



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

For the three and nine months ended September 30, 2021

Dated: November 15, 2021

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*This Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for the three and nine months ended September 30, 2021 should be read in conjunction with the consolidated financial statements of Talon Metals Corp. ("Talon" or the "Company") and notes thereto for the three and nine months ended September 30, 2021. The MD&A enables readers to assess material changes in financial condition and results of operations in comparison to the corresponding prior-year periods.*

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

## **FORWARD-LOOKING INFORMATION**

This MD&A contains certain "forward-looking information". All information, other than information pertaining to historical fact, which addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, including, among other things, the completion and timing of the Company's objectives, including exploration plans, drilling plans, geophysical work, including using geophysical surveys to identify targets outside of the resource area, mine plans and environmental baseline work, metallurgical test work, including the development of a flowsheet that could produce both refined nickel and iron powders, and the costs and timing thereof, the completion of a prefeasibility study, payments to Kennecott (defined below) pursuant to the 2018 Option Agreement (defined below), estimates in respect of mineral resource quantities, mineral resource qualities, the Company's targets, goals, objectives and plans, the Company's business plans, priorities and budget, projections in respect of capital expenditures and the Company's liquidity and capital resources (including, the Company's expected uses of working capital), is forward-looking information.

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

Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: the failure of exploration programs to identify mineralization, the failure to establish estimated mineral resources and any reserves; the grade, quality and recovery of mineral resources varying from estimates; risks related to the exploration stage of the Company's properties; the possibility that future exploration results and metallurgical testing will not be consistent with the Company's expectations; changes in nickel, copper and/or PGE prices; COVID-19; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities, including approval of applications for licences/permits required to conduct field based programs; uncertainties involved in interpreting drilling results, and the beneficiation process and other geological and product related data; changes in the anticipated demand for nickel, copper, cobalt and/or gold and PGEs; changes in equity and debt markets; inflation; changes in exchange rates; declines in U.S., Canadian and/or global economies; uncertainties relating to the availability and costs of financing needed to complete exploration

activities and demonstrate the feasibility of the Company's projects; exploration costs varying significantly from estimates; delays in the exploration, mineral processing and development of, and/or commercial production from the properties Talon has an interest in; equipment failure; unexpected geological or hydrological conditions; political risks; imprecision in preliminary resource estimates; success of future exploration and development initiatives; the existence of undetected or unregistered interests or claims, whether in contract or in tort, over the property of Talon or the Tamarack Project; changes in government regulations and policies; risks relating to labour; other exploration, development and operating risks; liability and other claims asserted against Talon; volatility in prices of publicly traded securities; and other risks involved in the mineral exploration and development industry and risks specific to the Company, including the risks discussed in this MD&A under "*Risks and Uncertainties*".

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

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

***Mineral resources are not mineral reserves and do not have demonstrated economic viability. 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.***

*Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2020, is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

## **GOING CONCERN**

The consolidated financial statements of the Company have been prepared on a going concern basis which contemplates that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on its ability to raise financing, as needed, and/or develop the Tamarack Project into a profitable mine. There can be no assurance that the Company will be successful in raising financing, as needed, or developing the Tamarack Project into a profitable mine to meet the Company's commitments.

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

As at September 30, 2021, the Company had working capital of \$30.8 million (December 31, 2020 – \$14.1 million) and shareholders' equity of \$120.4 million (December 31, 2020 – \$73.1 million). Working capital is defined as current assets less current liabilities.

## **COVID-19**

The COVID-19 pandemic had limited effect on the Tamarack Project during the third quarter of 2021. Procedures and protocols of the Company's COVID-19 Prevention and Countermeasure Plan continue to be embraced by Tamarack Project personnel and the majority of the Tamarack Project team have been fully vaccinated.

The third quarter of 2021 saw an increase in the number of new COVID-19 cases and deaths in Minnesota, with the continued proliferation of the Delta variant throughout the United States. Unfortunately, the Tamarack Project saw its first positive COVID-19 cases among personnel during the quarter. Impact to operations was limited to the short-term loss of drilling production for one crew of a contractor drill rig. Isolated cases also occurred in the drill management and the geology departments. By effective deployment of the Company's COVID-19 Prevention and Countermeasure Plan, the positive cases were all contained and large scale outbreaks were avoided. All affected personnel have returned to their normal roles.

The Company is continuing with social distancing and hygiene protocols. The team continues to monitor the latest guidelines and exposure information from the Centers for Disease Control (CDC). The Company's healthcare provider in Minnesota has laboratory equipment to enable COVID-19 test results within an hour which have benefited the Company when potential cases are identified that require testing.

Please see "*Financial Condition, Cash Flow, Liquidity and Capital Resources – Liquidity and*

*Capital Resources*" for further information, and also see *"Financial Instruments – Liquidity Risk"* for further important information regarding the potential impact of COVID-19.

## **SUMMARY OF QUARTERLY RESULTS**

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

	2021			2020				2019
	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30	March 31	Dec 31
Interest Income	4,918	3,638	674	175	7	874	13,533	11,257
Net income (loss)	(1,479,437)	(2,153,190)	(818,239)	(1,388,911)	(492,611)	(322,670)	(528,007)	226,253
Basic and diluted net income (loss) per share*	0.00	0.00	0.00	(0.01)	0.00	0.00	0.00	0.00
Comprehensive income (loss)	728,478	(3,102,115)	(1,635,613)	(4,191,530)	(1,661,133)	(2,685,998)	4,354,967	(411,322)

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

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

## **REVIEW OF QUARTERLY RESULTS**

Certain amounts in the consolidated statements of loss and comprehensive loss have been reclassified to conform to the current year's presentation and, as such, the discussion that follows below takes into account such reclassification.

### **Interest income**

Interest income is earned on the Company's cash and cash equivalents balance. Interest income for the three months ended September 30, 2021 was \$4,918 compared to interest income of \$7 earned during the same period in the prior year. Interest income for the nine months ended September 30, 2021 was \$9,230 compared to interest income of \$14,414 earned during the same period in the prior year. The increase for the three month period was the result of higher cash balances in 2021 as a result of recent financings, while the decrease for the nine month period was the result of lower interest rates as a result of COVID-19.

## Expenses

Salaries, benefits, consulting and board fees were \$225,669 and \$987,202 for the three and nine months ended September 30, 2021 compared to \$220,217 and \$630,771 for the three and nine months ended September 30, 2020. The increases were primarily due to salary increases to make senior management salaries consistent with market levels, and the payment in Q2 2021 of salary amounts that had been deferred from 2016 to 2018 of the CEO and the President.

Professional fees increased to \$343,674 and \$575,245 for the three and nine months ended September 30, 2021 compared to \$30,304 and \$140,552 for the three and nine months ended September 30, 2020. The increase was primarily the result of legal fees as a result of various projects undertaken by the Company over this period, financial advisory fees, auditor review fees related to the quarterly review of the Company's financial statements, and fees associated with the preparation of tax returns and other tax advice. The Company continues to perform legal and tax work in-house whenever possible.

Office and general expenses remained relatively constant for the three and nine months ended September 30, 2021 compared to the same period in the prior year.

Insurance remained relatively constant for the three and nine months ended September 30, 2021 compared to the same period in the prior year.

Travel was minimal for three and nine months ended September 30, 2021 and 2020 because of reduced travel as a result of COVID-19 since the beginning of March 2020 and due to a reversal of a long-standing travel provision (i.e. an accrual) for \$10,000 in Q2 2021.

Marketing was relatively constant for the three months ended September 30, 2021 compared to the same period in the prior year. For the nine months ended September 30, 2021, marketing was \$194,684 compared to \$141,192 during the same period in the prior year. The increase was the result of additional marketing initiatives including on-line marketing, research and investor outreach compared to the prior year.

Listing, filing and shareholder communications expenses increased to \$56,662 and \$201,004 for the three and nine months ended September 30, 2021 compared to \$15,449 and \$85,254 for the three and nine months ended September 30, 2020 primarily due to (i) an increase in annual fees charged by the securities regulatory authorities in Canada and increased TSX annual fees, both due in most part to a higher market capitalization of the Company, (ii) additional costs associated with the Company's Annual General Meeting due to a larger shareholder base, (iii) costs associated with administering the Company's stock option plan and (iv) TSX listing fees associated with the KEX Earn-in Units (defined below).

A recovery of \$76,397 was recorded in contingencies for the nine months ended September 30, 2021 as a result of a reduction in the provision related to a Brazil labour lawsuit from when the Company operated in Brazil in the early 2010's. The recovery during the three months ended September 30, 2021 was the result of foreign exchange translation from Brazilian real to Canadian dollars.

Stock option compensation expense increased to \$1,359,801 and \$3,215,859 for the three and nine months ended September 30, 2021 compared to \$51,258 and \$9,954 for the three and nine months ended September 30, 2020 as result of stock options issued over the last 10 months,

which are being amortized over their vesting periods, most commonly 12 months.

## Royalty

On March 7, 2019, 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\$5.0 million. The Company, together with its subsidiaries, Cloudmine Holdings Limited and Talon Metals (USA) Inc., have 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, 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 net smelter returns royalty for a cash payment of US\$8.6 million ("**Royalty Put Option**"). 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 net smelter returns 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 royalty and the guarantees. In connection with the royalty agreement, Talon has issued the Royalty Holder 5,000,000 warrants ("**Royalty Warrants**") exercisable to acquire one common share until March 7, 2022 at an exercise price of C\$0.0826 per share. In connection with the sale of the royalty, the Company paid a 6% commission and issued 4,944,375 warrants to a broker ("**Royalty Broker Warrants**") with the same terms as the Royalty Warrants.

The Company has designated the Royalty Put Option as a financial instrument at fair value through profit or loss. The Royalty Put Option was initially recorded at fair value and revalued at period end with changes in fair value being recorded through profit and loss. Transaction costs have been expensed.

The Royalty Put Option is being valued using a probability-adjusted discounted cash flow methodology with the following estimates: a risk-free discount rate of 0.05% (December 31, 2020 – 0.11%) and a probability that the option will be exercised of 5% (December 31, 2020 – 10%). The change on the condensed interim consolidated statement of loss and comprehensive loss reflects the change excluding foreign exchange translation.

The change on the consolidated statement of loss and comprehensive loss reflects the change, excluding foreign exchange translation. The changes in these assumptions resulted in a gain of \$546,560 for the nine months ended September 30, 2021 compared to a loss of \$148,358 for the nine months ended September 30, 2020, reflecting the changes in fair value during the periods. For the three months ended September 30, 2021 and 2020, the gain was relatively small because nearly all of the change in value of the Royalty Put Option is related to the probability of exercise which was reduced from 10% to 5% in Q1 2021.



## Foreign Currency Translation

Foreign currency translation resulted in gains of \$574,274 and \$177,773 for the three and nine months ended September 30, 2021 compared to losses of \$88,619 and \$102,200 for the three and nine months ended September 30, 2020. This balance is highly variable due to the volatility of exchange rates, translation of the Royalty Put Option and the changing and relatively high level of the Company's cash balance.

## Net Loss

Net loss for the three months ended September 30, 2021 was \$1.5 million or \$nil per share (basic and diluted). The net loss was primarily the result of administration expenses<sup>1</sup> and stock option compensation. This compares to a net loss of \$0.5 million or \$nil per share (basic and diluted) for the three months ended September 30, 2020, which was primarily the result of administration expenses<sup>1</sup>.

Net loss for the nine months ended September 30, 2021 was \$4.5 million or \$0.01 per share (basic and diluted). The net loss was primarily the result of administration expenses<sup>1</sup> and stock option compensation. This compares to a net loss of \$1.3 million or \$nil per share (basic and diluted) for the nine months ended September 30, 2020, which was primarily the result of administration expenses<sup>1</sup>.

## Comprehensive Gain/Loss

During the three and nine months ended September 30, 2021, the Company recognized other comprehensive losses of \$2.2 million and \$0.4 million, respectively. During the three and nine months ended September 30, 2020, the Company recognized other comprehensive gains of \$1.2 million and other comprehensive losses of \$1.3 million, respectively. Both the losses and gain were related to the foreign exchange conversion from United States dollars to Canadian dollars of the assets and liabilities of Talon Nickel (defined below), a U.S. subsidiary of the Company. The loss in the most recent quarter is the result of a weakening of the Canadian dollar against the US dollar during Q3 2021. This IFRS accounting requirement manifests itself on the balance sheet as a change in the value of Resource properties and deferred expenditures where the Talon Nickel US-denominated balance at the end of the reporting period is converted to Canadian dollars at the foreign exchange rate at the end of the reporting period. The foreign exchange rate can vary significantly from period to period and was lower at September 30, 2021 compared to December 31, 2020.

## COMPANY OVERVIEW

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

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<sup>1</sup> "administration expenses" include the following expenses: Office and General; Professional Fees; Salaries, Benefits, Consulting and Board Fees; Insurance; Travel; Listing, Filing and Shareholder Communications; and Depreciation of Equipment.

## Tamarack Project

### Tamarack Earn-in Agreement

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

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

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

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

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

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

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

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

## **Tamarack Joint Venture**

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

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

## **2018 Option Agreement**

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

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

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

In late September 2021, approximately 6 months ahead of schedule, Talon completed all of the requirements and earned a 51% interest in the Tamarack Project. Rather than receiving US\$5m in cash, Kennecott agreed to accept 10,543,333 units of Talon (each a "**KEX Earn-in Unit**") at a deemed issuance price of C\$0.60 per KEX Earn-in Unit in full satisfaction of the US\$5m cash obligation. Each KEX Earn-in Unit is comprised of one common share of Talon and one-half of one purchase warrant. Each whole warrant is exercisable to acquire a Talon common share for until September 29, 2022 at an exercise price of \$0.80 per share.

Talon Nickel has the right to increase its interest in the Tamarack Project 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 2018 Option Agreement (March 13, 2026).

Upon Talon Nickel vesting with its applicable joint venture interest in the Tamarack Project, the parties have agreed to enter into a new joint venture agreement, pursuant to which, so long as

Talon Nickel has a majority interest, Talon Nickel will continue to act as operator of the Tamarack Project. In the event Talon Nickel has delivered a feasibility study on the Tamarack Project, upon the completion thereof, the parties have agreed to fund the Tamarack Project in accordance with their respective ownership interests, or be subject to dilution.

### **Tamarack North Project**

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

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

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

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

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

TALON METALS CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the three and nine months ended September 30, 2021

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

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

All resources reported at a 0.5% Ni cut-off.

No modifying factors have been applied to the estimates.

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

Metallurgical recovery factored into the reporting cut-off.

NiEq grade based on base case metal prices of \$8.00/lb Ni, \$3.00/lb Cu, \$25.00/lb Co, \$1,000/oz Pt, \$1,000/oz Pd and \$1,300/oz Au using the following formula:  $NiEq\% = Ni\% + Cu\% \times \$3.00/\$8.00 + Co\% \times \$25.00/\$8.00 + Pt [g/t]/31.103 \times \$1,000/\$8.00/22.04 + Pd [g/t]/31.103 \times \$1,000/\$8.00/22.04 + Au [g/t]/31.103 \times \$1,300/\$8.00/22.04$ . No adjustments were made for recovery or payability.

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 Americas Inc. ("**DRA**"), Tim Fletcher (P. Eng.) of DRA, Daniel Gagnon (P. Eng.) of DRA, Volodymyr Liskovych (P. Eng.) of DRA, David Ritchie (P. Eng.) of SLR Consulting (Canada) Ltd., Oliver Peters (P. Eng.) of Metpro Management Inc., Andrea Martin (P.E.) of Foth Infrastructure & Environment, LLC and Brian Thomas (P. Geo.) of Golder.

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).

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

During the nine months ended September 30, 2021, the Company incurred \$28.2 million of expenditures, substantially all on the Tamarack North Project, as detailed in the following table:

Category	Three Months Ended March 31, 2021	Three Months Ended June 30, 2021	Three Months Ended Sept 30, 2021	Nine Months Ended Sept 30, 2021
Exploration, drilling and assays	\$5,442,216	\$5,257,616	\$4,105,198	\$14,805,030
Geophysics	79,509	404,579	990,668	1,474,757
Mining and geotechnical studies	63,667	112,106	343,597	519,370
Metallurgical testing and downstream processing	63,575	563,853	138,987	766,415
Environmental, permitting, community and government relations	88,453	559,474	1,151,944	1,799,871
Economic studies and offtake	60,050	92,947	393,095	546,092
Mineral leases, property tax and land purchases	223,798	308,042	235,279	767,119
Professional fees	6,309	29,455	35,781	71,546
Site costs, travel and general	150,266	171,318	173,445	495,029
Site remediation	106,081	152,800	209,090	467,971
Utilities and fuel*	78,838	72,960	57,308	209,106
Payment to Kennecott through issuance of KEX Earn-in Units	-	-	6,326,000	6,326,000
<b>Total**</b>	<b>\$6,362,762</b>	<b>\$7,725,151</b>	<b>\$14,160,392</b>	<b>\$28,248,305</b>

\*Partially relates to exploration, drilling and assays

\*\*May not total due to rounding

The above spending was in the connection with the following: (i) continuous drilling to expand and infill the current resource, with a focus on expansion to potentially deliver an updated resource estimate; (ii) geophysical work to identify new prospective drilling targets at the Tamarack Project; (iii) work towards a potential further updated PEA and/or a pre-feasibility study; (iv) additional metallurgical test work and downstream processing options; (v) the commencement of an exploration program (as further discussed in the section entitled "Upcoming Work – Tamarack North Project") and (vi) the payment of US\$5 million to Kennecott through the issuance of the KEX Earn-in Units.

In July 2020, the Company entered into a cost-effective lease-to-own agreement in respect of a drill rig. Following this, the Company hired a full-time dedicated team of drillers, some with specific drilling experience at the Tamarack Project, with the primary objective of materially increasing the number of meters drilled at the Tamarack Project at a substantially reduced cost while maintaining first-in-class health and safety standards. Given the Company's positive experience with running its own drill rig and a full-time dedicated drill team, in October 2020, the Company entered into a second cost-effective lease-to-own agreement in respect of a second drill rig, which arrived at the Tamarack Project site in November 2020. The Company has also retained a full-time dedicated team of drillers to run this second drill rig. In February 2021, the Company purchased outright the two drill rigs.

### Upcoming Work – Tamarack North Project

The Company is focused on the advancement of the Tamarack North Project. The Company intends to use the majority of the Company's working capital to further advance the Company's objective of completing a prefeasibility study on the Tamarack North Project. As of November 15, 2021, the Company had working capital of approximately \$28 million.

To advance the work towards completion of this milestone, the Company's exploration program for 2021 has focussed on areas to the north-east (CGO-East) and north-west (CGO-West) of the Tamarack mineral resource area, where mixed massive sulphide mineralization below a thicker zone of disseminated sulphide mineralization has been intercepted. The Company has commenced infill drilling in both these areas.

The Company also intends to continue with infill drilling of the massive sulphide unit within the Tamarack resource area.

The Company also intends to undertake further geophysical surveys with the objective of identifying new potential zones of mineralization along the Tamarack Intrusive Complex that is outside of the Tamarack mineral resource area. The Company may conduct drilling outside of the Tamarack mineral resource area if one or more new potential zones of mineralization are identified.

In conjunction with the exploration programs, the Company will continue to develop its mine plans as new exploration data becomes available, while also continuing with environmental baseline work. In addition to the exploration programs, the Company has conducted metallurgical test work towards producing nickel concentrates and nickel sulphates and contrasted the economics of these two scenarios in the Updated PEA. The Company further contrasted these two scenarios with a third scenario under which the Company may produce a refined nickel powder. This is referred to as the Nickel Powder Scenario in the Updated PEA. As per the recommendations set out in the Updated PEA, the Company intends to work towards the development of a flowsheet that could produce both refined nickel and iron powders.

There is no assurance that the various drill, test and study programs will be completed in this timeline (or at all). The exploration, development and construction of mineral projects are subject to a number of risks and uncertainties. See section below entitled "*Risks and Uncertainties*".

On March 18, 2021, the Company closed an offering of 57,500,000 units (the "**March 2021 Prospectus Offering**") at a price of \$0.60 per unit for aggregate gross proceeds of \$34,500,000 pursuant to a short form prospectus. Each unit consisted of one common share and one-half of a share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one common share at a price of \$0.80 for a period of 12 months following closing of the offering.

The Company intended to use the net proceeds of the March 2021 Prospectus Offering as disclosed in the section titled "Use of Net Proceeds" in the Company's Short Form Prospectus dated March 11, 2021 ("**March 2021 Prospectus**") that has been filed on SEDAR. The below table is a comparison of the disclosed use of proceeds with the amount spent to the end of the third quarter, 2021. The budget was for the period commencing February 1, 2021.

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<b>Category</b>	<b>Budget or "Use of Net Proceeds" from March 2021 Prospectus</b>	<b>Approximate Expenditures as at Sept 30, 2021</b>	<b>Approximate Expenditures Remaining as at Sept 30, 2021</b>
Exploration	\$17,300,000	\$11,216,194	\$6,083,806
Mine planning, metallurgy and engineering	5,300,000	1,437,209	3,862,791
Environmental baseline, permitting and community	2,000,000	966,833	1,033,167
Mineral leases and land	2,000,000	725,132	1,274,868
Marketing, finance, legal and admin	1,000,000	650,189	349,811
Public company costs	500,000	673,147	(173,147)
Payments and/or incur expenditures in accordance with the 2018 Option Agreement	6,300,000	-*	-*
General corporate and working capital	8,175,000	-	8,175,000
<b>Total</b>	<b>\$42,575,000</b>	<b>\$15,668,705</b>	<b>\$20,606,295</b>

\*On September 29, 2021, the Company issued the KEX Earn-in Units to satisfy the US\$5.0 million payment to Kennecott pursuant to the 2018 Option Agreement and thus did not use proceeds from the March 2021 Prospectus to make the budgeted payment of C\$6.3 million.

To date, \$15.7 million of the budgeted \$42.6 million "Use of Net Proceeds" has been expended. Of the \$15.7 million expended, \$11.2 million has been incurred on exploration which includes exploration drilling, geophysics, infill drilling and local site costs that support exploration and data management. The focus on exploration is necessary to determine the size or bounds of the mineralization prior to completing certain detailed work associated with a pre-feasibility study and because exploration provides potentially the greatest return on investment. The remaining funds expended largely related to studies and testing to support a pre-feasibility study.

Capitalized expenditures during the nine months ending September 30, 2021 on the Tamarack Project outlined above in the section titled "Work Completed/Expenditures – Tamarack North Project and Tamarack South Project" of \$28.2 million exceeds the \$15.7 million "Approximate Expenditures as at September 30, 2021" from the March 2021 Prospectus primarily due to (i) non-cash items included in the \$28.2 million amount and not in the \$15.7 million amount such as the payment to Kennecott through issuance of KEX Earn-in Units of \$6.326 million and capitalized stock options cost of \$6.8 million related to the portion of stock option cost directly attributable to work on the Tamarack Project and (ii) other items such as the time period the amounts relates to, the acquisition of fixed assets and inclusion/exclusion of expenditures that are not related to the Tamarack Project.

Overall, spending is on track and working capital of \$31.3 million as of September 30, 2021 is sufficient to cover the approximate expenditures remaining of \$20.6 million as at September 30, 2021.

### **Qualified Persons**

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



The Qualified Person who is responsible for the Resource Estimate in this MD&A is Mr. Brian Thomas, senior resource geologist at Golder and independent of Talon. Mr. Thomas has reviewed, approved and verified the data disclosed in this MD&A relating to the Resource Estimate including, sampling, analytical and test data underlying the Resource Estimate and 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.

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

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

	Dec 31, 2020	2021 Additions	Foreign Exchange	Sept 30, 2021
<i>Mineral properties - Resource properties and deferred expenditures (presented in Canadian dollars)</i>				
Tamarack Project	\$60,799,398	\$28,248,305	\$393,797	\$89,441,500

Amounts incurred on the exploration of mineral properties for the nine months ended September 30, 2021 amounted to \$28.2 million and are the result of amounts incurred by Talon in respect of the Tamarack Project in accordance with the 2018 Option Agreement as detailed in the table above under "Tamarack Project - Work Completed/Expenditures – Tamarack North Project and Tamarack South Project".

The foreign exchange gain of \$0.4 million is a non-cash item that is the result of an increase in the Canadian dollar denominated carrying value of the project which has been converted from United States dollars, as a result of the change in the Canadian dollar/United States dollar exchange rate from 1.2732 at December 31, 2020 to 1.2741 at September 30, 2021. IFRS requires that the year-end or period-end United States dollar balance of Resource properties and deferred expenditures be converted to Canadian dollars at the year-end or period-end exchange rate.

Amounts incurred on the exploration of mineral properties for the nine months ended September 30, 2020 amounted to \$7.5 million and was the result of amounts incurred by Talon in respect of the Tamarack Project in accordance with the 2018 Option Agreement, primarily for exploration, drilling and geophysics.

### **FINANCIAL INSTRUMENTS**

	Sept 30, 2021	Dec 31, 2020
<i>Held for trading, measured at fair value:</i>		
Cash and cash equivalents	\$32,654,568	\$15,355,958
Royalty Put Option	\$547,744	\$1,093,531

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

#### **Credit Risk Management**

Certain of the Company's financial assets are exposed to a degree of credit risk. The Company endeavors to mitigate credit risk by holding its cash and cash equivalents as cash deposits, short-

term government treasury bills, money market funds and guaranteed investment certificates (“GICs”) with major commercial banks.

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

### **Liquidity Risk**

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

As of September 30, 2021, the Company had a cash and cash equivalents balance of \$32.7 million, (December 31, 2020 – \$15.4 million) to settle current liabilities of \$2.1 million (December 31, 2020 – \$1.4 million).

In order to meet future working capital requirements, the Company will need to raise financing as needed and/or develop the Tamarack Project into a profitable mine. There can be no assurance that the Company will be successful in raising financing as needed or developing the Tamarack Project into a profitable mine to meet the Company's future working capital requirements.

On March 18, 2021, the Company closed the March 2021 Prospectus Offering.

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally. Global equity markets have experienced significant volatility and periods of weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The ultimate duration and impact of COVID-19 is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its subsidiaries in future periods.

COVID-19 may have a significant negative impact on the Company's ability to raise capital and on operations.

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

### **Market Risk**

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

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

As at September 30, 2021 and December 31, 2020, the Company held no investments other than cash and cash equivalents which management considers to not be materially susceptible to market risks.

### **Foreign Exchange Risk**

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

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

As of September 30, 2021, Talon was exposed to movements in the United States dollar as a result of cash on hand, the Royalty Put Option, certain accounts payable and the majority of costs associated with the development of the Tamarack Project.

At September 30, 2021, the Company had net monetary assets in United States dollars of \$17.8 million (Canadian dollar equivalent). If foreign exchange rates had changed by 5% on the last day of the period with all other facts/assumptions held constant, there would be a change in the net income or loss of the Company for the period ended September 30, 2021 of approximately \$0.9 million.

COVID-19 has resulted in increased volatility of the Canadian/U.S. dollar exchange rate which, may increase the Canadian dollar denominated cost of the Company's operations since a majority of costs associated with the development of the Tamarack Project are denominated in United States dollars.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent of its interest income on holding of government treasury bills, money market funds and GICs (collectively, "**Short Term Investments**").

The Short Term Investments typically have a term of less than 6 months. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from the Short Term Investments. The Company mitigates its risk by holding Short Term Investments low in risk and with highly rated reputable financial institutions.

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

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

### Fair Value Hierarchy

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

The Company has classified its financial assets and liabilities as follows at September 30, 2021:

#### Level 1

Cash and cash equivalents \$32,654,568

#### Level 3

Royalty Put Option \$547,744

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

### Cash Flow Highlights

	Nine months ended Sept 30, 2021	Nine months ended Sept 30, 2020
Operating activities	\$(1,941,317)	\$(1,582,989)
Investing activities	(15,704,961)	(7,093,233)
Financing activities	34,916,505	8,508,237
Increase (decrease) in cash & cash equivalents	17,270,227	(167,985)
Effect of foreign exchange on consolidation	28,383	42,363
Beginning cash & cash equivalents	15,355,958	7,270,711
Ending cash & cash equivalents	\$32,654,568	\$7,145,089

### ***Operating Activities***

Operating activities for the nine months ended September 30, 2021 consumed \$1.9 million of cash primarily due to net operating expenses and a reduction in working capital. This compares to \$1.5 million consumed during the nine months ended September 30, 2020. The increase was primarily due to a combination of higher salaries, benefits, consulting and board fees, professional fees and marketing costs, as well as payments of amounts already included in working capital which consume cash as a result of the growth of the Company and from decreased spending during the first nine months of 2020 due to COVID-19. See "Review of Quarterly Results" for a discussion of operating expenses.

### ***Investing Activities***

Investing activities for the nine months ended September 30, 2021 consumed \$15.7 million compared to \$7.1 million in the same period in the prior year. In both cases, it was primarily due to capitalized exploration costs. For details on the spending during the nine months ended September 30, 2021, see the section titled "*Work Completed/Expenditures – Tamarack North Project and Tamarack South Project*", with the difference due to non-cash expenditures, accounts payable and accruals, and the purchase of fixed assets that are being depreciated to Resource properties and deferred expenditures.

### ***Financing Activities***

On March 26, 2020, the Company filed a final short form base shelf prospectus (the "**Base Shelf Prospectus**") with the securities regulatory authorities in each of the provinces of Canada, other than the province of Québec. Pursuant to the Base Shelf Prospectus, Talon may issue common shares, debt securities, subscription receipts or warrants or any combination of such securities as units, in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to \$40 million during the 25-month period that the Base Shelf Prospectus remains effective. Talon filed the Base Shelf Prospectus to give it flexibility to take advantage of financing opportunities as they may arise and as the Company deems appropriate, subject to market conditions and other relevant factors.

On March 18, 2021, the Company completed the March 2021 Prospectus Offering pursuant to a short form prospectus.

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

### **Liquidity and Capital Resources**

As of September 30, 2021, the Company had a cash and cash equivalents balance of \$32.7 million, (December 31, 2020 – \$15.4 million) to settle current liabilities of \$2.1 million (December 31, 2020 – \$1.4 million).

Working capital, which was augmented in March 2021 by the funds raised from the March 2021 Prospectus Offering, is expected to be sufficient to meet the planned spending discussed in the section above "*Upcoming Work – Tamarack North Project*".

In order to meet future working capital requirements, the Company will need to raise financing as needed and/or develop the Tamarack Project into a profitable mine. There can be no assurance that the Company will be successful in raising financing as needed or developing the Tamarack Project into a profitable mine to meet the Company's future working capital requirements.

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

when access to financing is constrained.

Pursuant to an investment agreement dated November 7, 2018 between the Company and RCF, for as long as RCF and its affiliates, on a partially diluted basis, hold common shares of the Company equal to or exceeding 10% of all common shares issued and outstanding, RCF has the right to participate in any equity financings of the Company (other than certain exempt issuances) at the same price and on the same terms, on a pro rata basis, such that RCF is entitled to maintain its percentage interest in common shares of the Company on a partially diluted basis.

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.

See "*Financial Instruments – Liquidity Risk*" (including in respect of the potential impact of the COVID-19) and "*Risks and Uncertainties*" for further important information.

**A summary of Contributed Surplus for the period from January 1, 2020 to September 30, 2021 is as follows:**

Balance	December 31, 2019	\$20,051,418
Stock options	Stock option compensation	715,818
Stock options	Stock options exercised	(2,433,134)
Balance	December 31, 2020	\$18,334,102
Stock options	Stock option compensation	9,992,930
Stock options	Stock options exercised	(88,422)
Balance	September 30, 2021	\$28,238,610

**DISCLOSURE OF OUTSTANDING SHARE DATA**

As of November 15, 2021, the Company had 697,458,651 common shares issued and outstanding.

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The following table details the convertible securities of the Company which are outstanding as at November 15, 2021:

	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Total</b>
Common Shares			697,458,651
Stock Options	Mar 22, 2024	\$0.095	32,217,103
Stock Options	Jun 6, 2024	\$0.18	4,962,735
Stock Options	Oct 2, 2024	\$0.18	1,000,000
Stock Options	Oct 28, 2024	\$0.165	6,000,000
Stock Options	Dec 12, 2024	\$0.145	1,500,000
Stock Options	Mar 13, 2025	\$0.10	5,380,000
Stock Options	July 22, 2025	\$0.145	700,000
Stock Options	July 23, 2025	\$0.145	500,000
Stock Options	Aug 7, 2025	\$0.28	680,000
Stock Options	Aug 14, 2025	\$0.26	1,400,000
Stock Options	Aug 15, 2025	\$0.25	200,000
Stock Options	Oct 28, 2025	\$0.30	200,000
Stock Options	Nov 8, 2025	\$0.31	200,000
Stock Options	Dec 28, 2025	\$0.51	19,667,500
Stock Options	Dec 28, 2022	\$0.51	100,000
Stock Options	Mar 19, 2026	\$0.70	5,307,736
Stock Options	May 28, 2026	\$0.59	5,200,000
Stock Options	June 25, 2026	\$0.52	12,400,000
Stock Options	Oct 22, 2026	\$0.65	1,900,000
Warrants	Mar 7, 2022	\$0.0826	7,950,625
Warrants	May 21, 2022	\$0.10	815,000
Warrants	Aug 13, 2022	\$0.26	1,070,366
Warrants	Dec 11, 2022	\$0.30	1,234,526
Warrants	Mar 18, 2022	\$0.80	28,750,000
Warrants	Sept 29, 2022	\$0.80	5,271,666
Total number of shares issuable on exercise:			842,065,908

As Talon Nickel expands its team given that it is now the operator of the Tamarack Project, stock options were issued by the Company during 2020 and 2021 primarily to new employees and consultants.

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The following details the change in stock options outstanding of the Company during the nine months ended September 30, 2021:

	Options	Weighted Average Exercise Price
Outstanding – beginning of year	76,964,838	\$0.226
Granted	5,307,736	0.70
Granted	5,400,000	0.59
Granted	12,600,000	0.52
Exercised	(150,000)	0.095
Exercised	(50,000)	0.30
Exercised	(100,000)	0.51
Exercised	(500,000)	0.145
Cancelled	(400,000)	0.10
Cancelled	(150,000)	0.30
Cancelled	(275,000)	0.51
Cancelled	(200,000)	0.52
Cancelled	(200,000)	0.59
Outstanding – end of year or period	98,247,574	\$0.308

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

#### Estimated fair value of stock options

The Company determined the fair value of the stock options issued during the three and nine months ended September 30, 2021 and 2020 using the Black-Scholes option pricing model using the following assumptions:

	Three months ended September 30		Nine months ended September 30,	
	2021	2020	2021	2020
Share price	Closing price on the day prior to the date of grant		Closing price on the day prior to the date of grant	
Risk-free interest rate	n/a	0.74%	0.92% - 0.99%	0.74%
Expected life	n/a	5 years	5 years	5 years
Expected volatility	n/a	75%	70%	75%
Dividend yield	n/a	0%	0%	0%

Stock option compensation expense for the three and nine months ended September 30, 2021 and 2020, presented in the table below, was recognized in the condensed interim consolidated statements of loss and comprehensive loss. In addition, amounts related to stock option compensation attributable to work carried out on the Tamarack Project were capitalized to Resource properties and deferred expenditures for the three and nine months ended September 30, 2021 and 2020, also presented in the table below.

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Stock option compensation - expensed	\$ 1,359,801	\$ 51,258	\$ 3,215,859	\$ 9,954
Stock option compensation - capitalized	2,400,208	167,703	6,777,071	341,953
Stock option compensation - total	\$ 3,760,009	\$ 218,961	\$ 9,992,930	\$ 351,907



## **RISKS AND UNCERTAINTIES**

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

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

The following is a summary of the most significant of those risks and uncertainties affecting or that could affect the financial condition or results of operations of the Company. For a further discussion of the risks and uncertainties facing the Company, please refer to the Company's Annual Information Form for the year ended December 31, 2020 under the heading "Risk Factors" available on SEDAR at [www.sedar.com](http://www.sedar.com). These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The Company may face additional risks and uncertainties, including, risks and uncertainties that are unknown to the Company or risks and uncertainties that the Company now believes to be unimportant, which could have a material adverse effect on the business of the Company. If any of the risks actually occur, the business, financial condition or results of operations of the Company could be negatively affected.

### *COVID-19 Coronavirus Outbreak*

The current and ongoing global uncertainty with respect to the spread of COVID-19, the rapidly evolving nature of the pandemic and local and international developments related thereto and its effect on the broader global economy and capital markets may have a negative effect on the Company and the advancement of the Tamarack Project. While the precise impact of the COVID-19 outbreak on the Company remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has resulted in travel advisories and restrictions, certain restrictions on business operations, social distancing precautions and restrictions on group gatherings which are having direct impacts on businesses in the United States, Canada and around the world and could result in travel bans, closure of assay labs or delays in obtaining results from assay labs, work delays, restrictions on or shutting down of drilling operations, difficulties for contractors and employees getting to site, restrictions related to other mining related business and operations and the diversion of management attention all of which in turn could have a negative impact on development of the Tamarack Project and the Company generally. The spread of COVID-19 may also have a material adverse effect on global economic activity and has resulted in volatility and disruption to global supply chains and the financial and capital markets, which could affect the business, financial condition, results of operations, prospects and other factors relevant to the Company, including its ability to raise additional financing. There can be no assurance that COVID-19 or any other public health crises will not have a material adverse effect on the Company and its business and operations.

### *2018 Option Agreement*

Pursuant to the terms of the 2018 Option Agreement, Talon Nickel has acquired a 51% interest in the Tamarack Project and has a right to acquire a further 9% 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 a further 9% interest in the Tamarack Project, and retains a 51% interest in the Tamarack Project, Talon Nickel will be required to sole fund the Tamarack Project until completion of a feasibility study, with minimum annual spend requirements, or Talon Nickel will be subject to dilution. In the event Talon Nickel's interest in the Tamarack Project dilutes below 50%, Talon Nickel will 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 further dilution of its interest in the Tamarack Project.

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

#### *Triple Flag Royalty Financing*

The Royalty Agreement contains the Put Right. The Put Right may be accelerated where there is an event of default (as defined under the Royalty Agreement). There is a risk that at the time the Royalty Holder exercises the Put Right, Talon Nickel does not have the cash required to repurchase the Triple Flag Royalty. In such case, the Royalty Holder has the right to exercise its security and, among other things, acquire Talon Nickel's entire interest in the Tamarack Project. The Royalty Agreement also provides Talon Nickel with a one-time right to reduce the percentage of the Triple Flag Royalty to 1.85% in exchange for cash in the amount of US\$4.5 million. There is a risk that at the time Talon Nickel's one-time right arises, Talon Nickel does not have the cash on hand required to reduce the percentage of the Triple Flag Royalty. In such case, the Royalty Holder will continue to have a royalty of 3.5% of net smelter returns (to be paid out of Talon Nickel's participating interest in the Tamarack Project), which could negatively impact the overall economic viability of the Tamarack Project.

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

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

Pursuant to the Royalty Agreement, Talon Nickel is required to make payment to the Royalty Holder based on an assumed ownership percentage in the Tamarack Project of 17.56%, 51% or 60%, depending on the particular circumstances. In the event that Talon Nickel dilutes below the assumed ownership percentage, it will nevertheless still be required to make payment to the Royalty Holder at the assumed ownership percentage (for example, if Talon Nickel has been

diluted to a 14% interest in the Tamarack Project, it will still be required to make payment to the Royalty Holder as if Talon Nickel owns a 17.56% interest in the Tamarack Project). Given this unique payment structure under the Royalty Agreement, there is a risk that the Company may not have enough money to make the required payments to the Royalty Holder. In such circumstance, the failure by Talon Nickel to make adequate payment to the Royalty Holder would constitute an event of default under the Royalty Agreement, thereby entitling the Royalty Holder to exercise its security and, among other things, acquire Talon Nickel's entire interest in the Tamarack Project.

### *Exploration, Development and Operating Risks*

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

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

The economic viability of mineral projects, including projects such as the Tamarack Project, may be affected, in part, by the ability of the operator to mine, beneficiate and enter into off-take agreements with potential end users. No assurance can be made that Talon (or, if applicable, Kennecott as it relates to the Tamarack Project) will be successful in entering into off-take agreements in respect of local and/or export sales or, if necessary, in accessing local smelting facilities.

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

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

*Changes in the Price of Nickel*

The ability to develop the Tamarack Project is directly related to the market price of nickel. Nickel is sold in an active global market and traded on commodity exchanges, such as the LME and the New York Mercantile Exchange. Nickel prices are subject to significant fluctuations and are affected by many factors, including actual and expected macroeconomic and political conditions, levels of supply and demand, the availability and costs of substitutes, input costs, foreign exchange rates, inventory levels, investments by commodity funds and other actions of participants in the commodity markets. Nickel prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of the Tamarack Project cannot be accurately predicted and may be adversely affected by fluctuations in nickel prices.

*Uncertainty Relating to Inferred and Indicated Mineral Resources*

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

*Governmental Regulation; Environmental Risks and Hazards*

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

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

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

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

Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations, including approvals that may be required for the Company to act as operator in respect of the Tamarack Project while the Tamarack Project exploration leases are in the name of Kennecott. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of its properties, including the Tamarack Project.

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

#### *Working Capital Requirements*

In order to meet future working capital requirements, the Company may need to raise additional capital. If the Company seeks to raise additional capital, it may not be available when needed, or if available, the terms of such capital might not be favourable to the Company. Global securities markets continue to experience volatility (and extreme volatility since the outbreak of COVID-19), which may result in difficulty raising equity capital and market forces may render it difficult or

impossible for the Company to secure 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 additional capital, when needed, to meet the Company's future working capital requirements. If the Company is not successful in doing so (or in doing so sufficiently), it may have a material adverse effect on the Company's business, financial condition and results of operations (including, in certain circumstances, the ability of the Company to continue to operate as a going concern).

#### *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.

#### *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 three and nine months ended September 30, 2021 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 September 30, 2022 may be dependent on the Company's ability to secure additional financing.

#### *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 certain significant shareholders may sell a large number of common shares of the Company; the extent of analyst coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Talon's common shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of Talon's common shares that persists for a significant period of time could cause the Company's securities to be delisted, further reducing market liquidity.

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

#### *Exchange Rate Fluctuations*

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

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

#### *Litigation*

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

#### *Land Title*

With respect to the Tamarack Project, the mineral and surface interests are held in Kennecott's name through various Minnesota state leases, private agreements and fee ownership. Maintenance of all of such rights are subject to ongoing compliance with the terms of such licenses, agreements and contracts. While the Company intends to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that it will be successful in extending or renewing mineral rights on or prior to the expiration of their term. The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, 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 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.

### **RELATED PARTY TRANSACTIONS AND BALANCES**

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

The spouse of the CEO provided recruiting services relating to new hires during the nine months ended September 30, 2021 for fees of \$25,935 (nine months ended September 30, 2020 – \$23,941).



TALON METALS CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the three and nine months ended September 30, 2021

The remuneration, including benefits, of directors and officers of the Company for the three and nine months ended September 30, 2021 and 2020 was as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2021	2020	2021	2020
Cash compensation	\$ 1,895,649	\$ 992,819	\$ 495,488	\$ 341,247
Board fees	46,875	16,375	15,625	(19,875)
Stock option compensation	4,990,294	69,822	2,426,292	59,667
Total Aggregate Compensation	\$ 6,932,818	\$ 1,079,016	\$ 2,937,405	\$ 381,039
Capitalized portion included in Total Aggregate Compensation (capitalized to Resource properties and deferred expenditures):				
Cash compensation	\$ 1,211,332	\$ 531,779	\$ 213,601	\$ 193,037
Stock option compensation	1,893,124	69,822	1,080,558	59,667
Total	\$ 3,104,456	\$ 601,601	\$ 1,294,159	\$ 252,704

As a result of COVID-19, the CEO, President and CFO of the Company agreed to defer a portion of their April and May 2020 salaries totalling \$74,167 which was subsequently paid by the Company as of December 31, 2020.

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

From July 2015 to December 2020, fees to the Company's board of directors were not paid but rather were deferred, save for \$50,000, which was paid to the Company's board of directors in Q2 2020 as partial repayment for the deferred board fees. Initially, the total deferred fees were to be paid to the board of directors when the Company had \$3 million in its treasury. As a result of various financings in 2019, the Company met the condition of having \$3 million in its treasury, however, in order to maximize the amount of funds available for operational purposes, the board of directors agreed to further defer their board fees until the Company's next financing. Nevertheless, as the likelihood of payment had increased as a result of the financings in 2019 and future potential financings, the deferred fees were recognized during Q3 2019. Prior to the 2019 financings, the likelihood of payment of these board fees was remote, and therefore no provision was recognized. In addition, during Q4 2020, the Corporate Governance and Compensation Committee approved the payment of certain deferred consulting fees to the Company's Executive Chairman. These deferred consulting fees amounted to the sum of \$483,000 and related to the years 2015 to 2020. Pursuant to a consulting agreement dated December 1, 2015 between the Company and the Executive Chairman, such consulting fees were initially to be paid out to the Executive Chairman upon the earlier of a termination of the Executive Chairman's consulting agreement or a change of control. As of September 30, 2021, \$115,829 of consulting fees remains outstanding and the intention is for such amount to once again be deferred until the earlier of a termination of the Executive Chairman's consulting agreement or a change of control.

In Q2 2021, \$150,000 in deferred salaries relating to the years 2016 to 2018 (\$50,000 per year) were paid to each of the CEO and President of the Company. The CEO and President deferred their salaries during those years in order to preserve cash for the Company.

As of September 30, 2021, \$115,829 (December 31, 2020 - \$283,529) remains payable to the Executive Chairman.

In March 2020, 3,000,000 options were issued to an officer of the Company with a term of 5 years, an exercise price of \$0.10 and vesting over 2.5 years.

In December 2020, 10,115,000 options were issued to officers and the board of directors of the Company with a term of 5 years, an exercise price of \$0.51 and vesting over 1 year.

In March 2021, 607,736 options were issued to an officer with a term of 5 years, an exercise price of \$0.70 and vesting over 1 year.

In May 2021, 4,000,000 options were issued to officers and the board of directors of the Company with a term of 5 years, an exercise price of \$0.59 and vesting over 1 year.

In June 2021, 7,000,000 options were issued an officer of the Company with a term of 5 years and an exercise price of \$0.52 that vest 2,000,000 on September 2, 2021 and 5,000,000 over 2 years.

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

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of each reporting period and for the periods then ended, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the valuation of resource properties, the estimation of contingencies, the valuation of the asset retirement obligation and the valuation of the Royalty Put Option.

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

The uncertainty regarding the valuation of the unsecured convertible loan arises as result of certain key inputs such as expected volatility, the price of the Company's shares, the yield-to-maturity or discount rate on the loan portion and the selected valuation methodology.

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

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

The uncertainty regarding the valuation of the Royalty Put Option arises as result of certain key inputs such as the probability that the Royalty Put Option will be exercised which is determined by management based on a quantitative assessment of the value of the Royalty Put Option presently and at the exercise date along with qualitative assessments regarding permitting and other qualitative aspects of the Tamarack Project such as exploration potential and the quality of the project, among other items.

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

*Resource properties and deferred exploration and evaluation costs*

Interests in mineral exploration properties are recorded at cost. Exploration expenditures, other than those of a general nature, relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If the project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off. The Company only capitalizes costs on its core properties and expenses all costs related to properties that were of a secondary focus.

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

Once the feasibility of a project has been established, deferred exploration expenses and other costs are segregated as deferred development expenditures. These costs are amortized over the estimated useful life of the related mineral property as commercial production commences. If the net carrying amount of the deferred exploration expenses is not recoverable, these costs are written down to net recoverable amount of the deferred exploration expense.

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

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

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

No changes were made to the Company's internal control over financial reporting during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **OUTLOOK**

The Company is focused on the advancement of the Tamarack North Project. The Company intends to use the majority of the Company's working capital to further advance the Company's objective of completing a prefeasibility study on the Tamarack North Project. As of November 15, 2021, the Company had working capital of approximately \$28 million.

To advance the work towards completion of this milestone, the Company's exploration program for 2021 has focussed on areas to the north-east (CGO-East) and north-west (CGO-West) of the Tamarack mineral resource area, where mixed massive sulphide mineralization below a thicker zone of disseminated sulphide mineralization has been intercepted. The Company has commenced infill drilling in both these areas.

The Company also intends to continue conducting infill drilling of the massive sulphide unit within the Tamarack resource area.

The Company also intends to undertake further geophysical surveys with the objective of identifying new potential zones of mineralization along the Tamarack Intrusive Complex that is outside of the Tamarack mineral resource area. The Company may conduct drilling outside of the Tamarack mineral resource area if one or more new potential zones of mineralization are identified.

In conjunction with the exploration programs, the Company will continue to develop its mine plans as new exploration data becomes available, while also continuing with environmental baseline work. In addition to the exploration programs, the Company has conducted metallurgical test work towards producing nickel concentrates and nickel sulphates and contrasted the economics of these two scenarios in the Updated PEA. The Company further contrasted these two scenarios with a third scenario under which the Company may produce a refined nickel powder. This is referred to as the Nickel Powder Scenario in the Updated PEA. As per the recommendations set out in the Updated PEA, the Company intends to work towards the development of a flowsheet that could produce both refined nickel and iron powders.