

TALON METALS SELECTED TO LEAD PUBLIC TESTIMONY BEFORE US TREASURY REGARDING CRITICAL MINERALS TAX CREDIT

Washington, D.C. (February 23, 2024) - Talon Metals Corp. (“**Talon**” or the “**Company**”) (TSX:TLO, OTC:TLOFF) Chief External Affairs Officer and Head of Climate Strategy Todd Malan was selected to lead the public testimony during yesterday’s US Treasury’s public hearing on Section 45X Advanced Manufacturing Production Tax Credit for Critical Minerals.

“It was an honor to share Talon’s perspective on how the 45X tax credit for critical minerals was intended by Congress to support domestic mineral extraction. We shared two proposals that we think respond to the Treasury Department’s concerns about foreign sourced minerals qualifying for a domestic production incentive. If our proposals are adopted, they will provide long-term financial support to the domestic production of eligible critical minerals like nickel,” Malan commented after addressing the Treasury/IRS panel. He added, *“As the IRA’s support for secure supply chains in critical minerals is being challenged by Chinese oversupply of these minerals which is driving down prices, a comprehensive 45X tax credit that includes extraction of raw materials from the geology of the United States would be very timely support for the critical mineral supply chain.”*

Section 45X of the *Inflation Reduction Act* (IRA) is a production tax credit intending to incentivize investments in the full manufacturing supply chain of clean energy systems like electric vehicle (EV) batteries. Section 45X applies to the manufacturing of equipment used in solar, wind, hydrogen and batteries and also credits critical minerals production applying to specific elements in the periodic table. The list includes nickel, cobalt and platinum group metals that are all present in the high-grade ores that Talon plans to extract from the underground mine at the Tamarack Nickel Project (which is currently in the environmental review process conducted by Minnesota regulators and tribal sovereign governments as part of the State’s permitting process).

The 45X production tax credit for critical minerals is equal to 10% of the annual production cost of producing the specified element to a certain level of purity. Remarkably, the 45X tax credit for critical minerals does not decline over time or expire.

Under IRS precedent, “production cost” would usually include the cost of acquiring raw materials along with employee costs, energy, depreciation of equipment etc. However, the US Treasury indicated in draft regulations issued on December 15, 2023, that it was withholding allowing the cost of raw materials from the calculation of production cost for the 45X critical minerals tax credit to further study potential abuse and how it could allow raw materials cost to be included consistent with the intent of Congress. Today’s hearing was part of an effort to obtain input from experts and stakeholders on this specific question.

Talon believes that Congress created this extraordinary tax credit for critical minerals to benefit the entire U.S. supply chain for critical minerals from mining to recycling. Also, the statutory language clearly states that the 45X tax credit only applies to production that occurs within the United States or its possessions. In the case of applicable critical minerals, the mineral *is* the component, so it stands to reason that only the cost of extraction of such mineral (in its raw form) occurring in the US or its possessions should qualify for the 45X tax credit in calculating the cost of production of such mineral.

Malan explained to the Treasury and IRS panel that Talon remains committed to President Biden’s vision for responsible mining and securing America’s critical mineral supply chains. He pointed out that producing sustainably sourced critical minerals has national security implications given Chinese and Russian dominance of critical minerals like nickel. Malan outlined Talon’s recommendation to the

Treasury that a taxpayer producing an applicable critical mineral as specified in the law should be able to include the full cost of purchasing the “source material” or ore in the calculation of the 45X tax credit. To include raw materials cost in the calculation of production cost of the critical mineral to the specific level of purity, the taxpayer would need to obtain:

- Certification that the raw materials (mined ore that is physically processed prior to refining) has a chemical characteristic (assay) that indicates that it is the source of the final eligible critical mineral;
- Certification that the raw materials were extracted from the geology of the United States;
- Certification that such supplier has not itself claimed the 45X tax credit with regard to any of the same costs; and
- Certification that such supplier has not provided certification related to any of the same costs to any other entity.

Talon believes this “Buy American” proposal for adding raw materials extraction cost to the calculation of production cost using definitions under § 1.263A – applied to raw materials extracted in the US -- is easily administrable, addresses the concerns of the Treasury Department that it must ensure that “foreign minerals” cannot benefit from the 45X tax credit, and is consistent with the intent of Congress in enacting 45X as applied to critical minerals: to cover the full US sourced supply chain required to produce eligible applicable critical minerals.

Malan’s full statement can be found [here](#).

ABOUT TALON

Talon is a TSX-listed base metals company in a joint venture with [Rio Tinto](#) on the high-grade [Tamarack Nickel-Copper-Cobalt Project](#) located in central Minnesota. Talon’s shares are also traded in the US over the OTC market under the symbol TLOFF. The Tamarack Nickel Project comprises a large land position (18km of strike length) with additional high-grade intercepts [outside the current resource area](#). Talon has an earn-in right to acquire up to 60% of the Tamarack Nickel Project, and currently owns 51%. Talon is focused on (i) expanding and infilling its current high-grade nickel mineralization resource prepared in accordance with NI 43-101 to shape a mine plan for submission to Minnesota regulators, and (ii) following up on additional high-grade nickel mineralization in the Tamarack Intrusive Complex. [Talon has an agreement with Tesla Inc.](#) to supply it with 75,000 metric tonnes (165 million lbs) of nickel in concentrate (and certain by-products, including cobalt and iron) from the Tamarack Nickel Project over an estimated six-year period once commercial production is achieved. Talon has a [neutrality and workforce development agreement](#) in place with the United Steelworkers union. Talon’s Battery Mineral Processing Facility in Mercer County was [selected by the US Department of Energy](#) for US\$114.8 million funding grant from the Bipartisan Infrastructure Law and the [US Department of Defense awarded Talon a grant of US\\$20.6 million](#) to support and accelerate Talon’s exploration efforts in both Minnesota and Michigan. Talon has well-qualified experienced exploration, mine development, external affairs and mine permitting teams.

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

Media Contact:

Todd Malan
1-(202)-714-8187
malan@talonmetals.com

Investor Contact:

Sean Werger
1-(416)-500-9891
werger@talonmetals.com

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