



News Release
TSX:TLO

TALON AND KENNECOTT EXPLORATION AGREE TO CO-FUND A WINTER EXPLORATION PROGRAM AT TAMARACK

Resource Capital Funds to provide Talon with an additional US\$2 million

Road Town, British Virgin Islands (December 19, 2016) – Talon Metals Corp. (“**Talon**” or the “**Company**”) (TSX:TLO) is pleased to announce that it has entered into an amending agreement (the “**Earn-in Amending Agreement**”) with Kennecott Exploration Company (“**Kennecott Exploration**”) in respect of the Exploration and Option Agreement between Talon Nickel (USA) LLC and Kennecott Exploration dated June 25, 2014, as amended on March 26, 2015 and November 25, 2015 (the “**Earn-in Agreement**”).

Pursuant to the Earn-in Amending Agreement, Talon Nickel (USA) LLC (“**Talon USA**”), a wholly owned subsidiary of Talon, and Kennecott Exploration have agreed to co-fund a winter exploration program at the Tamarack Project in the approximate amount of US\$3,500,000 (the “**Winter Program**”), with Talon USA funding its proportionate share of 18.45% thereof. The Earn-in Amending Agreement also provides that Kennecott Exploration may elect at any time up to and including September 25, 2017 to grant Talon USA the option to purchase Kennecott Exploration’s interest in the Tamarack Project or proceed with the Mining Venture Agreement in respect of the Tamarack Project (*i.e.*, 90-days following the third anniversary of the original Exploration and Option Agreement).

Concurrently with entering into the Earn-in Amending Agreement with Kennecott, Talon entered into an agreement (the “**Loan Amending Agreement**”) with Resource Capital Fund VI L.P. (“**RCF**”) to amend a loan agreement, dated November 25, 2015, amongst Talon, RCF and certain of Talon’s subsidiaries (the “**Loan Agreement**”). Pursuant to the terms of the Loan Amending Agreement, RCF has agreed to increase the principal amount of the unsecured loan previously advanced to the Company on December 29, 2015 by US\$2,000,000 (from US\$14,000,000 to US\$16,000,000) to be provided in a second advance on substantially the same terms as the original loan (the “**Loan Amendment**”).

Pursuant to the Loan Amending Agreement, as consideration for RCF’s agreement to increase the principal amount under the Loan Agreement, the Company has agreed to issue to RCF 15,000,000 common share purchase warrants (the “**Warrants**”), each exercisable for one common share (each, an “**Warrant Share**”) at an exercise price of CDN\$0.11 per Warrant Share for a period of 48 months from the date of issuance of such Warrants.

The effectiveness of the Loan Amendment and the issuance of the Warrants are subject to the satisfaction of certain conditions precedent customary for this type of transaction and certain other conditions, including receipt of shareholder approval (as further discussed below) and receipt of Toronto Stock Exchange approval for the issuance of the Warrants and the Warrant Shares.

Pursuant to the terms of the Loan Agreement, as amended, RCF maintains the right to elect to convert all or part of the principal amount of the 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 145% premium to the Company’s closing share price on December 16, 2016 (the last trading day prior to this press release). The outstanding principal amount of the RCF Loan, as amended, will continue to bear interest at the rate of 12% per annum until the maturity date, being the earlier of: (i) November 25, 2018; and (ii) the date upon which RCF elects to accelerate the due date upon the occurrence of certain events, including an event of default.

“The decision by RCF to increase the amount of the loan by US\$2 million provides Talon with the working capital it needs to co-fund the winter exploration at Tamarack”, said Sean Werger, President of Talon. “It also provides Talon with a much stronger treasury after the winter exploration program. Shareholders should take note of the fact that RCF was agreeable to maintaining the Conversion Price of the loan at \$0.156. This represents a 145% premium to the Company’s closing share price on December 16, 2016 (the last trading day prior to this press release), and demonstrates RCF’s belief in the value of the Company.”

For more information on the terms of the Loan Agreement, please see the Company’s press releases dated November 26, 2015 and December 30, 2015 and the full text of the Loan Agreement, copies of which are available on Talon’s profile on SEDAR at www.sedar.com.

SPECIAL MEETING OF SHAREHOLDERS

RCF is deemed to be a “related party” of the Company pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) and each of the Loan Amendment and the issuance of the RCF Warrants (the “**RCF Transaction**”) may constitute a “related party transaction” under MI 61-101. Therefore, the completion of the RCF Transaction is subject to the receipt of minority approval (as such term is defined in MI 61-101). For this purpose, Talon intends to hold a special meeting of its shareholders on January 18, 2017 (the “**Meeting**”).

Pursuant to the Earn-in Agreement, as amended by the Earn-in Amending Agreement, in the event the requisite shareholder approval is not obtained at the Meeting, Talon may elect not to fund its proportionate share of the Winter Program and, in such circumstance, Talon’s 18.45% interest in the Tamarack Project would be diluted to approximately 18%.

Shareholders of record as of December 7, 2016 will be entitled to vote their common shares at the Meeting. Pursuant to the requirements MI 61-101, the common shares held or controlled by RCF will be excluded for the purposes of determining whether the requisite shareholder approval is obtained at the Meeting. A special committee formed by Talon’s board of directors has also retained Duff & Phelps Canada Limited to provide to provide a formal valuation in compliance with MI 61-101.

Talon intends to finalize and distribute proxy materials, which will include voting instructions. Such materials will be mailed to shareholders of record, and copies will be posted under Talon’s profile on SEDAR.

For more information on the Loan Amending Agreement and the Earn-in Amending Agreement, please see the full text of such agreements, copies of which will be available on Talon's profile on SEDAR.

About Talon

Talon is a TSX-listed company focused on the exploration and development of the Tamarack Nickel-Copper-PGE Project in Minnesota, USA (which comprises the Tamarack North Project and the Tamarack South Project). The Company has a well-qualified exploration and mine management team with extensive experience in project management.

For additional information on Talon, please visit the Company's website at www.talonmetals.com or contact:

Sean Werger
President
Talon Metals Corp.
Tel: (416) 361-9636 x247
Email: werger@talonmetals.com

Forward-Looking Statements

This press release contains forward-looking information which is not comprised of historical facts. Forward-looking information involves risks, uncertainties and other factors that could cause actual events, results, performance and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward-looking information contained or referred to in this press release includes, but may not be limited to, the commencement of the Winter Program, Talon's decision to fund its proportionate share of the Winter Program, the receipt of funds from RCF pursuant the Loan Amending Agreement and the use of proceeds in respect of such funds, the issuance of the Warrants to RCF and the timing of the completion of such transactions and the meeting of the Company's shareholders.

Factors that could cause actual results to differ materially from those described in such forward-looking information include, but are not limited to, risks related to Talon's, or RCF's inability to satisfy a condition precedent to the effectiveness of the Loan Amendment (including the failure to obtain the requisite shareholder approval at the shareholder's meeting and the necessary regulatory approvals), the occurrence of an event of default and risks related to the inability of each of the Company, RCF and Kennecott to perform their respective obligations under their respective agreements as well as certain other risks set out in the Company's public documents, including its annual information form as at March 30, 2016, filed under the Company's profile on SEDAR.

The forward-looking information in this press release reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. In connection with the forward-looking information contained in this press release, the Company has made assumptions about: the Company's business, the economy and the Company's industry in general as well as the Company's, RCF's and Kennecott's ability to perform their respective obligations. The Company has also assumed that no significant events occur outside of the Company's normal course of

business. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise.