



## **TALON METALS CORP.**

### **Consolidated Financial Statements**

**For the years ended December 31, 2024 and 2023**

*(Expressed in Canadian dollars)*

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, 2024 and December 31, 2023, and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

### 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### 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.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

## 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 IFRS Accounting 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Mississauga, Ontario

March 28, 2025

**MNP LLP**

Chartered Professional Accountants

Licensed Public Accountants

**Talon Metals Corp.**  
**Consolidated Statements of Financial Position**  
*(Expressed in Canadian dollars)*

	<b>Notes</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 5,390,841	\$ 6,986,351
Treasury bills and term deposits	4	44,312	15,795,852
Accounts and other receivables		986	750
Prepayments		88,964	506,346
Deferred financing costs		95,557	95,557
		<u>5,620,660</u>	<u>23,384,856</u>
<b>Non-current assets</b>			
Prepayments - long term	6d	1,818,514	-
Property, plant and equipment	5	3,974,095	3,826,580
Resource properties and deferred expenditures	6, 10, 14	247,076,933	209,854,423
Total assets		<u>\$ 258,490,202</u>	<u>\$ 237,065,859</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	14	\$ 2,479,579	\$ 4,389,180
Current portion of mortgage payable	7	22,514	-
Contingencies	15	23,270	30,258
		<u>2,525,363</u>	<u>4,419,438</u>
<b>Non-current liabilities</b>			
Mortgage payable	7	168,783	-
Land contract payable		94,967	-
Asset retirement obligation	8	1,605,434	1,372,140
Total liabilities		<u>\$ 4,394,547</u>	<u>\$ 5,791,578</u>
<b>Shareholders' equity</b>			
Share capital	9a	\$ 292,434,050	\$ 292,368,637
Warrants	9b	194,889	-
Contributed surplus		48,622,629	43,304,605
Accumulated other comprehensive income		22,017,090	2,453,111
Deficit		(109,173,003)	(106,852,072)
Total shareholders' equity		<u>254,095,655</u>	<u>231,274,281</u>
Total liabilities and shareholders' equity		<u>\$ 258,490,202</u>	<u>\$ 237,065,859</u>

**Nature of Operations and Going Concern - Note 1**

**Subsequent Event - Note 18**

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

Approved by the Board of Directors on March 27, 2025

Signed: "Warren Newfield" "Greg Kinross"

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

	<i>Notes</i>	<b>Year ended December 31, 2024</b>	<b>Year ended December 31, 2023</b>
<b>Expenses</b>			
Salaries, benefits, consulting and board fees	14	\$ 1,137,744	\$ 1,172,951
Professional fees		274,724	469,278
Office and general		58,516	64,101
Insurance		90,101	93,505
Marketing and travel		165,936	355,087
Listing, filing and shareholder communications		209,576	261,969
Stock option compensation	10	1,512,866	258,742
Gain on accounts payable settled with shares	9a	(23,010)	-
Contingencies	15	(2,560)	-
Accretion on asset retirement obligation	8	64,362	50,522
Foreign currency (gain) loss		(724,840)	590,879
		<u>2,763,415</u>	<u>3,317,034</u>
Interest income		<u>442,484</u>	<u>968,518</u>
<b>Net loss</b>		<b>(2,320,931)</b>	<b>(2,348,516)</b>
Other comprehensive income (loss)			
Currency translation differences		<u>19,563,979</u>	<u>(4,888,201)</u>
<b>Comprehensive income (loss)</b>		<b>\$ 17,243,048</b>	<b>\$ (7,236,717)</b>
<b>Basic and diluted net loss per share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
Weighted average shares outstanding		<u>934,663,284</u>	<u>867,885,041</u>

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

**Talon Metals Corp.**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2024 and 2023**

*(Expressed in Canadian dollars)*

	Notes	Common shares		Warrants	Contributed surplus	Deficit	Accumulated other comprehensive income	Shareholders' equity
		Number	Amount					
Balance at January 1, 2024		934,061,553	\$ 292,368,637	\$ -	\$ 43,304,605	\$ (106,852,072)	\$ 2,453,111	\$ 231,274,281
Shares issued for accounts payable	9a	657,414	65,413	-	-	-	-	65,413
Warrants issued	9b	-	-	194,889	-	-	-	194,889
Stock option compensation payments	10	-	-	-	5,318,024	-	-	5,318,024
Net loss and comprehensive income		-	-	-	-	(2,320,931)	19,563,979	17,243,048
<b>Balance at December 31, 2024</b>		<b>934,718,967</b>	<b>\$ 292,434,050</b>	<b>\$ 194,889</b>	<b>\$ 48,622,629</b>	<b>\$ (109,173,003)</b>	<b>\$ 22,017,090</b>	<b>\$ 254,095,655</b>
Balance at January 1, 2023		850,841,418	\$ 270,238,335	\$ -	\$ 39,743,489	\$ (104,503,556)	\$ 7,341,312	\$ 212,819,580
October 2023 private placement		80,350,000	\$ 21,635,387	-	-	-	-	21,635,387
Shares issued for accounts payable		739,810	\$ 162,413	-	-	-	-	162,413
Stock options exercised	9a	2,130,325	332,502	-	(126,371)	-	-	206,131
Stock option compensation payments	10	-	-	-	3,687,487	-	-	3,687,487
Net loss and comprehensive loss		-	-	-	-	(2,348,516)	(4,888,201)	(7,236,717)
<b>Balance at December 31, 2023</b>		<b>934,061,553</b>	<b>\$ 292,368,637</b>	<b>\$ -</b>	<b>\$ 43,304,605</b>	<b>\$ (106,852,072)</b>	<b>\$ 2,453,111</b>	<b>\$ 231,274,281</b>

*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, 2024	Year ended December 31, 2023
<b>Cash flows used in operating activities</b>			
Net loss		\$ (2,320,931)	\$ (2,348,516)
<b>Non-cash adjustments:</b>			
Stock option compensation		1,512,866	258,742
Accretion on asset retirement obligation		64,362	50,522
Interest income		(312)	223,367
Reduction on contingencies gain		(2,560)	-
Foreign exchange gain on treasury bills and term deposits		(822,397)	47,972
Gain on shares issued for debt	9	(23,010)	-
Foreign exchange loss on contingencies		(4,428)	1,820
		<b>\$ (1,596,410)</b>	<b>\$ (1,766,093)</b>
<b>Working capital adjustments:</b>			
Decrease in prepayments		\$ 4,471	\$ (427)
(Increase) in deferred financing costs		-	(75,117)
Decrease in accounts and other receivables		-	(122)
Decrease in accounts payables and accrued liabilities		316,606	96,340
<b>Net cash flows used in operating activities</b>		<b>\$ (1,275,333)</b>	<b>\$ (1,745,419)</b>
<b>Cash flows used in investing activities</b>			
Acquisition of property, plant and equipment	5	\$ (1,208,655)	\$ (685,420)
Disposal of plant and equipment	5	55,057	-
Acquisition of resource properties and deferred expenditures		(32,602,316)	(39,785,424)
Proceeds from sale of royalty	6a	10,520,570	-
Proceeds from Grants	6c	5,767,523	195,388
Cash flows used in investing activities excluding purchases of and proceeds from treasury bills and term deposits		<b>\$ (17,467,821)</b>	<b>\$ (40,275,456)</b>
Purchases of treasury bills and term deposits		(5,791,685)	(29,695,568)
Proceeds from sale of treasury bills and term deposits		22,365,934	41,893,595
<b>Net cash flows used in investing activities</b>		<b>\$ (893,572)</b>	<b>\$ (28,077,429)</b>
<b>Cash flows provided by (used in) financing activities</b>			
Proceeds from Land Contract Payable		\$ 94,967	\$ -
Proceeds from mortgage payable	7	191,297	-
October 2023 private placement	9	-	21,635,387
Proceeds from exercise of stock options	9	-	206,131
Issuance of warrants	6a	194,889	-
<b>Net cash flows provided by financing activities</b>		<b>\$ 481,153</b>	<b>\$ 21,841,518</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>\$ (1,687,752)</b>	<b>\$ (7,981,330)</b>
Effect of foreign exchange on consolidation		92,242	(18,739)
Cash and cash equivalents, beginning of the year		6,986,351	14,986,420
<b>Cash and cash equivalents, end of the year</b>		<b>\$ 5,390,841</b>	<b>\$ 6,986,351</b>
<b>Supplemental cash flow information</b>			
Stock based compensation included in resource properties		\$ 3,805,158	\$ 3,428,745
Plant and equipment depreciation included in resource properties		1,335,748	1,247,089
Shares issued for accounts payable		65,413	162,413
Increase (decrease) in asset retirement obligation related to resource properties		168,932	142,633
Cash equivalents, end of the year		5,375,251	4,980,880

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



# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

### 1. NATURE OF OPERATIONS AND GOING CONCERN

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.

Talon Nickel currently owns a 51% interest in the Tamarack Project. See Note 6(a) for further information.

On August 9, 2022, Talon entered into an option and earn-in agreement with UPX Minerals Inc. to acquire an interest in mineral rights in the State of Michigan. Houghton Battery Minerals LLC ("Houghton"), an indirect 100% owned Delaware, USA subsidiary of the Company is earning into the UPX Minerals Inc. mineral rights. See Note 6(b) for further information.

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

These Consolidated Financial Statements have been prepared on a going concern basis which presumes that the Company will continue 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, reduce expenditures or certain activities, sell non-core assets, receive government grant funding, generate revenue and profit from contracts for drilling and exploration services, and/or develop the Tamarack Project into a profitable mine. The Company has taken, and continues to take, a number of steps to reduce expenditures, including by reducing the number of employees, reducing office space, reducing the usage of consultants, deferring certain engineering work, issuing options in lieu of consulting fees to certain consultants and deferring the salaries of the Company's CEO, former President and the CFO. There can be no assurance that the Company will be successful in carrying out any of these activities to meet the Company's future working capital requirements and commitments and continue operations for the foreseeable future.

As of December 31, 2024, the Company had working capital of \$3.1 million (December 31, 2023 – \$19.0 million). The working capital amount does not include government cost-share payments expected to be received by the Company as a result of expenditures made by the Company which are eligible for cost-share pursuant to the Company's government grants (see Note 6(c) for further information).

Working capital is defined as current assets less current liabilities. The Company has incurred losses and negative cashflows from operations and has an accumulated deficit of \$109.2 million (December 31, 2023 – \$106.9 million).

These circumstances create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of accounting principles applicable to a going concern.

These Consolidated Financial Statements do not give effect to any adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

# **Talon Metals Corp.**

## **Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)**

---

### **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

#### **Statement of compliance**

These Consolidated Financial Statements have been prepared in accordance IFRS® Accounting Standards 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 27, 2025.

#### **Basis of preparation**

The Consolidated Financial Statements are prepared on the historical cost basis, except for financial instruments that are measured at fair value. In addition, these Consolidated Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these Consolidated Financial Statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

#### **Basis of consolidation**

These Consolidated Financial Statements include the accounts of Talon and its wholly-owned subsidiaries, of which the material subsidiaries are Talon Metals Services Inc., Talon Nickel, Talon Michigan LLC ("Talon Michigan"), and Houghton. 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, Talon Michigan and Houghton. The functional currency of Talon Nickel, Talon Michigan and Houghton 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 Company has recorded the foreign exchange gains and losses associated with the net investment in the U.S. subsidiaries in other comprehensive income (loss) because the intercompany loans are not expected to be repaid in the foreseeable future.

The Canadian dollar/United States dollar exchange rate used as of December 31, 2024 was 1.4389 (December 31, 2023 – 1.3226).

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

### 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, 2024, and at December 31, 2023, the Company held both cash and cash equivalents.

### Government Grants

Government grants are recognised when there is reasonable assurance that (a) the Company will comply with the conditions attaching to the grants; and (b) the grants will be received. Since the government grants received are cost-share agreements related to Resource properties and deferred expenditures, no amount is recorded in income at the time of recognition, but rather the Resource properties and deferred expenditures is reduced by the amount of the grant.

### 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 using the following depreciation lives:

Equipment including machinery and vehicles	3 to 5 years
Core storage and other buildings	5 to 10 years

### 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 resource properties and deferred expenditures 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.

# **Talon Metals Corp.**

## **Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)**

---

### **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 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. 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 and 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

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

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, treasury bills and term deposits 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, accrued liabilities, mortgage payable and land contract payable, do not

# **Talon Metals Corp.**

## **Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)**

---

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 categories detailed above.

### 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



# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

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.

### New standards and interpretations to be adopted January 1, 2024

#### Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020 and October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments clarify the requirements for classifying liabilities as either current or non-current by clarifying that:

- Liabilities are classified as either current or non-current depending on the existence at the end of the reporting period of a right to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Classification is unaffected by the likelihood that an entity will settle the liability within 12 months after the reporting date; and
- How an entity classifies debt an entity may settle by converting it into equity.

Additionally, the amendments added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period. Both the January 2020 and October 2022 amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Company has assessed the impact of this new standard and determined that there is no impact to the Consolidated Financial Statements.

### New standards and interpretations adopted January 1, 2025

The Company has determined that there have been no new standards and interpretations that come into effect on January 1, 2025 that if adopted would have a material effect on the Consolidated Financial Statements.

## 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

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

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, and tax provisions.

The uncertainty regarding the valuation of resource properties arises because 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 because 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 because 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.

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 taxation 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. TREASURY BILLS AND TERM DEPOSITS

As of December 31, 2024 and December 31, 2023, the Company held U.S. government treasury bills and term deposits with Canadian Schedule I banks with weighted average terms and yields to maturity at acquisition and at the reporting date as follows:

	At the date of acquisition		At the reporting date	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Weighted average term to maturity in months	12.0	6.8	9.5	4.2
Weighted average yield to maturity	3.50%	5.38%	3.50%	5.37%



# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

### 5. 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		Year ended	
	December 31, 2024		December 31, 2023	
Beginning of the year	\$	5,825,192	\$	5,277,753
Additions		1,208,655		685,420
Disposals		(55,057)		-
Effects of foreign exchange		316,230		(137,981)
End of the year	\$	7,295,020	\$	5,825,192

  

Accumulated Depreciation	Year ended		Year ended	
	December 31, 2024		December 31, 2023	
Beginning of the year	\$	1,998,612	\$	794,329
Depreciation		1,335,748		1,247,089
Disposals and transfers		-		-
Effects of foreign exchange		(13,435)		(42,806)
End of the year	\$	3,320,925	\$	1,998,612

  

Net book value - beginning of the year		3,826,580		4,483,424
Net book value - end of the year		3,974,095		3,826,580

As of December 31, 2024, the total cost of the Company's five drill rigs was \$3.7 million (December 31, 2023 – \$3.1 million) and the net book value was \$2.1 million (December 31, 2023 – \$2.1 million). As of December 31, 2024, the total cost of land was \$0.3 million (December 31, 2023 – \$0.2 million).

### 6. 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 in the USA (the Tamarack Project and the Michigan Properties, defined below). Details of the change for the year ended December 31, 2023 and year ended December 31, 2024 are as follows:

	Tamarack Project	Michigan Properties	Total
<b>Balance at December 31, 2022</b>	<b>\$ 160,470,343</b>	<b>\$ 9,394,861</b>	<b>\$ 169,865,204</b>
Gross additions	44,346,286	687,297	45,033,583
Government grants received	(195,388)	-	(195,388)
Net additions	44,150,898	687,297	44,838,195
Foreign exchange	(4,619,916)	(229,060)	(4,848,976)
<b>Balance at December 31, 2023</b>	<b>\$ 200,001,325</b>	<b>\$ 9,853,098</b>	<b>\$ 209,854,423</b>
Gross additions	29,050,232	5,178,807	34,229,039
Government grants received	(4,627,070)	(1,140,453)	(5,767,523)
Sale of Triple Flag Royalty	(10,520,570)	-	(10,520,570)
Net additions	13,902,592	4,038,354	17,940,946
Foreign exchange	18,222,934	1,058,630	19,281,564
<b>Balance at December 31, 2024</b>	<b>\$ 232,126,851</b>	<b>\$ 14,950,082</b>	<b>\$ 247,076,933</b>

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

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

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.

### (a) Tamarack Project

On June 25, 2014, Talon's wholly owned indirect subsidiary, Talon Nickel, entered into an 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% which in 2018 was diluted 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).

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 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 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. On September 29, 2022, all 5,271,666 warrants issued to Kennecott expired with none having been exercised.

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)

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

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.

As a result of various agreements entered into on March 7, 2019 and February 15, 2022, Talon Nickel granted a net smelter returns royalty to TF R&S Canada Ltd (formerly 10782343 Canada Limited), a subsidiary of Triple Flag Precious Metals Corp. 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 1.85% (previously 3.5% prior to the buy-down on February 15, 2022) 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 51%, in which case it will be paid assuming Talon Nickel's interest is unchanged at 51%; or (ii) 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%.

On October 19, 2022, Talon Nickel was selected as a recipient of the first set of projects funded by the *Bipartisan Infrastructure Law*. Under its application for funding, Talon Nickel proposed an ore processing and tailings management facility (the "Battery Minerals Processing Facility" or "BMPF") located at an existing industrial brownfields site in Mercer County, North Dakota, receiving feedstock from a future underground Tamarack Project mine and other potential sources in North America. The acquisition of the preferred site in North Dakota is actively under negotiations and the Company has not entered into any agreements in respect thereof. For more information, see Note 6(c).

On July 5, 2024, Talon Nickel sold a royalty to a subsidiary of Triple Flag Precious Metals Corp., Triple Flag USA Royalties Ltd. ("Triple Flag US") and warrants to TF R&S Canada Ltd. for gross proceeds of US\$8.0 million or C\$10.9. After deducting transaction costs of \$0.2 million, the net proceeds were C\$10.7 million, which was allocated C\$10.5 million to the royalty and \$0.2 million to the warrants. The Company issued 8 million common share purchase warrants on July 5, 2024, each exercisable to acquire one common share of the Company for a period of two years expiring July 5, 2026 at an exercise price of C\$0.20 per share.

The royalty component was accounted for as a reduction to resource properties and deferred expenditures. The royalty is a 1.67% net smelter returns royalty on the Company's interest in the Tamarack Project subject to the Talon Buy-Back Right further described below (the "New Royalty"). Exercisable for a period of up to two years following the closing date of the Triple Flag US Transaction, subject to acceleration in certain circumstances, Talon has a buy-back right (the "Talon Buy-Back Right") of 0.67% of the New Royalty for US\$5.0 million, which would thereby reduce the New Royalty to 1.0%. The exercise of the Talon Buy-Back Right is at the Company's discretion. In the event of a change of control transaction with respect to Talon during the two-year period, to the extent not exercised, the Talon Buy-Back Right will terminate early on the date which is 25 days after the completion of such change of control transaction. Triple Flag US has a right to increase the designated percentage of the New Royalty by an additional 0.50% on the payment of an additional US\$2.0 million in the event that the Company's cash balance decreases to an amount that is less than US\$2.0 million and such decrease is not cured within a period of 60 days. The Talon Buy-Back Right would also terminate in these circumstances. The right of Triple Flag US to increase the designated percentage terminates with respect to an applicable cash balance reduction if such right is not exercised within a further period of 60 days after the expiry of the Company's cure period.

### (b) Michigan Properties

On August 9, 2022, Talon entered into an option and earn-in agreement (the "UPX Option Agreement") with UPX Minerals Inc. (a wholly owned subsidiary of Sweetwater Royalties) ("UPX") to acquire up to an

## **Talon Metals Corp.**

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)**

---

80% ownership interest in the mineral rights over a land package comprised of approximately 400,000 acres located in the Upper Peninsula of the State of Michigan (the "Michigan UPX Properties"). Pursuant to the terms of the UPX Option Agreement, Talon has agreed to a minimum spending obligation of US\$5 million in exploration expenditures or drilling of at least 7,500 meters with any minimum spending deficiency payable to UPX. Talon has five years (until August 2027) to complete these minimum requirements. Talon will earn a 51% undivided interest in the Michigan UPX Properties upon the completion of 25,000 meters of drilling (the "Stage One Requirement"). Talon will have five years (until August 2027) to complete the Stage One Requirement, which may be extended in certain circumstances.

Talon will then have the option to earn an additional 29% interest in the Michigan UPX Properties (resulting in an 80% ownership interest) upon delivering a Feasibility Study prepared in accordance with NI 43-101 over a portion of the Michigan UPX Properties (the "Stage Two Requirement"). In the event that Talon does not complete the Stage Two Requirement within eight-years (which may be extended in certain circumstances) of determining a "mineral resource" as specifically defined in the UPX Option Agreement at the Michigan UPX Properties, Talon's interest in the Michigan UPX Properties will be reduced to 49%.

As partial consideration for entering into the UPX Option Agreement, Talon issued Kennecott 15,321,933 common shares of Talon at a price of \$0.51 per share based on closing price on the Toronto Stock Exchange on August 8, 2022 in satisfaction of US\$6 million in payment obligations of UPX to Kennecott as a previous owner of the Michigan UPX Properties. These common shares were valued at \$7,814,186.

Upon Talon completing the Stage Two Requirement, UPX will be granted a 2% NSR royalty on the Michigan UPX Properties and have the right to participate in proportion to its participating 20% joint venture interest. In the event UPX does not participate in proportion to its participating 20% joint venture interest, its interest in the joint venture will be subject to dilution, and in the event UPX's joint venture interest ultimately dilutes below 10%, UPX's interest in the joint venture will be reduced to 0% and UPX will be entitled to an additional 1% NSR royalty on the Michigan UPX Properties.

In addition to the Michigan UPX properties, on June 26, 2024, the Michigan Department of Natural Resources issued leases for approximately 23,000 acres of additional mineral leases in the Upper Peninsula of Michigan to Talon Michigan LLC (the "Michigan State Leases"). The Company also has rights to explore certain other properties in Michigan that are not subject to the UPX Option Agreement (together with the Michigan State Leases, the "Michigan Talon Properties"). To the extent the Michigan Talon Properties are within an area of interest defined in the UPX Option Agreement, a royalty of 0.25% is payable to UPX.

Collectively, the Michigan UPX Properties and the Michigan Talon Properties are referred to as the "Michigan Properties".

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

### (c) Government Grants

The Company has been awarded four U.S. federal government grants as discussed in further detail below. The tables that follow summarize the total potential amount of the grants, the amount received to date and the balance of the grant that may be received, presented in both U.S. and Canadian dollars. There is no guarantee that the full amount of the grants will be received.

	DOE BMPF Grant - Note 6(c)(i)	DOD Exploration Grant - Note 6(c)(ii)	Columbia Grant - Note 6(c)(iii)	DLA Grant - Note 6(c)(iv)	Total
<b>Canadian dollars</b>					
Total amount of grant	\$ 165,252,404	\$ 29,651,622	\$ 1,038,117	\$ 3,552,899	\$ 199,495,042
Government grant received as of Dec 31, 2022	-	-	-	-	-
Received in 2023	-	-	195,388	-	195,388
Government grant received as of Dec 31, 2023	\$ -	\$ -	\$ 195,388	\$ -	\$ 195,388
Received in 2024	494,735	4,520,075	752,712	-	5,767,523
Government grant received as of Dec 31, 2024	\$ 494,735	\$ 4,520,075	\$ 948,100	\$ -	\$ 5,962,911
Balance of grant to be received	\$ 164,757,669	\$ 25,131,547	\$ 90,017	\$ 3,552,899	\$ 193,532,131
Note: Totals may not balance due to rounding					
	DOE BMPF Grant - Note 6(c)(i)	DOD Exploration Grant - Note 6(c)(ii)	Columbia Grant - Note 6(c)(iii)	DLA Grant - Note 6(c)(iv)	Total
<b>U.S. dollars</b>					
Total amount of grant	\$ 114,846,344	\$ 20,607,146	\$ 721,466	\$ 2,469,177	\$ 138,644,133
Government grant received as of Dec 31, 2022	-	-	-	-	-
Received in 2023	-	-	142,100	-	142,100
Government grant received as of Dec 31, 2023	\$ -	\$ -	\$ 142,100	\$ -	\$ 142,100
Received in 2024	362,430	3,237,333	555,964	-	4,155,727
Government grant received as of Dec 31, 2024	\$ 362,430	\$ 3,237,333	\$ 698,064	\$ -	\$ 4,297,827
Balance of grant to be received	\$ 114,483,914	\$ 17,369,813	\$ 23,402	\$ 2,469,177	\$ 134,346,306

### (i) US Department of Energy – Battery Minerals Processing Facility (North Dakota) (“DOE BMPF Grant”)

Effective November 1, 2023, Talon Nickel (as operator of the Tamarack Project) entered into an agreement with the US Department of Energy setting the terms, conditions, and performance milestones for \$165.3 million (US\$114.85 million) in grant funding on a cost-share basis towards project development, including engineering and permitting, construction and execution costs, as well as operational readiness of the Battery Minerals Processing Facility.

### (ii) US Department of Defense – Nickel Exploration in Minnesota and Michigan (“DOD Exploration Grant”)

Effective September 11, 2023, Talon Nickel entered into an agreement with the US Department of Defense’s Office of Manufacturing Capability Expansion and Investment Prioritization to accelerate and expand the Company’s efforts to discover and secure additional domestic supply of nickel for the growing US battery manufacturing base and defense related supply chains. As part of the agreement, the US Department of Defense will contribute \$29.7 million (US\$20.6 million) on a cost-share basis over a period not to exceed 39 months for exploration in Minnesota and Michigan.

### (iii) US Department of Energy – Columbia University Processing (“Columbia Grant”)

On February 24, 2023, Talon Nickel was selected as a subrecipient under a project lead by Columbia University. Talon Nickel’s role in the project is to provide nickel concentrate so that Columbia University can research and test its novel hydrometallurgical process for recovering and refining metals from the nickel concentrate.

The maximum amount receivable under this grant is \$1.0 million (US\$0.7 million) on a cost-share basis

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

over a 3-year period.

### (iv) US Department of Defense's – Defense Logistics Agency ("DLA Grant")

On December 11, 2024, Talon Nickel was awarded a research and development contract from the Department of Defense's Defense Logistics Agency ("DLA") to fund scientific research on new approaches for extracting nickel, cobalt and iron from domestic nickel sulphide ores and tailings. As part of this agreement, the DLA will provide funding in the fixed amount of \$3.6 million (US\$2.47 million).

### (d) Prepayment – long term

In connection with the Tamarack Project, the Company has deposited \$1.8 million with the Minnesota Department of Natural Resources ("MNDNR") to pay for certain environmental review costs incurred by the MNDNR and other Minnesota state agencies. As the deposit is spent, the Company reclassifies the spent amount from prepayment to Resource properties and deferred expenditures.

## 7. MORTGAGE PAYABLE

On March 8, 2024, a subsidiary of the Company purchased a property in L'Anse, Michigan to be used as a core shed and office for operations in Michigan. The down payment was 50% of the purchase with the remainder financed with a mortgage. The terms of the mortgage included an initial principal amount of \$185,226 (US\$137,500), a fixed interest rate of 7.75%, an amortization period of 15 years and an initial mortgage term of five years. As of December 31, 2024, the outstanding mortgage is \$191,297 (US\$132,947), comprising a current portion of \$22,514 (US\$15,647) and a long-term portion of \$168,783 (US\$117,300).

## 8. 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. The Company has recorded this obligation separately for the Tamarack Project and Michigan properties. 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 6). Accretion is included on the Consolidated Statement of Loss and Comprehensive Loss.

### (a) Tamarack Project

As of December 31, 2024, the Company estimated the asset retirement obligation to be \$1,503,613 (December 31, 2023 – \$1,372,140). Key assumptions include total undiscounted pre-inflation estimated costs of \$1,729,270 (December 31, 2023 – \$1,489,512), inflation of 3.0% (December 31, 2023 – 3.0%) and a discount rate of 4.6% (December 31, 2023 – 3.92%) based on the yield on U.S. government bonds with a similar term to maturity of the total expected costs.

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

The obligation is expected to be paid primarily over the years 2025 to 2036. The estimated change during the period or year was included in Resource properties and deferred expenditures.

	Year ended December 31, 2024	Year ended December 31, 2023
Beginning of the year	\$ 1,372,140	\$ 1,178,985
Changes in the estimate	188,731	200,273
Amounts incurred	(156,169)	(26,975)
Interest rate accretion	63,682	50,522
Change in the discount rate	(85,947)	1,218
Foreign exchange translation	121,176	(31,883)
End of the year or period	\$ 1,503,613	\$ 1,372,140

Sensitivity analysis: If certain variables were changed, the balance of the asset retirement obligation on December 31, 2024 would change as follows:

Variable changed	Result - low	Result - high
Cost - 5% decrease and increase	\$ 1,430,000	\$ 1,580,000
Inflation rate - 1% decrease and increase	\$ 1,380,000	\$ 1,640,000
Discount rate - 1% decrease and increase	\$ 1,380,000	\$ 1,640,000

### (b) Michigan Properties

As of December 31, 2024, the Company estimated the asset retirement obligation to be \$101,821. Key assumptions include total undiscounted pre-inflation estimated costs of \$104,480, inflation of 3.0% and a discount rate of 4.2% based on the yield on U.S. government bonds with a similar term to maturity of the total expected costs.

The obligation is expected to be paid primarily over the year 2026. The estimated change during the period or year was included in Resource properties and deferred expenditures.

	Year ended December 31, 2024	Year ended December 31, 2023
Beginning of the year	\$ -	\$ -
Changes in the estimate	104,480	-
Amounts incurred	(8,220)	-
Interest rate accretion	681	-
Change in the discount rate	-	-
Foreign exchange translation	4,880	-
End of the year or period	\$ 101,821	\$ -

Sensitivity analysis: If certain variables were changed, the balance of the asset retirement obligation on December 31, 2024 would change as follows:

Variable changed	Result - low	Result - high
Cost - 5% decrease and increase	\$ 96,700	\$ 106,900
Inflation rate - 1% decrease and increase	\$ 100,300	\$ 103,300
Discount rate - 1% decrease and increase	\$ 100,400	\$ 103,300

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

### 9. 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 – 934,061,553 at December 31, 2023 and 934,718,967 at December 31, 2024.

#### Common share financings

On October 17, 2023, the Company completed a private placement of 80,350,000 common shares of the Company at a price of \$0.27 per common share for aggregate gross proceeds of \$21,730,676 (the “October 2023 Private Placement”). Issuance costs were \$95,289 for legal and listing fees resulting in net proceeds of \$21,635,387.

#### Shares issued for accounts payable

On November 3, 2023, the Company issued 739,810 common shares of the Company valued at \$0.25 per common share to settle accounts payable of \$184,953. Issuance costs were \$22,540 for legal and listing fees.

On January 31, 2024, the Company issued 657,414 common shares of the Company valued at \$0.14 per common share to settle accounts payable of \$115,048 resulting in a gain of \$23,010. Issuance costs were \$26,626 for legal and listing fees.

#### Shares issued in connection with the exercise of stock options

During the year ended December 31, 2023, 2,130,325 shares were issued as a result of the exercise of 2,130,325 options resulting in gross proceeds of \$206,131. The fair value of the options on the grant date was \$126,371.

During the year ended December 31, 2024, no options have been exercised.

#### (b) Warrants

Warrants transactions for the years ended December 31, 2024 and December 31, 2023 are as follows:

	Year ended December 31, 2024			Year ended December 31, 2023		
	Number of warrants	Exercise price	Fair value net of costs	Number of warrants	Exercise price	Fair value net of costs
Outstanding – beginning of the year	-	\$ -	\$ -	-	\$ -	\$ -
Issued	8,000,000	0.20	194,889	-	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding – end of the year	8,000,000	\$ 0.20	\$ 194,889	-	\$ -	\$ -

On July 5, 2024, in connection with the issuance of the New Royalty, 8,000,000 warrants were issued to TF R&S Canada Ltd. having a contractual life of two years and an exercise price of \$0.20. These warrants were valued using the following estimates: share price of \$0.14, risk-free interest rate – 3.5%, expected life – two years, expected volatility – 60% and dividend yield – 0%.



# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

As at December 31, 2024 and December 31, 2023, the Company had the following warrants outstanding:

December 31, 2024			December 31, 2023		
Outstanding	Exercise price	Expiration date	Outstanding	Exercise price	Expiration date
8,000,000	\$ 0.20	July 5, 2026	-	\$ -	
-	-		-	-	
-	-		-	-	
8,000,000	\$ 0.20		-	\$ -	

### 10. 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 the Company 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, 2024 and the year ended December 31, 2023 is as follows:

	Year ended December 31, 2024			Year ended December 31, 2023		
	Number of stock options	Exercise price	Proceeds from exercise	Number of stock options	Exercise price	Proceeds from exercise
Outstanding – beginning of the year	124,267,682	\$ 0.37	\$ -	118,448,007	\$ 0.37	\$ -
Granted	33,005,965	0.15	-	11,700,000	0.33	-
Exercised	-	-	-	(2,130,325)	0.10	206,131
Cancelled	(18,650,000)	0.37	-	(3,750,000)	0.54	-
Expired	(2,169,150)	0.10	-	-	-	-
Amended	(107,483,532)	0.36	-	-	-	-
Amended - change in exercise price and expiry date	17,515,000	0.22	-	-	-	-
Amended - change in exercise price only	47,307,736	0.21	-	-	-	-
Amended - change in expiry date only	42,660,796	0.12	-	-	-	-
Outstanding – end of the year	136,454,497	\$ 0.17	\$ -	124,267,682	\$ 0.37	\$ 206,131

As detailed in the table above, on February 27, 2024, after receiving shareholder and TSX approval, 107,483,532 stock options were amended by (i) reducing the exercise price to \$0.20, and in the case of stock options held by the directors, the CEO, the former President and the CFO, reducing the exercise price to \$0.25; and/or (ii) extending the expiration date by five years from the date of their original expiration date (only if the stock options were expiring on or before December 28, 2025). All stock options that were amended are subject to a new vesting schedule: 50% of the stock options vest on February 27, 2025 and 50% vest on August 27, 2025. The additional stock-based compensation as a result of the amendments was \$4.3 million which will be amortized to the Consolidated Statements of Loss and Comprehensive Loss, and resource properties and deferred expenditures over the period February 27, 2024, to August 27, 2025.

The weighted average share price on the date of exercise of the exercised options for the year ended December 31, 2023 was \$0.22. No options were exercised during the year ended December 31, 2024.

Except as noted below, all options issued in 2023 and 2024 vest over one year and have an expiration date that is five years from the date of grant.

On April 15, 2024, the Company issued 1,000,000 stock options with an exercise price of \$0.20 to a new

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

consultant which vest over 18 months.

On November 1, 2024, the Company issued 4,200,000 stock options with an exercise price of \$0.10 to consultants which vest over 6 months.

On November 20, 2024, the Company issued 500,000 stock options with an exercise price of \$0.10 to an officer which vested on the date of grant.

On November 26, 2024, the Company issued 3,855,865 stock options with an exercise price of \$0.085 to officers which vested on the date of grant.

On December 31, 2024, the Company had the following stock options outstanding:

Date of grant or amendment	Number of options	Exercise price	Exercisable	Exercise price	Expiration Date
March 13, 2020	3,000,000	\$ 0.10	3,000,000	\$ 0.10	March 13, 2025
August 14, 2020	625,000	0.26	625,000	0.26	August 14, 2025
December 28, 2020	740,000	0.51	740,000	0.51	December 28, 2025
December 21, 2023	200,000	0.205	200,000	0.205	December 21, 2028
January 15, 2024	1,750,000	0.20	1,312,500	0.20	January 15, 2029
February 27, 2024	600,000	0.20	-	0.20	November 1, 2028
February 27, 2024	1,000,000	0.18	-	0.18	October 2, 2029
February 27, 2024	4,600,000	0.20	1,500,000	0.20	February 3, 2027
February 27, 2024	4,962,735	0.18	4,962,735	0.18	June 6, 2029
February 27, 2024	350,000	0.20	-	0.20	August 7, 2030
February 27, 2024	1,550,000	0.20	-	0.20	March 9, 2027
February 27, 2024	900,000	0.145	-	0.145	December 12, 2029
February 27, 2024	1,600,000	0.25	-	0.25	January 13, 2027
February 27, 2024	1,980,000	0.10	-	0.10	March 13, 2030
February 27, 2024	200,000	0.20	-	0.20	April 14, 2027
February 27, 2024	150,000	0.20	-	0.20	August 14, 2030
February 27, 2024	200,000	0.20	-	0.20	August 15, 2030
February 27, 2024	100,000	0.20	-	0.20	February 15, 2028
February 27, 2024	1,050,000	0.20	-	0.20	June 15, 2028
February 27, 2024	200,000	0.20	-	0.20	March 15, 2028
February 27, 2024	200,000	0.20	-	0.20	September 15, 2027
February 27, 2024	1,100,000	0.20	-	0.20	January 16, 2028
February 27, 2024	200,000	0.20	-	0.20	May 16, 2027
February 27, 2024	1,300,000	0.20	-	0.20	February 18, 2027
February 27, 2024	3,557,736	0.20	607,736	0.20	March 19, 2026
February 27, 2024	4,400,000	0.20	1,200,000	0.20	December 20, 2027
February 27, 2024	1,500,000	0.25	1,500,000	0.25	December 20, 2027
February 27, 2024	200,000	0.20	-	0.20	December 21, 2028
February 27, 2024	350,000	0.145	-	0.145	July 22, 2030
February 27, 2024	26,218,061	0.095	21,252,048	0.095	March 22, 2029
February 27, 2024	1,450,000	0.20	-	0.20	October 22, 2026
February 27, 2024	500,000	0.145	-	0.145	July 23, 2030
February 27, 2024	3,500,000	0.20	-	0.20	May 23, 2028
February 27, 2024	11,050,000	0.20	7,000,000	0.20	June 25, 2026
February 27, 2024	7,000,000	0.20	400,000	0.20	December 28, 2030
February 27, 2024	7,915,000	0.25	5,835,000	0.25	December 28, 2030
February 27, 2024	450,000	0.20	250,000	0.20	May 28, 2026
February 27, 2024	3,750,000	0.25	1,250,000	0.25	May 28, 2026
February 27, 2024	6,000,000	0.165	-	0.165	October 28, 2029
February 27, 2024	200,000	0.20	-	0.20	October 28, 2030
February 27, 2024	100,000	0.20	-	0.20	September 29, 2027
April 15, 2024	1,700,000	0.20	350,000	0.20	April 15, 2029
May 21, 2024	800,000	0.20	400,000	0.20	May 21, 2029
May 30, 2024	10,950,000	0.20	6,025,000	0.20	May 30, 2029
October 28, 2024	1,200,000	0.10	300,000	0.10	October 28, 2029
November 1, 2024	4,200,000	0.10	1,400,000	0.10	November 1, 2026
November 20, 2024	500,000	0.10	500,000	0.10	December 31, 2028
November 26, 2024	3,855,965	0.085	3,855,965	0.085	November 26, 2029
December 19, 2024	6,550,000	0.09	-	0.09	December 19, 2029
Total / weighted average	136,454,497	\$ 0.168	64,465,984	\$ 0.16	

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

The Company determined the fair value of the stock options issued or amended during the years ended December 31, 2024 and 2023 using the Black-Scholes option pricing model using the following assumptions:

	Year ended December 31, 2024	Year ended December 31, 2023
Share Price	Closing price on the day prior to the grant date	
Risk-free interest rate	3.40% - 4.43%	2.94% - 4.12%
Expected life	5 years	5 years
Expected volatility	60%	60%
Dividend yield	0%	0%
Forfeiture rate	0%	0%

Stock option compensation expense for the years ended December 31, 2024 and 2023, 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 years ended December 31, 2024 and 2023, also presented in the table below.

	Year ended December 31, 2024	Year ended December 31, 2023
Stock option compensation - expensed	\$ 1,512,866	\$ 258,742
Stock option compensation - capitalized	3,805,158	3,428,745
Stock option compensation - total	\$ 5,318,024	\$ 3,687,487

## 11. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, treasury bills and term deposits, accounts and other receivables excluding HST, accounts payable and accrued liabilities.

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

	December 31, 2024	December 31, 2023
Level 1		
Cash and cash equivalents	\$ 5,390,841	\$ 6,986,351
Treasury bills and term deposits	\$ 44,312	\$ 15,795,852

## 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. The cash deposits and term deposits are held with major international banks and a "Big Five" bank in Canada.

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.

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

### (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 February 17, 2023, the Company filed a new final short form base shelf prospectus (the "2023 Base Shelf Prospectus") with the securities regulatory authorities in each of the provinces of Canada, other than the province of Québec. Pursuant to the 2023 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 \$150 million during the 25-month period that the 2023 Base Shelf Prospectus remains effective. Talon filed the 2023 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 October 17, 2023, the Company completed the October 2023 Private Placement.

On July 5, 2024, the Company received \$10.9 million (US\$8.0 million) related to the sale of a royalty to Triple Flag US and the sale of warrants to TF R&S Canada Ltd.

Net proceeds from the issuance of common shares for the year ended December 31, 2024 were nil (year ended December 31, 2023 – \$21.6 million).

Proceeds from the exercise of stock options for the year ended December 31, 2024 was nil (year ended December 31, 2023 – \$0.2 million).

As of December 31, 2024, the Company had working capital of \$3.1 million (December 31, 2023 – \$19.0 million). The working capital amount does not include government cost-share payments expected to be received by the Company as a result of government grants (see Note 6(c) for further information).

Working capital is defined as current assets less current liabilities. The Company has incurred losses and negative cashflows from operations and has an accumulated deficit of \$109.2 million (December 31, 2023 – \$106.9 million).

To meet future working capital requirements, the Company will need to raise financing, reduce expenditures or certain activities, sell non-core assets, receive government grant funding, generate revenue and profit from contracts for drilling and exploration services and/or develop the Tamarack Project into a profitable mine. There can be no assurance that the Company will be successful in carrying out any of these activities to meet the Company's future working capital requirements and commitments and continue operations for the foreseeable future (see Note 1).

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.

World events, including the wars in Ukraine and Israel, increases in interest rates, high inflation, capital and stock market volatility and the decrease in global nickel prices have had a negative impact on the Company's ability to raise capital and/or operations.

# **Talon Metals Corp.**

## **Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)**

---

### **(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, 2024 and December 31, 2023, the Company held cash and cash equivalents, treasury bills, and term deposits 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, 2024 and December 31, 2023, Talon is exposed to movements in the United States dollar primarily as a result of cash on hand, the asset retirement obligation, the majority of accounts payable and the majority of the costs associated with operating the Tamarack Project.

At December 31, 2024, the Company had net monetary asset in United States dollars of \$1.9 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, 2024 of approximately \$0.1 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 primarily exposed to interest rate risk in regard to its interest income on cash, treasury bills, term deposits and other short-term notes contained within money market funds.

The risk of investing cash equivalents into fixed interest rate investments is mitigated by having a term to maturity that is less than one year.

## **13. CAPITAL RISK MANAGEMENT**

Capital is comprised of equity which at December 31, 2024 was \$254.1 million (December 31, 2023 – \$231.3 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 to pursue the exploration and development of its mineral properties and earn an appropriate risk-adjusted return on capital provided by shareholders and government. 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.

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

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, 2024 and the year ended December 31, 2023.

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.

Included in accounts payable is \$101,368 of board and chairman fees payable to directors and the Chairman of the Company (December 31, 2023 – nil) and \$168,233 of salaries payable to the CEO, former President and CFO. The board of directors has agreed to defer receiving payment as part of the Company's cost saving efforts.

The remuneration, including benefits, of directors and officers of the Company for the years ended December 31, 2024 and 2023 was as follows:

	Year ended December 31,	
	2024	2023
Salaries and benefits of officers	\$ 3,911,375	\$ 4,607,353
Board fees	82,500	82,500
Stock-based compensation	3,218,283	1,489,143
Total Aggregate Compensation	<u>\$ 7,212,158</u>	<u>\$ 6,178,996</u>
Capitalized portion included in Total Aggregate Compensation (capitalized to Resource properties and deferred expenditures):		
Salaries and benefits of officers	\$ 3,005,419	\$ 3,649,481
Stock-based compensation	1,812,362	1,255,826
Total	<u>\$ 4,817,781</u>	<u>\$ 4,905,307</u>

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".

By agreement, the fees earned by the Chairman of the Company during the year ended December 31, 2024 were reduced from \$100,000 to \$18,868, which the Chairman has agreed to defer receiving payment.

In order to preserve cash, commencing November 1, 2024, the CEO, former President and CFO of the Company agreed to defer payment of their salaries until the earlier of certain conditions being met related to the Company being in a sufficiently strong financial position to pay these salaries or May 1, 2025 in exchange for the vesting of all stock options issued to these executives and an additional payment of 50% of the amount of the deferred salaries, if and when, the deferred salaries are paid.

During the year ended December 31, 2023, no options were issued to directors or officers.

On February 27, 2024, after receiving shareholder and TSX approval, certain stock options issued to directors and officers were amended by (i) reducing the exercise price to \$0.20, and in the case of stock options held by the directors, the CEO, the former President and the CFO, reducing the exercise price to \$0.25; and/or (ii) extending the expiration date by five years from their original expiration date (only if the stock options were expiring on or before December 28, 2025). All stock options that were amended are subject to a new vesting schedule: 50% of the stock options vest on February 27, 2025 and 50% vest on August 27, 2025. A total of 22,507,736 stock options issued to directors and officers had a change in exercise price only, a total of 12,365,000 stock options issued to directors and officers had a change in both

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

the exercise price and the expiry date, and a total of 35,985,438 stock options issued to directors and officers had a change in the expiry date only.

In May 2024, 2,250,000 options were issued to officers with an exercise price of \$0.20 that vest over one year and have an expiration date that is five years from the date of grant.

In November 2024, 4,355,965 options were issued to officers which included 500,000 options with an exercise price of \$0.10 and 3,855,965 options with an exercise price of \$0.085. These options vested at the time of issuance and have an expiration date that is five years from the date of grant.

In December 2024, 1,250,000 options were issued to officers with an exercise price of \$0.09 that vest over one year and have an expiration date that is five years from the date of grant.

### 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, 2024 was \$23,270 (December 31, 2023 - \$30,258). The change from December 31, 2023 to December 31, 2024 was the result of one of the lawsuits being dismissed 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 which was dismissed in 2025. Legal counsel is of the opinion that some amount of loss is probable and thus a provision as noted above has been recognized.

### 16. INCOME TAXES

The British Virgin Islands statutory income tax rate of 0% (2023 - 0%) reconciles to the effective tax rate of 0% (2023 – 0%) with immaterial reconciling items.

The following table summarizes the components of deferred tax:

	Dec 31, 2024	Dec 31, 2023
Deferred tax assets		
Asset retirement obligation	\$ 344,860	\$ 314,710
Operating tax losses carried forward	15,771,300	12,500,070
Subtotal of assets	\$ 16,116,160	\$ 12,814,780
Deferred tax liabilities		
Property, plant and equipment	\$ (792,847)	\$ (849,770)
Resource pools - mineral properties	(15,323,313)	(11,965,010)
Subtotal of liabilities	\$ (16,116,160)	\$ (12,814,780)
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.

### Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

# Talon Metals Corp.

## Notes to the Consolidated Financial Statements For the years ended December 31, 2024 and 2023 (Expressed in Canadian dollars)

---

	Dec 31, 2024	Dec 31, 2023
Operating tax losses carried forward - U.S.	\$ 2,916,060	\$ 2,777,420

The U.S. operating tax losses can be carried forward indefinitely. Deferred tax assets will be recognized in respect of these items when it is probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

### 17. GEOGRAPHIC INFORMATION

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

### 18. SUBSEQUENT EVENT

On March 5, 2025 Talon entered into an exclusivity agreement with Lundin Mining Corporation ("Lundin Mining") as the parties negotiate an earn-in agreement (the "Option Agreement") pursuant to which Lundin Mining may acquire up to a 70% ownership interest in an area of interest that includes the Boulderdash and Roland exploration targets (the "Optioned Properties"), which are in close proximity to Lundin Mining's Eagle Mine. The Optioned Properties form part of the Michigan Properties.

Lundin Mining has advanced Talon US\$5 million (the "Advance Payment") to, among other things, commence drilling on the Optioned Properties as soon as the Option Agreement is entered into.

In the event that Talon and Lundin Mining do not enter into the Option Agreement for any reason by March 31, 2025 (or such earlier or later date as agreed between the parties), Talon will at its sole election either, (i) repay the Advance Payment in cash, or (ii) issue Lundin Mining that number of common shares of Talon (the "Talon Shares") equal to the Advance Payment at a deemed price per Talon Share based on the 5-day volume weighted average trading price of the Talon Shares on the TSX at such time.