TALON METALS CORP.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Talon Metals Corp.:

Opinion

We have audited the consolidated financial statements of Talon Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description	Audit Response
Asset Retirement Obligation	

The Company has recorded a provision for asset retirement obligations of $1,158,310 at December 31, 2021.
 	
The calculation of this provision requires management to estimate the value and timing of future costs, discounted to present value using an appropriate discount rate. Management reviews the obligation at each reporting period date, using experts to provide support in its assessment where appropriate. This review incorporates the effects of any changes in management's anticipated approach to restoration of the site and any increase in the scope of restoration due to continued exploration activity during the year. This estimate required significant auditor attention and accordingly we have identified this as a key audit matter.
 	
Refer to Note 7 Asset Retirement Obligation.
	We responded to this matter by performing audit procedures in relation to the provision for the asset retirement obligation. Our audit work in relation to this included, but was not restricted to, the following:
	
	• Assessed the mathematical accuracy of management's calculations and assessed the appropriateness of the inflation rate and discount rate;
	• Assessed management's process for the review of the asset retirement obligation and performed detailed testing in respect of the cost estimates. As part of our detailed testing of the cost estimates, we completed the following:
	    ◦ Obtained evidence from public government registrars to validate the completeness and scope of the obligations;
	    ◦ Evaluated the intended method of restoration and assessed the costs incurred on the restoration completed to date; and
	    ◦ Considered the competency of the Company's personnel, and experts as appropriate, who produced the cost estimates.
	• Assessed the appropriateness of the related disclosures in Note 7 of the consolidated financial statements including the disclosure of the estimates, assumptions and sensitivity of key assumptions.

50 Burnhamthorpe Road West, Suite 900, Mississauga, Ontario, L5B 3C2
Phone: (416) 626 6000 Fax: (416) 626 8650

MNP

Resource Properties and Deferred Expenditures

The net book value of resource properties and deferred expenditures amounted to $98,753,932 as at December 31, 2021. At each reporting period, management assesses deferred exploration and evaluation expenditures to determine whether there are any indicators of impairment. If any such indicators exist, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Management assesses deferred exploration and evaluation expenditures for impairment based on the following indicators: (i) the period for which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for an evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to determine that extracting the resources will not be technically feasible or commercially viable; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. No impairment indicators were identified by management as at December 31, 2021.

We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgments made by management in their assessment of indicators of impairment related to exploration and evaluation assets. This resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

Refer to Note 5 Resource Properties and Deferred Expenditures.

We responded to this matter by performing audit procedures in relation to the impairment indicator assessment for resource properties and deferred expenditures. Our audit work in relation to this included, but was not restricted to, the following:

- Assessed the judgments made by management in assessing the impairment indicators, which included the following:
  - Obtained evidence to support the existence of the right to explore the area and title of claim;
  - Assessed budget approvals and board minutes to obtain evidence of continuing and planned exploration expenditures and included evaluations of the work completed in the current year; and
  - Assessed whether there are any indications that extracting resources will not be technically feasible or commercially viable, or if other facts and circumstances exist that may suggest the carrying amount exceeds the recoverable amount, based on evidence obtained in other areas of the audit.
- Assessed the appropriateness of the related disclosures in Note 5 of the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Isabella Lee.

MNP LLP

Mississauga, Ontario
March 30, 2022

Chartered Professional Accountants
Licensed Public Accountants

Talon Metals Corp.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes		December 31, 2021		December 31, 2020
Assets					
Current assets					
Cash and cash equivalents		$	25,065,775	$	15,355,958
Accounts and other receivables			4,641		1,320
Prepayments			162,079		37,395
Deferred financing costs			273,106		77,881
			25,505,601		15,472,554
Non-current assets					
Property, plant and equipment	*4*		1,322,803		-
Resource properties and deferred expenditures	*5, 6, 9, 14*		98,753,932		60,799,398
		$	125,582,336	$	76,271,952
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	1,721,284	$	988,864
Accounts payable - board of directors	*14*		115,829		283,529
Contingencies	*15*		25,253		101,339
Royalty put option	*6*		545,105		-
			2,407,471		1,373,732
Royalty put option	*6*		-		1,093,531
Asset retirement obligation	*7*		1,158,310		659,057
		$	3,565,781	$	3,126,320
Shareholders' equity					
Share capital	*8a*	$	193,343,955	$	152,850,200
Warrants	*8b*		3,466,583		1,510,111
Contributed surplus			30,308,448		18,334,102
Accumulated other comprehensive income			(2,096,908)		(2,089,070)
Deficit			(103,005,523)		(97,459,711)
			122,016,555		73,145,632
		$	125,582,336	$	76,271,952

Subsequent Events - Note 18

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors on March 30, 2022

Signed: "Warren E. Newfield" "John D. Kaplan"

Talon Metals Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Year ended ended December 31, 2021	Year ended ended December 31, 2020
Expenses			
Salaries, benefits, consulting and board fees	*14*	$ 944,274	$ 1,316,916
Professional fees		898,115	448,647
Office and general		29,939	41,378
Insurance		76,302	67,184
Marketing and travel		234,843	270,455
Listing, filing and shareholder communications		200,485	91,538
Contingencies	*15*	(78,040)	-
Stock option compensation	*9*	3,866,345	138,888
Loss on sale of subsidiary		-	3,620
Loss (gain) on revaluation of royalty put option	*6*	(543,788)	141,441
Accretion on asset retirement obligation	*7*	13,901	8,957
Foreign currency loss (gain)		(81,222)	217,764
		5,561,154	2,746,788
Interest income		15,342	14,589
Net loss		(5,545,812)	(2,732,199)
Other comprehensive loss			
Currency translation differences		(7,838)	(1,451,495)
Comprehensive loss		$ (5,553,650)	$ (4,183,694)
Basic and diluted net loss per share	*10*	$ (0.01)	$ (0.01)
Weighted average shares outstanding	*10*	674,205,070	531,454,789

The accompanying notes are an integral part of these consolidated financial statements.

Talon Metals Corp.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Notes	Common shares Number	Common shares Amount	Warrants	Contributed surplus	Deficit	Accumulated other comprehensive income	Shareholders' equity
Balance at January 1, 2021		605,722,669	$ 152,850,200	$ 1,510,111	$ 18,334,102	$ (97,459,711)	$ (2,089,070)	$ 73,145,632
March 2021 prospectus offering	*8a*	57,500,000	29,453,183	2,506,090	-	-	-	31,959,273
Shares and warrants issued for resource properties	*8a*	10,543,333	6,220,567	542,609	-	-	-	6,763,176
Warrants exercised	*8b*	27,297,649	4,309,709	(1,092,227)	-	-	-	3,217,482
Stock options exercised	*9*	1,395,000	510,296	-	(186,446)	-	-	323,850
Stock option compensation payments	*9*	-	-	-	12,160,792	-	-	12,160,792
Net loss and comprehensive loss		-	-	-	-	(5,545,812)	(7,838)	(5,553,650)
Balance at December 31, 2021		702,458,651	$ 193,343,955	$ 3,466,583	$ 30,308,448	$ (103,005,523)	$ (2,096,908)	$ 122,016,555
Balance at January 1, 2020		494,328,808	$ 129,971,715	$ 1,188,498	$ 20,051,418	$ (94,727,512)	$ (637,575)	$ 55,846,544
May common share private placement	*8a*	40,169,500	3,755,338	46,480	-	-	-	3,801,818
August prospectus offering	*8a*	19,821,600	4,445,089	125,510	-	-	-	4,570,599
December prospectus offering	*8a*	38,334,100	10,201,430	296,594	-	-	-	10,498,024
Warrants exercised	*8b*	3,313,661	527,814	(146,971)	-	-	-	380,843
Stock options exercised	*9*	9,755,000	3,948,814	-	(2,433,134)	-	-	1,515,680
Stock option compensation payments	*9*	-	-	-	715,818	-	-	715,818
Net loss and comprehensive loss		-	-	-	-	(2,732,199)	(1,451,495)	(4,183,694)
Balance at December 31, 2020		605,722,669	$ 152,850,200	$ 1,510,111	$ 18,334,102	$ (97,459,711)	$ (2,089,070)	$ 73,145,632

The accompanying notes are an integral part of these consolidated financial statements.

Talon Metals Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
Cash flows used in operating activities		
Net loss	$ (5,545,812)	$ (2,732,199)
Non-cash adjustments:		
Stock option compensation	3,866,345	138,888
Loss on sale of subsidiary	-	736
(Gain) loss on revaluation of royalty put option	(543,788)	141,441
Foreign exchange loss on contingencies	1,954	32,252
Accretion on asset retirement obligation	13,901	8,957
	(2,207,400)	(2,409,925)
Working capital adjustments:		
Increase in prepayments	(124,684)	(4,966)
Increase in deferred financing costs	(195,225)	(19,354)
(Increase) decrease in accounts and other receivables	(3,321)	713
Increase (decrease) in accounts payables and accrued liabilities	132,125	(413,528)
Decrease in contingencies	(76,086)	(32,252)
Net cash flows used in operating activities	(2,474,591)	(2,879,312)
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(1,508,221)	-
Acquisition of resource properties and deferred expenditures	(21,795,746)	(9,794,447)
Net cash flows used in investing activities	(23,303,967)	(9,794,447)
Cash flows provided by (used in) financing activities		
Net proceeds from issuance of common shares and warrants - March 2021 prospectus offering	31,959,273	-
Net proceeds from issuance of common shares and warrants - March 2020 common share fianancing	-	3,801,818
Net proceeds from issuance of common shares and warrants - August 2020 common share fianancing	-	4,570,599
Net proceeds from issuance of common shares and warrants - December 2020 common share financing	-	10,498,024
Proceeds from exercise of stock options	323,850	1,515,680
Proceeds from exercise of warrants	3,217,482	380,843
Net cash flows provided by financing activities	35,500,605	20,766,964
Net increase (decrease) in cash and cash equivalents	9,722,047	8,093,205
Effect of foreign exchange on consolidation	(12,230)	(7,958)
Cash and cash equivalents, beginning of the period	15,355,958	7,270,711
Cash and cash equivalents, end of the period	$ 25,065,775	$ 15,355,958
Supplemental cash flow information		
Stock based compensation included in resource properties	8,294,447	576,930
Acqusition of resource properties through issuing common shares and warrants	6,763,176	-
Equipment depreciation included in resource properties	198,063	-
Increase in asset retirement obligation related to resource properties	485,352	(472,548)
Cash equivalents (Term deposits and T-bills), end of the period	4,016,510	10,000

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Talon Metals Corp. ("Talon" or the "Company") is a mineral exploration company 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). The Company's interest in the Tamarack Project is held through its indirect 100% owned Delaware, USA subsidiary, Talon Nickel (USA) LLC ("Talon Nickel").

On January 11, 2018, Talon Nickel and Kennecott entered into the mining venture agreement in respect of the Tamarack Project (the "Mining Venture Agreement"). On November 7, 2018, the Company entered into an option agreement (the "2018 Option Agreement") with Kennecott Exploration Company ("Kennecott"), a subsidiary of the Rio Tinto Group, pursuant to which Talon has the right to acquire up to a 60% interest in the Tamarack Project on the satisfaction of certain terms and conditions while the Mining Venture Agreement is held in abeyance.

As of December 31, 2020, Talon Nickel held a 17.56% interest in the Tamarack Project, which was earned pursuant to an Exploration and Option Agreement (the "Tamarack Earn-in Agreement") (as amended) that Talon Nickel was a party to with Kennecott prior to entering into the Mining Venture Agreement and the 2018 Option Agreement. The Tamarack Earn-in Agreement is no longer in effect. As of December 31, 2021, Talon Nickel held a 51% interest in the Tamarack Project. See Note 5 for further information.

The Company's head office address is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

The Company has not earned any revenue to date from its operations. The Company, and its partner Kennecott, are in the process of exploring the Tamarack Project 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 December 31, 2021, the Company had working capital of $23.1 million (December 31, 2020 – $14.1 million) and shareholders' equity of $122.0 million (December 31, 2020 – $73.1 million). Working capital is defined as current assets less current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), interpretations as issued by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements were approved by the Board of Directors of the Company on March 30, 2022.

Basis of preparation

These Consolidated Financial Statements are presented in Canadian dollars. The Consolidated Financial Statements are prepared on the historical cost basis, except for financial instruments that are measured at fair value.

These Consolidated Financial Statements 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.

Please see Note 12(b) "Liquidity Risk" for more information in this regard.

Basis of consolidation

These Consolidated Financial Statements include the accounts of Talon and its wholly-owned subsidiaries, including Talon Metals Services Inc. and Talon Nickel. All intercompany balances and transactions have been eliminated on consolidation.

A subsidiary is an entity that is controlled by the Company. In assessing control, potential voting rights that are presently exercisable or convertible, are considered in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

Functional and presentation currency

These Consolidated Financial Statements are presented in Canadian dollars, which is the presentation and functional currency of the Company and its subsidiaries with the exception of Talon Nickel. The functional currency of Talon Nickel is United States dollars.

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the Statement of Financial Position date. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated at rates at the date of the initial transaction.

On consolidation, for entities with a functional currency that differs from the presentation currency of the Company, assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position. Income and expenses are translated at the average rate for the applicable period. All resulting exchange differences are recognized in other comprehensive loss and accumulated as a separate component of equity.

The Canadian dollar/United States dollar exchange rate used as of December 31, 2021 was 1.2678 (December 31, 2020 – 1.2732).

Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit, money market funds and/or short-term investments with initial maturities of less than three months at the time of acquisition. At December 31, 2021 and December 31, 2020, the Company held both cash and cash equivalents.

Deferred financing costs

The Company capitalizes direct costs such as legal, audit and regulatory, related to in-progress and currently contemplated financings. These costs are then recognized as a deduction from the gross proceeds of financings in the future period during which the financing may take place. In addition, management assesses the carrying value of such costs at each reporting period and will expense any portion during the period made known to management that will not be utilized.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the property, plant and equipment to the location and condition necessary for its intended use. Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the property, plant and equipment. Any gain or loss arising on disposal of property, plant and equipment, determined as the difference between the net disposal proceeds and the carrying amount of the property, plant and equipment, is recognized in the consolidated statements of loss and comprehensive loss. Where plant and equipment comprise major components with different useful lives, the components are accounted for as separate assets. Expenditures incurred to replace a component of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company provides for depreciation of its plant and equipment at the following annual rates:

Equipment including machinery and vehicles	20% to 33% straight-line basis
Core storage building	10% straight-line basis

Resource properties and deferred exploration and evaluation costs

Interests in mineral exploration properties are recorded at cost. Exploration and development expenditures, including an allocation of salaries, benefits and consulting fees, 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 or written down to the net recoverable amount of the deferred exploration expense.

The cost of mineral properties includes the cash consideration paid and the fair 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 Consolidated 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.

The amounts shown for mineral properties and deferred exploration costs represents cost to date less accumulated impairment, 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.

Impairment of non-financial assets

At the end of each reporting period, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In order to determine fair value, the Company considers multiple valuation approaches, including the income, market and cost approaches. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of loss and comprehensive loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

Asset retirement obligations

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

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates an laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Uncertainty over Income Tax Treatments (“IFRIC 23”)

The Company is required to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. The Company also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. There is no material uncertain tax treatment the Company has taken.

Financial instruments

Financial assets

Under IFRS 9, financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at fair value through profit or loss (“FVTPL”)

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income (“FVTOCI”). Gains or losses on these items are recognized in profit or loss.

The Company’s cash and cash equivalents are classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest".

The Company’s accounts and other receivables excluding HST are classified as financial assets measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company’s accounts payable and accrued liabilities, accounts payable – board fees and contingencies do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded at FVTPL

Financial liabilities are classified as fair value through profit or loss if they fall into one of the five exemptions detailed above.

The Company's Royalty Put Option (defined below) are classified as FVTPL.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The Company does not have any receivables that are subject to impairment analysis.

Stock option compensation

The Company's shareholder-approved stock option plan allows employees, directors and consultants of the Company to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, and includes directors and most consultants of the Company. The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted.

Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by using the treasury method to assume conversion of all dilutive securities.

Comprehensive income

Other comprehensive income is a component of shareholders' equity. Comprehensive earnings are composed of the Company's net earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, namely, mineral exploration and geographically in the USA. Substantially all working capital and investments are held at head office and all property, plant and equipment are held in the USA.

Reclassification

Amounts in the Consolidated Financial Statements from the prior year have been reclassified to conform to the current year's presentation.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated 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 judgement on the determination of functional currency, the valuation of resource properties, the estimation of contingencies, the valuation of the asset retirement obligation, the valuation of the Royalty Put Option (defined below) and tax provisions.

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

The uncertainty regarding the estimation of contingencies arises as a 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 a 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 a 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.

(Expressed in Canadian dollars)

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are comprised of land, buildings, and equipment such as drill rigs and vehicles. All depreciation is capitalized to Resource Properties and Deferred Expenditures.

Cost	**Year ended December 31, 2021**	**Year ended December 31, 2020**
Beginning of the year	$ -	$ -
Additions	1,508,221	-
Disposals and transfers	-	-
Effects of foreign exchange	12,645	-
End of the year	$ 1,520,866	$ -

Accumulated Depreciation	**Year ended December 31, 2021**	**Year ended December 31, 2020**
Beginning of the year	$ -	$ -
Depreciation	198,063	-
Disposals and transfers	-	-
End of the year	$ 198,063	$ -
Net book value - beginning of the year	-	-
Net book value - end of the year	1,322,803	-

5. RESOURCE PROPERTIES AND DEFERRED EXPENDITURES

The properties on which the Company's subsidiaries carry out exploration activities or hold an interest in an exploration project are located in the USA (the Tamarack Project). Details of the change for the year ended December 31, 2021 and the year ended December 31, 2020 are as follows:

Balance at December 31, 2019	**$ 51,843,327**
Additions	10,443,749
Foreign exchange	(1,487,678)
Balance at December 31, 2020	**$ 60,799,398**
Additions	37,969,379
Foreign exchange	(14,845)
Balance at December 31, 2021	**$ 98,753,932**

Although the Company believes it has taken reasonable measures to ensure proper title to its mineral properties and those which it has an interest in, there is no guarantee that title to any of these mineral 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 or Kennecott may be unable to operate their properties as permitted or to enforce their rights with respect to its properties.

Tamarack Project

On June 25, 2014, Talon's wholly owned indirect subsidiary, Talon Nickel, entered into the Tamarack Earn-in Agreement with Kennecott, pursuant to which Talon Nickel received the right to acquire an interest in the Tamarack Project. On January 4, 2016, pursuant to the Tamarack Earn-in Agreement, as amended, Talon Nickel earned an 18.45% interest in the Tamarack Project by making payments totalling US$25.52 million.

On December 16, 2016, Talon Nickel and Kennecott entered into an agreement to amend the Tamarack Earn-in Agreement pursuant to which Talon Nickel and Kennecott agreed to co-fund a 2016/2017 winter exploration program at the Tamarack Project in the approximate amount of US$3,500,000, with Talon Nickel funding its proportionate share of 18.45% thereof. In addition, Talon Nickel and Kennecott agreed 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. Throughout 2017, Talon Nickel paid an additional US$717,347 to Kennecott pursuant to the Tamarack Earn-in Agreement (as amended).

On September 25, 2017, 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. On January 11, 2018, Talon Nickel and Kennecott entered into the Mining Venture Agreement.

Talon elected to not participate in the 2018 exploration program. Consequently, Talon Nickel's interest in the Tamarack Project was diluted from 18.45% to 17.56%.

On November 7, 2018, Talon Nickel entered into the 2018 Option Agreement with Kennecott pursuant to which Talon Nickel has the right to acquire up to a 60% interest in the Tamarack Project. Pursuant to the terms of the 2018 Option Agreement, Talon Nickel took over operatorship of the Tamarack Project and vested at a 51% interest in the Tamarack Project as a result of fulfilling the following requirements under the 2018 Option Agreement: (i) the payment of US$6 million in cash to Kennecott (paid on March 13, 2019) (the "Initial Payment"); (ii) the issuance of US$1.5 million worth of common shares of the Company to Kennecott (issued on March 7, 2019); (iii) within 3 years of the effective date of the 2018 Option Agreement, Talon Nickel either spending US$10 million or completing a prefeasibility study on the Tamarack Project (completed the spending requirement of US$10 million in early 2021); and (iv) within 3 years of the effective date of the 2018 Option Agreement, Talon Nickel paying Kennecott an additional US$5.0 million in cash (paid by the issuance of common shares and warrants of the Company on September 29, 2021 – see Note 8(a)).

Given that Talon Nickel has earned the 51% interest in the Tamarack Project, Talon Nickel now has the right to increase its interest in the Tamarack Project by a further 9% to 60% by (i) completing a feasibility study on the Tamarack Project within 7 years of the effective date of the 2018 Option Agreement (i.e., 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. Upon Talon Nickel vesting with its applicable joint venture interest in the Tamarack Project, the parties will enter into a new joint venture agreement, pursuant to which, so long as Talon Nickel has a majority interest, Talon Nickel will continue to act as operator of the Tamarack Project. In the event Talon Nickel has delivered a feasibility study on the Tamarack Project, upon the completion thereof, the parties will be required to fund the Tamarack Project in accordance with their respective ownership interests or be diluted.

The 2018 Option Agreement became effective on March 13, 2019 when the Company made the Initial Payment to Kennecott. During the term of the 2018 Option Agreement, the Mining Venture Agreement is held in abeyance and the terms of the 2018 Option Agreement govern the relationship between Talon Nickel and Kennecott in respect of the Tamarack Project.

On March 7, 2019, Talon Nickel sold a royalty and issued warrants for gross proceeds of US$5 million or $6.7 million (see Note 6), of which the majority ($5.4 million gross of financing costs) was allocated to the royalty component which was accounted for as a reduction to resource properties and deferred expenditures. Financing expenses of $0.6 million associated with the royalty component of the transaction were also capitalized to resource properties and deferred expenditures. The remaining expenses of $0.2 million were allocated to the Royalty Warrants and Royalty Put Option, both defined in Note 6.

On September 29, 2021, the Company issued 10,543,333 common shares of the Company and 5,271,666 warrants of the Company with an exercise price of $0.80 and expiration date of September 29, 2022 valued at $6,763,176 or approximately US$5.3 million to Kennecott (see Note 8(a)) in satisfaction of the requirement to pay Kennecott US$5.0 million in cash pursuant to the 2018 Option Agreement to vest at a 51% interest in the Tamarack Project.

6. ROYALTY

On March 7, 2019, Talon Nickel granted a net smelter returns royalty to TF R&S Canada Ltd (formerly 10782343 Canada Limited) (the “Royalty Holder”), a subsidiary of Triple Flag Precious Metals Corp., 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% (reduced to 1.85% on February 15, 2022 – see Note 18(c) – Subsequent Events) 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 (the “Royalty Put Option”). The Royalty Put 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 (one-time option exercised on February 15, 2022 - see Note 18(c) – Subsequent Events). 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 $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 allocated to the Royalty Put Option have been expensed.

The Royalty Put Option was 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 consolidated statement of loss and comprehensive loss reflects the change excluding foreign exchange translation.

(Expressed in Canadian dollars)

7. ASSET RETIREMENT OBLIGATION

The Company has legal and contractual environmental obligations to provide for the retirement of its mining assets, to return all sites to their approximate initial state and to ensure that there is no significant source of environmental contamination or danger to human beings, wildlife and fish species. Although the ultimate expected cost of the asset retirement obligation is uncertain, it has been estimated based on information currently available, including environmental remediation plans and regulatory requirements.

Any estimation change during the period or year is capitalized to resource properties and deferred expenditures (Note 5). Accretion is included on the consolidated statement of loss and comprehensive loss.

As of December 31, 2021, the Company estimated the asset retirement obligation to be $1,158,310 (December 31, 2020 – $659,057). Key assumptions include total undiscounted pre-inflation estimated costs of $1,055,570 (December 31, 2020 – $595,858), inflation of 2.5% (December 31, 2020 – 2.0%) and a discount rate of 1.55% (December 31, 2020 – 1.07%) based on the yield on U.S. government bonds with a similar term to maturity of the total expected costs. For the year ended December 31, 2021, interest rate accretion of $13,901 was recognized (year ended December 31, 2020 – $8,957). The obligation is expected to be paid primarily over the years 2022 to 2034. The estimate change during the period was added to Resource properties and deferred expenditures.

		Year ended December 31, 2021		**Year ended December 31, 2020**
Beginning of the year	$	659,057	$	1,122,648
Changes in the estimate		583,486		(372,522)
Amounts incurred		(43,879)		(144,850)
Accretion and change in the discount rate		(43,148)		52,331
Foreign exchange translation		2,794		1,450
End of the year	$	1,158,310	$	659,057

Sensitivity analysis: The balance of the asset retirement obligation on December 31, 2021 would change as follows:

Variable changed	Result - low	Result - high
Cost - 5% decrease and increase	$ 1,100,000	$ 1,216,000
Inflation rate - 1% decrease and increase	$ 1,052,000	$ 1,279,000
Discount rate - 1% increase in discount rate	$ 1,051,000	

8. SHARE CAPITAL AND OTHER EQUITY

(a) Authorized, issued and outstanding common shares

Authorized – 100,000,000,000 common shares, no par value.
Issued and outstanding – 702,458,651 at December 31, 2021 and 605,722,669 at December 31, 2020.

Common share financings

On May 21, 2020, the Company completed a private placement of 40,169,500 common shares at a price of $0.10 per share for aggregate gross proceeds of $4,016,950. In connection with the private placement, the Company issued 1,145,000 broker warrants ("May 2020 Broker Warrants") with an exercise price of $0.10 and an expiration date of May 21, 2022. Issuance costs were $215,132 for items such as legal and commissions and $46,480 for the May 2020 Broker Warrants which were valued based on the estimates provided in Note 8(b).

On August 13, 2020, the Company completed an offering of 19,821,600 common shares at a price of $0.26 per share for aggregate gross proceeds of $5,153,616 pursuant to a prospectus supplement to the Company's Base Shelf Prospectus ("August 2020 Prospectus Offering"). In connection with the August 2020 Prospectus Offering, the Company paid a 6% cash commission and issued 1,189,296 broker warrants ("August 2020 Broker Warrants) with an exercise price of $0.26 and an expiration date of August 13, 2022. Issuance costs were $583,017 for items such as legal and commissions and $125,510 for the August 2020 Broker Warrants which were valued based on the estimates provided in Note 8(b).

On December 11, 2020, the Company completed an offering of 38,334,100 common shares at a price of $0.30 per Common Share for aggregate gross proceeds of $11,500,230 pursuant to a prospectus supplement to the Company's Base Shelf Prospectus ("December 2020 Prospectus Offering"). In connection with the December 2020 Prospectus Offering, the Company paid a 6% cash commission and issued 2,300,046 broker warrants ("December 2020 Broker Warrants) with an exercise price of $0.30 and an expiration date of December 11, 2022. Issuance costs were $1,002,206 for items such as legal and commissions and $296,594 for the December 2020 Broker Warrants which were valued based on the estimates provided in Note 8(b).

On March 18, 2021, the Company completed an offering of 57,500,000 units at a price of $0.60 per unit for aggregate gross proceeds of $34,500,000 pursuant to a short form prospectus ("March 2021 Prospectus Offering"). Each unit consisted of one common share and one-half of a share purchase warrant of the Company resulting in the issuance of 57,500,000 common shares and 28,750,000 warrants ("March 2021 Warrants"). 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. Issuance costs were $2,540,727 for items such as legal and commissions and $2,506,090 for the March 2021 Warrants which were valued based on the estimates provided in Note 8(b).

Issuance of shares and warrants to acquire resource properties

On September 29, 2021, the Company issued 10,543,333 common shares of the Company and 5,271,666 warrants ("September 2021 Warrants") of the Company with a strike price of $0.80 and expiration date of September 29, 2022 valued at $6,763,176 or approximately US$5.3 million to Kennecott (see Note 5) in satisfaction of the requirement to pay Kennecott US$5.0 million in cash pursuant to the 2018 Option Agreement to vest at a 51% interest in the Tamarack Project. The common shares were valued at $0.59 per share based on the closing price of the shares of the Company on the date of issuance. The September 2021 Warrants were valued at $542,609 based on the estimates provided in Note 8(b).

Shares issued in connection with the exercise of warrants

During the year ended December 31, 2020, 3,313,661 shares were issued as a result of the exercise of 3,313,661 warrants resulting in gross proceeds of $380,843. The warrants had a fair value at the time of issuance of $146,971. During the year ended December 31, 2021, 27,297,649 shares were issued as a result of the exercise of 27,297,649 warrants resulting in gross proceeds of $3,217,482. The warrants had a fair value at the time of issuance of $1,092,227.

Shares issued in connection with the exercise of stock options

During the year ended December 31, 2020, 9,755,000 shares were issued as a result of the exercise of 9,755,000 options resulting in gross proceeds of $1,515,680. The options had a fair value at the time of issuance of $2,433,134. During the year ended December 31, 2021, 1,395,000 shares were issued as a result of the exercise of 1,395,000 options resulting in gross proceeds of $323,850. The options had a fair value at the time of issuance of $186,446.

(Expressed in Canadian dollars)

(b) Warrants

Warrant transactions for the year ended December 31, 2021 and the year ended December 31, 2020 are as follows:

	Year ended December 31, 2021			Year ended December 31, 2020			
	Number of warrants	Exercise price	Fair value net of costs	Number of warrants	Exercise price	Fair value net of costs	Proceeds from exercise
Outstanding – beginning of the year	33,368,166	$ 0.126	$ 1,510,111	32,047,485	$ 0.108	$ 1,188,498	$ -
Issued	28,750,000	0.80	2,506,090	1,145,000	0.10	46,480	-
Issued	5,271,666	0.80	542,609	1,189,296	0.26	125,510	-
Issued	-	-	-	2,300,046	0.30	296,594	-
Exercised	(7,293,750)	0.0826	(269,431)	(1,000,000)	0.156	(38,340)	156,000
Exercised	(645,660)	0.116	(23,610)	(1,200,000)	0.0826	(40,634)	99,120
Exercised	(15,000,000)	0.11	(426,823)	(330,000)	0.10	(13,395)	33,000
Exercised	(3,173,789)	0.17	(222,364)	(33,661)	0.17	(2,358)	5,722
Exercised	(118,930)	0.26	(12,547)	(750,000)	0.1160	(52,244)	87,000
Exercised	(1,065,520)	0.30	(137,452)	-	-	-	-
Outstanding – end of the year	40,092,183	$ 0.703	$ 3,466,583	33,368,166	$ 0.126	1,510,111	$ 380,842

The weighted average share price on the date of exercise of the warrants for the year ended December 31, 2021 was $0.56 (2020 – $0.32).

The May 2020 Broker Warrants have a contractual life of 2 years and an exercise price of $0.10. The May 2020 Broker Warrants were valued using the following estimates: share price of $0.10, risk-free interest rate – 0.31%, expected life – 2 years, expected volatility – 75% and dividend yield – 0%.

The August 2020 Broker Warrants have a contractual life of 2 years and an exercise price of $0.26. The August 2020 Broker Warrants were valued using the following estimates: share price of $0.26, risk-free interest rate – 0.30%, expected life – 2 years, expected volatility – 75% and dividend yield – 0%.

The December 2020 Broker Warrants have a contractual life of 2 years and an exercise price of $0.30. The December 2020 Broker Warrants were valued using the following estimates: share price of $0.30, risk-free interest rate – 0.25%, expected life – 2 years, expected volatility – 80% and dividend yield – 0%.

The March 2021 Warrants have a contractual life of 1 year and an exercise price of $0.80. The March 2021 Warrants were valued using the following estimates: share price of $0.56, risk-free interest rate – 0.15%, expected life – 1 year, expected volatility – 70% and dividend yield – 0%.

The September 2021 Warrants have a contractual life of 1 year and an exercise price of $0.80. The September 2021 Warrants were valued using the following estimates: share price of $0.59, risk-free interest rate – 0.52%, expected life – 1 year, expected volatility – 70% and dividend yield – 0%.

(Expressed in Canadian dollars)

As at December 31, 2021 and December 31, 2020, warrants outstanding were as follows:

December 31, 2021				December 31, 2020			
Outstanding		Exercise price	Expiration date	Outstanding		Exercise price	Expiration date
2,950,625	$	0.0826	March 7, 2022	15,000,000	$	0.11	January 18, 2021
28,750,000		0.80	March 18, 2022	3,173,789		0.17	August 29, 2021
815,000		0.10	May 21, 2022	10,244,375		0.0826	March 7, 2022
1,070,366		0.26	August 13, 2022	645,660		0.116	May 15, 2022
1,234,526		0.30	December 11, 2022	815,000		0.10	May 21, 2022
5,271,666		0.80	September 29, 2022	1,189,296		0.26	August 13, 2022
-		-		2,300,046		0.30	December 11, 2022
40,092,183	$	0.703		33,368,166	$	0.126	

9. STOCK OPTION COMPENSATION – EMPLOYEE SHARE OPTION PLAN

The Company has adopted a stock option plan (the “Plan”) for its directors, officers, employees and consultants to acquire common shares of the Company. The exercise price of each option is determined by the Board of Directors of Talon but, in any event, is not lower than the closing market price on the TSX on the trading day immediately preceding the date the option is granted. The terms and conditions of the options are determined by the Board of Directors of the Company pursuant to the rules of the Plan. All options are granted for a term not exceeding ten years from the grant date. The total number of options that can be granted is limited to 15% of the issued and outstanding share capital of the Company.

A summary of the change in options outstanding during the year ended December 31, 2021 and the year ended December 31, 2020 is as follows:

	Year ended December 31, 2021			Year ended December 31, 2020		
	Number of stock options		Exercise price	Number of stock options		Exercise price
Outstanding – beginning of the year	76,964,838	$	0.226	56,399,188	$	0.124
Issued	5,307,736		0.70	5,780,000		0.100
Issued	5,400,000		0.59	2,050,000		0.145
Issued	12,600,000		0.52	700,000		0.280
Issued	1,900,000		0.65	1,400,000		0.260
Issued	-		-	200,000		0.250
Issued	-		-	800,000		0.300
Issued	-		-	200,000		0.310
Issued	-		-	20,405,000		0.510
Expired	-		-	(64,350)		0.200
Exercised	(150,000)		0.095	(9,655,000)		0.156
Exercised	(20,000)		0.28	(100,000)		0.095
Exercised	(50,000)		0.30			
Exercised	(325,000)		0.51	-		-
Exercised	(850,000)		0.145	-		-
Cancelled	(400,000)		0.10	(400,000)		0.300
Cancelled	(150,000)		0.30	(750,000)		0.180
Cancelled	(312,500)		0.51	-		-
Cancelled	(200,000)		0.52	-		-
Cancelled	(200,000)		0.59	-		-
Outstanding – end of the year	99,515,074	$	0.315	76,964,838	$	0.226

During the year ended December 31, 2020, 9,755,000 options were exercised for total proceeds of

(Expressed in Canadian dollars)

$1,515,680. During the year ended December 31, 2021, 1,395,000 options were exercised for total proceeds of $323,850. The weighted average share price on the date of exercise of the options for the year ended December 31, 2021 was $0.64 (2020 – $0.37).

On March 13, 2020, the Company issued 5,780,000 stock options with an exercise price of $0.10 to employees, exercisable until March 13, 2025, of which 3,000,000 stock options vest over 2.5 years.

During Q3 2020, the Company issued 4,350,000 stock options with an exercise price of $0.145 to $0.28 to new employees and an investor relations consultant, exercisable until July 3, 2025 to August 15, 2025, of which 400,000 stock options vested immediately and the remainder vest over 1 year.

During Q4 2020, the Company issued 20,905,000 stock options with exercise prices ranging from $0.30 to $0.51 to new and existing employees exercisable until October 28, 2025 to December 28, 2025 that vest over 1 year. Also during Q4 2020, the Company issued 100,000 options to a consultant with an exercise price of $0.51 exercisable until December 28, 2022 that vested immediately.

On March 19, 2021, the Company issued 5,307,736 stock options with an exercise price of $0.70 to new and existing employees exercisable until March 19, 2026 that vest over 1 year.

On May 28, 2021, the Company issued 5,400,000 stock options with an exercise price of $0.59 to directors and new and existing employees exercisable until May 28, 2026 that vest over 1 year.

On June 25, 2021, the Company issued 12,600,000 stock options with an exercise price of $0.52 to new and existing employees and to a new consultant exercisable until June 25, 2026 that vest over 1 year.

On October 22, 2021, the Company issued 1,900,000 stock options with an exercise price of $0.65 to new and existing employees and to a new consultant exercisable until October 22, 2026 that vest over 1 year.

As at December 31, 2021, the Company had the following stock options outstanding:

Date of grant	Number of options	Exercise price	Exercisable	Exercise price	Expiration Date
March 22, 2019	32,217,103	0.095	32,217,103	0.095	March 22, 2024
June 6, 2019	4,962,735	0.180	4,962,735	0.180	June 6, 2024
October 2, 2019	1,000,000	0.180	1,000,000	0.180	October 2, 2024
October 28, 2019	6,000,000	0.165	6,000,000	0.165	October 28, 2024
December 12, 2019	1,500,000	0.145	1,500,000	0.145	December 12, 2024
March 13, 2020	5,380,000	0.100	4,180,000	0.100	March 13, 2025
July 22, 2020	700,000	0.145	700,000	0.145	July 22, 2025
July 23, 2020	500,000	0.145	500,000	0.145	July 23, 2025
August 7, 2020	680,000	0.280	680,000	0.280	August 7, 2025
August 14, 2020	1,400,000	0.260	1,400,000	0.260	August 14, 2025
August 15, 2020	200,000	0.250	200,000	0.250	August 15, 2025
October 28, 2020	200,000	0.300	200,000	0.300	October 28, 2025
November 8, 2020	200,000	0.310	200,000	0.310	November 8, 2025
December 28, 2020	19,767,500	0.510	19,767,500	0.510	December 28, 2025
March 19, 2021	5,307,736	0.700	3,980,802	0.700	March 19, 2026
May 28, 2021	5,200,000	0.590	2,600,000	0.590	May 28, 2026
June 25, 2021	12,400,000	0.520	4,450,000	0.520	June 25, 2026
October 22, 2021	1,900,000	0.650	-	0.650	October 22, 2026
Total / weighted average	99,515,074	$ 0.315	84,538,140	$ 0.277	

(Expressed in Canadian dollars)

The Company determined the fair value of the stock options issued during the years ended December 31, 2021 and 2020 using the Black-Scholes option pricing model using the following assumptions:

	Year ended December 31, 2021	Year ended December 31, 2020
Share price	Closing price on the day prior to the date of grant	
Risk-free interest rate	0.92% - 1.38%	0.74%
Expected life	5 years	5 years
Expected volatility	70%	75%
Dividend yield	0%	0%
Forfeiture rate	0%	0%

Stock option compensation expense for the years ended December 31, 2021 and 2020, presented in the table below, was recognized in the 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 year ended December 31, 2021 and 2020, also presented in the table below.

	Year ended ended December 31, 2021	Year ended ended December 30, 2020
Stock option compensation - expensed	$ 3,866,345	$ 138,888
Stock option compensation - capitalized	8,294,447	576,930
Stock option compensation - total	$ 12,160,792	$ 715,818

10. NET INCOME OR LOSS PER SHARE

(a) Basic

Basic net loss per share has been calculated using the weighted average number of common shares outstanding during the year.

(b) Diluted

Diluted net loss per share is the same as basic net loss per share as all the convertible securities are anti-dilutive.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, accounts and other receivables excluding HST, accounts payable and accrued liabilities, accounts payable – board fees and the Royalty Put Option.

The Company has classified its financial assets and liabilities carried at fair value through profit and loss into the following levels (as discussed in Note 2) as follows:

	Dec 31, 2021	Dec 31, 2020
Level 1		
Cash and cash equivalents	$ 25,065,775	$ 15,355,958
Level 3		
Royalty put option	545,105	1,093,531

12. FINANCIAL RISK MANAGEMENT

(a) Credit risk management

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

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.

(b) Liquidity risk

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.

On March 26, 2020, the Company filed a final short form base shelf prospectus (the "2020 Base Shelf Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than the province of Québec. Pursuant to the 2020 Base Shelf Prospectus, Talon was able to issue common shares, debt securities, subscription receipts or warrants or any combination of such securities as units, in amounts, at prices, and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to $40 million during the 25-month period that the 2020 Base Shelf Prospectus remained effective. The 2020 Base Shelf Prospectus was revoked once the 2021 Base Shelf Prospectus (defined below) became effective.

On December 7, 2021, the Company filed a new final short form base shelf prospectus (the "2021 Base Shelf Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than the province of Québec. Pursuant to the 2021 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 $90 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 May 21, 2020, the Company completed a common share private placement.

On August 13, 2020, the Company completed a prospectus offering of common shares pursuant to a prospectus supplement to the Company's 2020 Base Shelf Prospectus.

On December 11, 2020, the Company completed a prospectus offering of common shares pursuant to a prospectus supplement to the Company's 2020 Base Shelf Prospectus.

On March 18, 2021, the Company completed a short form prospectus offering of units.

Net proceeds from the issuance of common shares and warrants for the year ended December 31, 2021 totalled $32.0 million (year ended December 31, 2020 – $18.9 million). Proceeds from the exercise of stock options for the year ended December 31, 2021 totalled $0.3 million (year ended December 31, 2020 – $1.5 million) and the exercise of warrants for the year ended December 31, 2021 totalled $3.2 million (year ended December 31, 2020 – $0.4 million).

As of December 31, 2021, the Company had a cash and cash equivalents balance of $25.1 million, (December 31, 2020 – $15.4 million) to settle current liabilities of $2.4 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.

Beginning March 2020, 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.

Cumulatively, there has not been a significant impact to the Company's operations although the Company has had to adapt and implement new safety protocols. COVID-19 may have a negative impact on the ability of the Company to raise capital and on operations and therefore poses liquidity risk.

Other world events including the war in Ukraine have resulted in increased uncertainty and market volatility and may have a significant negative impact on the Company's ability to raise capital and on operations.

(c) 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. As at December 31, 2021 and December 31, 2020, the Company held only cash and cash equivalents which management considers not to be materially susceptible to market risks.

(d) Foreign exchange risk

The Company is exposed to movements in the United States dollar. Payments made to Kennecott and the majority of costs associated with the operatorship of the Tamarack Project are denominated in United States dollars. Talon's head office salaries, certain consulting costs and administrative costs are denominated in Canadian dollars. The Company provides loans to the US subsidiary to fund continuing operations. Foreign currency gains and losses on loans to the US subsidiary are recorded in other comprehensive income as the loans are part of a net investment in a foreign operation and repayment of the loans is not expected in the foreseeable future. Talon's financing activities have been primarily in Canadian dollars.

As of December 31, 2021 and December 31, 2020, Talon is exposed to movements in the United States dollar as a result of cash on hand, the Royalty Put Option, the asset retirement obligation, certain accounts payable and the majority of costs associated with the operatorship of the Tamarack Project.

At December 31, 2021, the Company had net monetary assets in United States dollars of $18.2 million (Canadian dollar equivalent). If foreign exchange rates had changed by 5% on the last day of the period with all other facts/assumptions held constant, there would be a change in the net income or loss of the Company for the year ended December 31, 2021 of approximately $0.9 million.

(e) 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 in regard to its interest income on cash, Treasury Bills, GICs and other short-term notes contained within money market funds.

(Expressed in Canadian dollars)

The risk of investing cash equivalents into fixed interest rate investments is mitigated by the short terms in which these investments mature. The investments are typically short-term investments with a term of less than a year.

13. CAPITAL RISK MANAGEMENT

Capital is comprised of equity which at December 31, 2021 was $122.0 million (December 31, 2020 – $73.1 million). The Company manages its capital structure and attempts to make adjustments to it, in order to have the funds available to support its exploration, development and/or operating activities.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholders' returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing short-term loans or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended December 31, 2021 and the year ended December 31, 2020.

For further discussion related to Capital Risk Management, see Note 12(b) "Liquidity Risk".

14. 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 year ended December 31, 2021 for fees of $25,672 (year ended December 31, 2020 – $23,941).

The remuneration, including benefits, of directors and officers of the Company for the years ended December 31, 2021 and 2020 was as follows:

	Year ended December 31, 2021	2020
Cash compensation	$ 2,489,442	$ 1,329,855
Board fees	65,459	516,023
Stock option compensation	6,243,576	134,784
Total Aggregate Compensation	$ 8,798,477	$ 1,980,662
Capitalized portion included in Total Aggregate Compensation (capitalized to Resource properties and deferred expenditures):		
Cash compensation	$ 1,647,308	$ 718,145
Stock option compensation	2,499,265	104,112
Total	$ 4,146,573	$ 822,257

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 are recorded on the consolidated statements of loss and comprehensive loss in “Salaries, benefits, consulting and board fees” and on the consolidated statements of financial position in “Resource properties and deferred expenditures”.

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 December 31, 2021, $115,829 of consulting fees remains outstanding and the intention is for such amount to 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 to preserve cash for the Company.

As of December 31, 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 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 to 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.

15. CONTINGENCIES

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and the Company accrues for adverse outcomes as they become probable and estimable. The total amount accrued as of December 31, 2021 was $25,253 (December 31, 2020 - $101,339). The change from December 31, 2020 to December 31, 2021 was the result of a reduction in the contingency related to a labour lawsuit (discussed below) and foreign currency translation from Brazilian Real to Canadian dollars.

The Company has been named a defendant in two legal actions in Brazil, including a labour lawsuit involving a former employee (the Company has appealed the ruling) and a lawsuit related to the termination of a mineral assignment agreement. Legal counsel is of the opinion that some amount of loss is probable and thus a provision as noted above has been recognized.

(Expressed in Canadian dollars)

16. INCOME TAXES

The British Virgin Islands statutory income tax rate of 0% (2020 - 0%) reconciles to the effective tax rate of 0% (2020 – 0%) with immaterial reconciling items.

The following table summarizes the components of deferred tax:

	Dec 31, 2021	Dec 31, 2020
Deferred tax assets		
ARO	$ 265,720	$ -
Operating tax losses carried forward	5,667,570	4,389,072
Subtotal of assets	$ 5,933,290	$ 4,389,072
Deferred tax liabilities		
Property, plant and equipment	$ (237,040)	$ -
Resource pools - mineral properties	(5,696,250)	(4,389,072)
Subtotal of liabilities	$ (5,933,290)	$ (4,389,072)
Net deferred tax liability	$ -	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

U.S. net operating losses are approximately $26.0 million (December 31, 2020 - $17.8 million) or US$20.1 million (December 31, 2020 – US$14.0 million).

17. GEOGRAPHIC INFORMATION

Interest income is earned in Canadian and United States dollars. The Company's mineral property is in the USA.

18. SUBSEQUENT EVENTS

(a) Tesla supply agreement

On January 10, 2022, Talon Nickel entered into an agreement with Tesla Inc. (“Tesla”) for the supply and purchase of nickel concentrate to be produced from the Tamarack Project.

Under the terms set out in the agreement, Tesla has committed to purchase 75,000 metric tonnes (165 million lbs) of nickel in concentrate. Tesla also has a preferential right under the agreement to negotiate the purchase of additional nickel concentrate over and above the initial 75,000 metric tonne commitment. The term of the agreement is six (6) years or until a total of 75,000 metric tonnes (165 million lbs) of nickel in concentrate has been produced and delivered to Tesla.

The agreement is conditional upon: (i) Talon Nickel earning a 60% interest in the Tamarack Project; (ii) Talon Nickel commencing commercial production at the Tamarack Project; and (iii) the parties completing negotiations and executing detailed supply terms and conditions. Talon Nickel will use commercially reasonable efforts to achieve commercial production on or before January 1, 2026 at the Tamarack Project, which may be extended by the agreement of the parties for up to 12 months following which Tesla has a right to terminate the agreement and Talon Nickel may elect to sell to other parties.

Talon Nickel and Tesla will work together to optimize nickel concentrate grades and metal recoveries.

The purchase price to be paid by Tesla for the nickel in concentrate will be linked to the London Metals Exchange (LME) official cash settlement price for nickel. The parties have also agreed to share in any additional economics derived from by-products extracted from the nickel concentrate, such as iron and cobalt.

(b) Prospectus financing and private placement

On January 31, 2022, the Company closed a bought deal public offering of common shares of the Company pursuant to a prospectus supplement to the 2021 Base Shelf Prospectus (the "January 2022 Prospectus Offering"). Pursuant to the January 2022 Prospectus Offering, Talon issued 38,200,000 common shares at a price of $0.72 per common share for aggregate gross proceeds of $27,504,000.

Concurrently with the closing of the January 2022 Prospectus Offering, the Company closed a non-brokered private placement of 8,953,013 common shares at a price of $0.72 per common share for aggregate gross proceeds of $6,446,169.

(c) Triple Flag royalty buy down

On February 15, 2022, Talon Nickel entered into an amending agreement with the Royalty Holder pursuant to which the Royalty Holder waived the Royalty Put Option (see Note 6) and completed the early exercise of Talon Nickel's right to reduce the royalty on Talon Nickel's interest in the Tamarack Project from 3.5% to 1.85% in exchange for the payment by Talon Nickel of US$4.5 million to Triple Flag. The payment of US$4.5 million was paid on February 15, 2022.