, Talon and its subsidiaries employed 35 individuals, In addition, Talon engages contractors and consultants from time to time to work on specific matters/projects and for administrative, legal and other services as required. See also *"*Risk Factors – *Key Executives and Consultants"*.

**Environmental Protection**

Talon's exploration and, if applicable, development activities are subject to various laws and regulations regarding the protection of the environment. Talon has in place fulsome environmental controls and procedures.

New environmental laws and regulations, amendments to existing laws and regulations, or more stringent implementation of existing laws and regulations could have a material adverse effect on Talon, both financially and operationally, by potentially increasing capital and/or operating costs and delaying or preventing the development of the Tamarack Project. See also "Risk Factors – *Governmental Regulation; Environmental Risks and Hazards*".

**Competitive Conditions**

The mining industry is intensely competitive in all of its phases. Talon competes with a number of other entities for resources, including qualified people. As a result of this competition, some of which is with companies with greater financial resources than Talon, it may be unable to acquire the necessary qualified people. Talon also competes for funding with other public resource companies, many of whom have greater financial resources and/or more advanced properties and who are better able to attract equity investments and other capital.

Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company. See also "Risk Factors – *Competition*".

**COVID-19**

The impact of COVID-19 to the Tamarack Project during 2020 was minimal.

During the second quarter, staff in Tamarack, Minnesota, returned to the office and field duties. The Company's COVID-19 Prevention/Countermeasure Plan was updated to reflect changes recommended by the Centers for Disease Control and Prevention. The Company also partnered with local healthcare providers in Minnesota to provide testing to employees for the virus as needed.

Drilling re-commenced in August 2020 and assay labs and other mining related businesses continued operations to assist sampling efforts.

The COVID-19 pandemic has pushed Talon to rethink how exploration work should be carried out by putting a focus on staying as local as possible.

In support of drilling operations, Talon maintains five houses at site which allow for the day shift and night shift to have separate accommodations so social distancing practices can be maintained. Infra-red thermometers have been installed in all offices and crew quarters. The houses can also be used to reduce the spread of an outbreak should one occur by limiting the interaction between staff. An outside drill crew was introduced to the project during November 2020, with separate accommodations being provided and crew members assigned to one rig to limit possible cross-contamination.

With unwavering support from Tamarack Project personnel, the Company's Prevention and Countermeasure Plan has provided quality guidance in that, to the date hereof, no positive cases have presented at the Tamarack Project.

## RISK FACTORS

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 following risk factors should be considered, among others.

The 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. 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 other than the factors listed below, 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 following risks actually occur, the business, financial condition or results of operations of the Company could be negatively affected.

*COVID-19 Coronavirus Outbreak*

The current and ongoing global uncertainty with respect to the spread of COVID-19, the rapidly evolving nature of the pandemic and local and international developments related thereto and its effect on the broader global economy and capital markets may have a negative effect on the Company and the advancement of the Tamarack Project. While the precise impact of the COVID-19 outbreak on the Company remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has resulted in travel advisories and restrictions, certain restrictions on business operations, social distancing precautions and restrictions on group gatherings which are having 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. The spread of COVID-19 may also have a material adverse effect on global economic activity and could result in volatility and disruption to global supply chains and the financial and capital markets, which could affect the business, financial condition, results of operations, prospects and other factors relevant to the Company, including its ability to raise additional financing. 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.

*2018 Option Agreement*

Pursuant to the terms of the 2018 Option Agreement, Talon Nickel has the right to initially acquire a 51% interest, and subsequently up to 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 interests in the Tamarack Project, 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.

*Triple Flag Royalty Financing*

The Royalty Agreement contains the Put Right. The Put Right may be accelerated where there is an event of default (as defined under the Royalty Agreement). There is a risk that at the time the Royalty Holder exercises the Put Right, Talon Nickel does not have the cash required to repurchase the Triple Flag Royalty. In such case, the Royalty Holder has the right to exercise its security and, among other things, acquire Talon Nickel's entire interest in the Tamarack Project.

The Royalty Agreement also provides Talon Nickel with a one-time right to reduce the percentage of the Triple Flag Royalty to 1.85% in exchange for cash in the amount of US$4.5 million. There is a risk that at the time Talon Nickel's one-time right arises, Talon Nickel does not have the cash on hand required to reduce the percentage of the Triple Flag Royalty. In such case, the Royalty Holder will continue to have a royalty of 3.5% 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 Royalty Agreement, Talon and its related entities have provided security to the Royalty Holder to support the payment and performance obligations related to the Triple Flag Royalty and the guarantees. In the event Talon Nickel fails to meet such obligations, the Royalty Holder has the right to exercise its security and may, among other things, acquire Talon Nickel's entire interest in the Tamarack Project.

The Royalty Agreement contains 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

Agreement) which, if not waived, could permit the Royalty Holder to exercise its security and, among other things, acquire Talon Nickel's entire interest in the Tamarack Project.

Pursuant to the Royalty Agreement, Talon Nickel is required to make payment to the Royalty Holder based on an assumed ownership percentage in the Tamarack Project of 17.56%, 51% or 60%, depending on the particular circumstances. In the event that Talon Nickel dilutes below the assumed ownership percentage, it will nevertheless still be required to make payment to the Royalty Holder at the assumed ownership percentage (for example, if Talon Nickel has been diluted to a 14% interest in the Tamarack Project, it will still be required to make payment to the Royalty Holder as if Talon Nickel owns a 17.56% interest in the Tamarack Project). Given this unique payment structure under the Royalty Agreement, there is a risk that the Company may not have enough money to make the required payments to the Royalty Holder. In such circumstance, the failure by Talon Nickel to make adequate payment to the Royalty Holder would constitute an event of default under the Royalty Agreement, thereby entitling the Royalty Holder to exercise its security and, among other things, acquire Talon Nickel's entire interest in the Tamarack Project.

*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 or Kennecott will result in a profitable commercial mining operation. Talon cannot give any assurance that its and Kennecott's (in respect of the Tamarack Project) 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, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. 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 (and Kennecott's as they may relate to the Tamarack Project) 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 enter into off-take agreements with potential end users. No assurance can be made that Talon (or, if applicable, Kennecott as it relates to the Tamarack Project) 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.

*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.

*Changes in the Price of Nickel*

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 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. Consequently, the economic viability of the Tamarack Project cannot be accurately predicted and may be adversely affected by fluctuations in nickel prices.

*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.

*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, or may in the future be, required in connection with the Company's 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, the Company may be curtailed or prohibited from proceeding with planned exploration or development of its properties, including 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.

*Working Capital Requirements*

In order to meet future working capital requirements, the Company may need to raise additional capital. 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 (and extreme volatility since the outbreak of COVID-19), which may result in difficulty raising equity capital and market forces may render it difficult or impossible for the Company to secure placees 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, when needed, 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 believes that it has or will have sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. In assessing whether the going concern assumption contained in the Company's financial statements for the year ended December 31, 2020 is appropriate, the Company takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue future operations beyond December 31, 2021 may be dependent on the Company's ability to secure additional financing.

*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.

*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 and more recently with the outbreak of COVID-19, 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. 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 fact that RCF 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.

*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.

*Litigation*

The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely against the Company. 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.

*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.

*Foreign Operations*

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, 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, if any, 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, 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.

*Infrastructure*

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are

important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

*Competition*

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than it. Competition in the mining industry is primarily for properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

*Foreign Subsidiaries and Repatriation of Funds*

The Company is a foreign corporation and conducts operations through foreign subsidiaries, and a substantial portion of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist in the future, could have an adverse impact upon the Company's valuation.

*Dividend Policy*

No dividends on Talon's common shares have been paid by the Company to date. The Company anticipates that it will retain all future earnings and other cash resources for the future operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

*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.

## DIVIDENDS

There are no restrictions in Talon's memorandum or articles of association that would restrict or prevent the Company from paying dividends. It is not contemplated that any cash dividends will be paid on any of Talon's common shares in the immediate future, as it is anticipated that all available funds will be reinvested to finance the growth of the business. Any decision to pay dividends on common shares in the future will be made by board of directors of the Company on the basis of earnings, financial requirements and other conditions existing at such time.

## DESCRIPTION OF CAPITAL STRUCTURE

Talon is authorized to issue one class and one series of shares divided into 100,000,000,000 common shares of no par value. As at December 31, 2020, the Company had 605,722,669 common shares issued and outstanding, each carrying the right to one vote.

The common shares were listed for trading on the TSX on April 13, 2005.

In addition, as at December 31, 2020, the Company has authorized for issuance:

- 76,964,838 stock options pursuant to its incentive stock option plan each stock option entitling the holder to purchase one common share;

- 15,000,000 share purchase warrants issued to RCF as consideration for RCF's agreement to increase the amount of the RCF Unsecured Loan, each entitling RCF to purchase one common share at a price of $0.11, at any time up to January 18, 2021;

- 5,000,000 share purchase warrants issued to the Royalty Holder in connection with the Royalty Agreement, each exercisable to acquire one common share in the capital of the Company until March 7, 2022 at an exercise price of $0.0826 per share;

- 5,244,375 share purchase warrants issued in connection with certain orders under the First 2019 Private Placement private placement, each exercisable to acquire one common share in the capital of the Company until March 7, 2022 at an exercise price of $0.0826 per common share;

- 645,660 share purchase warrants issued in connection with certain orders under the Second 2019 Private Placement private placement, each exercisable to acquire one common share in the capital of the Company until May 15, 2022 at an exercise price of $0.116 per common share;

- 3,173,789 share purchase warrants issued in connection with the 2019 Prospectus Offering, each exercisable to acquire one common share in the capital of the Company until August 29, 2021 at an exercise price of $0.17 per common share;

- 815,000 share purchase warrants issued in connection with the May 2020 Private Placement, each exercisable to acquire one common share in the capital of the Company until May 21, 2022 at an exercise price of $0.10 per common share.

- 1,189,296 share purchase warrants issued in connection with the August 2020 Prospectus Offering, each exercisable to acquire one common share in the capital of the Company until August 13, 2022 at an exercise price of $0.26 per common share.

- 2,300,046 share purchase warrants issued in connection with the December 2020 Prospectus Offering, each exercisable to acquire one common share in the capital of the Company until December 11, 2022 at an exercise price of $0.30 per common share.

Talon shareholders reconfirmed the continuation of an amended and restated shareholder rights plan between the Company and Computershare Investor Services Inc., as rights agent (the "**Rights Plan**") at an Annual and Special Meeting held on June 25, 2020. The Rights Plan aims to ensure that all shareholders are treated equally and fairly in the event of a transaction that could lead to a change in control of the Company. The Rights Plan also gives the board of directors more time to assess any unsolicited bid that may be made for Talon in the future and to explore and develop alternatives for maximizing shareholder value. Talon has not received an unsolicited bid and is not soliciting bids.

A copy of the Rights Plan has been filed on the Company's SEDAR profile at www.sedar.com.

At the Company's annual and special meeting of shareholders on June 25, 2020, shareholders of the Company approved authorizing the Company to effect a combination of the common shares of the Company (the "**Consolidation**") on the basis of one (1) post-Consolidation common share of the Company for up to ten (10) pre-Consolidation common shares, as determined by the directors of the Company, in their sole discretion. Notwithstanding the foregoing, the directors of the Company have not yet determined to effect the Consolidation and may elect not to proceed with the Consolidation, in their sole discretion (subject to fiduciary and statutory duties). The directors will continue to assess market conditions and the interests of the Company and shareholders before proceeding to effect the Consolidation, if at all.

## MARKET FOR SECURITIES

### Trading Price and Volume

Talon's common shares are listed and posted for trading on the TSX under the symbol "TLO". The following table sets forth information relating to the trading of the common shares on the TSX for the periods indicated.

| Period | Low | High | Volume |
|---|---|---|---|
| December 2020 | $0.30 | $0.57 | 14,158,663 |
| November 2020 | $0.28 | $0.43 | 10,960,147 |
| October 2020 | $0.245 | $0.33 | 9,508,213 |
| September 2020 | $0.23 | $0.34 | 9,262,129 |
| August 2020 | $0.215 | $0.355 | 9,607,525 |
| July 2020 | $0.135 | $0.34 | 7,612,502 |
| June 2020 | $0.105 | $0.155 | 2,963,795 |
| May 2020 | $0.09 | $0.12 | 4,956,190 |
| April 2020 | $0.08 | $0.115 | 1,650,010 |
| March 2020 | $0.075 | $0.13 | 2,291,904 |
| February 2020 | $0.095 | $0.145 | 2,290,195 |
| January 2020 | $0.125 | $0.15 | 3,666,742 |

## ESCROWED SECURITIES

As at the date of this Annual Information Form, to the knowledge of the directors and executive officers of the Company, no common shares of the Company are held in escrow.

## DIRECTORS AND OFFICERS

The following table sets forth, as of December 31, 2020, the name, province or state and country of residence of each director and executive officer of Talon, as well as such individual's position with Talon, principal occupation within the five preceding years and period of service as a director (if applicable). Each director will hold office until the next annual meeting of shareholders of Talon and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal.

| NAME, RESIDENCE AND CURRENT POSITION(S) WITH TALON | PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS | DIRECTOR SINCE |
|---|---|---|
| Warren E. Newfield<br>St. George's, Grenada<br><br>Executive Chairman and Director | Ambassador-at-Large for Trade and Investment and Consul General of Grenada in Miami, May 2015 to present; Executive Chairman of Talon, October 2013 to present; Chairman and Chief Executive Officer ("**CEO**") of Tau Capital Corp. ("**Tau**") (mining and real estate investment and administrative and advisory services company), November 2007 to present. | April 5, 2005 |
| Gregory S. Kinross[(1)(2)(3)]<br>Gauteng, South Africa<br><br>Director | Non-Executive Director of Arrowhead Properties Limited (formerly Gemgrow Properties Limited) (real estate investment trust), December 2016 to present; CEO of Innovo Capital (Pty) Ltd (private equity and investment banking), January 2014 to present; Partner of Evolve Capital Partners (private equity and investment banking), March 2019 to present; Director of Genesis Innovo Capital (Pty) Ltd. (private equity and investment banking), January 2015 to January 2019; Non-Executive Director of Indluplace Properties Limited (real estate investment trust), December 2014 to September 2019. | April 5, 2005 |
| John D. Kaplan[(1)(3)(4)]<br>Ontario, Canada<br><br>Director | President of Runnymede Investment Inc. (land development/builder), 1999 to present; Chairman of Terra Firma Capital Corp. (real estate finance), October 2013 to February 2020. | June 24, 2013 |
| Henri van Rooyen<br>Ontario, Canada<br><br>Chief Executive Officer and Director | CEO of Talon, February 2012 to present; Chief Operating Officer of Tau (mining and real estate investment and administrative and advisory services company), November 2007 to present. | June 29, 2012 |
| David E. Singer[(1)(3)]<br>Efrat, Israel<br><br>Director | Managing Director of David Singer Ltd. (business consulting and legal services), 2009 to present; Consultant to Macro Consultants LLC (project management), 2004 to present. | June 27, 2014 |
| David L. Deisley<br>Utah, USA<br><br>Director | Executive Vice President and General Counsel of NOVAGOLD Resources Inc. (mining), November 2012 to December 2018. | April 12, 2016 |
| Sean N. Werger<br>Ontario, Canada<br><br>President | President of Talon, March 2012 to present; General Counsel and Managing Director of Mergers & Acquisitions, Tau (mining and real estate investment and administrative and advisory services company), September 2006 to present. | Not applicable |
| Vincent G. Conte<br>Ontario, Canada<br><br>Chief Financial Officer | Chief Financial Officer of Talon, June 2012 to present; Vice President, Financial Evaluation of Tau (mining and real estate investment and administrative and advisory services company), January 2011 to present. | Not applicable |
| Etienne Dinel<br>Ontario, Canada<br><br>Vice President, Geology | Vice President, Geology of Talon, March 2012 to present; Senior Geologist of Tau (mining and real estate investment and administrative and advisory services company), August 2010 to present. | Not applicable |

| NAME, RESIDENCE AND CURRENT POSITION(S) WITH TALON | PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS | DIRECTOR SINCE |
|---|---|---|
| Mike Kicis<br>Ontario, Canada<br><br>Vice President, Corporate Development & Legal Affairs, and Corporate Secretary | Vice President, Corporate Development & Legal Affairs of Talon, January 2013 to present; Corporate Secretary of Talon, June 2012 to present; Vice President, Corporate Development & Legal Affairs of Tau (mining and real estate investment and administrative and advisory services company), November 2010 to present. | Not applicable |

Notes:

(1) Member of the Audit Committee.
(2) Chairman of the Audit Committee.
(3) Member of the Corporate Governance and Compensation Committee.
(4) Chairman of the Corporate Governance and Compensation Committee.

As at December 31, 2020, the directors and executive officers of Talon as a group beneficially owned, directly and indirectly, or exercised control or direction over 26,337,475 common shares, representing approximately 4.3% of the 605,722,669 issued and outstanding common shares at December 31, 2020.

## Corporate Cease Trade Orders or Bankruptcies

Other than as set out below, to the best of the Company's knowledge, no director or executive officer of the Company, is, or within the ten years prior to the date hereof, has been a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation for a period of more than 30 consecutive days:

(a) that was issued while such director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the company being the subject of such order; or

(b) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the company being the subject of such order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of the subject company.

Other than as set out below, to the best of the Company's knowledge, no director or executive officer of Talon, or a shareholder holding a sufficient securities number of Talon to affect materially the control of Talon is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including Talon) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings or arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In November 2015, Mr. Gregory Kinross, a director of the Company, was appointed to the board of directors of Pefaco International plc, a Maltese public company ("**Pefaco**") listed on the Malta Stock Exchange. Mr. Kinross was appointed as a director nominee for a group of investors (collectively, the "**Consortium**"), the Consortium being minority shareholders of

Pefaco, through their nominee, Calamatta Cuschieri Investment Services Limited C-13729 ("**Calamatta**").

Shortly following Mr. Kinross' appointment to the board of Pefaco, Mr. Kinross and the other non-executive directors on the board identified a number of serious shortcomings in the operations of Pefaco which they felt were prejudicial to the shareholders and Pefaco. These concerns included (i) not providing the non-executive directors with adequate corporate information, (ii) not providing the auditors with important information, (iii) non-payment to certain creditors, and (iv) obstruction in holding proper directors' meetings.

In observing their duties as directors, Mr. Kinross and the other non-executive directors flagged these issues directly (as a whistle-blower) with Calamatta as nominee shareholder and other key shareholders who in turn launched an action against Pefaco under the Companies Act in Malta. In the action against Pefaco, Mr. Kinross was a key witness against Pefaco which was instrumental in the judgment against Pefaco.

The ultimate effect of the adverse judgment against Pefaco was that Pefaco was delisted from the Malta Stock Exchange and thereafter was subject to a liquidation proceeding.

**Penalties or Sanctions**

To the best of the Company's knowledge, no director or executive officer of Talon, and no shareholder holding a sufficient number of securities of Talon to affect materially the control of Talon, nor any personal holding company of any such person, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

**Personal Bankruptcies**

To the best of the Company's knowledge, no director or executive officer of Talon, and no shareholder holding sufficient securities of Talon to affect materially the control of Talon, nor any personal holding company of any such person, has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

**Conflicts of Interest**

The directors of Talon are required to act honestly and in good faith with a view to the best interests of Talon and to disclose any interests that they may have in any project or

opportunity of Talon. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter.

Except as set out below, to the best of Talon's knowledge, there are no known existing or potential conflicts of interest among Talon, its directors, officers or other members of management of Talon as a result of their outside business interests at the date hereof.

Certain of the directors and officers and other members of management serve as directors, officers and members of management of other resource companies. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Talon.

From time to time, the board of directors of Talon may determine not to continue pursuing a transaction involving a company and/or mineral property. With the consent of the board of directors of Talon (including, a determination of the terms for such consent), private companies affiliated with directors, officers and/or other members of management of Talon may thereafter complete a transaction involving such company or mineral property.

The directors and officers of Talon have been advised of their obligations to act at all times in good faith in the interest of Talon and to disclose any conflicts to Talon if and when they arise.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of Talon, other than as disclosed below, there are no legal proceedings material to Talon, to which Talon or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2020, nor are any such proceedings known to be contemplated.

*(1) Civil Lawsuit– 3rd Civil Court in Santarém – Para State, Brazil*

| | |
|---|---|
| Filing Date: | October 2, 2013 |
| Plaintiff: | Lidia Siebra de Oliveira |
| Defendant: | Talon Ferrous Mineracao Ltda. |
| Claim: | Plaintiff alleges the termination of an assignment of mineral rights agreement executed by the parties was invalid and is asking the court to confirm this assertion. The plaintiff claims that such agreement is still valid and all installments owing to the plaintiff by Talon Ferrous under the agreement should be paid by Talon Ferrous. Talon Ferrous is contesting this claim. |
| Amount of Claim: | R$2,673,592.62 (approximately C$600,000) |
| Status: | On January 28, 2016, the evidentiary hearing took place. The plaintiff did not present any witnesses or new evidence. The judge requested that the Brazilian Departamento Nacional de Producao |

| | |
|---|---|
| | Mineral (the "**DNPM**") present information in respect of the mineral rights in question before making his decision. The DNPM presented information in July 2017 and Talon Ferrous responded to such information. On September 11, 2018 the judge summoned both parties to present closing arguments, which were done by both parties on November 27, 2018 and December 10, 2018. On July 19, 2019 the judge gave his decision partly against Talon Ferrous, determining that Talon Ferrous complies with the terms of the agreement (i.e. applies for certain mineral exploration licenses on behalf of the plaintiff). The judge made it clear that Talon Ferrous would not be required to guarantee the results of the application for mineral exploration licenses. All of the other requests made by the plaintiff were denied. On November 19, 2019 Talon Ferrous filed an appeal. The plaintiff also filed an appeal on November 20, 2019. On May 05, 2020, the appeals were sent to the State Court of Appeals. On November 13, 2020, the Reporting Justice rendered a decision sending both appeals to a Chamber of Public Law, due to the matter involved (i.e., discussion of mineral rights). Before the decision was published, on the same date, the case was sent to the 2º Chamber of Public Law. On November 24, 2020, the Reporting Justice issued a decision, determining the appeals be sent to the Federal Court of Appeals, given that the controversy would allegedly involve rights of the Union. The decision was published on November 26, 2020. On December 17, 2020, Talon filed Internal Appeals against both the decisions regarding the jurisdiction of the case in order to get the Court of Appeals to rule on the matter. Talon has emphasized that the dispute involves a contractual matter and the Union is not a party to the lawsuit – thus, the Federal Court would not have jurisdiction over the matter. On January 22, 2021, a notification was sent to the plaintiff to present its counterarguments to Talon's internal appeals. Talon is awaiting the plaintiff's counterarguments. |
| Likelihood of Loss: | Legal counsel to Talon Ferrous believes the likelihood of loss is possible. |

*(2) Labor Lawsuit – 8th Labor Court – Sergipe State, Brazil*

| | |
|---|---|
| Filing Date: | December 3, 2014 |
| Plaintiff: | Olindo Marques Capistrano Filho |
| Defendant: | Talon Ferrous Mineracao Ltda., B&A Potassio Mineracao Ltda. and B&A Mineracao S/A |
| Claim: | Plaintiff made a claim for severance and other compensation payments totaling R$200,000. The Plaintiff claims he worked for all of the companies named in the suit from August 2010 to November 2012, given that, he alleges, all of the companies are in the same economic group. Talon Ferrous is contesting this claim |

| | |
|---|---|
| | on the basis that the Plaintiff did not work for Talon Ferrous during the period claimed and there is no relationship between Talon Ferrous and the other companies named in the claim. |
| Amount of Claim: | R$200,000 (approximately C$45,000) from all defendants. Current judgement (pending appeal by the Plaintiff and other Defendant) is R$10,586.05 (approximately C$2,400) for Talon solely. |
| Status: | On February 22, 2017, the judge sentenced all defendants to pay the Plaintiff a total of R$790,726 (approximately C$275,000). Talon Ferrous filed an appeal to the Regional Labor Court of Appeals on March 27, 2017. On September 12, 2017, the Regional Labor Court granted Talon Ferrous' appeal and determined the court dockets to be remanded to the Trial Court for a new judgment on the appeal for clarification. On December 15, 2017, the Trial Court Judge once again denied Talon Ferrous' motion for clarification. On January 11, 2018, Talon Ferrous filed another appeal to the Regional Labor Court. On February 19, 2018, parties were notified to present counterarguments to the appeals that were filed. On March 1, 2018, Talon Ferrous presented its counterarguments. The case records were then sent to the Regional Court of Appeals for judgement. On August 21, 2018, the Regional Court of Appeal decided to suspend the analysis of the claim until further notice about the decision on the constitutionality of certain applicable legislation. On January 23, 2020, the Regional Court of Appeals ended the suspension of the claim and the case records were forwarded to the Court Chamber for judgement session. On September 25, 2020, the Regional Labor Court of Appeals of Sergipe rendered a decision partially granting Talon's appeal, reducing the Company's liability from R$617,000 to R$10,586.05. On October 7, 2020, Talon and B&A Potássio Mineração filed a motion to clarify some points in the decision. On October 9, 2020, the plaintiff filed a review appeal before the Superior Labor Court. On October 22, 2020 the plaintiff presented counterarguments to the Talon and B&A Potássio Mineração's motions for clarification. On October 23, 2020, Talon presented counterarguments to B&A Potássio Mineração's motion for clarification. On October 26, 2020, B&A Potássio Mineração presented counterarguments to Talon's motion for clarification. On December 3, 2020, the Regional Labor Court partially granted Talon's appeal for clarification to confirm that the company's total amount due corresponds to R$10.586,05, updated until August 21, 2020. All other legal arguments and requests made in the appeal were dismissed by the Court. On December 15, 2020, B&A Potássio Mineração filed a review appeal before the Superior Labor Court. |

| | |
|---|---|
| Likelihood of Loss: | Legal counsel to Talon Ferrous believes the likelihood of loss is possible. |

To the knowledge of the directors and officers of Talon, no penalties or sanctions have been imposed against Talon or its subsidiaries by a court relating to securities legislation or by a regulatory authority during the financial year ended December 31, 2020, no penalties or sanctions have been imposed against Talon by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of Talon, and no settlement agreements have been entered into by Talon before a court relating to securities legislation or with a securities regulatory authority during Talon's financial year.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, to the best of the Company's knowledge, no director or executive officer of Talon, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of Talon's outstanding voting securities, nor any associate or affiliate of the foregoing have had a material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year, which has materially affected or is reasonably expected to materially affect Talon.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of Talon is Computershare Investor Services Inc. at its principal offices in Toronto, Ontario.

## MATERIAL CONTRACTS

The only material contracts entered into by the Company during its most recently completed financial year or entered into prior to the most recently completed financial year, but after January 1, 2002, and that are still in effect, other than in the ordinary course of business, are as follows:

- the Mining Venture Agreement (see "General Development of the Business – Three Year History – *Tamarack Joint Venture*");
- the 2018 Option Agreement (see "General Development of the Business – Three Year History – *2018 Tamarack Option Agreement*");
- the Royalty Agreement (see "General Development of the Business – Three Year History – *Triple Flag Royalty Financing*");
- the Qualification Rights Agreement (see "General Development of the Business – Three Year History – *Qualification Rights Agreement*"); and
- the Warrant Indenture (see "General Development of the Business – Three Year History – *March 2021 Prospectus*").

## INTERESTS OF EXPERTS

To the best of the Company's knowledge, Leslie Correia of Paterson & Cooke Canada Inc, Andre-Francois Gravel of DRA, Tim Fletcher of DRA, Daniel Gagnon of DRA, Volodymyr Liskovych of DRA, David Ritchie of SLR Consulting (Canada) Ltd, Oliver Peters of Metpro, Andrea Martin of Foth Infrastructure & Environment, LLC and Brian Thomas of Golder, the qualified persons under whose supervision the February 2021 PEA was prepared (and Brian Thomas in respect of the Updated Resource Estimate), do not own, or hold any beneficial interest, direct or indirect in, any securities or property of Talon or of its associates or affiliates.

## AUDIT COMMITTEE INFORMATION

*Audit Committee Charter*

The text of the charter of the audit committee of the Company's board of directors is attached hereto as Exhibit II.

*Composition of the Audit Committee*

The following table provides information relating to each member of the audit committee, including his name, a description of whether he is (i) independent of Talon, and (ii) financially literate, and a summary of his relevant education and experience.

| Name | Independent of Talon | Financially Literate | Relevant Education and Experience |
|---|---|---|---|
| Gregory S. Kinross | Yes | Yes | Chartered Accountant designation (South Africa). Extensive public and private company management experience, including: Non-Executive Director of Arrowhead Properties Limited (formerly Gemgrow Properties Limited) (real estate investment trust), December 2016 to present; CEO of Innovo Capital (Pty) Ltd (private equity and investment banking), January 2014 to present; Partner of Evolve Capital Partners (private equity and investment banking), March 2019 to present; Director of Genesis Innovo Capital (Pty) Ltd. (private equity and investment banking), January 2015 to January 2019; Non-Executive Director of Indluplace Properties Limited (real estate investment trust), December 2014 to September 2019; President & CEO of Tau, November 2007 to December 2013; President of CIC Energy, November 2007 to October 2012; President & CEO of CIC Energy Corp., 2006 to November 2007. |
| John D. Kaplan | Yes | Yes | Director and senior officer of Runnymede Investment Inc. ("**Runnymede**"), a diversified real estate company with more than ten active residential development projects representing some 5000 units. Responsible for directing and overseeing the annual audit of Runnymede for more than 15 years. In addition, past Chairman of Terra Firma Capital Corp. (a TSXV listed real estate finance company), October 2013 to February 2020. |
| David E. Singer | Yes | Yes | Has a B.A. (Economics) from university. Over 30 years of business/legal experience representing and advising companies, many of them publicly listed. Has held positions within companies as CEO and COO, requiring extensive financial literacy. |

*Audit Committee Oversight*

During the financial year ended December 31, 2020, all recommendations of the audit committee to nominate or compensate an external auditor were adopted by the board of directors.

*Pre-Approval Policies and Procedures*

It is the responsibility of the audit committee to pre-approve all non-audit services to be provided to Talon by its external auditors. This is mandated in the Audit Committee Charter.

*External Auditor Service Fees*

The following table summarizes the total fees billed by MNP LLP, Talon's auditor, during the years ended December 31, 2020 and December 31, 2019.

| CATEGORY | 2020 | 2019 |
|---|---|---|
| Audit Fees | $58,894 | $55,105 |
| Audit Related Fees | $36,038[(1)] | $29,425[(3)] |
| Tax Fees | Nil | Nil |
| All Other Fees | $38,006[(2)] | $24,075[(2)] |

[(1)] Review of the Company's quarterly financial statements and accounting assistance related to quarterly and year-end financial assistance.
[(2)] Work related to financings.
[(3)] Accounting assistance related to the Triple Flag Royalty, assistance with the Company's Q1 financial statements and review of the Company's Q2 financial statements.

## ADDITIONAL INFORMATION

Additional information concerning the Company may be found on SEDAR at www.sedar.com.

Additional financial information is contained in the Company's audited financial statements and management's discussion and analysis for the year ended December 31, 2020.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors.

# EXHIBIT I

## Executive Summary Section from the February 2021 PEA

## Executive Summary

### *Introduction*

The Tamarack Project, located in Minnesota, USA, comprises the Tamarack North Project and the Tamarack South Project (refer Figure 7-5).

The Tamarack Project is currently 17.56% owned by Talon, and 82.44% owned by Kennecott Exploration Company (Kennecott) and is operated by Talon.

On November 7, 2018, Talon and Kennecott entered into an agreement (the 2018 Tamarack Earn-in Agreement) pursuant to which Talon has the right, subject to certain funding and reporting obligations, to increase its interest in the Tamarack Project to a maximum 60% interest. The 2018 Tamarack Earn-in Agreement came into effect on March 31, 2019 (the Kennecott Agreement Effective Date) and Talon is now the operator of the Tamarack Project.

Talon has commissioned a team of consultants to complete a Preliminary Economic Assessment (PEA) in accordance with NI 43-101 guidelines for the Tamarack North Project.

The following consultants contributed to completing the component PEA sections:

- **DRA Americas Inc. (DRA):** Mining methods, hydrometallurgical processing, project infrastructure, market studies and contracts, capital and operating costs, and economic analysis;
- **Foth Infrastructure & Environment (Foth):** Environmental studies, permitting, and social or community impacts;
- **Golder Associates Ltd. (Golder):** Property description and location, accessibility, climate and physiography, history, geological setting and mineralization, deposit types, exploration, drilling, sample preparation, data verification, adjacent properties, and mineral resource estimate;
- **Metpro Management Inc. (Metpro):** Mineral processing, metallurgical testing, and recovery methods;
- **Paterson & Cooke Canada Inc. (Paterson & Cooke):** Paste backfill methods;
- **SLR Consulting (Canada) Ltd. (SLR):** Tailings/waste rock co-disposal methods.

#### *Location and Ownership*

The Tamarack Project is located in north-central Minnesota, approximately 89 kilometres (km) (55 miles) west (W) of Duluth and 210 km (130 miles) north (N) of Minneapolis, in Aitkin County. The Tamarack North Project, which this report represents, covers approximately 20,348 acres. The town of Tamarack (population 88, 2016 US Census Bureau) lies within the boundaries of the Tamarack Project (though away from the known mineralization) at an elevation of 386 metres (m) (1,266 feet (ft)) above sea level. The project area is characterized by farms, plantations, wetlands, and forested areas.

On June 25, 2014, Talon's wholly-owned, indirect subsidiary, Talon Nickel (USA) LLC (collectively, Talon), entered into an exploration and option agreement (the 2014 Tamarack Earn-in Agreement) with Kennecott (part of the Rio Tinto Group), pursuant to which Talon, subject to certain funding conditions, received the right to acquire a 30% interest in the Tamarack Project.

On November 25, 2015, Kennecott and Talon amended the 2014 Tamarack Earn-in Agreement to provide that, subject to certain funding conditions, Talon would earn an 18.45% interest in the Tamarack Project.

On January 11, 2018, Talon and Kennecott entered into a mining venture agreement (the Original MVA). Pursuant to the Original MVA, Talon elected not to financially participate in the 2018 winter exploration program at the Tamarack Project. Consequently, Talon's interest in the Tamarack Project was diluted below 18.45% to 17.56%.

On November 7, 2018, Talon and Kennecott entered into the 2018 Tamarack Earn-in Agreement pursuant to which Talon has the right to increase its interest in the Tamarack Project to a maximum 60% interest. The Tamarack Earn-in Agreement came into effect on the Kennecott Agreement Effective Date.

Pursuant to the 2018 Tamarack Earn-in Agreement, Talon has taken over operatorship of the Tamarack Project and has the right to initially increase its interest in the Tamarack Project to 51% by:

- The payment of US$6M in cash to Kennecott – this has been completed;
- The issuance of US$1.5M worth of common shares in Talon to Kennecott – this has been completed;
- Within three years of the Kennecott Agreement Effective Date, Talon either spending US$10M in exploration expenditures on the Tamarack Project, or delivering a Pre-Feasibility Study (PFS) in accordance with NI 43-101, whichever comes first; and
- Also within three years of the Kennecott Agreement Effective Date, Talon paying Kennecott the additional sum in cash of US$5M.
- Provided Talon earned a 51% interest in the Tamarack Project, Talon will then have the right to further increase its interest in the Tamarack Project to 60% by:

    - Completing a Feasibility Study on the Tamarack Project within seven years of the Kennecott Agreement Effective Date; and
    - Paying Kennecott the additional sum of US$10M in cash on or before the seventh anniversary date of the Kennecott Agreement Effective Date.

Upon Talon earning a 60% interest in the Tamarack Project, the parties have agreed to enter into a new mining venture agreement (the New MVA) under which Talon would assume the role of Manager of the Tamarack Project, and the parties would each be required to fund their pro rata share of expenditures in respect of the Tamarack Project or be diluted.

Section 4 of this PEA contains further details regarding Talon's interest in the Tamarack Project.

***Environmental Considerations and Permitting***

The Tamarack North Project will be subject to state and federal environmental review and permitting processes, which are described in Section 20. Since the review and permitting processes have an influence on environmental considerations, Section 20 addresses associated topics, including:

- Summary of results of baseline studies and anticipated additional studies needed for environmental review and permitting;
- Plans for mine waste management, site monitoring, and water management;
- Social and community relations; and,
- Mine closure.

Throughout the regulatory approval processes, Talon is required to demonstrate that the Tamarack North Project can avoid or mitigate potential environmental impacts in accordance with regulatory requirements and stakeholder considerations. That demonstration relies in part on the baseline studies and additional studies and analyses noted in Section 20.

Baseline studies initiated in 2006 focus on hydrology and wetlands in the region. A description of baseline studies conducted to date is provided in Table 20-1. The studies have not identified any environmental issue that could materially impact the ability to mine the resource. Substantial baseline data collection and studies have been completed to date, focusing on hydrology in the region and wetland habitat at the site.

On-going environmental baseline studies have (and continue) to document the following:

- Hydrogeological understanding of the Tamarack North Project area: Stratigraphy and geology in the project area are important to characterize, especially as they relate to water flows and interactions between surface and groundwater.
- Hydrological understanding of the watershed: Surface water monitoring stations have been located on significant water bodies, with data collection focusing on quantity (flows, levels) and water quality (field parameters and laboratory analytes). The data have been collected quarterly since 2006 and data collection continues.
- Geochemistry: Understanding the geochemistry of the ore and waste rock is critical to water management and environmental impact assessment. Geochemical testing has identified and confirmed mineralogical understanding of the ore body. Additional geochemical testing will be needed to optimize methods of water management, waste management, mine backfill approaches, and reclamation alternatives.
- Wetlands, vegetation, and potential presence of rare, threatened, and endangered (RTE) plant species: Studies supporting exploration activities and general infrastructure siting are summarized in Section 20. These resources at the site are consistent with the surrounding region. Vegetative communities include Pine Plantation, Northern Wet-Mesic-Hardwood Forest, and Northern Alder Swamp. Wetlands, lakes, and streams are common in the area, which is rural with agricultural and natural areas. Studies have thus far not identified any listed vegetation species.

As the project moves forward in design and plan for operations, additional environmental studies will be needed. These studies will support the environmental impact analysis specific to the proposed facility. Anticipated future studies include:

- Geology and Minerals – a report describing the resource, host rock, and regional geology. Building on the exploration drilling data, geologic characterization, geophysical testing, mineralogical characterization, and geotechnical characterization of the resource, host rock, and intrusive complex. This information will assist in the underground mine stability analysis and the analysis of groundwater flow in the mine during and after operations.
- Geochemistry and Waste Characterization – performed in accordance with Minnesota rules, with guidance from Minnesota Department of Natural Resources (MDNR).
- Additional hydrological studies to build on current data. This might include additional analytics and surface water monitoring locations and additional groundwater data to characterize the Quaternary system and Precambrian bedrock. Wetlands hydrologic study may also be needed to understand the groundwater surface water interactions.
- Wetlands – formal delineations have a five-year validity. Wetland assessments in hand will need updating. Once the site plan has been confirmed, a Level III assessment will be conducted to support permitting and environmental impact assessment.
- Vegetation, biota, and habitat studies – these studies will likely need updating and revalidation in and around the site area with emphasis on identifying potential listed species. This includes examining terrestrial and aquatic biota.
- Cultural resource studies – tribal, archaeological, and historical resources at the site and in the area will be documented and evaluated according to state and federal requirements. This topic is of great interest to stakeholders including tribes and the local communities. Social and community outreach is currently preliminary and will be developed to engage interested stakeholders.
- Aesthetic resource studies – visual and noise resources will be examined for potential impact on wildlife, the surrounding communities, and the activities common in the area.

Mine waste including tailings and waste rock will be managed in engineered facilities, minimizing potential environmental impacts in accordance with state and federal regulations. An innovative co-disposed filtered tailings facility (CFTF) will manage the low-sulphide (LS) tailings using waste rock for construction and structural stability. The tailings will have low water content, thereby minimizing water management issues and facilitating closure. Materials with the potential to react and produce contaminants will be managed in areas where drainage water will be collected and either used in the operation or treated before discharging to the environment. In concept, high-sulphide (HS) tailings and a portion of the LS tailings will be blended with cement and backfilled to the underground mine excavation, reducing the capacity needs of the CFTF and preventing subsidence.

A rigorous monitoring program will be implemented, building on baseline data. Once the facility is constructed, monitoring will demonstrate permit compliance and identify unanticipated impacts. Monitoring data will be submitted to the agencies regularly and will be accessible to the public, providing transparency.

Water management during operations and post closure will be accomplished in accordance with requirements using the most current tools and industry practices. Managing water on site, conserving mill water, and treating excess water to stringent standards prior to discharge are components of water management. During final reclamation, the CFTF will be fitted with an engineered cover system to prevent potential migration of contaminants into the surface and groundwater systems. Backfilling the mine will be completed to durably prevent migration of contaminants.

The project will undergo an environmental review, likely resulting in preparation of a federal-state Environmental Impact Statement (EIS). Significant permits and approvals will be needed including a Permit to Mine, Section 404 Wetland Permit, an Air Permit, a National Pollutant Discharge Elimination System (NPDES) permit, and others listed in Table 20-2. Project permit applications will be prepared once the project design and operation basis have been established. EIS development and permitting include closure plans and analyses to assure satisfactory long-term environmental conditions. A detailed closure plan will be developed in future studies.

***Geology and Mineralization***

The Tamarack Intrusive Complex (TIC) is an ultramafic to mafic intrusive complex that hosts Ni-Cu-Co sulphide mineralization with associated platinum (Pt), palladium (Pd) (PGEs) and gold (Au). The TIC is a multi-magmatic phase intrusion that consists of a minimum of two pulses: The fine grained ortho-cumulate olivine (FGO) and the coarse-grained ortho-cumulative (CGO) intrusion of the TIC (dated at 1105 Ma+/-1.2 Ma, Goldner 2011). The FGO and CGO intrusions are related to the early evolution of the approximately 1.1 Ga Midcontinent Rift (MCR) and have intruded into slates and greywackes of the Thomson Formation of the Animikie Group, which formed as a foreland basin during the Paleoproterozoic Penokean Orogen (approximately 1.85 Ga, Goldner 2011). The TIC is completely buried beneath approximately 35 m to 55 m of Quaternary age glacial and fluvial sediments. The TIC is consistent with other earlier intrusions associated with the MCR that are often characterized by more primitive melts.

The geometry of the TIC, as outlined by a well-defined aeromagnetic anomaly, consists of a curved, elongated intrusion striking north-south (NS) to southeast (SE) over 18 km. The configuration has been likened to a tadpole shape with its elongated, northern tail up to 1 km wide and large, 4 km wide, ovoid shaped body in the south (S) (Figure 7-5). The northern portion of the TIC (the Tamarack North Project), which hosts the currently defined mineral resource and identified exploration targets, is over 7 km long and is the focus of this PEA.

The nickel (Ni)-copper (Cu)-cobalt (Co) sulphide mineralization with associated PGEs and Au formed as the result of segregation and concentration of liquid sulphide from mafic or ultramafic magma and the partitioning of chalcophile elements into the sulphide from the silica melt (Naldrett, 1999). The various mineralized zones at the Tamarack North Project occur within different host lithologies, exhibit different types of mineralization styles, and display varying sulphide concentrations and tenors. These mineralized zones range from massive sulphides hosted by altered sediments in the massive sulphide unit (MSU), to net textured and disseminated sulphide mineralization hosted by the CGO in the semi-massive sulphide unit (SMSU), to a more predominantly disseminated sulphide mineralization as well as layers of net

textured sulphide mineralization, in the 138 Zone (Table 1-1). Mineralization in the 138 Zone, where interlayered disseminated and net textured mineralization occurs, is also referred to as mixed zone (MZ) mineralization. All these mineralization types are typical of many sulphide ore bodies around the world. The current known mineral zones of the Tamarack North Project (SMSU, MSU and 138 Zone) that are the basis of the mineral resource estimate in this PEA are referred to collectively as the "Tamarack Zone". Also located within the Tamarack North Project are currently, four lesser-defined mineral zones, namely the 480 Zone, 221 Zone, 164 Zone and the CGO Bend Zone.

*Table 1-1: Key Geological and Mineralization Relationships of the Tamarack North Project*

| Area | Mineral Zone | Host Lithology | Project Specific Lithology | Mineralization Type |
|---|---|---|---|---|
| **Tamarack Zone** | SMSU | Feldspathic Peridotite | CGO | Net textured and disseminated sulphides |
| | MSU | Meta-Sediments/ Peridotite (basal FGO mineralization) | Sediments | Massive sulphides |
| | 138 Zone | Peridotite and Feldspathic Peridotite | MZ/FGO | Disseminated and net textured sulphides |
| | CGO Bend | Feldspathic Peridotite | CGO | Disseminated sulphides |
| | | Peridotite footwall (basal FGO mineralization) | FGO | Disseminated sulphides, MMS and MSU |
| **Other** | 221 Zone | Feldspathic Peridotite | CGO | Disseminated sulphides with ripped up clasts of massive sulphides |
| | 480 Zone | Peridotite | FGO | Disseminated sulphides |
| | 164 Zone | Peridotite | FGO | Blebby sulphides, sulphides veins |

### *Exploration Programs*

The TIC and associated mineralization were discovered as part of a regional program by Kennecott initiated in 1991. The focus on Ni and Cu sulphide mineralization was intensified in 1999 based on a model proposed by Dr. A. J. Naldrett of the potential for smaller feeder conduits associated with continental rift volcanism and mafic intrusions to host Ni sulphide deposits similar to Norilsk and Voisey's Bay.

Disseminated mineralization was first intersected at the Tamarack Project in 2002, and the first significant mineralization of massive and net-textured sulphides was intersected in 2008 at the Tamarack North Project.

To date, exploration has included a wide range of geophysical surveys including:

- Airborne magnetics and electromagnetics (AEM) (fixed wing and helicopter based);
- Ground magnetics;
- Surface electromagnetics (EM);
- Surface gravity;
- Magnetotellurics (MT);
- Induced polarization (IP);
- Seismic;
- Mise-à-la-masse (MALM);
- Magnetometric resistivity (MMR);
- Downhole electromagnetics (DHEM).

Kennecott conducted extensive drilling at the Tamarack North Project since 2002. This drilling has comprised 260 diamond drill holes totalling 112,394.22 m with holes between 33.5 m and over 1,224 m depth for an average hole depth of 428 m.

***Sample Preparation, Quality Assurance (QA)/Quality Control (QC) and Security***

The qualified person (QP) of the mineral resource estimate reviewed Kennecott's sampling and QA/QC protocols along with the chain of custody of samples. Kennecott samples core continuously through the mineralization, and their sampling and logging procedures are consistent with industry standards and the assay methods are appropriate for the base metal sulphide mineralization found at the Tamarack North Project.

Their QA/QC program is based on insertion of certified reference materials (CRM), including a variety of standards, blanks and duplicate samples, used to monitor the precision and accuracy of their primary assay lab, and to prevent inaccurate data from being accepted into their assay database. The Kennecott QA/QC protocol is consistent with industry best practises.

Kennecott uses a system of metal seals to secure pails used to ship samples from the core shack to the assay lab ensuring that they have not been tampered with. Samples are prepared and stored in a secure facility and are monitored each step of the way to the lab.

It is the QP's opinion that the sampling process is representative of the mineralization at Tamarack North and that the sample preparation and QA/CQ procedures used, and the sample chain of custody were found to be consistent with Canadian Institute of Mining, Metallurgy, and Petroleum (CIM) Mineral Exploration Best Practice Guidelines (November 2018).

***Data Validation***

Golder compared recent assay data (2017, 2020) from the Kennecott database to the original assay certificates from ALS Chemex for the entire sample population used for resource estimation. Minor errors were identified during this review that were found to not be material to the mineral resource estimate.

During the QP site visit in 2014, Brian Thomas of Golder, surveyed four drill hole collars and then compared the coordinates to those provided by Kennecott. All collars were found to be

consistent with the Kennecott collar coordinates, within the accuracy of the handheld global positioning system (GPS).

Golder, in 2014, conducted verification sampling of drill core from each of the three mineral domains. A total of nine samples were taken along with three additional CRM samples, including two standards and one blank. Assay values from the verification sample program were consistent with results obtained by Kennecott.

There have been no material changes to the drilling, logging, sampling, or chain of custody procedures since the 2014 site visit; therefore, it is the QP's opinion that the Tamarack North Project drill hole database has been prepared in accordance to CIM Estimation of mineral resources and Mineral Reserves Best Practise Guidelines (November 2018) and is of suitable quality to support the mineral resource estimate in this PEA.

***Mineral Processing and Metallurgical Testing***

The flotation flowsheet and conditions that were established in the 2016/2017 program were further optimized using a life-of-mine (LOM) composite that represented the entire 8.02 Mt of mineralized material that was reported in the March 2020 PEA. The head grade of this LOM composite was 1.69% Ni and 0.95% Cu. The primary focus of the program was to produce Ni and Cu concentrates that provide marketing optionality. The program considered three possible scenarios for the flotation concentrates:

- The **Ni Concentrate Scenario** would include shipping both Ni and Cu concentrates to smelters for processing.
- The **Ni Powder Scenario** would include shipping Cu concentrate to a smelter for processing, and transferring Ni concentrate to a co-located facility for production of Ni powder.
- The **Ni Sulphate Scenario** would still ship the Cu concentrate to smelters, but the Ni concentrate would be converted to Ni sulphates in a hydrometallurgical facility.

The flotation program on the LOM composite aimed to produce a Ni concentrate of at least 10.5% Ni to ensure marketability to a smelter. The simplified flowsheet that was developed for the March 2020 PEA was confirmed. The flowsheet comprises a bulk rougher, followed by bulk cleaning of the bulk rougher concentrate and Cu/Ni separation. A desulphurization stage is treating the bulk rougher tailings to produce high-sulphur and low-sulphur tailings streams. The high-sulphur tailings will be placed underground in the form of paste backfill.

The metallurgical projections that were developed for the March 2020 PEA were validated and adjustments were made for the LOM composite to take into account the addition of the 138 Zone mineralization, which displays a distinctively different metallurgical response.

A locked cycle flotation test (LCT) was completed on the LOM composite and the results are presented in Table 1-2.

*Table 1-2: Simplified Circuit Mass Balance*

| Product | Weight | Assays, % | | | | | % Distribution | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | Cu | Ni | S | Fe | MgO | Cu | Ni | S | Fe | MgO |
| Cu Conc | 2.2 | 29.9 | 1.13 | 32.5 | 32.5 | 0.80 | 71.6 | 1.6 | 12.9 | 4.8 | 0.1 |
| Ni Conc | 11.9 | 1.22 | 10.7 | 28.6 | 40.6 | 4.66 | 15.9 | 83.2 | 61.8 | 32.8 | 2.4 |
| Bulk 1st Clnr Scav Tails | 9.3 | 0.40 | 0.74 | 6.42 | 17.5 | 22.7 | 4.0 | 4.5 | 10.8 | 11.0 | 9.0 |
| Bulk Scavenger Tails | 76.6 | 0.10 | 0.21 | 1.05 | 10.0 | 27.1 | 8.5 | 10.7 | 14.6 | 51.4 | 88.6 |
| Combined | 100.0 | 0.92 | 1.53 | 5.54 | 14.8 | 23.4 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

A scoping level hydrometallurgical program was completed to evaluate the amenability of the Ni concentrate to leaching and downstream processing. The program included pressure oxidation (POX) and Albion leach tests, followed by neuralization tests to remove most impurities. Metal extraction rates in the POX tests were over 99% for Ni and Co and 88% for Cu. The extraction values were similar for the Albion test at 97% to 99%. Ni and Co losses in the neutralization stages were minimal at 1.1% and 0.9%, respectively. Most of the Cu was recovered into product streams that would be combined with the Cu flotation concentrate to maximize revenue. Downstream tests will continue for the next 12 months to produce a sample of a battery grade Ni sulphate.

***Mineral Resource Estimate***

***Caution to readers:*** *In this Section, all estimates and descriptions related to mineral resource estimates are forward-looking information. There are many material factors that could cause actual results to differ from the conclusions, forecasts or projections set out in this item. Some of the material factors include differences from the assumptions regarding the following: estimates of cut-off grade (COG) and geological continuity at the selected cut-off, metallurgical recovery, commodity prices or product value, mining and processing methods and general and administrative (G&A) costs. The material factors or assumptions that were applied in drawing the conclusions, forecasts and projections set forth in this Item are summarized in other Items of this PEA.*

This resource estimate has been prepared by Mr. Brian Thomas (B.Sc, P.Geo), Senior Resource Geologist at Golder and is summarized in Table 1-3 below. The effective date of the resource estimate is January 8, 2021. Mr. Brian Thomas is an independent QP pursuant to NI 43-101.

*Table 1-3: Tamarack North Project Mineral Resource Estimate (January 8, 2021)*

| Domain | Classification | %Ni Cut-Off | Tonnes (000) | Ni (%) | Cu (%) | Co (%) | Pt (g/t) | Pd (g/t) | Au (g/t) | NiEq (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Upper SMSU | Indicated Resource | 0.5 | 1,462 | 1.32 | 0.78 | 0.04 | 0.17 | 0.11 | 0.11 | 1.81 |
| Lower SMSU | Indicated Resource | 0.5 | 2,340 | 2.08 | 1.10 | 0.05 | 0.55 | 0.34 | 0.25 | 2.87 |
| MSU | Indicated Resource | 0.5 | 124 | 5.72 | 2.36 | 0.12 | 0.60 | 0.46 | 0.23 | 7.23 |
| **Total** | **Indicated Resource** | 0.5 | **3,926** | **1.91** | **1.02** | **0.05** | **0.41** | **0.26** | **0.20** | **2.62** |
| Upper SMSU | Inferred Resource | 0.5 | 2,652 | 0.76 | 0.47 | 0.02 | 0.25 | 0.14 | 0.12 | 1.10 |
| Lower SMSU | Inferred Resource | 0.5 | 115 | 0.86 | 0.51 | 0.02 | 0.57 | 0.36 | 0.24 | 1.34 |
| MSU | Inferred Resource | 0.5 | 443 | 5.93 | 2.52 | 0.12 | 0.70 | 0.52 | 0.26 | 7.53 |
| 138 | Inferred Resource | 0.5 | 3,953 | 0.82 | 0.63 | 0.02 | 0.21 | 0.12 | 0.14 | 1.21 |
| **Total** | **Inferred Resource** | 0.5 | **7,163** | **1.11** | **0.68** | **0.03** | **0.26** | **0.16** | **0.14** | **1.57** |

- All resources reported at a 0.5% Ni cut-off.
- No modifying factors have been applied to the estimates.
- Tonnage estimates are rounded to the nearest 1,000 tonnes.
- Metallurgical recovery factored in to the reporting cut-off.
- Where used in this Mineral Resource estimate, NiEq% = Ni%+ Cu% x $3.00/$8.00 + Co% x $25.00/$8.00 + Pt [g/t]/31.103 x $1,000/$8.00/22.04 + Pd [g/t]/31.103 x $1,000/$8.00/22.04 + Au [g/t]/31.103 x $1,300/$8.00/22.04. No adjustments were made for recovery or payability in the calculation of NiEq.

The mineral resources are derived from a Datamine-constructed block model (block sizes = 5 m by 5 m by 5 m for the SMSU and the 138 Zone; with 2.5 m x 2.5 m x 2.5 m sub-blocks for the MSU) of three mineral domains and are reported above a Ni cut-off of 0.5%. All domains were "unfolded" and had top cuts applied to restrict outlier values (Pt, Pd and Au). The three domains (Figure 14-1) utilized either Ordinary Kriging (OK) or inverse distance cubed ($ID^3$) methodology to interpolate grades (Ni, Cu, Co, Pt, Pd and Au) from 1.5 m (SMSU, 138) and 1.0 m (MSU) composited drill holes. Specific Gravity (SG) estimates were based on laboratory measurements taken from whole core and where absent, regression formulas. The resources reported are based on a "blocks above cut-off" basis and were then examined visually by Golder and found to have good continuity.

The QP is unaware of any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or any other potential factors that could materially impact the Tamarack North Project mineral resource estimate provided in this PEA.

The mineral resource estimate may be materially impacted by the following:

- Changes in the break-even COG, as a result of changes in mining costs, processing recoveries, or metal prices;
- Changes in geological knowledge/interpretation, as a result of new exploration data.

***Mining Methods***

The underground mine will use underground mining methods with the objective of utilizing the best available technologies (BATs) that are as efficient, practical, and as environmentally responsible as possible. The mining methods and infrastructure for both the Ni Concentrate and Ni Sulphate Scenarios will be the same. Both bulk and selective mining methods (long hole stoping and drift and fill respectively) will be used. All stopes will be filled with a blend of development waste rock, where possible and paste backfill. Paste fill will be produced in a dedicated paste plant on surface adjacent to the mill and comprise 100% of the HS tailings as well as a portion of the LS tailings.

The primary access for personnel and materials will be a decline ramp from surface, which will also serve as the main fresh air intake for the mine and the main conduit for mine services. A multi-purpose shaft will be driven in close proximity to the mill, which will be the main exhaust for the mine. Additionally, it will house a vertical conveyor, which will serve as the primary materials handling system, secondary egress and redundant services, where required.

The underground mine will use a full battery/electric fleet containing no diesel powered equipment. Lateral development, including the main decline, and drift and fill mining will be predominantly done using a continuous miner. A jumbo will be utilized for traditional drill/blast mining, where the ground conditions and logistics prohibit the continuous miner from mining effectively.

The proposed mine plan includes the combined production from of each the mineral domains in the resource model (i.e., 138, MSU, Upper SMSU and Lower SMSU). The planned production rate is approximately 3,600 tonnes per day (tpd) (1.3 million tonnes per annum (Mtpa)). A summary of the mine plan is shown below:

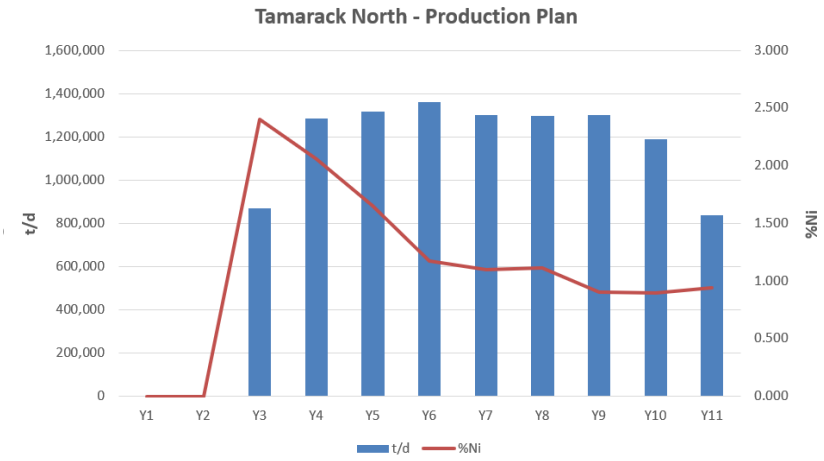



*Figure 1-1: Mine Production Plan*

Major infrastructure including maintenance and storage will be located on surface. An allowance for minor maintenance and temporary storage underground has been made in the mine plan and will be centralized in close proximity to the main ramp.

### *Recovery Methods*

The process plant design is based on an average daily mill feed rate of 3,600 tpd for all three scenarios. The average LOM head grade is 1.34% Ni and 0.74% Cu. The plant feed characteristics and metallurgical performance are summarized in Table 1-4.

*Table 1-4: Plant Feed Characteristics and Metallurgical Performance*

| **Criteria** | **Units** | **Value** | | **Source** |
|---|---|---|---|---|
| | | **Expected Range** | **Design** | |
| Solids SG | $t/m^3$ | 2.60 – 3.75 | 2.90 | D |
| Run of Mine (ROM) Bulk Density | $t/m^3$ | 1.60 – 2.00 | 1.80 | B |
| LOM Mill Ni Head Grade | % Ni | 0.52 – 6.03 | 1.34 | D |
| LOM Mill Cu Head Grade | % Cu | 0.24 – 2.41 | 0.74 | D |
| Mill Treatment Capacity | ktpa | | 1,314 | C/D |
| Ni Recovery to Ni Concentrate | % | | 81.5 | E/C |
| Ni Concentrate Grade | % Ni | | 10.2 | E/C |
| Ni Concentrate Production | ktpa | | 141.9 | E/C |
| Overall Cu Recovery | % | | 84.7 | E/C |
| Cu Recovery to Cu Concentrate | % | | 69.3 | E/C |
| Cu Concentrate Grade | % Cu | | 28.5 | E/C |

| Criteria | Units | Value | | Source |
|---|---|---|---|---|
| | | Expected Range | Design | |
| Cu Concentrate Production | ktpa | | 23.6 | E/C |

The metallurgical process consists of bulk rougher followed by two stages of cleaning of the rougher concentrate. The 2nd cleaner concentrate is subjected to Cu/Ni separation. The process generates separate Cu and Ni concentrates, which will be shipped to different smelters via rail in the form of wet filter cake for the Ni Concentrate Scenario.

For the Ni Sulphate and Ni Powder Scenarios, only the Cu concentrate is shipped to a smelter. For the Ni Sulphate Scenario, the Ni concentrate is subjected to hydrometallurgical treatment comprising POX leach, neutralization, Cu removal, Ni/Co solvent extraction (SX), Co SX, and magnesium (Mg) removal. For the Ni Powder Scenario, the Ni concentrate is transferred to a co-located facility for the production of Ni powder.

The bulk rougher tailings are treated in a desulphurization stage to produce a low-mass HS stream and high-mass non-acid-generating (NAG) tailings. In concept, HS tailings will be placed underground in form of cemented paste backfill together with a portion of the LS tailings. The balance of the LS tailings will be placed in a CFTF. During the start of the mining activities, minimal HS tailings may report to the CFTF when voids are not available. In such situations, HS tailings will be distributed within LS tailings and covered in the CFTF.

The equipment that was selected for the processing plant represents well established technology, such as a jaw and cone crusher, ball mill, tank flotation cells, and stirred media mills for the concentrator. The hydrometallurgical circuit equipment has also been used in numerous commercial operations and includes equipment such as POX autoclaves, mixing tanks, SX mixers and settlers, thickeners, and belt filters. Initial dewatering is generally performed in high-rate thickeners followed by filter presses or belt filters.

The concentrator plant will employ a standard reagent suite consisting of sulphide collectors sodium isopropyl xanthate (SIPX) and potassium amyl xanthate (PAX), frother methyl isobutyl carbinol (MIBC), gangue depressant Depramin C, and pH modifier lime. Flocculants will be employed to assist in the dewatering of the concentrates and tailings streams.

The hydrometallurgical plant will also employ typical reagents such as oxygen, ferric chloride, pH modifiers (limestone, lime), sodium hydrogen sulphide (NaHS), SX diluent and extractant, and flocculants.

The total connected power for the concentrator is 9.8 MW, with 85% drawn. The total connected power of the hydrometallurgical plant is 6.0 MW with 85% drawn. It is assumed at this time that electrical power will be supplied through the electrical grid.

***Project Infrastructure***

The existing local transportation infrastructure is excellent. The site is accessible via an existing road which connects to the Minnesota State highway network.

The active Burlington Northern Santa Fe (BNSF) Railway passes by the town of Tamarack approximately 2.5 km S of the site layout area and connects to an extensive network of rail lines throughout the United States (US) and Canada, including access to the Duluth port.

The city of Duluth lies on the westernmost point of Lake Superior, and provides worldwide shipping access via the Great Lakes, St. Lawrence Seaway, and Atlantic Ocean shipping routes. For the benefit of the Tamarack Project, Kennecott has secured surface rights adjacent to the BNSF railway line to allow for the construction of a railroad siding near the site layout area, should this be required.

The Great River Energy Transmission Line crosses through the Tamarack North Project. The line connects through substations close to the nearby towns of Wright and Cromwell.

A conceptual site layout is shown in Section 18.3 of this PEA, comprising approximately 90 acres.

The CFTF will require approximately 75 acres. The remainder of the site layout area comprises decline and ore bin, mine and mill services building, communication, and concentrator facilities, hydromet plant, paste backfill plant temporary development rock storage, water treatment plant, mine offices, warehouse, and workshops, vehicle washing bays, security gatehouse and parking areas.

### *Capital Costs*

The total estimated capital cost for either the Ni Powder Scenario or the Ni Concentrate Scenario is US$394.99M of which US$315.80M is the initial cost required during the first three years, including the first production year. The total estimated capital cost of the Ni Sulphate Scenario is US$646.44M, of which US$552.61M is the initial cost required during the first three years, including the first production year. The amounts include indirect costs and contingency.

*Table 1-5: Tamarack North Project Capital Expenditure (CAPEX) Summary*

| US$M | **Ni Powder Scenario or Ni Concentrate Scenario** | | | **Ni Sulphate Scenario** | | |
|---|---|---|---|---|---|---|
| **Area** | **Initial Cost (US$M)** | **Sustaining Cost (US$M)** | **Total Cost (US$M)** | **Initial Cost (US$M)** | **Sustaining Cost (US$M)** | **Total Cost (US$M)** |
| Mine | 130.15 | 70.32 | 200.47 | 130.15 | 70.32 | 200.47 |
| Process and Surface Facilities | 167.51 | 22.01 | 189.51 | 390.56 | 50.41 | 440.97 |
| Closure Costs other than CFTF | - | 10.00 | 10.00 | - | 10.00 | 10.00 |
| Salvage Value of Mill | - | (5.00) | (5.00) | - | (5.00) | (5.00) |
| **Sub Total** | **297.66** | **97.33** | **394.99** | **520.71** | **125.73** | **646.44** |
| Working Capital | 18.15 | (18.15) | - | 31.90 | (31.90) | - |
| **Total** | **315.80** | **79.18** | **394.99** | **552.61** | **93.83** | **646.44** |

*May not total due to rounding

### *Operating Costs*

The average operating cost per tonne milled for the nine year mine life is US$48.15/t of mill feed in the Ni Powder Scenario, US$75.99/t of mill feed in the Ni Sulphate Scenario and US$56.54/t of mill feed in the Ni Concentrate Scenario, all of which is detailed in the table that follows.

*Table 1-6: Operating Costs in US$/t of Mill Feed*

| **Cost Category** | **Operating Cost (US$/t of Mill Feed)** | | |
|---|---|---|---|
| | **Ni Powder Scenario** | **Ni Sulphate Scenario** | **Ni Concentrate Scenario** |
| Mining | $27.49 | $27.49 | $27.49 |
| Processing (milling/concentrating) | $14.25 | $14.25 | $14.25 |
| Hydrometallurgical Refining | - | $26.68 | - |
| Product Handling, Transportation, Losses, and Insurance | $1.90 | $2.22 | $10.29 |
| CFTF | $0.75 | $0.75 | $0.75 |
| G&A | $3.76 | $4.60 | $3.76 |
| **Total OPEX *** | **$48.15** | **$75.99** | **$56.54** |

* May not total due to rounding

### *Economic Analysis*

DRA has prepared its assessment of the Tamarack North Project on the basis of a financial model, from which net present value (NPV), internal rate of return (IRR), payback and other measures can be determined. NPV and IRR can assist in the determination of the economic value and viability of a project.

The financial model is based on the results of this PEA which is preliminary in nature and includes inferred resources that are considered too speculative geologically to have the economic consideration applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized.

The objective of the study is to determine the viability of the proposed facilities to mine and process the Tamarack North Project mineralized material. In order to do this, the cash flow arising from the base case was forecast, enabling a computation of NPV and IRR. The sensitivity of this NPV and IRR to changes in the base case assumptions is then examined.

Three scenarios, as detailed in Section 19 “Market Studies and Contracts” of the this PEA, were modelled:

*Table 1-7: PEA Scenarios*

| | Scenario | Description |
|---|---|---|
| **1** | **Nickel Powder Scenario** | Nickel concentrates produced at site and thereafter, used to produce refined nickel powder by a third party for the EV market |
| **2** | **Nickel Sulphate Scenario** | Nickel concentrates from the project are refined at site in a hydrometallurgical process to produce nickel sulphates which are sold to the EV market |
| **3** | **Nickel Concentrate Scenario** | Nickel concentrates produced at site are transported and sold to a smelter, who in turn transports it to a refinery to produce LME grade nickel primarily for the stainless steel market |

"Base Case", "Low" and "Incentive" metal prices are presented in Table 1-8 and are in "real" (i.e. without inflation) dollars.

*Table 1-8: Assumed Real Metal Prices*

| | Unit | Low | Base Case | Incentive |
|---|---|---|---|---|
| Ni | US$/lb | $6.75 | $8.00 | $9.50 |
| Cu | US$/lb | $2.75 | $3.00 | $3.50 |
| Co | US$/lb | 15.00 | 25.00 | $30.00 |
| Pt | US$/oz | $1,000 | $1,000 | $1,000 |
| Pd | US$/oz | $1,000 | $1,000 | $1,000 |
| Au | US$/oz | $1,300 | $1,300 | $1,300 |

The base case cash flow, in real dollars, was evaluated by determining the after-tax NPV at a discount rate of 7.0% and the after-tax IRR as shown in Table 1-9. Results are also shown at comparative discount rates of 8% and 10% and on a pre-tax basis.

*Table 1-9: Base Case NPV for all Scenarios in Million US$ and IRR*

| | Discount rate | Base Case Pricing | | |
|---|---|---|---|---|
| | | Nickel Powder Scenario | Nickel Sulphate Scenario | Nickel Concentrate Scenario |
| **Pre-tax** | **7%** | 688 | 711 | 629 |
| **NPV in** | **8%** | 646 | 660 | 589 |
| **$ millions** | **10%** | 570 | 568 | 518 |
| **Pre-tax IRR** | | 56.0% | 37.6% | 52.6% |
| **After-tax** | **7%** | **567** | **569** | **520** |
| **NPV in** | **8%** | 530 | 524 | 485 |
| **$ millions** | **10%** | 463 | 443 | 423 |
| **After-tax IRR** | | **48.3%** | **31.9%** | **45.6%** |
| **Initial CAPEX and working capital in $ millions** | | **316** | **553** | **316** |

After-tax NPV at a 7% discount rate, initial CAPEX including working capital and after-tax IRR at base case pricing are illustrated in Figure 1-2 below.

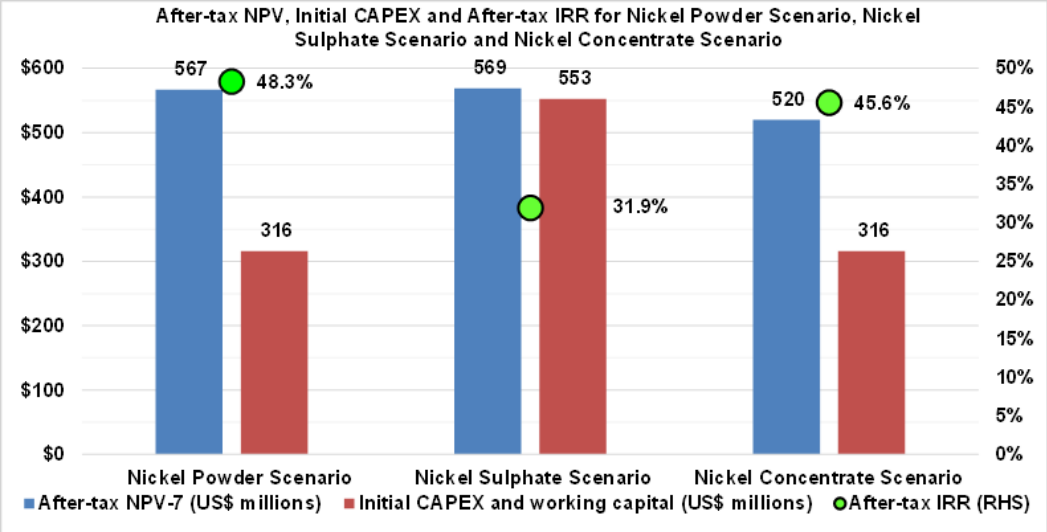



*Figure 1-2: After-tax NPV, Initial CAPEX and Working Capital, and After-tax IRR for all Scenarios*

The sensitivities of the after-tax and pre-tax NPV and IRR as well as other measures for all scenarios were tested using alternate metal price assumptions and discount rates as shown in Table 1-10.

*Table 1-10: After-Tax and Pre-tax NPV Sensitivity Analysis and Additional Metrics*

| | | Nickel Powder Scenario | | | Nickel Sulphate Scenario | | | Nickel Concentrate Scenario | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Discount rate | Metal Price Case | | | Metal Price Case | | | Metal Price Case | | |
| | | Low | Base | Incentive | Low | Base | Incentive | Low | Base | Incentive |
| **Pre-tax NPV** | **7%** | 496 | 688 | 917 | 478 | 711 | 970 | 439 | 629 | 854 |
| **US$ millions** | **8%** | 463 | 646 | 863 | 438 | 660 | 906 | 409 | 589 | 803 |
| | **10%** | 404 | 570 | 767 | 367 | 568 | 790 | 355 | 518 | 712 |
| **Pre-tax IRR** | | 45.0% | 56.0% | 67.4% | 29.2% | 37.6% | 45.7% | 41.5% | 52.6% | 64.2% |
| **After-tax NPV** | **7%** | **415** | **567** | **744** | **387** | **569** | **769** | **369** | **520** | **695** |
| **US$ millions** | **8%** | 386 | 530 | 698 | 351 | 524 | 714 | 342 | 485 | 651 |
| | **10%** | 333 | 463 | 616 | 286 | 443 | 615 | 293 | 423 | 573 |
| **After-tax IRR** | | **39.3%** | **48.3%** | **57.7%** | **25.1%** | **31.9%** | **38.6%** | **36.4%** | **45.6%** | **55.1%** |
| **EBITDA margin** | | 64% | **68%** | 70% | 60% | **64%** | 66% | 60% | **64%** | 67% |
| **EBIT margin** | | 43% | **50%** | 55% | 34% | **41%** | 47% | 39% | **46%** | 52% |
| **Payback from start of production (pre-tax, undiscounted)** | | 1.6 | **1.4** | 1.2 | 2.2 | **1.8** | 1.6 | 1.7 | **1.4** | 1.2 |
| **Payback from start of production (after-tax, undiscounted)** | | 1.8 | **1.5** | 1.3 | 2.4 | **2.1** | 1.8 | 1.9 | **1.6** | 1.4 |

## *Conclusions*

The PEA demonstrates a high after-tax IRR, low All-in Sustaining Cost (AISC), low capital intensity and a quick payback for the Tamarack Nickel Project. The PEA also clearly demonstrates that the Tamarack Nickel Project has the optionality to produce either Ni sulphates or concentrates for refined Ni powders to be used for the EV market or a Ni concentrate for the stainless steel market, with all contemplated scenarios having robust economics.

***Recommendations***

During 2021 Talon should primarily focus on resource expansion and definition to collect data required to complete a PFS and a Feasibility Study. It is recommended that between 25,000 and 30,000 m of drilling be completed for this purpose. Talon's in-house team of experienced specialists operate their own drilling and geophysical equipment efficiently and at low cost. It is therefore believed that this is achievable during 2021.

Talon has a comprehensive geotechnical logging program in place and should therefore continue with laboratory testing of drill core, collecting down hole data using acoustic televiewer (ATV) and full wave sonic technology, as well as in-situ stress measurement testing. Hydrological work should be conducted as appropriate for each level of study. It is recommended to install multilevel vibrating wire piezometers in selected historical drill holes and to conduct additional aquifer property testing within the glacial till and bedrock aquifers.

Geo-metallurgical testing programs should continue and should be based on the predicted LOM feed. Ni concentrates produced from geo-metallurgical testing programs should be used to complete the second phase of hydrometallurgical testing to produce Ni sulphates. Ni concentrates should also be used to develop a flowsheet that produce both Ni and iron (Fe) powders for use in battery precursor and battery cathode (see Section 19: Market Studies and Contracts). Waste products from geo-metallurgical testing should be used to continue environmental test work.

Detailed study recommendations are noted in Section 26.

## EXHIBIT II

## CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF TALON METALS CORP.

*(Initially adopted by the Board of Directors on April 20, 2005; last amended March 12, 2010)*

## I. PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the "**Board of Directors**") of Talon Metals Corp. (the "**Corporation**"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the financial accounting and reporting process and internal controls for the Corporation by:

- reviewing the financial reports and other financial information before such reports and other financial information is provided by the Corporation to any governmental body or the public;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and
- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Part III of this Charter. The Audit Committee's primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Corporation's management which is responsible for preparing the Corporation's financial statements and it is the Corporation's external auditors which are responsible for auditing those financial statements.

## II. COMPOSITION AND MEETINGS

The Audit Committee is to be comprised of such number of directors (but at least three) as determined by the Board of Directors, all of whom must be "independent" directors (as such term is defined in Schedule "A"). All members of the Audit Committee must, to the satisfaction of the Board of Directors, be "financially literate" (as such term is defined in Schedule "A").

The members of the Audit Committee must be elected by the Board of Directors at the annual organizational meeting of the Board of Directors and serve until their successors are duly elected. Unless a Chairman is elected by the full Board of Directors, the members of the Audit Committee may designate a Chairman by majority vote of the full Audit Committee membership.

The Audit Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to the filing of quarterly financial statements to review and discuss the unaudited financial results for the preceding quarter and the related management discussion & analysis ("**MD&A**") and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

As part of its role in fostering open communication, the Audit Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their oversight related duties, members of the Audit Committee are to be provided with full access to all corporate information and are to be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and external auditors of the Corporation.

A quorum for the transaction of business at any meeting of the Audit Committee is (the presence in person or by telephone or other communication equipment of) a simple majority of the total number of members of the Audit Committee or such greater number as the Audit Committee may by resolution determine. If within one hour of the time appointed for a meeting of the Audit Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Should a vacancy arise among the members of the Audit Committee, the remaining members of the Audit Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Audit Committee are to be held from time to time at such place as the Audit Committee or the Chairman of the Audit Committee may determine, within or outside the British Virgin Islands (other than in Canada), upon not less than three days' prior notice to each of the members. Meetings of the Audit Committee may be held without three days' prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chairman of the Audit Committee, any member of the Audit Committee, the Chairman of the Board of Directors, the Corporation's external auditors, or

the Chief Executive Officer, Chief Financial Officer or Secretary of the Corporation is entitled to request that the Chairman of the Audit Committee call a meeting. A notice of the Audit Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Audit Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Audit Committee will require the vote of a majority of its members present at a meeting at which quorum is present. Action of the Audit Committee may be taken by an instrument or instruments in writing signed by all of the members of the Audit Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

## III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

### Generally

1. Create an agenda for the ensuing year.

2. Review and update this Charter at least annually, prepare revisions to its provisions where conditions so dictate and submit such proposed revisions to the Board of Directors for approval.

3. Describe briefly in the Corporation's annual report and more fully in the Corporation's management information circular or its annual information form ("**AIF**") the Audit Committee's composition and responsibilities and how they were discharged, and otherwise assist management in providing the information required by applicable securities legislation (including the form requirements under National Instrument 52-110) in the Corporation's AIF.

4. Report periodically to the Board of Directors.

5. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and compensate independent counsel, accountants and other professionals to assist it in the performance of its duties as it deems necessary.

6. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

**Documents/Reports Review**

7. Review the Corporation's interim and annual financial statements, results of audits as well as all interim and annual MD&A and interim and annual earnings press releases prior to their publication and/or filing with any governmental body, or the public.

8. Review policies and procedures with respect to directors' and senior officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors, based on terms of reference agreed upon by the external auditors and the Audit Committee.

9. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure addressed in paragraph 7 of this part, and periodically assess the adequacy of such procedures.

10. Review the audited annual financial statements to satisfy itself that they are presented in accordance with general accepted accounting principles.

11. Provide insight to related party transactions entered into by the Corporation.

**External Auditors**

12. Recommend to the Board of Directors the selection of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. Instruct the external auditors that the Board of Directors, as the shareholders' representative, is the external auditors' client.

13. Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors and discussing and resolving any material differences of opinion between management and the external auditors.

14. Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Corporation to determine their independence.

15. Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiaries by the external auditors.

16. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.

17. Periodically consult with the external auditors out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Corporation's

financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

18. Ensure that the external auditors report directly to the Audit Committee, ensure that significant findings and recommendations made by the external auditors are received and discussed with the Audit Committee on a timely basis and arrange for the external auditors to be available to the Audit Committee and the full Board of Directors as needed.

19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's external auditors.

**Financial Reporting Processes**

20. In consultation with the external auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.

21. Consider the external auditors' judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices.

22. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

**Process Improvement**

23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

24. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit Committee may deem desirable.

25. Following completion of the annual audit and quarterly reviews, review separately with management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit and reviews

26. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.

27. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.

28. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.

29. Review activities, organizational structure, and qualifications of the Corporation's Chief Financial Officer and staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the full Board of Directors.

**Ethical and Legal Compliance**

30. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

31. Review and update periodically a code of business conduct and ethics (the "**Code of Conduct**") and ensure that management has established a system to enforce the Code of Conduct. Review appropriateness of actions taken to ensure compliance with the Code of Conduct and to review the results of confirmations and violations thereof.

32. Review management's monitoring of the Corporation's systems in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

33. Review, with the Corporation's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the Corporation's financial statements.

**Risk Management**

34. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditors' opinion of management's assessment of significant financial risks facing the Corporation and how effectively such risks are being managed or controlled.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

**Currency of Charter**

35. This charter was last revised and approved by the Board of Directors on March 12, 2010.

## Schedule "A"

## Independence and Financial Literacy

### Independence Requirement of National Instrument 52-110

National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") provides, in effect, that a member of the Audit Committee is "**independent**" if that member has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of such member's independent judgment.

*Section 1.4 of NI 52-110 provides that the following individuals are considered to have a "**material relationship**" with the Corporation and, as such, would not be considered independent:*

(a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

(c) an individual who: (i) is a partner of a firm that is the Corporation's internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual: (i) is a partner of a firm that is the Corporation's internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

*Section 1.5 of NI 52-110 provides that despite any determination made under section 1.4 of NI 52-110, an individual who*

(i) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her own capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(ii) is an affiliated entity of the Corporation or any of its subsidiary entities,

is considered to have a material relationship with the Corporation.

*For purposes of determining whether or not a member has a material relationship with the Corporation, the terms set out below shall have the following meanings:*

"**affiliated entity**" - a person or company is considered to be an affiliated entity of another person or company if (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or (b) the person is an individual who is (i) both a director and an employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity;

"**company**" - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

"**control**" - the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise;

"**executive officer**" of an entity - means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

"**immediate family member**" – an individual's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual's immediate family member) who shares the individual's home;

"**person**" - an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative; and

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

**Financial Literacy**

NI 52-110 provides that a director will be considered "**financially literate**" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.