



**ANNUAL INFORMATION FORM**

**AS AT MARCH 30, 2020**

**TALON METALS CORP.**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**EXHIBIT I – EXECUTIVE SUMMARY SECTION FROM TAMARACK NORTH  
UPDATED PRELIMINARY ECONOMIC ASSESSMENT**

**EXHIBIT II - CHARTER OF THE AUDIT COMMITTEE**

## 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 Company’s properties, including 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 properties of Talon (including, 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.

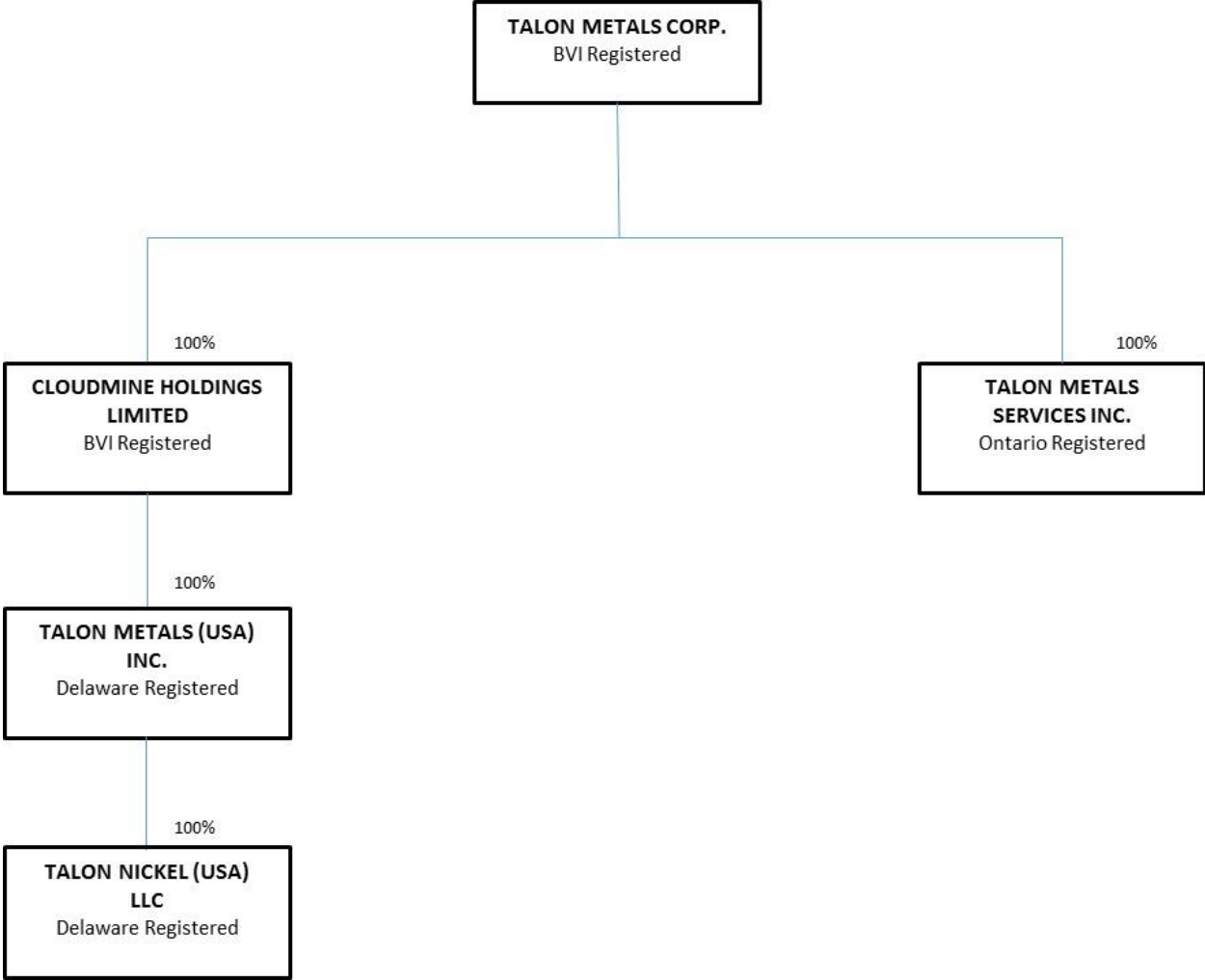
On March 24, 2010, the Company and Saber Energy Corp. (“**Saber**”) merged pursuant to a merger effected under the BVI Act (the “**Saber Merger**”). On closing of the Saber Merger, the properties and assets of Saber became the properties and assets of the Company. Talon survived the Saber Merger, retained 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*

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 Exploration Company, part of the Rio Tinto Group (“**Kennecott**”), pursuant to which, under the original terms of the Tamarack Earn-in Agreement (which terms were subsequently amended and then the Tamarack Earn-in Agreement was terminated – see “*Kennecott Debt Settlement and Tamarack Earn-in Second Amending Agreement*”, “*Tamarack Earn-in Third Amending Agreement and RCF Loan First Amending Agreement*” and “*Tamarack Purchase Option*”(below)), Talon Nickel had the right to acquire a 30% interest in the Tamarack Project over a three year period (the “**Earn-in Period**”) by making US\$7.5-million in installment payments to Kennecott, and incurring US\$30-million in exploration expenditures (the “**Earn-in Conditions**”). In addition, Talon Nickel agreed to make certain land option payments on behalf of Kennecott, which were payable over the Earn-in Period.

During the Earn-in Period, Kennecott was the operator of the Tamarack Project, thereby enabling Talon to benefit from Kennecott’s competence as a top global explorer. Further, Talon and Kennecott formed a Technical Committee with both parties appointing representatives to provide strategic input in regards to ongoing and upcoming exploration programs.

Pursuant to the terms of the original Tamarack Earn-in Agreement (which terms were subsequently amended and then the Tamarack Earn-in Agreement was terminated – see “*Kennecott Debt Settlement and Tamarack Earn-in Second Amending Agreement*”, “*Tamarack Earn-in Third Amending Agreement and RCF Loan First Amending Agreement*” and “*Tamarack Purchase Option*” (below)), upon Talon Nickel completing the Earn-in Conditions, Kennecott would have elected whether to: (a) proceed with a 70/30 joint venture on the Tamarack Project, with Kennecott holding a 70% participating interest, and Talon Nickel owning a 30% participating interest; or (b) grant Talon Nickel the right to purchase Kennecott’s interest in the Tamarack Project for a purchase price of US\$107.5 million. In the event Kennecott were to grant Talon Nickel the right to purchase its interest in the Tamarack Project, and Talon Nickel elected to proceed with the purchase option, under the terms of the original Tamarack Earn-in Agreement, Talon Nickel would have had up to 18 months to close the transaction, provided it

made an upfront non-refundable payment to Kennecott of US\$7.5 million (thereby reducing the purchase price to US\$100 million).

#### *Kennecott Loan and Tamarack Earn-in First Amending Agreement*

On March 26, 2015, Kennecott provided Talon and Talon Nickel with an unsecured loan (the “**Kennecott Loan**”) in the principal amount of US\$4 million (in July 2015, the Kennecott Loan was increased to US\$4.5 million). The Kennecott Loan was to mature on December 21, 2015 and had an interest rate of LIBOR plus 8% per annum (see also “*Kennecott Debt Settlement and Kennecott Earn-in Second Amending Agreement*” (below)). The proceeds from the Kennecott Loan were used by Kennecott to fund exploration expenditures at the Tamarack Project, and for certain pre-determined land acquisitions.

In addition, on March 26, 2015, Kennecott also agreed to amend the Tamarack Earn-in Agreement (the “**Tamarack Earn-in First Amending Agreement**”) to: (1) defer a US\$2,500,000 option payment due by Talon Nickel on June 26, 2015 until December 21, 2015 (the “**Deferred Option Payment**”); and (2) not make any cash calls from Talon Nickel beyond the amount of the Kennecott Loan until the fourth quarter of 2015.

#### *Resource Capital Fund Financing*

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 RCF Financing was subject to certain closing conditions, including, the receipt of shareholder approval. The Company held a special meeting of its shareholders on December 29, 2015 where shareholders approved, among other things, the RCF Financing, and on the same day the RCF Financing closed. The material terms of the RCF Financing were as follows:

- 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).

- For as long as the RCF Loan Agreement was in effect or while RCF and its affiliates, on a partially diluted basis, hold common shares of the Company equal to or exceeding 10% of all common shares issued and outstanding, RCF has the right to participate in any equity or debt financings of the Company (other than certain exempt issuances) at the same price and on the same terms, on a pro rata basis, such that RCF may maintain its percentage interest in common shares of the Company on a partially diluted basis, assuming the full exercise of all rights under the RCF Unsecured Loan to receive common shares, including all rights of conversion.
- At all times, (a) while any obligation remained outstanding under the RCF Loan Agreement, or (b) RCF and its affiliates, on a partially diluted basis, hold common shares of the Company equal to or exceeding 10% of all common shares of the Company issued and outstanding, RCF has the right to nominate one individual to serve on the Company’s board of directors.
- A number of events constituted an event of default under the RCF Loan Agreement, including certain material adverse changes, the delisting of the Common Shares from the TSX, the abandonment or termination of a material portion of the Tamarack Project or a change of control of the Company. Upon an event of default, the principal and interest would have become due and payable and interest would accrue at the default interest rate of 17% per annum.
- The Company was required to adhere, within five percent (5%), to an agreed overhead budget.
- Up to June 30, 2017, the Company was not permitted to issue common shares or other securities convertible into common shares of the Company for consideration less than the Conversion Price.

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.

#### *Kennecott Debt Settlement and Tamarack Earn-in Second Amending Agreement*

On November 25, 2015, Talon, Talon Nickel and Kennecott entered into a debt settlement agreement, pursuant to which, among other things, concurrent with the closing of the RCF Financing, the parties agreed to (a) extinguish the principal amount of the Kennecott Loan,

and (b) convert interest in the aggregate amount of US\$349,115 in respect of the Kennecott Loan and the Deferred Option Payment into 5,236,717 common shares of the Company at a conversion price per common share of \$0.09 based on a fixed US dollar to Canadian dollar exchange rate of 1.35.

On November 25, 2015, Kennecott and Talon Nickel also further amended the Tamarack Earn-in Agreement (the “**Tamarack Earn-in Second Amending Agreement**”) to provide, among other things, that upon receipt by Kennecott from Talon Nickel of the sum of US\$15 million, Talon Nickel would earn an 18.45% interest in the Tamarack Project and Talon Nickel would have no further funding requirements to earn its interest in the Tamarack Project.

In addition, the Tamarack Earn-in Second Amending Agreement provided that once Kennecott spent the funds advanced by Talon Nickel on exploration activities in respect of the Tamarack Project, subject to certain self-funding rights by Kennecott during such period, Kennecott had 180 days to elect (see also “*Tamarack Earn-in Third Amending Agreement and RCF Loan First Amending Agreement*” and “*Tamarack Purchase Option*” (below)) whether to: (a) proceed with a 81.55/18.45 joint venture on the Tamarack Project (the “**Tamarack Joint Venture**”), with Kennecott owning an 81.55% participating interest, and Talon Nickel owning an 18.45% participating interest; or (b) grant Talon Nickel the right to purchase Kennecott’s interest in the Tamarack Project for a total purchase price of US\$114 million (the “**Tamarack Purchase Option**”). In the event Kennecott granted Talon Nickel the Tamarack Purchase Option, and Talon Nickel elected to proceed with the Tamarack Purchase Option, Talon Nickel would have had up to 18 months to close the transaction, provided it made an upfront non-refundable payment of US\$14 million, thereby reducing the purchase price to US\$100 million (see also “*Tamarack Purchase Option*” (below)).

#### *Tamarack Earn-in Third Amending Agreement and RCF Loan First Amending Agreement*

On December 16, 2016, Talon Nickel entered into a third amending agreement with Kennecott (the “**Tamarack Earn-in Third Amending Agreement**”) in respect of the Tamarack Earn-in Agreement, as amended.

Pursuant to the Tamarack Earn-in Third Amending Agreement, Talon Nickel and Kennecott agreed to co-fund a 2016/2017 winter exploration program at the Tamarack Project in the approximate amount of US\$3,500,000, with Talon Nickel funding its proportionate share of 18.45% thereof. The Tamarack Earn-in Third Amending Agreement also provided that Kennecott may elect at any time up to and including September 25, 2017 (the “**Kennecott Decision Deadline**”) to grant Talon Nickel the Tamarack Purchase Option or proceed with the Tamarack Joint Venture in respect of the Tamarack Project. The material terms of the Tamarack Joint Venture and Tamarack Purchase Option remain unchanged.

Concurrently with entering into the Tamarack Earn-in Third Amending Agreement, 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 Unsecured 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.

Other than the increase in the principal amount of the RCF Unsecured Loan, the terms of the RCF Loan Agreement remained unchanged.

#### *Tamarack Purchase Option*

On the Kennecott Decision Deadline (September 25, 2017), Talon Nickel received formal notification from Kennecott that Kennecott had elected to grant Talon Nickel the Tamarack Purchase Option to purchase Kennecott's 81.55% interest in the Tamarack Project (which would give Talon Nickel a 100% interest in the Tamarack Project) for a total purchase price of US\$114 million on the terms and conditions set forth under the Tamarack Earn-in Agreement, as amended.

In the event Talon Nickel elected not to exercise the Tamarack Purchase Option, Talon Nickel and Kennecott agreed to enter into the Mining Venture Agreement (defined below), which would govern the terms of the Tamarack Joint Venture, with Talon owning an 18.45% interest in the Tamarack Project and Kennecott owing an 81.55% interest in the Tamarack Project.

Talon Nickel originally had until November 6, 2017 to advise Kennecott as to whether it would exercise the Tamarack Purchase Option. On November 1, 2017, following a request by Talon Nickel for an extension of time to make its election, Kennecott and Talon Nickel entered into a fourth amending agreement (the "**Tamarack Earn-in Fourth Amending Agreement**") in respect of the Tamarack Earn-in Agreement, as amended. Under the terms of the Tamarack Earn-in Fourth Amending Agreement, Kennecott agreed to grant Talon Nickel until December 31, 2017 to make its election. In return for this extension, Talon Nickel agreed to grant Kennecott a 0.5% NSR in the event Talon Nickel exercised the Tamarack Purchase Option.

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 to (i) enter into the Mining Venture Agreement with immediate effect, and (ii) accelerate the timing of the approval process for the 2018 winter exploration program so that the 2018 winter exploration program was approved with immediate effect.

Following the Tamarack Earn-in Fifth Amending Agreement, Talon Nickel elected to not financially participate in subsequent funding made in respect of the Tamarack Project. This resulted in dilution of its 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).

#### *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.

#### *First 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 “**First 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 First 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.

#### *Second 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 “**Second 2019 Private Placement**”). A finder’s fee, which included 645,660 common share purchase warrants were issued in connection with certain orders under the Second 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.

#### *Overnight Marketed Short Form 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, in effect, 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 existing litigation in Brazil (see “*Legal Proceedings and Regulatory Actions*” (below)).



## 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 by Kennecott (as operator of the Tamarack North Project) has included diamond drilling and sampling, as well as a range of geophysical surveys, including, airborne magnetic and electromagnetic (EM, MegaTEM and AeroTEM), ground magnetic and EM, magnetotelluric (MT), gravity, seismic, resistivity/induced polarization and downhole EM.

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

### *Mineral Resource Estimate*

On March 26, 2018, Talon released a second 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. The second independent technical report is entitled “Second Independent Technical Report on the Tamarack North Project - Tamarack, Minnesota” dated March 26, 2018 (the “**Tamarack North Technical Report**”) and was prepared by independent “Qualified Persons” (as that term is defined in NI 43-101) Mr. Brian Thomas (P. Geo) of Golder Associates Ltd. (“**Golder**”), Mr. Tim Fletcher (P. Eng) of DRA Americas Inc. (“**DRA**”) and Mr. Oliver Peters (P. Eng) of Metpro Management Inc. (“**Metpro**”).

Included in the Tamarack North Technical Report was an updated independent mineral resource estimate prepared in accordance with NI 43-101 (the “**Resource Estimate**”). The Resource Estimate has an effective date of February 15, 2018, was prepared by independent “Qualified Person” (as that term is defined in NI 43-101) Mr. Brian Thomas of Golder and is summarized below.

Domain	Resource Classification	Tonnes (000)	Ni (%)	Cu (%)	Co (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	Calc NiEq (%)
SMSU	Indicated Resource	3,639	1.83	0.99	0.05	0.42	0.26	0.2	2.45
<b>Total</b>	<b>Indicated Resource</b>	<b>3,639</b>	<b>1.83</b>	<b>0.99</b>	<b>0.05</b>	<b>0.42</b>	<b>0.26</b>	<b>0.2</b>	<b>2.45</b>
SMSU	Inferred Resource	1,107	0.90	0.55	0.03	0.22	0.14	0.12	1.25
MSU	Inferred Resource	570	5.86	2.46	0.12	0.68	0.51	0.25	7.24
138 Zone	Inferred Resource	2,705	0.95	0.74	0.03	0.23	0.13	0.16	1.38
<b>Total</b>	<b>Inferred Resource</b>	<b>4,382</b>	<b>1.58</b>	<b>0.92</b>	<b>0.04</b>	<b>0.29</b>	<b>0.18</b>	<b>0.16</b>	<b>2.11</b>

All resources reported at a 0.83% NiEq 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.

$NiEq\% = Ni\% + Cu\% \times \$3.00/\$8.00 + Co\% \times \$12.00/\$8.00 + Pt [g/t]/31.103 \times \$1,300/\$8.00/22.04 + Pd [g/t]/31.103 \times \$700/\$8.00/22.04 + Au [g/t]/31.103 \times \$1,200/\$8.00/22.04$

### *Preliminary Economic Assessment*

On December 18, 2018, Talon released an initial preliminary economic assessment over a subset of the 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. On March 16, 2020, Talon released an updated preliminary economic assessment over a subset of the 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 “**Updated PEA**”). The Updated PEA is entitled “NI 43-101 Technical Report Updated Preliminary Economic Assessment (PEA) of the Tamarack North Project – Tamarack, Minnesota” with an effective date of March 12, 2020. The Resource Estimate maintains an effective date of February 15, 2018.

The Updated 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, Tim Fletcher (P. Eng.) of DRA, Daniel Gagnon (P. Eng.) of DRA, David Ritchie (P. Eng.) of SLR Consulting (Canada) Ltd., Oliver Peters (P. Eng.) of Metpro, Christine Pint (P.G.) of Barr Engineering Co. and Brian Thomas (P. Geo.) of Golder.

The Updated PEA was completed on a portion of the upper Semi-Massive Sulphide Unit (“**SMSU**”), the lower SMSU and the Massive Sulphide Unit (“**MSU**”). The Updated PEA is preliminary in nature. The Updated 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 Updated PEA will be realized.

All amounts are presented on a 100% ownership basis and all dollar amounts are in United States dollars.

*PEA Basis of Design*

No	Parameter	Description
1	Approach and Mandate	Implement Best Available Technologies to protect the environment while creating a catalyst for establishing long-term, sustainable industry
2	Mine Access Method	5 meter Diameter Shaft
3	Mine Methods	Transverse Drift-and-Fill (MSU) and Transverse Open Stopping (SMSU)
4	Type of Metallurgical Process	Bulk rougher flotation followed by cleaning of the bulk rougher concentrate and Cu/Ni separation
5	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
6	Backfill	Cemented paste backfill in a primary-secondary sequence utilizing all high sulphur and 45% of low sulphur tailings
7	Co-disposed Filtered Tailings Facility (“CFTF”)	Filtered low sulphur tailings (at 85% solids) will be 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 using a perimeter ditch and conveyed to a water treatment plant. Upon closure, the CFTF will be encapsulated by a composite cover.
8	Life of Mine (LOM) Feed**	<p><i>SMSU Indicated:</i> 3.362 mt at 1.92% Ni, 1.03% Cu, 0.05% Co, 0.41 g/t Pt, 0.26 g/t Pd, 0.20 g/t Au, 2.62% NiEq<sup>Δ</sup></p> <p><i>SMSU Inferred:</i> 0.515 mt at 1.11% Ni, 0.65% Cu, 0.03% Co, 0.20 g/t Pt, 0.13 g/t Pd, 0.11 g/t Au, 1.54% NiEq<sup>Δ</sup></p> <p><i>MSU Inferred:</i> 0.563 mt at 5.88% Ni, 2.47% Cu, 0.12% Co, 0.51 g/t Pt, 0.68 g/t Pd, 0.24 g/t Au, 7.45% NiEq<sup>Δ</sup></p> <p><i>Total Inferred:</i> 1.077 mt at 3.60% Ni, 1.60% Cu, 0.08% Co, 0.36 g/t Pt, 0.41 g/t Pd, 0.18 g/t Au, 4.63% NiEq<sup>Δ</sup></p> <p>SMSU waste: 0.300 mt at nil grade</p> <p>MSU waste: 0.169 mt at nil grade</p>
9	Mill Treatment Capacity	2,000 tonnes per day (tpd)
10	Mine life (excluding construction period)	8 years (7.5 years excluding partial years)
11	Existing Project Infrastructure	Paved highway, grid power, railway line across site, port
12	Sustainable Development	There may be the potential for a solar garden on top of CFTF to generate clean energy post-mining

\*See Updated PEA for further details in respect of the above table

\*\* Resources included in the Life of Mine Mill Feed were evaluated by calculating the NSR, using the following metal prices: \$8.00/lb Ni, \$3.00/lb Cu, \$25/lb Co, \$1,000/oz Pt, \$1,000/oz Pd and \$1,300/oz Au. Relevant functions were applied such as metal recovery curves, smelting and refining terms, transportation costs and state royalties. 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. These costs are US\$118/tonne for the SMSU and US\$72/tonne for the MSU.

<sup>Δ</sup>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

### Capital and Operating Costs

Capital costs for the Tamarack North Project were estimated by DRA Americas for the mine, process and surface facilities, and by SLR Consulting Limited for the CFTF. All cost estimates have been forecast in US dollars using constant, first 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.

The total estimated capital cost is US\$258.73M (which includes an estimated US\$10.0M mill salvage credit and \$10.32M of closure costs), of which US\$218.60M is the initial cost required during the first 2.5 years prior to the start of production. The amounts include indirect costs and amounts for contingency. Contingency varies by line item, averages 20% for the initial cost of the mine and 23.4% for the initial cost of the process and surface facilities, and totals US\$37.08M of the total initial cost of \$218.60M.

Capital costs are detailed in the following table.

	<b>Initial capital cost (US\$m)</b>	<b>Sustaining capital cost (US\$m)</b>	<b>Total (US\$m)</b>
Mine	83.33	49.28	132.61
Process and Surface Facilities	122.32	3.48	125.80
Sale of moveable equipment and mill at end of mine life	-	(10.00)	(10.00)
Closure costs	-	10.32	10.32
Working capital	12.95	(12.95)	-
Total*	218.60	40.13	258.73

\*Totals may not add due to rounding

The average operating costs per tonne milled for the eight year mine life is US\$87.73 per tonne milled and is detailed in the following table:

Mining	US\$/tonne	\$50.34
Processing	US\$/tonne	\$14.69
Product handling	US\$/tonne	\$13.52
CFTF	US\$/tonne	\$1.67
General and administrative	US\$/tonne	\$7.50
Total	US\$/tonne	\$87.73

C1 cost is US\$2.67 per lb of nickel in concentrate and includes on-site costs, value of metal claimed by smelter (metal units, treatment charges and refining charges), insurance, losses and transportation costs, less the value of by-products such as copper and cobalt. C1 cost is not an IFRS (International Financial Reporting Standards) measure and, although it is calculated according to accepted industry practice, the C1 cost may not be directly comparable to calculations carried out by other companies.

Capital intensity is \$21,000 per annual tonne of payable nickel equivalent and \$15,000 per annual tonne of nickel produced in concentrate (excluding the impact of ramp-up/partial years in the first and last two years of the mine plan).

### Economic Analysis

At base case metal prices, the Tamarack North Project has an after-tax NPV of US\$291M using a discount rate of 7% and an after-tax IRR of 36%. Payback from start of construction is 2.3 years on a pre-tax basis and 2.5 years after-tax. All amounts are in U.S. dollars.

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

	<b>Unit</b>	<b>Low</b>	<b>Base case</b>	<b>Incentive pricing</b>
Ni	US\$/lb	\$6.75	\$8.00	\$9.50
Cu	US\$/lb	\$2.75	\$3.00	\$3.25
Co	US\$/lb	\$15.00	\$25.00	\$35.00
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

After-tax and pre-tax NPV and IRR, C1 cost per pound of nickel in concentrate and payback period from start of production in years for each pricing scenario is summarized in the table that follows.

		<b>After-tax</b>			<b>Pre-tax</b>		
		<b>Metal price scenario</b>			<b>Metal price scenario</b>		
		<b>Low</b>	<b>Base</b>	<b>Incentive</b>	<b>Low</b>	<b>Base</b>	<b>Incentive</b>
<b>Discount rate</b>	<b>NPV 7%</b>	191	291	398	242	362	492
	<b>NPV 8%</b>	174	268	370	222	335	458
	<b>NPV 10%</b>	142	227	318	185	287	397
<b>IRR</b>		27.3%	36.0%	44.6%	31.4%	41.0%	50.5%
<b>C1 Cash Cost per lb of Ni in concentrate</b>		\$2.56	\$2.67	\$2.85	\$2.56	\$2.67	\$2.85
<b>Payback in years from start of production</b>		2.9	2.5	2.1	2.7	2.3	2.0

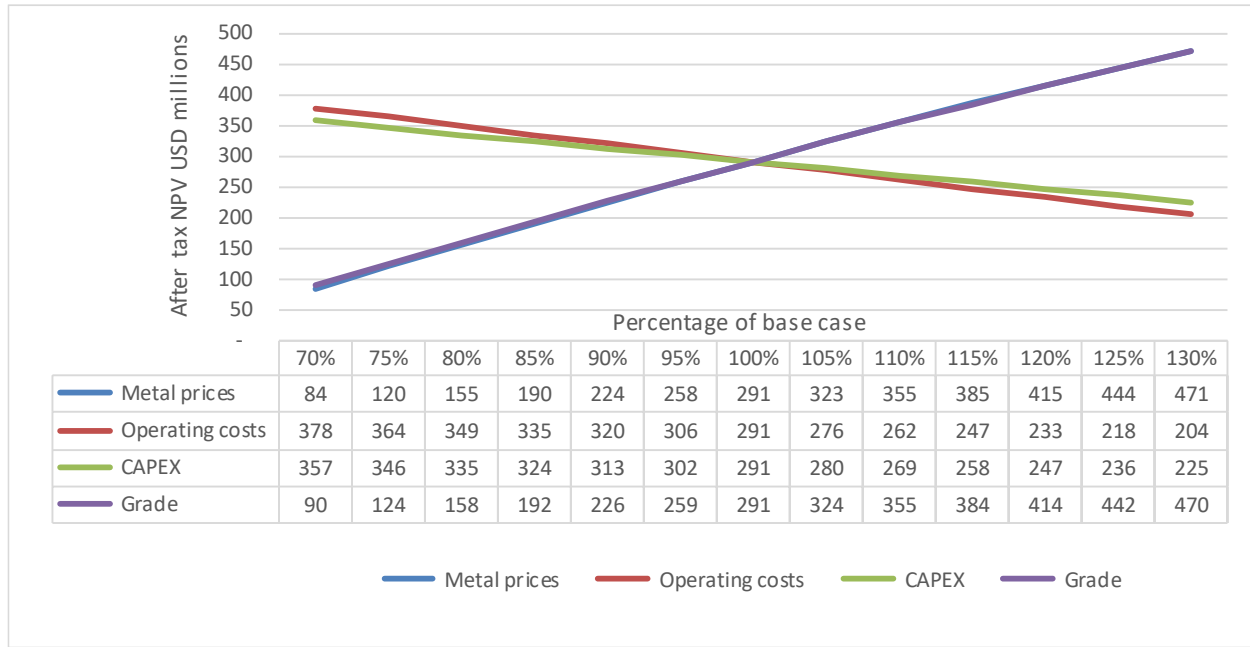
The following table sets out a summary of the Updated PEA:

<b>Parameter</b>	<b>Result</b>
Tonnes processed (Mt)	4.91
NiEq <sup>1</sup> grade of tonnes processed	2.82%
NiEq <sup>1</sup> lbs millions of tonnes processed	305
Nickel recovery to nickel concentrate	83.4%
Copper recovery to Cu Concentrate	80.2%
Total copper recovery	94.4%
Net Ni concentrate payability (NSR / Value in concentrate)	67.9%
Ni concentrate grade	13.3%
Cu concentrate grade	27.6%
Revenue percentage split (Ni/Cu/Co/Pt+Pd+Au)	77/19/3/1
<b>Operating costs per tonne:</b>	
Mining cost per tonne	\$50.34
Processing cost per tonne	\$14.69
Product handling, transportation, losses and insurance per tonne	\$13.52
Co-disposed Filtered Tailings Facility	\$1.67
General & administrative	\$7.50
Total operating cost per tonne	\$87.73
C1 cost per lb of nickel in concentrate	\$2.67
C1 cost plus royalties per lb of nickel in concentrate	\$3.35
All-in sustaining cost per lb of nickel in concentrate (excludes initial CAPEX)	\$3.57
C1 cost plus royalties and total CAPEX per lb of nickel in concentrate	\$4.72
Mill treatment capacity (tpd)	2,000
Initial CAPEX (including working capital) (USD millions)	219
Total CAPEX (USD millions)	259
Mine life in years (excluding partial years)	8 (7.5)
Triple Flag Royalty	1.85%
Ni price per lb	\$8.00
Cu price per lb	\$3.00
Co price per lb	\$25.00
<b>NPV (USD millions)</b>	291
<b>NPV per lb of NiEq<sup>1</sup></b>	\$0.95
<b>After-tax IRR</b>	36.0%
<b>Payback period from start of production – pre-tax in years</b>	2.3
<b>Payback period from start of production – after-tax in years</b>	2.5

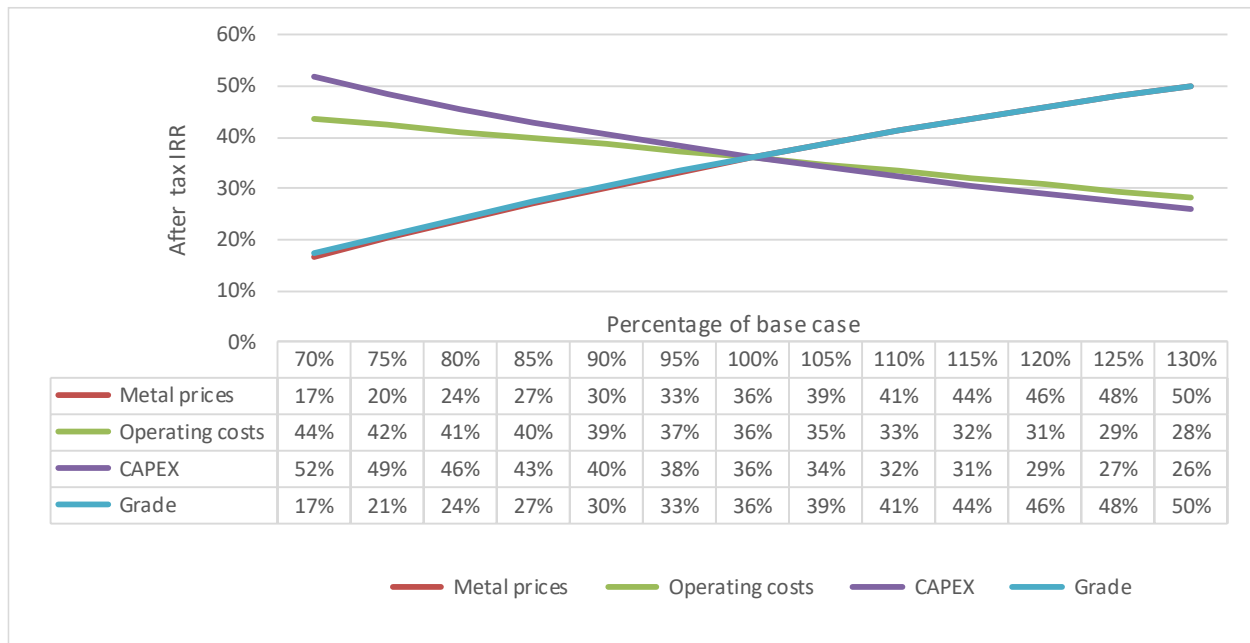
<sup>1</sup> NiEq% = Ni% + Cu% x \$3.00/\$8.00 + Co% x \$25.00/\$8.00 + Pt [g/t]/31.103 x \$1,000/\$8.00/22.04 + Pd [g/t]/31.103 x \$1,000/\$8.00/22.04 + Au [g/t]/31.103 x \$1,300/\$8.00/22.04

After-tax NPV and After-tax IRR Sensitivity

The sensitivity of the base case after-tax NPV and after-tax IRR was tested assuming changes in metal prices, operating costs, grade and capital costs in a range of +/-30% around the base case as shown in the following two figures.



Sensitivity of Base Case after-tax NPV to changes in metal prices, grade, operating costs and capital costs



Sensitivity of Base Case After-tax IRR to changes in metal prices, grade, operating costs and capital costs



### Updated PEA Conclusions

The present mine plan is based on a subset of the Resource Estimate within the Tamarack Zone, which comprises a majority of the MSU, the lower SMSU and only a portion of the upper SMSU. The Updated PEA results are positive, with low case and base case after-tax IRR's of 27% and 36%.

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

**The summary section from the PEA is reproduced in its entirety at Exhibit I of this Annual Information Form and the detailed disclosure in the Updated 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 Updated PEA, including the Resource Estimate), including sampling, analytical and test data underlying the technical information.

The independent Qualified Persons who are responsible for the Updated 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, David Ritchie (P. Eng.) of SLR Consulting (Canada) Ltd, Oliver Peters (P. Eng.) of Metpro, Christine Pint (P.G.) of Barr Engineering Co. and Brian Thomas (P. Geo.) of Golder. They have reviewed, approved and verified the data disclosed in this Annual Information Form relating to the Updated PEA, including sampling, analytical and test data underlying the technical information in the Updated PEA. The independent Qualified Person who is responsible for the Resource Estimate is Brian Thomas of Golder. Mr. Thomas has reviewed, approved and verified the data disclosed in this Annual Information Form relating to the Resource Estimate including, sampling, analytical and test data underlying the 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\$5.40/lb to US\$8.20/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 2020's. A long-term trend impacting the nickel market has been the decreasing contribution to 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, 2019, Talon and its subsidiaries employed 9 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*”.

## **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.

### *Working Capital Requirements*

In order to meet future working capital requirements, the Company may need to raise additional capital, sell non-core assets and/or cut additional costs. 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 is resulting in difficulty in raising equity capital and market forces may render it difficult or impossible for the Company to secure places 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 capital, selling non-core assets and/or cutting sufficient costs 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, 2019 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, 2020 may be dependent on the Company’s ability to secure additional financing, sell non-core assets and/or reduce its working capital requirements.

### *COVID-19 Coronavirus Outbreak*

The current global uncertainty with respect to the spread of the COVID-19 coronavirus (“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 Canada and around the world and could result in travel bans, closure of assay labs, work delays, difficulties for contractors and employees getting to site, and 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 and other factors relevant to the Company, including its ability to raise additional financing.

### *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.

### *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.

### *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 an increased 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.

### *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.

### *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.

#### *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.

#### *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.

#### *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. With respect to Brazil, the Company's interests in mineral properties are comprised of exclusive rights under government licenses to conduct exploration operations and, in due course if warranted and approved by the government, development and mining, on the license areas. 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 and, to a lesser extent, Brazil. 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 or, to a lesser extent, Brazil, 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.

### *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 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.

#### *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.

#### *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, 2019, the Company had 494,328,808 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, 2019, the Company has authorized for issuance:

- 55,165,455 stock options pursuant to its incentive stock option plan and 1,233,733 stock options outside its incentive stock option plan, each entitling the holder to purchase one common share;
- 1,000,000 share purchase warrants issued as part compensation to Haywood Securities Inc. for its efforts in facilitating the RCF Financing, each entitling Haywood Securities Inc. to purchase one common share at a price of \$0.156, at any time up to November 25, 2020;
- 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;
- 6,444,375 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;

- 750,000 share purchase warrants issued in connection with a non-exclusive advisory services agreement to Harp Capital Inc, each exercisable to acquire one common share in the capital of the Company until May 15, 2021 at an exercise price of \$0.116 per common share; and
- 3,207,450 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.

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 21, 2017. 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](http://www.sedar.com).

## 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.

<b>Period</b>	<b>Low</b>	<b>High</b>	<b>Volume</b>
December 2019	\$0.14	\$0.15	1,597,200
November 2019	\$0.14	\$0.17	1,747,400
October 2019	\$0.17	\$0.19	1,205,500
September 2019	\$0.17	\$0.20	2,890,100
August 2019	\$0.18	\$0.22	1,647,000
July 2019	\$0.21	\$0.25	1,924,800
June 2019	\$0.15	\$0.22	1,535,200
May 2019	\$0.12	\$0.18	1,729,500
April 2019	\$0.10	\$0.14	1,093,800
March 2019	\$0.08	\$0.12	2,427,200
February 2019	\$0.08	\$0.09	396,000
January 2019	\$0.07	\$0.10	814,000

## 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 the date hereof, 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 St. George's, Grenada  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 <sup>(1)(2)(3)</sup> Gauteng, South Africa  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 <sup>(1)(3)(4)</sup> Ontario, Canada  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 Ontario, Canada  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
Luis Mauricio F. de Azevedo Rio de Janeiro, RJ, Brazil  Director	Partner (Lawyer) of FFA Legal Ltda., 1997 to present.	April 5, 2005
David E. Singer <sup>(1)(3)</sup> Efrat, Israel  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
Anthony J. Naldrett West Sussex, United Kingdom  Director	Professor Emeritus at the University of Toronto, July 1998 to present; Visiting Professor at the University of Witwatersrand, June 2005 to December 2015.	June 27, 2014
David L. Deisley Utah, USA  Director	Executive Vice President and General Counsel of NOVAGOLD Resources Inc. (mining), November 2012 to December 2018.	April 12, 2016
Sean N. Werger Ontario, Canada  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



NAME, RESIDENCE AND CURRENT POSITION(S) WITH TALON	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS	DIRECTOR SINCE
Vincent G. Conte Ontario, Canada  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 Ontario, Canada  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
Mike Kicis Ontario, Canada  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, 2019, the directors and executive officers of Talon as a group beneficially owned, directly and indirectly, or exercised control or direction over 19,033,853 common shares, representing approximately 3.9% of the 494,328,808 issued and outstanding common shares at December 31, 2019.

### 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, 2019, nor are any such proceedings known to be contemplated.

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

Filing Date:	January 2015
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\$1,111,380 (approximately C\$450,000)

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. Both appeals are currently pending trial.

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

(2) Labor Lawsuit – 8<sup>th</sup> 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\$85,000) from all defendants.

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.

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, 2019, 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*”); and
- the Qualification Rights Agreement (see General Development of the Business – Three Year History – *Qualification Rights Agreement*”).

## 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, David Ritchie of SLR Consulting (Canada) Ltd, Oliver Peters of Metpro, Christine Pint of Barr Engineering Co. and Brian Thomas of Golder, the qualified persons under whose supervision the Updated PEA was prepared (and Brian Thomas in respect of the 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 & CEO 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. (" <b>Runnymede</b> "), 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, 2019, 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, 2019 and December 31, 2018.

<b>CATEGORY</b>	<b>2019</b>	<b>2018</b>
Audit Fees	\$55,105	\$32,100
Audit Related Fees	\$29,425 <sup>(1)</sup>	Nil
Tax Fees	Nil	Nil
All Other Fees	\$24,075 <sup>(2)</sup>	Nil

<sup>(1)</sup> 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.

<sup>(2)</sup> Work related to the 2019 Prospectus Offering.

### **ADDITIONAL INFORMATION**

Additional information concerning the Company may be found on SEDAR at [www.sedar.com](http://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, 2019.

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 Updated PEA

#### 1 EXECUTIVE SUMMARY

##### 1.1 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 Metals Corp. (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 National Instrument 43-101 (NI 43-101) guidelines for the Tamarack North Project.

The following consultants contributed to completing the component PEA sections:

- **Barr Engineering (Barr):** Environmental studies, permitting, and social or community impacts;
- **DRA Americas Inc. (DRA):** Overall study management, mining methods, project infrastructure, market studies and contracts, capital and operating costs, and economic analysis;
- **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.

## 1.2 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.

### 1.3 Environmental Considerations and Permitting

The Tamarack North Project will be subject to state and federal environmental review and permitting processes, which are described in Sections 20.6 and 20.7. Throughout the processes, Talon is required to demonstrate that the Tamarack North Project can avoid or mitigate potential impacts to the environment in accordance with regulatory requirements. Additional data collection beyond the baseline studies completed to date will be completed to support these processes.

These demonstrations will be supported by baseline studies (which have been conducted since 2006) to characterize existing physical and biological conditions at the site layout area (Section 18.3). A description of baseline studies conducted to date is provided in Table 20-1. Additional studies will be required to support further project siting, design, and environmental review and permitting efforts.

Best Available Technologies (BATs) have been implemented in the handling of mine waste, most notably:

- Development rock (from the shaft, levels, ramps, cross-cuts and drifts);
- Tailings that are produced because of producing the Ni and Cu concentrates.

The first priority was to determine if a High-Sulphide (HS) tailings stream could be produced. Metallurgical testing has proven that this is possible. Consequently, a Low-Sulphide (LS) tailings stream can be produced separately (Section 17.3.2).

A paste backfill study was commissioned to determine how much of the HS tailings and LS tailings can be mixed with cement and stored in mined out, underground voids. The results of this study showed that 100% of HS tailings and 45% of LS tailings can be blended with cement and cured underground (Section 16.2).

A number of studies were commissioned to investigate the use of BATs in regard to development rock and the remaining LS tailings (Section 18.6). These studies led to the development of an innovative Co-disposed development rock and Filtered Tailings Facility (CFTF) which offers significant environmental and operating advantages over separate tailings storage and development rock storage facilities, including:

- Reduced risk of failure as the facility is not required to store water;
- A major reduction in the waste facility footprint;
- Improved tailings stability and reduced dusting compared to a standalone filtered tailings facility without co-disposal with development rock;
- At closure, the CFTF will be covered with a composite closure cover system. This will limit the amount of infiltration into the CFTF post closure, potentially reducing long term water treatment and post-closure care liabilities;
- A significant reduction in fresh water requirements. In fact, 87% of water required by the processing plant will be recycled water.

Section 18.6 contains a more detailed discussion of the application of the development rock, the fine grained ortho-cumulative olivine (FGO) and sedimentary (SED) from the shaft and levels as well as the remaining LS tailings.

In order to minimize the Tamarack North Project footprint three different mine access methods were considered (Section 16.8.1). As a result, mine access will be by a small diameter mine shaft, which reduces the surface expression of the excavation area by 99.9% compared to a box-cut and ramp access method. Consequently, the total surface area required for all facilities and the CFTF is limited to approximately 90 acres.

By implementing these BATs, Talon is addressing environmental sensitivities, such as:

- Potential mitigation for lost habitat of state and federal protected species;
- Potential wetland impacts and the need for wetland impact mitigation;
- Potential generation of acid rock drainage (ARD) and metal leaching (ML);
- Potential impacts to surface and ground water quality;
- Potential drawdown of surface water levels and flows.

Wetland delineation and evaluation studies in accordance with federal and local guidelines and manuals occurred in 2008 and 2009, covering the site layout area (Section 18.3). A 120-acre study area was initially evaluated and then expanded to a 580 acre study area.

Based on the results from these studies, the conceptual site layout (Section 18.3) has been partially placed on upland (36 acres) to minimize the impact on wetlands (60 acres). Section 20.2 contains a breakdown by area and wetland type.

A survey of a 322-acre study area of vegetative communities occurred in 2008 encompassing much of the potential site layout area. Flora was inventoried onsite and vegetative communities and habitats were mapped by type within the study area. The area where the conceptual site layout is located (Section 18.3) was delineated as Fallow Farm Fields/Young Pine Plantation. Satellite imagery dated 1991 suggests that much of this vegetative community had previously been farmed for many years. The vegetative communities that occur in the study area are characteristic of much of northeastern Minnesota, including Aitkin County. No unusual or uncommon natural vegetative communities were identified within the study area. Two invasive plant species (reed canary grass and narrow-leaved cattail) were abundant within several of the habitat types.

A survey for Rare, Threatened and Endangered (RTE) species occurred in 2008. The survey study area covered much of the site layout area, except for a farm residence and adjacent buildings and some areas in the south and northwest. The Minnesota Department of Natural Resources (MNDNR) maintains a geographic database of documented occurrences of threatened, endangered, and special concern species in Minnesota. A database search for RTE species that have been known to occur within several miles of the study area was conducted. This information and Minnesota's entire published list (MNDNR Division of Ecological Resources 2008) of RTE species were utilized while conducting the RTE field investigation within the study area in August 2008. The site was carefully surveyed using a series of thorough meander transects within all-natural vegetative communities and other habitat types.

No federally listed or state listed threatened, endangered, special concern plant species or other rare natural features were documented within the study area. It should be noted that the wetland, vegetative community and RTE surveys will need to be updated closer to the start of the formal environmental review process.

Because all habitat types documented within the study area are relatively common in Aitkin County and the associated ecoregion, the presence of RTE species would be unlikely.

The Tamarack North Project is expected to potentially have a negative water balance (net water demand) during the first three years of production, followed by potentially a positive water balance over the following five years of production (Section 18.7). Further geotechnical and hydrogeological work is needed to assess the impact of methods that may be implemented to restrict underground water infiltration into excavated voids.

Further work is also required to evaluate potential water sources. Trade-off studies of Water Treatment Plant options should be conducted during the PFS.

#### 1.4 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 FGO and the coarse-grained ortho-cumulative (CGO) intrusion of the TIC (dated at 1105 Ma $\pm$ 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 Ni-Cu-Co sulphide mineralization with associated PGEs and Au form 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
<b>Tamarack Zone</b>	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	MMS and MSU
<b>Other</b>	221 Zone	Feldspathic Peridotite	CGO	Disseminated sulphides with ripped up clasts of massive sulphides
	480 Zone	Peridotite	FGO	Disseminated sulphides
	164 Zone	Peridotite	FGO	Blebbly sulphides, sulphides veins

## 1.5 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 (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 246 diamond drill holes totalling 102,402.96 m with holes between 33.5 m and over 1,224 m depth for an average hole depth of 428 m.

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

Golder 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 CIM Mineral Exploration Best Practice Guidelines (November 2018).

#### 1.7 Data Validation

Golder compared updated assay data (2017) from the Kennecott database to the original assay certificates from ALS Chemex for the entire sample population used for resource estimation. No errors were identified during this review.

During the qualified person (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.

## 1.8 Mineral Processing and Metallurgical Testing

The primary focus of the 2016/2017 program was the development of a process that can produce saleable concentrates from Tamarack samples grading as low as 0.45% Ni and 0.31% Cu. However, the current mine plan has a life of mine (LOM) head grade of 2.10% Ni and 1.06% Cu and daily variations in the mill feed are expected to be maximum  $\pm 30$ -40% of this average value. The higher head grades facilitate a significant simplification of the process flowsheet to produce saleable Ni and Cu concentrates. The revised flowsheet that was developed for this PEA represents a more conventional Cu-Ni flowsheet similar to the Eagle Project in Michigan. The simplified flowsheet consists of 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 form of paste backfill. The validity of this simplified flowsheet is supported by the historical test data on 38 composites from the Tamarack mineralization.

The metallurgical projections of the previous PEA were based on the results of tests that were completed on four composites during a 2016/2017 metallurgical program. A limitation of this program was that a significant grade gap existed between the Main North composite grading 0.58% Ni and the next higher-grade SMSU composite with 3.11% Ni. The regression curves that were developed were deemed overly conservative. A comprehensive analysis of the conditions and results of over 210 flotation tests was carried out to develop a more realistic rougher flotation performance as a function of the Cu and Ni head grades, which culminated in revised Ni and Cu rougher recovery projections. The results of the locked cycle tests performed in 2016/2017 were then used to project closed circuit cleaner and Cu/Ni separation performance.

The simplified projected mass balance for the average LOM mill feed grade is presented in Table 1-2. The Ni concentrate contains 84.6% of the Ni value at a grade of 13.0% Ni. Further, 17.7% of the Cu units report to the Ni concentrate. The Cu concentrate contains 76.6% of the Cu units at a grade of 30.6% Cu. The simplified mass balance also presents the split of the tailings into high and low sulphur streams.

Table 1-2: Simplified Circuit Mass Balance

Stream	% Total Solids	Assays (%)			Distribution (%)		
		Cu	Ni	S	Cu	Ni	S
Bulk Rougher Feed	100.0	1.06	2.10	8.52	100.0	100.0	100.0
Ni Conc	13.6	1.38	13.0	27.7	17.7	84.6	44.3
Cu Reclnr Conc (Cu Conc)	2.66	30.6	0.97	31.9	76.6	1.23	9.96
Low S Thickener	62.9	0.052	0.20	0.71	3.08	6.13	5.21
High S Thickener	20.8	0.13	0.81	16.6	2.58	8.05	40.5

## 1.9 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 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 report.

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 February 15, 2018. Mr. Brian Thomas is an independent QP pursuant to NI 43-101.

Table 1-3: Tamarack North Project Mineral Resource Estimate (February 15, 2018)

Domain	Resource Classification	Tonnes (000)	Ni (%)	Cu (%)	Co (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	*Calc NiEq (%)
SMSU	Indicated Resource	3,639	1.83	0.99	0.05	0.42	0.26	0.2	2.45
<b>Total</b>	<b>Indicated Resource</b>	<b>3,639</b>	<b>1.83</b>	<b>0.99</b>	<b>0.05</b>	<b>0.42</b>	<b>0.26</b>	<b>0.2</b>	<b>2.45</b>
SMSU	Inferred Resource	1,107	0.9	0.55	0.03	0.22	0.14	0.12	1.25
MSU	Inferred Resource	570	5.86	2.46	0.12	0.68	0.51	0.25	7.24
138 Zone	Inferred Resource	2,705	0.95	0.74	0.03	0.23	0.13	0.16	1.38
<b>Total</b>	<b>Inferred Resource</b>	<b>4,382</b>	<b>1.58</b>	<b>0.92</b>	<b>0.04</b>	<b>0.29</b>	<b>0.18</b>	<b>0.16</b>	<b>2.11</b>

All resources reported at a 0.83% NiEq 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 \$12.00/\$8.00 + Pt [g/t]/31.103 x \$1,300/\$8.00/22.04 + Pd [g/t]/31.103 x \$700/\$8.00/22.04 + Au [g/t]/31.103 x \$1,200/\$8.00/22.04

The mineral resources are derived from a Datamine-constructed block model (block sizes = 7.5 m by 7.5 m by 7.5 m for the SMSU and the 138 Zone; 3 m x 3 m x 1.5 m for the MSU) of three mineral domains and are reported above an equivalent nickel (NiEq) cut-off of 0.83%. 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<sup>3</sup>) methodology to interpolate grades (Ni, Cu, Co, Pt, Pd and Au) from 1.5 m composited drill holes. Density values were based on specific gravity (SG) 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.

#### 1.10 Mining Methods

The Tamarack deposits will be mined using underground mining methods with access by a shaft. Mine development and operation costs assume contractor rates. Different underground mining methods will be utilized for the SMSU (consisting of an Upper and Lower SMSU) and the MSU.

The Upper and Lower SMSU will utilize transverse long hole open stoping with a delayed cemented paste backfill sequence.

The MSU will utilize overhand, transverse drift-and-fill with a delayed cemented paste backfill sequence.

Paste backfill will be used for the backfilling requirements of the Tamarack North Project for ground stability, increased ore recovery, and to minimize the amount of tailings stored on surface. The paste plant, which will be constructed on surface, will return 100% of the HS tailings back underground, as well as 45% of the LS tailings, which will eliminate the need to store these materials at the surface.

The planned production rate for the Tamarack North Project is 2,000 tonnes per day (tpd) of ore, which was shown to be sustainable for this type of deposit.

A mine maintenance and service area will be excavated at the first mine level for basic maintenance and service of underground equipment. Major components will be brought to surface for repair at contractor maintenance shops or sent to mine equipment supplier shops.

Based on a production rate of 2,000 tpd of ore approximately 235 people will be required for the underground operation.

## 1.11 Recovery Methods

The process plant design is based on an average daily mill feed rate of 2,000 tpd and an average LOM head grade of 2.10% Ni and 1.06% Cu. The plant feed characteristics and metallurgical performance is summarized in Table 1-4.

Table 1-4: Plant Feed Characteristics and Metallurgical Performance

Criteria	Units	Value		Source
		Expected/Avg.	Design	
Solids Density	t/m <sup>3</sup>	2.90 – 3.75	3.14	D
Bulk Density	t/m <sup>3</sup>	1.60 – 2.00	1.80	B
LOM Mill Head Grade	% Ni	1.98 – 5.97	2.10	D
LOM Mill Head Grade	% Cu	1.03 - 2.55	1.06	D
Mill Treatment Capacity	ktpa		730.0	C/D
Ni Recovery to Ni Concentrate	% Ni		84.6	E/C
Ni Concentrate Grade	% Ni		13.0	E/C
Ni Concentrate Production	ktpa		99.4	E/C
Overall Cu Recovery	% Cu		94.3	E/C
Recovery to Cu Concentrate	% Cu		76.6	E/C
Cu Concentrate Grade	% Cu		30.6	E/C
Cu Concentrate Production	ktpa		19.4	E/C

The metallurgical process consists of bulk rougher followed by cleaning of the rougher concentrate. The upgraded rougher 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.

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. All the HS tailings will be placed underground in form of cemented paste backfill together with 45% of the LS tailings. The balance of the LS tailings will be placed in a CFTF.

The equipment that was selected for the processing plant represents well established technology, such as a jaw and cone crusher, ball mill, tank and trough flotation cells, and stirred media mills. Initial dewatering is performed in high-rate thickeners followed by filter presses for the two concentrates and a belt filter for the LS tailings stream.

The 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 carboxy methyl cellulose (CMC), and pH modifier lime. Flocculants will be employed to assist in the dewatering of the concentrates and tailings streams.

The total connected power is 4.6 MW with 85% drawn. It is assumed at this time that electrical power will be supplied through the electrical grid.

### 1.12 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, comprising approximately 90 acres.

The CFTF will require approximately 43 acres. The remainder of the site layout area comprises the hoist room, headframe, ore bins, conveyors, mineral processing facility and concentrates loadout as well as temporary development rock storage, water treatment facilities, workshops, vehicle washing bays, offices and parking areas.

### 1.13 Capital Costs

Capital costs for the Tamarack North Project were estimated by DRA for the mine, process and surface facilities, and by SLR for the CFTF.

All costs are estimated in first quarter 2020 United States (US) dollars, without provision for inflation or escalation.

The total estimated capital cost is US\$258.73M and is summarized in Table 1-5, of which US\$218.60M is the initial cost required during the first 2.5 years prior to the start of production. The amounts include indirect costs and contingency. Contingency varies by line item, averages 20% for the initial cost of the mine and 23.5% for the initial cost of the process and surface facilities, and totals US\$37.08M.

Table 1-5: Tamarack North Project CAPEX Summary

Area	Initial Cost (US\$)	Sustaining Cost (US\$)	Total Cost (US\$)
Mine	\$83.33M	\$49.28M	\$132.61M
Process and Surface Facilities	\$122.32M	\$3.48M	\$125.80M
Closure Costs	-	\$10.32M	\$10.32M
Salvage Value of Mill	-	(\$10.00M)	(\$10.00M)
<b>Sub-Total</b>	<b>\$205.65M</b>	<b>\$53.08M</b>	<b>\$258.73M</b>
Working Capital	\$12.95M	(\$12.95M)	-
<b>Total CAPEX *</b>	<b>\$218.60M</b>	<b>\$40.13M</b>	<b>\$258.73M</b>

\*May not total due to rounding

#### 1.14 Operating Costs

The average operating costs per tonne of ore milled for the eight-year life of the Tamarack North Project at the processing plant design capacity of 2,000 tpd are summarized in Table 1-6 below.

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

Cost Category	Operating Cost (US\$/t of ore milled)
Mining	\$50.34
Processing	\$14.69
Product Handling, Transportation, Losses, and Insurance	\$13.52
CFTF	\$1.67
General & Administrative	\$7.50
<b>Total OPEX</b>	<b>\$87.73</b>

#### 1.15 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.

Base case metal prices were based on analyst consensus long-term prices as well as current markets, forecasts and reports in the public domain. Alternate pricing scenarios were also considered.

Table 1-7: Base Case Metal Prices

	<b>Unit</b>	<b>Base case</b>
Ni	US\$/lb	\$8.00
Cu	US\$/lb	\$3.00
Co	US\$/lb	\$25.00
Pt	US\$/oz	\$1,000
Pd	US\$/oz	\$1,000
Au	US\$/oz	\$1,300

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

The following table summarizes the base case LOM cash flow.

Table 1-8: Summary of Base Case Life of Mine Cash Flow

	<b>LOM Total (US\$)</b>	<b>US\$/tonne Milled</b>	<b>US\$/lb of Ni in Concentrate</b>
Value of Nickel in Concentrate	1,518,382,875	309.33	8.00
Value of By-Products in Concentrate	520,200,188	105.98	2.74
<b>Total Value in Concentrate</b>	2,038,583,063	415.31	10.74
Value of Metal Claimed by Smelter (metal units, treatment/refining charges)	596,425,004	121.51	3.14
Insurance and Losses	2,307,453	0.47	0.01
<b>Net Smelter Return Revenue</b>	1,439,850,606	293.33	7.59
Government and Private Royalties	129,908,958	26.47	0.68
Product Handling and Transportation Costs	64,077,926	13.05	0.34
<b>Net Smelter Return Revenue after Royalties and Transportation Costs</b>	1,245,863,722	253.81	6.56
<b>On-Site Costs</b>			
Mining Costs	247,119,722	50.34	1.30
Processing Costs	72,107,550	14.69	0.38
Co-Disposed Filtered Tailings Facility	8,197,387	1.67	0.04
General & Administrative Costs	36,814,610	7.50	0.19
<b>Total On-Site Costs</b>	364,239,268	74.20	1.92
<b>Net Operating Margin</b>	881,624,453	180	4.65
Capital Expenditures	258,729,410	52.71	1.36
Working Capital	-	-	-
<b>Net Cash Flow (before tax)</b>	622,895,043	126.90	3.28
Corporate Tax	108,861,716	22.18	0.57
<b>Net Cash Flow (after tax)</b>	514,033,327	104.72	2.71

The following table provides the calculation of “C1 cost” and “total cost”. C1 cost and total cost are not IFRS (International Financial Reporting Standards) measures and, although calculated according to accepted industry practice, they may not be directly comparable to calculations carried out by other companies.



Table 1-9: C1 Cash Cost and Total Cost

	<b>LOM Total (US\$)</b>	<b>US\$/tonne milled</b>	<b>US\$/lb of Ni in Concentrate</b>
On-Site Costs	364,239,268	74.20	1.92
Value of Metal Claimed by Smelter (metal units, treatment/refining charges)	596,425,004	121.51	3.14
Insurance and Losses	2,307,453	0.47	0.01
Product Handling and Transportation Costs	64,077,926	13.05	0.34
Less: Value of By-Products in Concentrate	520,200,188	105.98	2.74
<b>C1 Cost per lb of Ni in Concentrate</b>	<b>506,849,464</b>	<b>103.26</b>	<b>2.67</b>
Government and Private Royalties	129,908,958	26.47	0.68
<b>C1 Cost Plus Royalties</b>	<b>636,758,422</b>	<b>129.72</b>	<b>3.35</b>
Capital Expenditures	258,729,410	52.71	1.36
<b>Total Cost (including CAPEX)</b>	<b>895,487,832</b>	<b>182.43</b>	<b>4.72</b>

The base case cash flow, which is 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 1-10. Results are also shown at comparative discount rates of 8% and 10% and on a pre-tax basis.

Table 1-10: Base Case NPV in Million US\$ at Various Discount Rates and IRR

	<b>Base Case NPV Discounted at</b>			<b>IRR</b>
	<b>7%</b>	<b>8%</b>	<b>10%</b>	
<b>Pre-Tax</b>	362	335	287	41.0%
<b>After-Tax</b>	291	268	227	36.0%

The undiscounted pre-tax payback period is 2.3 years from the production start date in the third quarter of year one which along with other payback measures is included in the table that follows.

Table 1-11: Payback Period in Years from Production Start Date

	<b>Undiscounted</b>	<b>Discounted</b>
<b>Pre-Tax</b>	2.3	2.5
<b>After-Tax</b>	2.5	2.8

## 1.16 Conclusions

The present mine plan includes only a portion of the upper SMSU, the lower SMSU and the MSU and excludes the 138 Zone.

The PEA is positive under a nickel (Ni) and copper (Cu) price scenario of \$6.75/lb and \$2.75/lb, respectively (27.3% after-tax IRR) with a base case IRR that ranks amongst the best globally (36% after-tax IRR).

#### 1.17 Recommendations

There are several opportunities to increase the Tamarack North Project NPV and therefore the following is recommended:

- Increase the MSU mineral resource by exploring the open MSU extensions in the Tamarack Zone, the CGO Bend and potential MSU mineralization in the 164 Zone through geophysical and drilling methods;
- Preconcentrate the MSU mineralization by separating it from the barren sediment and low-grade CGO mineralization;
- Determine the optimal stope sizes in the SMSU;
- Update the production schedule to maximize early cash flows while maintaining a consistent plant feed.

Further test work should be completed to develop a flowsheet for the production of nickel sulphates at Tamarack. Pending the results of these test programs, a subsequent PEA should be initiated as the immediate next step, to consider a hydrometallurgical facility for the Tamarack site.

Once it has been decided whether nickel concentrates or sulphates will be produced, a PFS should be completed.

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.