

Condensed Interim Consolidated Financial Statements of

Talon Metals Corp.

June 30, 2026

(Unaudited)

(Expressed in U.S. dollars)

Talon Metals Corp.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - in thousands of US dollars)

	Notes	As at		
		June 30, 2026	December 31, 2025	January 1 2025
			Restated (Note 2)	Restated (Note 2)
ASSETS				
Cash and cash equivalents		\$ 46,547	\$ 11,985	\$ 3,747
Treasury bills and term deposits	4	29	13,387	31
Trade and other receivables	5	17,141	23	1
Prepayments		6,047	170	62
Inventories	6	22,748	-	-
Deferred financing costs		-	119	66
Total current assets		92,512	25,684	3,907
Prepayments - long term	7d	1,195	1,418	1,264
Resource properties and deferred exploration and evaluation costs	7	207,757	194,239	171,712
Property, plant and equipment	8	228,150	2,386	2,762
Goodwill	28	3,466	-	-
Total non-current assets		440,568	198,043	175,738
Total assets		533,080	223,727	179,645
LIABILITIES				
Trade and other payables	9	23,730	5,768	1,723
Government grant advance payments	7c(iv)	887	620	-
Current portion of lease liabilities	10	2,849	-	-
Current portion of mortgage payable	11	-	16	16
Current portion of reclamation and closure provisions	12	3,790	-	-
Total current liabilities		31,256	6,404	1,739
Lease liabilities	10	7,258	-	-
Mortgage payable	11	-	113	117
Land contract payable				66
Reclamation and closure provisions	12	71,618	1,407	1,116
Production payment royalty	13	4,200	-	-
Other long-term liabilities		782	-	-
Contingencies	14	19	18	16
Deferred tax liabilities		36,236	-	-
Total non-current liabilities		120,113	1,538	1,315
Total liabilities		151,369	7,942	3,054
SHAREHOLDERS' EQUITY				
Share capital	15a	421,997	255,039	203,234
Warrants	15b	669	3,868	135
Contributed surplus		29,130	34,141	33,792
Accumulated other comprehensive income		8,393	6,077	15,303
Deficit		(78,478)	(83,340)	(75,873)
Total shareholders' equity		381,711	215,785	176,591
Total liabilities and shareholders' equity		533,080	223,727	179,645

Commitments and contingencies - Note 14

Subsequent event - Note 27

Nature of Operations and Going Concern - Note 1

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

Approved by the audit committee of the board of directors on August 13, 2026

Signed: "Gregory S. Kinross, Director"

"David E. Singer, Director"

Talon Metals Corp.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited - in thousands of US dollars except for shares and per share amounts)

	<i>Notes</i>	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
		<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
Revenue	16	\$ 51,523	\$ -	\$ 98,470	\$ -
Production costs	17	(38,545)	-	(75,833)	-
Depreciation, depletion and amortization	8	(6,583)	-	(12,665)	-
Gross profit		6,395	-	9,972	-
General and administrative expenses	18	(1,351)	(603)	(2,665)	(1,154)
Project development and business development		(145)	-	(587)	-
Finance income	19	167	23	280	27
Finance costs	19	(862)	(12)	(1,645)	(24)
Other (expense) income		59	-	70	-
Foreign currency gain (loss)		(132)	(229)	(226)	(260)
Income (loss) before income taxes		4,131	(821)	5,199	(1,411)
Current tax expense		(7)	(9)	(10)	(11)
Deferred tax recovery (expense)		(908)	-	(327)	-
Net income (loss)		3,216	(830)	4,862	(1,422)
Other comprehensive (loss) income					
Currency translation differences		2,515	(9,123)	2,316	(9,253)
Net income (loss) and comprehensive income (loss)		5,731	(9,953)	7,178	(10,675)
Basic net income (loss) per share		\$ 0.02	\$ (0.01)	\$ 0.03	(0.01)
Diluted net income (loss) per share		\$ 0.02	\$ (0.01)	\$ 0.03	(0.01)
Weighted average number of shares outstanding					
Basic	15d	159,241,197	96,246,479	153,771,565	94,866,852
Diluted	15d	165,123,922	96,246,479	159,633,165	94,866,852

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

Talon Metals Corp.
Condensed Interim Consolidated Statements of Changes in Equity

For the period ended June 30, 2026 and 2025

(Unaudited - in thousands of US dollars except for shares)

		Number of shares	Share capital	Warrants	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Shareholders' equity
Notes								
Balance at January 1, 2026		119,885,666	\$ 255,039	\$ 3,868	\$ 34,141	\$ (83,340)	\$ 6,077	\$ 215,785
Acquisition Eagle Mining US Ltd.	15a	27,515,223	128,301	-	-	-	-	128,301
Private placement (January 2026)	15a	445,204	1,357	-	-	-	-	1,357
Private placement (March 2026)	15a	1,855,578	5,667	-	-	-	-	5,667
Warrants exercised	15b	7,893,746	18,905	(3,197)	-	-	-	15,708
Warrants expired	15b	-	-	(2)	2	-	-	-
Stock option compensation payments	15c	-	-	-	2,149	-	-	2,149
Stock options exercised	15c	4,328,720	12,728	-	(7,162)	-	-	5,566
Share consolidation cancelled shares	15a	(64)	-	-	-	-	-	-
Net income (loss) and comprehensive income (loss)		-	-	-	-	4,862	2,316	7,178
Balance at June 30, 2026		161,924,073	\$ 421,997	\$ 669	\$ 29,130	\$ (78,478)	\$ 8,393	\$ 381,711
Balance at January 1, 2025		93,471,897	\$ 213,474	\$ 142	\$ 35,494	\$ (79,695)	\$ 16,072	\$ 185,487.0
June 2025 private placement		18,631,818	23,491	4,321	-	-	-	27,812
Shares issued for accounts payable		431,420	221	-	-	-	-	221
Stock option compensation payments	15c	-	-	-	818	-	-	818
Net loss and comprehensive loss		-	-	-	-	(1,422)	(9,253)	(10,675)
Balance at June 30, 2025		112,535,135	\$ 237,186	\$ 4,463	\$ 36,312	\$ (81,117)	\$ 6,819	\$ 203,663

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

Talon Metals Corp.

 Condensed Interim Consolidated Statements of Cash Flows
 (Unaudited - in thousands of US dollars)

	<i>Notes</i>	<i>Six months ended June 30,</i>	
Cash provided by (used in)		2026	2025
Operating activities			
Net income (loss)		\$ 4,862	\$ (1,422)
Items not involving cash and other adjustments			
Depreciation, depletion and amortization		12,408	-
Stock option compensation		1,006	124
Finance costs, net		287	(4)
Accretion on asset retirement obligation		1,279	24
Reclamation payments		(1,149)	-
Deferred tax (recovery) expense		460	-
Foreign exchange gain		25	4
Working capital adjustments			-
Change in accounts and other receivables		(9,240)	(15)
Change in deferred financing costs		-	68
Change in prepayments		(2,973)	33
Change inventory		493	-
Change in deferred financing costs		119	-
Change in advance payment		-	5,503
Change in accounts payable and accrued liabilities		(1,073)	922
Cash provided by (used in) operating activities		6,504	5,237
Investing activities			
Acquisition of property, plant and equipment	8	(11,601)	(41)
Acquisition of resource properties and deferred expenditures		(15,648)	(8,064)
Acquisition of Eagle, net of cash acquired	26	11,788	-
Proceeds from government grants		1,549	1,197
Purchases of treasury bills and term deposits		-	(6,320)
Proceeds from sale of treasury bills and term deposits		13,414	-
Cash used in investing activities		(498)	(13,228)
Financing activities			
Private placement (January 2026)	15a	1,357	-
Private placement (March 2026)	15a	5,667	-
Proceeds from June 2025 Private Placement		-	26,916
Reduction in mortgage payable		(129)	(10)
Proceeds from exercise of stock options	15c	5,566	-
Proceeds from exercise of warrants	15b	15,708	-
Principal repayments of lease liabilities		(1,873)	-
Interest paid		(366)	-
Cash provided by (used in) financing activities		25,930	26,906
Increase (decrease) in cash and cash equivalents		\$ 31,936	\$ 18,915
Effect of foreign exchange on cash balances		2,626	972
Cash and cash equivalents, beginning of the period		11,985	3,747
Cash and cash equivalents, end of the period		\$ 46,547	\$ 23,634

Talon Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2026 and 2025

(Unaudited - Tabular amounts in thousands of U.S. dollars, except for shares and per share amounts)

1. NATURE OF OPERATIONS AND GOING CONCERN

Talon Metals Corp. (“Talon” or the “Company”) is a mining 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) and as of January 9, 2026, the producing Eagle Mine and associated Humboldt Mill (“Eagle”) located in Michigan, USA. The Company’s interest in the Tamarack Project is held through its indirect 100% owned Delaware, USA subsidiary, Talon Nickel (USA) LLC (“Talon Nickel”). The Company’s interest in Eagle is held through its indirect 100% owned Delaware, USA subsidiary, Eagle Mine LLC.

On January 11, 2018, Talon Nickel and Kennecott Exploration Company (“Kennecott”), a subsidiary of the Rio Tinto Group, 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”), 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 7(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 7(b) for further information.

On January 9, 2026, Talon acquired a 100% interest in Eagle Mining US Ltd. (“Eagle Mining US”, formerly Lundin Mining US Ltd.), which indirectly holds Eagle, from Lundin Mining Corporation (“Lundin Mining”). Eagle Mining US is a nickel-copper mining and exploration company with its operations located in Michigan, United States (see Note 26).

The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”) in Canada. The Company’s head office address is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

These condensed interim 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 cash flows from Eagle combined with existing working capital and the receipt of government grant cost-share payments. There are risks and uncertainties regarding the cash flows from Eagle, including prevailing market prices for nickel and copper, operating costs, capital costs, operational risks, and other factors, which in turn are impacted by global events such as wars and recessions. In order to develop and construct the Tamarack Project, the Company will need to raise additional capital. The Company has a track record of raising capital; however, amounts, timing, and the terms of capital raises are uncertain and may be unfavorable to the Company. To support raising capital, the Company focuses its efforts on achieving milestones and value-added activities, such as cost and productivity improvements at Eagle, a feasibility study for the Tamarack Project, and exploration at the Tamarack Project and in Michigan. 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.

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.

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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.

2. BASIS OF PRESENTATION AND MEASUREMENT

(a) Basis of presentation and statement of compliance

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB"), and which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2025.

These condensed interim consolidated financial statements were approved by the Audit Committee of the Board of Directors of the Company on August 13, 2026.

Basis of preparation

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The material accounting policies applied in these condensed interim consolidated financial statements are presented in Note 3 and have been applied consistently to all years presented, unless otherwise noted. In the preparation of these condensed interim 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 condensed interim consolidated financial statements, and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of consolidation

The accompanying condensed interim consolidated financial statements include the assets, liabilities, and results of operations of Talon and its subsidiaries. Material subsidiaries of Talon and their principal activities are presented below:

Material Subsidiaries	Percentage Ownership	Principal Activity
Talon Nickel (USA) LLC	100%	Nickel and copper exploration and development
Talon Michigan LLC	100%	Nickel and copper exploration
Houghton Battery Minerals LLC	100%	Nickel and copper exploration
Talon Metals Services Inc.	100%	Management services
Eagle Mine LLC	100%	Nickel and copper production

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

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from the date on which control is transferred to the Company.

(b) Change in presentation currency

On January 1, 2026, the Company elected to change its presentation currency from Canadian dollars to U.S. dollars. The change in presentation currency is to improve investors and other stakeholders' ability to compare the Company's financial results with other mining companies, which mostly report their results in U.S. dollars, and because with the acquisition of Eagle, an increased amount of the Company's business is transacted in U.S. dollars. Reference herein to \$ or USD is to U.S. dollars, and C\$ or CAD is to Canadian dollars.

In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, this change in presentation currency was applied retrospectively as if the new presentation currency had always been the Company's presentation currency and, accordingly, prior year comparative figures have been restated (including in the notes to the consolidated financial statements).

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, the methodology followed in restating historical financial information from Canadian dollars to U.S. dollars was as follows:

- Assets and liabilities for each consolidated balance sheet presented were translated at the closing rate of the period;
- Income and expenses for each consolidated statement of income or loss and consolidated statement of comprehensive income or loss were translated at quarterly average exchange rates for the period (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses were translated at the rate on the dates of the respective transactions);
- Equity transactions were translated at historical exchange rates in effect on the date of the respective equity transaction; and
- All resulting change differences (currency translation adjustments) were recognized in equity under accumulated other comprehensive loss.

The exchange rates used to reflect the change in presentation currency in the accompanying consolidated financial statements were as follows:

- Closing CAD/USD exchange rate as of December 31, 2025, and 2024 of 1.3706 and 1.4389;
- Average CAD/USD exchange rate for the three months ended June 30, 2025, of 1.3839; and
- Average CAD/USD exchange rate for the six months ended June 30, 2025, of 1.4097.

3. MATERIAL ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

The Company has consistently applied the accounting policies to all the periods presented. The material accounting policies applied in these condensed interim consolidated financial statements are set out below.

(a) Material accounting policies

i. Foreign Currency Transactions

Foreign currency transactions are translated into functional currencies at exchange rates in effect on the date

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of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss.

On consolidation, assets and liabilities of operations with a functional currency other than the United States dollar are translated into the United States dollar at period-end foreign currency rates. Expenses of such operations are translated into the United States dollar at average rates for the period. Foreign currency translation gains and losses are recognized in other comprehensive income. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition of a foreign operation. The entities with a functional currency other than the United States dollar include Talon Metals Corp. and Talon Metals Services Inc.

ii. Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks and highly liquid short-term interest-bearing investments with a term to maturity at the date of purchase of 90 days or less, which are subject to an insignificant risk of change in value.

iii. Treasury bills and term deposits

Treasury bills and term deposits comprise treasury bills issued by the U.S. and Canadian governments and term deposits with large banks with a term to maturity at the date of purchase of 1 year or less, which are subject to an insignificant risk of change in value.

iv. Inventories

Ore and concentrate stockpiles are valued at the lower of production cost and net realizable value ("NRV"). Production costs include costs of materials and labor related directly to mining and processing activities, including depreciation and amortization of mineral property, plant and equipment directly involved in the related mining and production process, and directly attributable overhead costs.

Materials and supplies inventories are valued at the lower of average cost less allowances for obsolescence and NRV.

If the carrying value of inventories exceeds NRV, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances that caused the write-down no longer exist.

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v. Resource properties and deferred exploration and evaluation costs

Resource properties and deferred exploration and evaluation costs 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 represent 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.

When a project progresses from exploration and evaluation to construction, the balance in resource properties and deferred exploration and evaluation costs is transferred to assets under construction within property, plant, and equipment.

vi. Property, plant and equipment

Property, plant, and equipment are carried at cost less accumulated depreciation and any accumulated impairment charges. Assets under construction are carried at cost and are not depreciated or depleted until ready for use. For production property plant and equipment, depreciation is recorded on a units-of-production basis over proven and probable mineral reserves. Depreciation on all other property, plant, and equipment is recorded on a straight-line basis over the estimated useful life of the asset or over the estimated remaining LOM, if shorter. Residual values and useful lives are reviewed annually. Gains and losses on disposals are calculated as proceeds received less the carrying amount and are recognized in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

Useful lives are as follows:

	<u>Number of years</u>
Buildings	39
Plant and equipment	3 – 20
Mobile equipment	5 – 20
Support equipment	3 – 8

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vii. Goodwill

Goodwill is recognized in a business combination if the cost of the acquisition exceeds the fair value of the identifiable net assets acquired. Goodwill is then allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination. The Company performs a goodwill impairment test on an annual basis. In addition, the Company assesses indicators of impairment at each reporting period end and, if an indicator of impairment is identified, goodwill is tested for impairment at that time. If the carrying value of the CGU or group of CGUs to which goodwill is assigned exceeds its recoverable amount, an impairment loss is recognized. Goodwill impairment losses are not reversed. The recoverable amount of a CGU or group of CGUs is measured as the higher of value in use and fair value less costs of disposal.

viii. Government grants

Government grants are recognized 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 exploration and evaluation costs, no amount is recorded in income at the time of recognition, but rather resource properties and deferred exploration and evaluation costs is reduced by the amount of the grant. Grants received in advance of spending are recognized as a government grant advance payment liability, which is reduced as the funds are spent.

ix. Impairment and impairment reversals

At the end of each reporting period, the Company assesses whether there is an indication that an asset or group of assets within a cash generating unit ("CGU") may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset or CGU and compares it against the asset or CGU's carrying amount. The recoverable amount is the higher of the fair value less cost of disposal ("FVLCD") and the asset or CGU's value in use ("VIU"). If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) during the period. If either FVLCD or VIU exceeds the asset or CGU's carrying amount, the asset or CGU is not impaired, and the Company does not estimate the other amount.

In assessing VIU, 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 CGU for which the estimates of future cash flows have not been adjusted. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset or the CGU and its eventual disposal.

FVLCD is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, which is best evidenced if obtained from an active market or binding sale agreement. Where neither exists, the fair value is based partly on a discounted cash flow projections model. Costs of disposal, other than those that have been recognized as liabilities, are deducted in measuring FVLCD.

Reversals of impairment are assessed at each reporting period where there is an indication that an impairment loss recognized previously may no longer exist or has decreased. If an impairment reversal

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indicator exists, the recoverable amount is calculated. If the recoverable amount exceeds the carrying amount, the carrying value of the CGU is increased to the recoverable amount net of depreciation and depletion. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the CGU in prior years. A reversal of an impairment loss is recognized as a gain in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) in the period it is determined.

x. Leases

At the inception of a contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) on a straight-line basis over the term of the lease.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, each operation's applicable incremental borrowing rate. The incremental borrowing rate is the rate that the operation would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an

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index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is recorded as an expense in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property, plant and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term.

On the condensed interim consolidated statements of financial position, right-of-use assets and lease liabilities are reported in property, plant, and equipment and lease liabilities, respectively.

xi. Reclamation and Closure provisions

The Company incurs reclamation and other closure costs related to its mining properties, such as facility decommissioning and dismantling, end of mine life severance, site restoration, and ongoing environmental monitoring. These costs are a normal consequence of mining and are dependent on the requirements of the Company's legal and constructive obligations, as well as any other commitments made to stakeholders. The majority of these expenditures will be incurred at the end of the life of mine and are dependent upon a number of factors such as the life and nature of the asset, the operating license conditions and the environment in which the mine operates.

The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies, which outline the activities to be undertaken to meet regulatory and internal requirements. Since the obligations are dependent on the laws and regulations of the country in which the mine operates, they are regularly evaluated by management and external experts. Costs included in the obligations encompass all reclamation and other closure activities expected to occur progressively over the life of the operation, at the time of closure, and post-closure in connection with disturbances as at the reporting date.

Obligations may change because of amendments in laws and regulations relating to environmental protection

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and/or other legislation affecting resource companies. Included in the estimated obligations are a number of significant assumptions made by management in determining closure provisions. Accordingly, closure provisions are more uncertain the further into the future mine closure activities are expected to be carried out.

The Company records the present value of its reclamation provision as a liability with a corresponding increase in the carrying value of the related asset. The provision is discounted to its net present value using a country-specific, current market, pre-tax discount rate. The unwinding of the discount, referred to as an accretion expense, is included in finance costs in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) and results in an increase in the carrying amount of the liability. Reclamation obligations settled in the year are offset against the corresponding liability. Unplanned reclamation costs are reported as either part of the cost of inventory or recognized as a cost in the condensed interim consolidated statements of income (loss) and comprehensive income (loss), if they relate to either production activities or a closed site.

The capitalized cost of the reclamation and other closure activities is recognized in property, plant, and equipment and depreciated on a unit-of-production basis over the expected mine life of the operation or asset to which it relates. Depreciation costs are included in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) as part of cost of goods sold.

Changes in obligations resulting from revisions to the timing or amount of expenditures or discount rate are recognized as an increase or decrease in the reclamation provision liability, and a corresponding change in the carrying amount of the related assets.

xii. Revenue recognition

Revenue from contracts with customers is recognized when a customer obtains control of the promised goods and the Company satisfies its performance obligation. Revenue is allocated to each performance obligation. The Company considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the entity expects to be entitled to in exchange for the transferring of promised goods. The Company earns revenue from contracts with customers related to its concentrate sales.

The Company satisfies its performance obligations for its concentrate sales per specified contract terms, which are generally upon delivery of an individual parcel. Revenue from concentrate sales is recorded based on forward market prices of the expected final sales price date. The Company recognizes revenue when concentrate has been delivered to a location specified by the customer.

xiii. Current and deferred income taxes

Income tax expense represents the sum of current and deferred tax. Current taxes payable are based on taxable earnings for the year. Taxable earnings may differ from earnings before income tax as reported in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) because it may exclude items of income or expense that are taxable or deductible in other years, and it may further exclude items of income or expense that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial

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position date.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities, where there is an intention to settle the balance on a net basis.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the condensed interim consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences or tax loss carryforwards can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor the accounting earnings. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments in associates, except where the Company is able to control the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is reflected in equity.

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.

xiv. Financial instruments

Financial instruments are recognized on the condensed interim consolidated statement of financial position on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial Assets at Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company intends to hold these receivables until

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cash flows are collected. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets measured at FVTPL are assets that do not qualify as financial assets at amortized cost or those not designated in hedge relationships.

Provisionally priced trade receivables are measured at FVTPL as some or all of the cash flows are dependent on commodity prices. These receivables are initially measured at their transaction price. Subsequent changes to provisionally priced trade receivables are recorded in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) as revenue from other sources.

Financial Liabilities at 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 fall into any of the exemptions and are therefore classified as measured at amortized cost. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial Liabilities at FVTPL

Financial liabilities at FVTPL are liabilities that include embedded derivatives that cannot be classified as amortized cost or derivative liabilities not designated in hedge relationships. Financial liabilities at FVTPL are initially recognized at fair value with changes to fair values recognized in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

The Company de-recognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

The Company de-recognizes financial liabilities only when its obligations under the financial liabilities are discharged, canceled, or expelled. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

The production payment royalty in connection with the acquisition of Eagle is classified as contingent consideration and is measured at fair value at each reporting date, with the gain or loss included in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

(b) Estimation uncertainty and judgements in applying the entity's accounting policies

The preparation of condensed interim consolidated financial statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates and judgements. These estimates and judgements are based on management's best knowledge of the relevant facts and circumstances, considering previous experience, but actual results may differ materially from the amounts included in the condensed interim consolidated financial statements.

Areas where estimation uncertainty has the most significant effect on the amounts recognized in the condensed interim consolidated financial statements include:

Valuation of resource properties and deferred exploration and evaluation costs and property, plant and equipment – The Company carries its resource properties and deferred exploration and evaluation costs and property, plant and equipment at cost less accumulated depletion and any accumulated provision for impairment. The Company undertakes a review of the carrying values of resource properties and deferred exploration and evaluation costs and property, plant and equipment whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable. Where a previous impairment has been recorded, the Company analyzes any reverse impairment indicators. Impairment reversals are recognized in subsequent periods when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, metal prices, resources and reserves quantities, future capital and production costs, and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties that may ultimately influence the expected recoverability of the carrying values of the resource properties and deferred exploration and evaluation costs, and property, plant, and equipment.

Provisional pricing impact on revenue and accounts receivable – Revenue and accounts receivable are estimated at the time of sale based on futures prices for the various commodities and metal assays of the nickel and copper concentrates sold. Estimation uncertainty arises because futures prices at the reporting date are estimates of actual future prices and because assays are preliminary until they are finalized and agreed to with customers.

Reclamation provision – The Company incurs reclamation and other closure costs related to its mining property. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies, which outline the activities to be undertaken to meet regulatory and internal requirements. Since the obligations are dependent on the laws and regulations of the country in which the mine operates, they are regularly reviewed by management and external experts and could change as a result of amendments to laws and regulations. Included in the estimated obligations are a number of significant assumptions made by management, including nominal discount rates and inflation rates.

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Assessment of impairment and reverse impairment indicators – Management applies significant judgement in assessing whether indicators of impairment or reversal of impairment exist for a CGU that would necessitate impairment testing. Internal and external factors used by management to determine whether indicators exist include, but are not limited to, significant changes in the use of the asset, commodity prices, capital and production forecasts, R&R quantities, and discount rates.

Production payment royalty liability – The production payment royalty liability is carried at fair value and revalued each reporting period. Management applies significant judgement in assessing the inputs into the fair value determination, including timing, production rates, and the likelihood of when the production payment royalty will be paid.

Provisions for taxes – 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.

Going concern – Management's assessment of the Company's ability to continue as a going concern requires significant judgement and estimation uncertainty, particularly where forecasts depend on uncertain assumptions such as future cash flows, financing availability, commodity prices, operating costs, or compliance with covenants. Changes in these assumptions could materially affect the going concern conclusion.

4. TREASURY BILLS AND TERM DEPOSITS

As of June 30, 2026, and December 31, 2025, 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	
	June 30, 2026	December 31, 2025	June 30, 2026	December 31, 2025
Weighted average term to maturity in months	12.0	8.6	3.7	4.1
Weighted average yield to maturity	2.60%	2.58%	2.60%	3.64%

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	June 30, 2026	December 31, 2025
Trade receivables - Eagle	\$ 15,389	\$ -
Other receivables	1,752	23
	\$ 17,141	\$ 23

The Company does not have any significant balances that are past due nor any significant expected credit losses. The Company's credit risk in respect of trade receivables.

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6. INVENTORIES

Inventories consist of the following:

	June 30, 2026	December 31, 2025
Materials and supplies	\$ 11,472	\$ -
Ore stockpiles	1,550	-
Finished goods - concentrate stockpiles	9,726	-
	\$ 22,748	\$ -

As at June 30, 2026, the materials and supplies balance contains an inventory reserve for obsolescence of \$3.2 million.

7. RESOURCE PROPERTIES AND DEFERRED EXPLORATION AND EVALUATIONS COSTS

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, 2025, and for the six months ended June 30, 2026, are as follows:

	Tamarack Project	Michigan Properties	Total
Balance at December 31, 2024	\$ 161,322	\$ 10,390	\$ 171,712
Gross additions	19,959	4,639	24,598
Government grants received	(1,636)	(469)	(2,105)
Net additions	18,323	4,171	22,494
Foreign exchange	33	-	33
Balance at December 31, 2025	179,678	14,561	194,239
Gross additions	15,177	1,333	16,510
Government grants received	(2,619)	(371)	(2,990)
Net additions	12,558	963	13,521
Foreign exchange	(3)	-	(3)
Balance at June 30, 2026	\$ 192,233	\$ 15,524	\$ 207,757

Although the Company believes it has taken reasonable measures to ensure proper title to its resource properties and those in which it has an interest, there is no guarantee that title to any of these mineral properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers, or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company or Kennecott may be unable to operate their properties as permitted or to enforce their rights with respect to its properties.

(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

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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; and (ii) paying Kennecott the additional sum of US\$10 million in cash, both of which must occur on or before March 14, 2027 (which was extended by one year from March 14, 2026 in October 2025). 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 January 10, 2022, Talon Nickel entered into an agreement with Tesla Inc. ("Tesla") for the supply and purchase of nickel concentrate to be produced from the Tamarack Project. Under the terms set out in the agreement, Tesla has committed to purchase 75,000 metric tonnes (165 million lbs.) of nickel in concentrate. Tesla also has a preferential right under the agreement to negotiate the purchase of additional nickel concentrate over and above the initial 75,000 metric tonne commitment. The term of the agreement is six (6) years or until a total of 75,000 metric tonnes (165 million lbs.) of nickel in concentrate has been produced and delivered to Tesla. The agreement is conditional upon: (i) Talon Nickel earning a 60% interest in the Tamarack Project; (ii) Talon Nickel commencing commercial production at the Tamarack Project; and (iii) the parties completing negotiations and executing detailed supply terms and conditions. Talon Nickel will use commercially reasonable efforts to achieve commercial production on or before January 1, 2026, at the Tamarack Project, which may be extended by the agreement of the parties for up to 12 months ("SOP Date"), following which Tesla has a right to terminate the agreement and Talon Nickel may elect to sell to other parties. The SOP Date was subsequently agreed to be extended to September 1, 2027. 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., has

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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 "Beulah 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. For more information, see Note 7(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 million. After deducting transaction costs of C\$0.2 million, the net proceeds were C\$10.7 million, which was allocated C\$10.5 million to the royalty and C\$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 exploration and evaluation costs. 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 May 2025, Talon Nickel and Westmoreland Mining LLC ("Westmoreland") signed an option agreement for Talon Nickel to secure an approximately 256-acre portion of the former Westmoreland coal mine site near Beulah, North Dakota, and the associated 7-mile rail spur (the "Westmoreland Property") for the development of the BMPF. Westmoreland granted Talon Nickel the sole and exclusive right and option to purchase (the "Purchase Option") the Westmoreland Property. Talon Nickel may exercise the Purchase Option at any time at its sole discretion over the ensuing 3-year period (the "Option Period"). In consideration for the Purchase Option, Talon issued Westmoreland 15,000,000 consideration options (the "Consideration Options") to purchase common shares of Talon with an exercise price of \$0.40 and an expiration date of August 27, 2028. Subject to certain terms and conditions of the Consideration Options, one-third of the Consideration Options vested immediately on August 27, 2025; an additional one-third of the Consideration Options will vest on the one-year anniversary of the date of issuance; and the last one-third of the Consideration Options will vest on the two-year anniversary of the date of issuance. In the event that at any time during the Option Period Talon Nickel shall elect to terminate the Purchase Option, Westmoreland shall retain any Consideration Options which shall at such time have vested in accordance with the vesting schedule set out above, and all such vested Consideration Options shall remain outstanding and exercisable, and any unvested Consideration Options at such time shall be deemed to be canceled. In the event that at any time during the Option Period the Company shall elect to exercise the Purchase Option, any Consideration Options which at such time shall not yet have vested in accordance with the vesting schedule set out above shall automatically vest upon the exercise of the Purchase Option, and all such Consideration Options shall be exercisable. Upon the exercise of the Purchase Option by Talon Nickel, title to the Westmoreland Property will be transferred to Talon Nickel in consideration for Talon Nickel making future ore delivery payments to Westmoreland

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(the "Purchase Price"). Effective as of the first delivery of nickel-bearing ore to the BMPF, Talon Nickel will pay Westmoreland \$0.50 per metric ton of ore delivered to the BMPF (based on the nickel-bearing ore having a grade between 1% and 5%). Any ore delivered that has a nickel grade of 1% or less will not be subject to any payment to Westmoreland in respect of such ore. Any ore delivered that has a nickel grade greater than 5% will be subject to a pro-rata increased payment relative to 5%. The Purchase Price is capped at \$10 million. The warrants were valued based on the assumptions provided in note 15(b). The cost of the warrants is included in Resource properties and deferred exploration and evaluation costs. The warrants were valued at \$0.169 each or \$2,528,303 in total or \$842,768 per tranche, with one tranche or \$842,768 currently included in resource properties and deferred exploration and evaluation costs.

(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 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 the 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").

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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”.

On March 5, 2025, Talon entered into an exclusivity agreement with Lundin Mining as the parties negotiate an earn-in agreement (the “Lundin Option Agreement”) pursuant to which Lundin Mining was to acquire up to a 70% ownership interest in an area of interest (the “Lundin Optioned Properties”). The Lundin Optioned Properties form part of the Michigan Properties. Lundin Mining advanced Talon US\$5 million (C\$6.8 million) (the “Advance Payment”) to, among other things, commence drilling on the Lundin Optioned Properties. On September 30, 2025, Talon terminated the exclusivity agreement with Lundin Mining. On October 7, 2025, Talon issued 1,850,291 common shares to repay the Advance Payment (see Note 15), resulting in a loss on settlement of the Advance Payment of \$1,258,293 for the year ended December 31, 2025.

(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. There is no guarantee that the full amount of the grants will be received.

US\$ thousands	DOW Exploration					
	DOE BMPF Grant	Grant	Columbia Grant	DLA Grant		
	Note 7(c)(i)	Note 7(c)(ii)	Note 7(c)(iii)	Note 7(c)(iv)	Total	
Total amount of grant	\$ 114,846	\$ 20,607	\$ 721	\$ 2,469	\$ 138,643	
Government grant received as of Dec 31, 2022	-	-	-	-	-	
Received in 2023	-	-	142	-	142	
Government grant received as of Dec 31, 2023	\$ -	\$ -	\$ 142	\$ -	\$ 142	
Received in 2024	362	3,237	556	-	4,155	
Government grant received as of Dec 31, 2024	\$ 362	\$ 3,237	\$ 698	\$ -	\$ 4,297	
Received in 2025	554	1,547	11	1,026	3,138	
Government grant received as of Dec 30, 2025	\$ 916	\$ 4,784	\$ 709	\$ 1,026	\$ 7,435	
Received in 2026	160	2,437	-	392	2,989	
Government grant received as of Jun 30, 2026	\$ 1,076	\$ 7,221	\$ 709	\$ 1,418	\$ 10,424	
Balance of grant to be received	\$ 113,770	\$ 13,386	\$ 12	\$ 1,051	\$ 128,219	

The DLA Grant received amount excludes amounts that have been received but not yet earned.

(i) U.S. Department of Energy – Beulah 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 U.S. Department of Energy setting the terms, conditions, and performance milestones for \$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 Beulah Minerals Processing Facility.

(ii) U.S. Department of War – Nickel Exploration in Minnesota and Michigan (“DOW Exploration Grant”)

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Effective September 11, 2023, Talon Nickel entered into an agreement with the U.S. Department of War'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 U.S. battery manufacturing base and defense-related supply chains. As part of the agreement, the U.S. Department of War will contribute \$20.6 million on a cost-share basis by December 31, 2027, for exploration in Minnesota and Michigan.

(iii) U.S. Department of Energy – Columbia University Processing ("Columbia Grant")

On February 24, 2023, Talon Nickel was selected as a subrecipient under a project led 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 \$0.7 million on a cost-share basis over a 3-year period. Substantially all of this grant has been received.

(iv) U.S. Department of War – Defense Logistics Agency ("DLA Grant")

On December 11, 2024, Talon Nickel was awarded a research and development contract from the Department of War'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 \$2.47 million.

As of June 30, 2026, the DLA had advanced \$2.3 million, of which \$0.9 million is being held to cover future expenditures associated with the contract.

(d) Prepayment – long term

In connection with the Tamarack Project, the Company has deposited \$1.2 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 amount spent from prepayment to Resource properties and deferred exploration and evaluation costs.

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8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ("PP&E") are comprised of the following:

Cost	Land and mineral rights	Plant and equipment - exploration	Mine development	Plant and equipment	Assets under construction	Software intangible assets	Total
As at December 31, 2024	\$ 336	\$ 4,912	\$ -	\$ -	\$ -	\$ -	\$ 5,248
Additions	-	42	-	-	-	-	42
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Government Grants received	-	-	-	-	-	-	-
As at June 30, 2025	336	4,954	-	-	-	-	5,290
Additions	-	627	-	-	-	-	627
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Government Grants received	-	(9)	-	-	-	-	(9)
As at December 31, 2025	336	5,572	-	-	-	-	5,908
Acquisition of Eagle	3,460	-	-	223,450	703	-	227,613
Additions	2,408	469	-	-	8,422	-	11,299
Disposals	-	-	-	-	-	-	-
Transfers	75	-	3,491	614	(4,180)	-	-
Government Grants received	-	(22.00)	-	-	-	-	(22)
As at June 30, 2026	\$ 6,279	\$ 6,019	\$ 3,491	\$ 224,064	\$ 4,945	\$ -	\$ 244,798

Accumulated depreciation, depletion and amortization	Land and mineral rights	Plant and equipment - exploration	Mine development	Plant and equipment	Assets under construction	Software intangible assets	Total
As at December 31, 2024	\$ -	\$ 2,486	\$ -	\$ -	\$ -	\$ -	\$ 2,486
Depreciation	-	505	-	-	-	-	505
Disposals	-	-	-	-	-	-	-
As at June 30, 2025	-	2,991	-	-	-	-	2,991
Depreciation	-	531	-	-	-	-	531
Disposals	-	-	-	-	-	-	-
As at December 31, 2025	-	3,522	-	-	-	-	3,522
Depreciation	7	462	153	12,504	-	-	13,126
Disposals	-	-	-	-	-	-	-
As at June 30, 2026	\$ 7	\$ 3,984	\$ 153	\$ 12,504	\$ -	\$ -	\$ 16,648

Net book value	Land and mineral rights	Plant and equipment - exploration	Mine development	Plant and equipment	Assets under construction	Software intangible assets	Total
As at December 31, 2025	\$ 336	\$ 2,050	\$ -	\$ -	\$ -	\$ -	\$ 2,386
As at June 30, 2026	\$ 6,272	\$ 2,035	\$ 3,338	\$ 211,560	\$ 4,945	\$ -	\$ 228,150

Assets under construction are located at Eagle and are currently non-depreciable. Depreciation related to "plant and equipment – exploration" is capitalized to resource properties and deferred exploration and evaluation costs, while all

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other depreciation is recorded in inventory and cost of sales.

The Company leases various assets, including railcars, storage facilities, office space, and machinery and equipment. The following table summarizes the changes in right-of-use assets, which are included in property, plant, and equipment:

	Net book value
As at December 31, 2024	\$ -
Additions	-
Depreciation	-
Disposals	-
As at December 31, 2025	-
Additions	11,780
Depreciation	(1,525)
Disposals	-
As at June 30, 2026	\$ 10,255

9. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	June 30, 2026	December 31, 2025
Trade payables - Eagle	\$ 7,095	\$ -
Trade payables - Eagle capital expenditures	964	-
Trade payables - exploration and evaluation	2,810	5,615
Trade payables - general and administrative	419	153
Unbilled goods and services	3,022	-
Royalties payable	3,977	-
Payroll obligations	1,561	-
Pricing provisions on concentrate sales	1,112	-
Severance Tax Payable	2,770	-
	\$ 23,730	\$ 5,768

Pricing provisions on concentrate sales include balances owing to customers and provisions arising from forward market price adjustments.

Unbilled goods and services relate to materials, supplies, maintenance services, etc. that have not yet been billed to the Company.

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10. LEASE LIABILITIES

Lease liabilities are comprised of the following:

	June 30, 2026	December 31, 2025
Lease liabilities	\$ 10,107	\$ -
Less: current portion	(2,849)	-
Long-term portion	\$ 7,258	\$ -

Lease liabilities relate to leases on buildings and storage facilities, rail cars, vehicles, machinery, and equipment, which have remaining lease terms of one to four years and interest rates of 6.1% to 7.0% over the terms of the leases.

The Company has short-term leases related to mining equipment and office space. Short-term lease expense for the three and six months ended June 30, 2026, was \$112,281 and \$146,091, respectively.

The changes in lease liabilities are comprised of the following:

As at December 31, 2025	-
Additions	\$ 11,902
Payments	(2,144)
Disposals	-
Interest	349
As at June 30, 2026	10,107
Less: current portion	(2,849)
Long-term portion	\$ 7,258

The schedule of undiscounted lease payment obligations is as follows:

Less than one year	\$ 3,575
One to five years	8,250
More than five years	-
Total undiscounted obligations as at June 30, 2026	\$ 11,825

11. 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 for the Michigan Properties. 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 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 June 30, 2026, the outstanding mortgage is nil (December 31, 2025 - \$128,555), comprising a current portion of nil (December 31, 2025 - \$15,646) and a long-term portion of nil (December 31, 2025 - \$112,909). On May 11, 2026, the Company repaid this mortgage in full.

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12. RECLAMATION AND CLOSURE PROVISIONS

Reclamation and Closure provisions relating to the Company's mining operation are as follows:

	Eagle	Tamarack Project	Michigan Properties	Total
Balance, December 31, 2024	\$ -	\$ 1,045	\$ 71	\$ 1,116
Accretion	-	23	1	24
Changes in estimate	-	68	37	105
Changes in discount rate	-	31	2	33
Reclamation incurred	-	(72)	-	(72)
Balance, June 30, 2025	-	1,095	111	1,206
Accretion	-	23	4	27
Changes in estimate	-	25	185	210
Changes in discount rate	-	7	(1)	6
Reclamation incurred	-	(30)	(12)	(42)
Balance, December 31, 2025	-	1,120	287	1,407
Acquisition date opening balance	73,857	-	-	73,857
Accretion	1,253	25	5	1,283
Changes in estimate	-	57	8	65
Changes in discount rate	-	(21)	(4)	(25)
Reclamation incurred	(1,149)	(18)	(12)	(1,179)
Balance, June 30, 2026	\$ 73,961	\$ 1,163	\$ 284	\$ 75,408
Less: current portion	(3,688)	(102)	-	(3,790)
Long-term portion	\$ 70,273	\$ 1,061	\$ 284	\$ 71,618
Period over which liabilities expected to be settled	2026 to 2052	2026 to 2038	2028 to 2029	
Current market pre-tax discount rates used to discount reclamation provision				
December 31, 2025	3.54%	4.16%	3.57%	
June 30, 2026	4.32%	4.27%	3.87%	

The discount rate is based on U.S. treasury bills of a term of similar average maturity of the closure costs for each segment.

The schedule of undiscounted reclamation and other closure payments is as follows:

	Eagle	Tamarack Project	Michigan Properties	Total
Less than one year	\$ 3,634	\$ 102	\$ -	\$ 3,736
One to five years	48,235	336	284	48,855
More than five years	27,378	1,578	-	28,956
Total undiscounted reclamation costs as at June 30, 2026	\$ 79,247	\$ 2,016	\$ 284	\$ 81,547

13. PRODUCTION PAYMENT ROYALTY

In connection with the purchase of Eagle (Note 26), Talon granted a production payment royalty (the "Production Payment Royalty") on ore from sources other than the Eagle Mine that is processed through the Humboldt Mill at a rate of \$1.00 per tonne, up to a maximum aggregate payment of \$20.0 million, representing 20 million tonnes of ore.

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As of January 9, 2026, and June 30, 2026, the Production Payment Royalty liability was valued using the net present value of future cash flow approach at \$4.2 million, with key assumptions being a total cash payment of US\$20.0 million and a discount rate of 6.0%. The timing and whether payments will be made regarding this royalty are highly uncertain. Changes in fair value will be recognized through profit and loss and to date there has been no change in fair value or gain/loss recognized in profit and loss.

14. COMMITMENTS AND CONTINGENCIES

The Company has capital commitments of \$2.6 million on mine and mill equipment, which is expected to be paid in 2026 and \$5.2 million on mine equipment which is expected to be paid in 2027.

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 June 30, 2026, was \$19,324 (December 31, 2025 - \$18,255) and included in the contingencies line item on the condensed interim consolidated statements of financial position. The change from December 31, 2025, to June 30, 2026, was the result of foreign currency translation from Brazilian Real to U.S. dollars. The Company has been named a defendant in a legal action in Brazil related to a labor lawsuit involving a former employee and has appealed the ruling. Management is of the opinion that some amount of loss is probable and thus a provision as noted above has been recognized.

15. SHARE CAPITAL AND OTHER EQUITY

(a) Authorized, issued, and outstanding common shares

Authorized – 1,000,000,000 common shares, no par value.

Issued and outstanding – 119,885,666 common shares at December 31, 2025, and 161,924,073 common shares at June 30, 2026.

On January 23, 2026, the Company completed a share consolidation on the basis of one post-consolidation Talon share for every ten pre-consolidation Talon shares (1:10 basis). All 2025 and 2026 common shares, options, warrants, and per share amounts, including both the number and unit amounts, in these condensed interim consolidated financial statements, reflect this share consolidation.

Common share financings

On June 18, 2025, the Company completed a LIFE offering private placement of 11,500,000 units and a concurrent private placement of 7,131,818 units for a total of 18,631,818 units at a price of C\$2.20 per unit, for aggregate gross proceeds of C\$40.99 million (the “June 2025 Private Placement”). Each unit consisted of one common share and one-half of a share purchase warrant of the Company, resulting in the issuance of 18,631,818 common shares and 9,315,909 warrants (the “June 2025 Investor Warrants”). Each whole June 2025 Investor Warrant entitled the holder to acquire one common share at a price of C\$2.80 for a period of three years following the closing of the June 2025 Private Placement. In connection with the LIFE offering private placement, the Company issued 5,750,000 broker warrants (the “June 2025 Broker Warrants”) with an exercise price of C\$2.20 expiring three years following the closing of the June

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2025 Private Placement. Issuance costs were C\$3,045,818 for items such as legal fees, stock exchange fees and commissions, resulting in net proceeds before the June 2025 Broker Warrants of C\$37,944,182. The June 2025 Broker Warrants were valued at C\$415,381 using the estimates provided in Note 15(b).

The net proceeds of the June 2025 Private Placement of C\$37,944,182 were allocated C\$32,049,132 to the Common Shares and C\$5,895,050 to the June 2025 Investor Warrants. The June 2025 Investor Warrants were valued at C\$5,895,050 using the estimates provided in Note 15(b).

Shares issued for accounts payable

On April 24, 2025, the Company issued 431,420 common shares of the Company valued at C\$0.70 per common share to settle accounts payable of C\$302,079. Issuance costs were C\$37,627 for legal and listing fees.

Shares issued to settle liability

On October 7, 2025, the Company issued 1,850,291 common shares to Lundin Mining to settle a deposit liability of C\$6,975,500 (US\$5M) related to an earn-in agreement with Lundin Mining on the Michigan Properties that was not completed (see note 15(b) for further information). The shares were valued at C\$4.45 per common share or C\$8,233,793 in aggregate, resulting in a loss on the settlement of the liability of C\$1,258,293. Issuance costs were C\$25,980 for legal and listing fees.

Acquisition of Eagle Mining US

In connection with the acquisition of Eagle, the Company issued 27,515,223 common shares of Talon to Lundin Mining (see note 26 for further information). The fair value of the common shares issued was determined using the Company's share price of C\$6.50 at the close of business on January 8, 2026, given that the transaction closed prior to market open on January 9, 2026, and an exchange rate of CAD/USD of 1.3896 on January 9, 2025.

Concurrent private placements in connection with the Acquisition of Eagle Mining US

On January 28, 2026, the Company closed a private placement with a strategic investor that has existing pre-emptive rights and issued 445,204 common shares at a price of C\$4.19 per share for gross proceeds of C\$1,867,168 and net proceeds of US\$1.4 million. Net proceeds include deductions for closing costs such as legal fees and stock exchange fees.

On March 5, 2026, with shareholder approval, the Company closed a private placement of 1,855,578 common shares at a price of C\$4.19 per share to an entity controlled by trusts settled by the late Adolf H. Lundin for aggregate gross proceeds of C\$7,782,294 and net proceeds of US\$5.7 million. Net proceeds include deductions for closing costs such as legal fees and stock exchange fees.

Shares issued in connection with the exercise of stock options

During the year ended December 31, 2025, 2,847,111 shares were issued as a result of the exercise of 2,847,111 options, resulting in gross proceeds of C\$3,899,116. The fair value of the options on the grant date was C\$3,875,866. During the six months ended June 30, 2026, 4,328,721 shares were issued as a result of the exercise of 4,328,721 options, resulting

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in gross proceeds of \$5,566,034. The fair value of the options on the grant date was \$7,161,905.

(b) Warrants

Warrant transactions for the six months ended June 30, 2026, and the year ended December 31, 2025, were as follows:

	Six months ended June 30, 2026			Year ended December 31, 2025		
	Number of warrants	Exercise price C\$	Fair value	Number of warrants	Exercise price C\$	Fair value
			net of costs US\$ thousands			net of costs US\$ thousands
Outstanding – beginning of the year	9,537,779	\$ 2.91	\$ 3,868	800,000	\$ 2.00	\$ 142
Issued	-	-	-	9,315,909	2.80	3,998
Issued	-	-	-	575,000	2.20	303
Issued	-	-	-	1,500,000	4.00	605
Exercised-Investor Warrants	(7,093,746)	2.80	(3,056)	(2,221,880)	2.80	(953)
Exercised-Broker Warrants	-	-	-	(431,250)	2.20	(227)
Exercised-Triple Flag Warrants	(800,000)	2.00	(141)	-	-	-
Expired	(283)	2.80	-	-	-	-
Outstanding – end of the period	1,643,750	\$ 3.84	\$ 671	9,537,779	\$ 2.91	\$ 3,868

The June 2025 Investor Warrants issued on June 18, 2025, had a contractual life of 3 years and an exercise price of \$2.80. The Investor Warrants were valued using the following estimates: share price of \$2.80, risk-free interest rate – 2.85%, expected life – 3 years, expected volatility – 60%, and dividend yield – 0%. On April 6, 2026, the Company exercised its right to accelerate the expiry of the June 2025 Investor Warrants. The accelerated expiry date was set to May 6, 2026. Of the total 9,315,909 warrants issued, 9,315,626 warrants were exercised for proceeds of C\$26,083,752 or approximately US\$19.1 million.

The June 2025 Broker Warrants issued on June 18, 2025, have a contractual life of 3 years and an exercise price of \$2.20. The Broker Warrants were valued using the following estimates: share price of \$2.80, risk-free interest rate – 2.85%, expected life – 3 years, expected volatility – 60%, and dividend yield – 0%.

The Westmoreland Warrants issued on August 27, 2025, have a contractual life of 3 years and an exercise price of \$4.00. The Westmoreland Warrants were valued using the following estimates: share price of \$4.00, risk-free interest rate – 2.74%, expected life – 3 years, expected volatility – 60%, and dividend yield – 0%. These warrants vest in three equal tranches on the issuance date, August 27, 2026, and August 27, 2027. The Company has recognized the cost of the first tranche and will recognize the cost of the second and third tranche when the warrants vest. The cost is included in Resource properties and deferred exploration and evaluation costs.

As at June 30, 2026, and December 31, 2025, warrants outstanding were as follows:

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Six months ended June 30, 2026				Year ended December 31, 2025			
Outstanding		Exercise price C\$	Expiration date	Outstanding		Exercise price C\$	Expiration date
-	\$	2.00	July 5, 2026	800,000	\$	2.00	July 5, 2026
-		2.80	May 6, 2026	7,094,029		2.80	June 18, 2028
143,750		2.20	June 18, 2028	143,750		2.20	June 18, 2028
1,500,000		4.00	August 27, 2028	1,500,000		4.00	August 27, 2028
1,643,750	\$	3.84		9,537,779	\$	2.91	

(c) Stock options

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 six months ended June 30, 2026, and the year ended December 31, 2025, is as follows:

	Six months ended June 30, 2026				Year ended December 31, 2025			
	Number of stock options	Weighted average exercise price		Proceeds from exercise C\$ thousands	Number of stock options	Weighted average exercise price		Proceeds from exercise C\$ thousands
		C\$	C\$			C\$	C\$	
Outstanding – beginning of the year	11,380,686	\$ 1.80	\$ -	-	13,645,450	\$ 1.68	\$ -	-
Granted	2,560,000	7.70	-	-	1,732,356	2.08	-	-
Exercised	(4,328,720)	1.77	7,646	-	(2,847,111)	1.37	3,899	-
Forfeited	(210,000)	7.32	-	-	(772,500)	2.00	-	-
Expired	(5,000)	4.00	-	-	(377,500)	1.14	-	-
Rounding difference from share consolidation	-	-	-	-	(9)	-	-	-
Outstanding – end of the period	9,396,966	\$ 3.30	\$ 7,646	-	11,380,686	\$ 1.80	\$ 3,899	-

The weighted average share price on the date of exercise of the options exercised during the year ended December 31, 2025, was C\$5.17. The weighted average share price on the date of exercise of the options exercised during the six months ended June 30, 2026, was C\$6.00.

Except as noted below, all options issued during the year ended December 31, 2025 and through to February 28, 2026 vest over one year and expire five years from the date of grant.

On April 10, 2025, the Company issued 532,400 stock options with an exercise price of C\$1.00 to officers and directors, which vested on the date of grant.

On April 10, 2025, the Company issued 100,000 stock options with an exercise price of C\$1.00 to a consultant, which vest in six months.

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On July 22, 2025, the Company issued 350,986 stock options with an exercise price of C\$2.70 to a consultant, which vested on the date of grant.

On December 23, 2025, the Company issued 16,470 stock options with an exercise price of C\$6.10 to directors, which vested on the date of grant.

All options issued after March 1, 2026 vest over three years and expire five years from the date of grant.

On June 30, 2026, the Company had the following stock options outstanding:

Expiration Year	Number of options	Exercise price C\$	Proceeds if exercised C\$ thousands	Number exercisable	Exercise price C\$	Proceeds if exercised C\$ thousands
2026	194,996	\$ 1.28	\$ 250	194,996	\$ 1.28	\$ 250
2027	1,085,000	2.10	2,275	1,085,000	2.10	2,275
2028	713,450	2.04	1,458	713,450	2.04	1,458
2029	3,148,724	1.40	4,414	3,148,724	1.40	4,414
2030	1,889,796	2.31	4,366	1,733,546	2.16	3,741
2031	2,365,000	7.71	18,224	115,000	6.36	731
Total	9,396,966	\$ 3.30	\$ 30,988	6,990,716	\$ 1.84	\$ 12,870

The Company determined the fair value of the stock options issued or amended during the three and six months ended June 30, 2026 and 2025 using the Black-Scholes option pricing model using the following assumptions:

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Share price	C\$6.00 - C\$7.99	C\$1.00	C\$6.00 - C\$7.99	C\$1.00
Exercise price	C\$6.00 - C\$7.99	C\$1.00	C\$6.00 - C\$7.99	C\$1.00
Risk-free interest rate	2.68% - 3.02%	2.79% - 2.80%	2.68% - 3.02%	2.79% - 2.80%
Expected life	5 years	5 years	5 years	5 years
Expected volatility	60%	60%	60%	60%
Dividend yield	0%	0%	0%	0%
Forfeiture rate	0%	0%	0%	0%

(d) Basic and diluted weighted average number of shares outstanding

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Basic weighted average number of shares outstanding	159,241,197	96,246,479	153,771,565	94,866,852
Effect of dilutive securities	5,882,725	-	5,861,600	-
Diluted weighted average number of shares outstanding	165,123,922	96,246,479	159,633,165	94,866,852

The effect of dilutive securities relates to in-the-money outstanding stock options and warrants.

16. REVENUE

The Company's analysis of revenue from contracts with customers, segmented by product, is as follows:

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	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Revenue from contracts with customers:				
Nickel	\$ 25,809	\$ -	\$ 51,686	-
Copper	20,371	-	41,807	-
Other	2,176	-	4,626	-
	48,356	-	98,119	-
Provisional pricing adjustments	3,167	-	351	-
Revenue	\$ 51,523	\$ -	\$ 98,470	-

In 2026, 100% of the Company's revenue from contracts with customers related to sales with destination points in Canada. The Company has only one customer, and so there is significant concentration risk.

17. PRODUCTION COSTS

The Company's production costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Direct mine and mill cost	\$ 24,001	\$ -	\$ 45,114	-
Transportation	4,189	-	7,988	-
Royalties	3,061	-	5,809	-
Severance tax royalty	1,659	-	2,683	-
Inventory adjustment	173	-	509	-
General administrative and laboratory	5,063	-	13,331	-
Stock option compensation	399	-	399	-
Total production costs	\$ 38,545	\$ -	\$ 75,833	-

18. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Salaries, benefits, consulting and board fees	\$ 518	\$ 144	\$ 1,236	\$ 430
Professional fees	292	300	424	410
Office and general	11	11	22	19
Insurance	16	15	31	30
Marketing and travel	52	9	102	24
Listing, filing and shareholder communications	65	72	243	117
Stock option compensation	397	52	607	124
Total general and administrative expenses	\$ 1,351	\$ 603	\$ 2,665	\$ 1,154

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19. FINANCE INCOME AND COSTS

The Company's finance income and costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Interest income	\$ 167	\$ 23	\$ 280	\$ 27
Accretion on reclamation activities	(638)	(12)	(1,249)	(24)
Lease liability interest	(183)	-	(349)	-
Interest expense and bank fees	(41)	-	(47)	-
Total finance costs, net	\$ (862)	\$ (12)	\$ (1,645)	\$ (24)
Finance income	\$ 167	\$ 23	\$ 280	\$ 27
Finance costs	(862)	(12)	(1,645)	(24)
Total finance costs, net	\$ (695)	\$ 11	\$ (1,365)	\$ 3

20. FINANCIAL INSTRUMENTS

Fair values of financial instruments

The Company's financial assets and financial liabilities have been classified into categories that determine the basis of measurement. The following table shows the carrying values, fair values, and fair value hierarchy of the Company's financial instruments as at June 30, 2026, and December 31, 2025:

	June 30, 2026		December 31, 2025	
	Carrying value and fair value		Carrying value and fair value	
Financial assets				
Fair value through profit or loss				
Level 1				
Cash and cash equivalents	\$	46,547	\$	11,985
Treasury bills	\$	-	\$	9,858
Level 2				
Trade receivables	\$	17,141	\$	23
Financial liabilities				
Fair value through profit or loss				
Level 2				
Pricing provisions on concentrate sales	\$	1,112	\$	-
Level 3				
Production payment royalty	\$	4,200	\$	-

Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., observed prices) or indirectly (i.e., derived from prices).

Level 3 – Inputs for the assets or liabilities are not based on observable market data.

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The Company estimates fair values based on the following methods of valuation and assumptions:

Trade receivables/pricing provisions on concentrate sales – The fair value of trade receivables that contain provisional pricing sales arrangements are valued using quoted forward market prices.

Cash, cash equivalents, and treasury bills - The fair value of cash, cash equivalents and treasury bills are valued using quoted market prices.

The carrying values of certain financial instruments maturing in the short term approximate their fair values. These financial instruments include term deposits, trade and other receivables other than those provisionally priced, employee benefits payable, trade and other payables other than those provisionally priced, which are classified as amortized cost.

Production payment royalty liability – The fair value of the production payment royalty liability was valued using Level 3 inputs, such as discount rates and the probability and timing of the cash flows.

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21. SEGMENT ANALYSIS

The Company is engaged in exploration, development, and mining of mineral properties at three operating sites located in the USA. Operating segments are reported in a manner consistent with the internal reporting provided to the executive leadership team which acts as the operating decision-makers. The chief operating decision makers consider the business from a site and project-level perspective. Executive management is responsible for allocating resources and assessing the performance of the operating segments. The Company has identified three reportable segments, namely the Tamarack Project, the Michigan Properties, and Eagle.

For the six months ended June 30, 2026

	Tamarack Project	Michigan Properties	Eagle	Total of US Operations	Other	Total
Revenue	\$ -	\$ -	\$ 98,470	\$ 98,470	\$ -	\$ 98,470
Cost of goods sold						-
Direct mine and mill costs	-	-	(57,020)	(57,020)	-	(57,020)
Transportation	-	-	(7,988)	(7,988)	-	(7,988)
Royalties	-	-	(10,825)	(10,825)	-	(10,825)
Depreciation, depletion and amortization	-	-	(12,665)	(12,665)	-	(12,665)
Gross profit (loss)	-	-	9,972	9,972	-	9,972
General and administrative expenses	-	-	-	-	(2,665)	(2,665)
Exploration and business development	-	-	(587)	(587)	-	(587)
Finance income	-	-	-	-	280	280
Finance costs	(25)	(5)	(1,615)	(1,645)	-	(1,645)
Other (expense) income	-	-	70	70	-	70
Foreign currency gain (loss)	-	-	-	-	(226)	(226)
Current tax expense	-	-	-	-	(10)	(10)
Deferred tax recovery (expense)	-	-	(327)	(327)	-	(327)
Net income (loss)	\$ (25)	\$ (5)	\$ 7,513	\$ 7,483	\$ (2,621)	\$ 4,862
Capital expenditure additions						
Resource properties and deferred exploration and evaluation costs before grants	8,256	226	-	8,482	-	8,482
Resource properties and deferred exploration and evaluation costs net of grants	7,248	1	-	7,249	-	7,249
Property, plant and equipment	469	2,408	8,422	11,299	-	11,299
As at June 30, 2026						
Non-current assets						
Prepayments - long term	\$ 1,195	\$ -	\$ -	\$ 1,195	\$ -	\$ 1,195
Resource properties and deferred exploration and evaluation costs	192,234	15,523	-	207,757	-	207,757
Property, plant and equipment	1,947	498	225,705	228,150	-	228,150
Goodwill	-	-	3,466	3,466	-	3,466
Total non-current assets	\$ 195,376	\$ 16,021	\$ 229,171	\$ 440,568	\$ -	\$ 440,568

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22. RELATED PARTY TRANSACTIONS

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

The remuneration, including benefits, of directors and officers of the Company for the three and six months ended June 30, 2026 and 2025 was as follows:

	Six months ended June 30,		Three months ended June 30,	
	2026	2025	2026	2025
Salaries and benefits of officers	\$ 2,150,422	\$ 1,137,299	\$ 380,134	\$ 575,113
Board fees	251,527	78,918	68,548	63,676
Stock-based compensation	1,278,114	258,808	1,037,855	127,439
Total Aggregate Compensation	\$ 3,680,063	\$ 1,475,025	\$ 1,486,537	\$ 766,228
Capitalized portion included in Total Aggregate Compensation (capitalized to Resource properties and deferred expenditures):				
Salaries and benefits of officers	\$ 1,433,435	\$ 801,913	-\$ 165,939	\$ 413,404
Stock-based compensation	259,466	178,418	215,320	101,784
Total	\$ 1,692,901	\$ 980,331	\$ 49,381	\$ 515,188

Cash compensation and stock option compensation are recorded on the condensed interim consolidated statements of income (loss) and comprehensive income (loss) in salaries, benefits, consulting and board fees within general and administrative expenses and on the condensed interim consolidated statements of financial position in resource properties and deferred exploration and evaluation costs.

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 were paid. The CEO and CFO deferred four months of salaries for the period November 1, 2024, to February 28, 2025, which were paid on March 15, 2025. The former President deferred two months of salaries for the period November 1, 2024, to December 31, 2024, which was paid on April 10, 2025. The additional 50% payment related to the CEO and CFO deferring salary was settled by issuing stock options on April 10, 2025 (see below) while the additional 50% payment related to the former President deferring salary was paid in cash on June 27, 2025.

On April 10, 2025, 222,900 options were issued to the CEO and CFO with an exercise price of \$1.00, which vested on the date of grant and have an expiration date that is five years from the date of grant to settle accounts payable related to the additional payment associated with deferring their salaries noted above.

On April 10, 2025, 309,500 options were issued to directors with an exercise price of \$1.00 that vested on the date of grant and have an expiration date that is five years from the date of grant to settle deferred chairman and board fees payable related to the period from January 2024 to March 2025.

On December 23, 2025, 16,470 options were issued to directors with an exercise price of \$6.10 that vested on the date of grant and have an expiration date that is five years from the date of grant to settle board fees earned in 2025.

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On February 20, 2026, 160,000 options were issued to directors with an exercise price of \$6.63 that vest over 12 months and have an expiration date that is five years from the date of grant.

On March 15, 2026, 1,800,000 options were issued to officers with an exercise price of \$7.99 that vest over three years and have an expiration date that is five years from the date of grant.

23. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, foreign exchange risk, and commodity price risk. Interest rate risk is not considered to be material as the Company is not exposed to variable interest rates.

(a) Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2025 and June 30, 2026, is the carrying value of its trade and other receivables. Substantially all the receivables have been outstanding for less than 30 days.

Concentrate produced at Eagle is sold primarily to one strategic customer with whom the Company has established a long-term relationship. The strategic customer is a large multi-national mining and metals company, and credit risk is not considered to be significant. The failure of the Company's strategic customer could have a material adverse effect on the Company's financial position. Alternatives to this customer include another multi-national mining company and selling on the spot market to offtakers.

(b) Liquidity risk

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient available capital to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash, cash equivalents, treasury bills, and term deposits.

The maturities of the Company's non-current liabilities are disclosed in Note 10 and Note 11. All current liabilities are due to be settled within one year.

(c) Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals. A significant change in metal prices could have a material effect on the Company's revenues.

The Company is also subject to price risk on the final settlement of its provisionally priced trade receivables.

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The following table illustrates the sensitivity of the Company's risk on the final settlement of its provisionally priced trade receivables:

Metal	Payable metal	Provisional price on June 30, 2026	Change	Effect on Revenue (\$millions)
Nickel	366 t	\$7.31/lb	+/- 10%	+/- \$0.6M
Copper	562 t	\$6.06/lb	+/- 10%	+/- \$0.8M

24. CAPITAL RISK MANAGEMENT

Capital is comprised of equity, which at June 30, 2026, was \$381.7 million (December 31, 2025 – \$215.8 million). The Company manages its capital structure and attempts to adjust it to have funds available to support its exploration, development, and operating activities.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, pursue the exploration and development of its mineral properties, operate Eagle, 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 loans or equity issuances, as necessary, based on prevailing economic conditions in the industry and capital markets and the underlying risk characteristics of the related assets.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended December 31, 2025. During the three and six months ended June 30, 2026, the Company's approach to capital management changed to reflect the acquisition of Eagle and the resulting increase in the scale and complexity of the Company's business. The Company now manages capital with consideration to both its exploration and development activities and the working capital, operating cash flow, sustaining capital, and other requirements associated with operating Eagle.

For further discussion related to Capital Risk Management, see Note 23(b) "Liquidity Risk".

25. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30,	
	2026	2025
Stock based compensation included in resource properties and deferred exploration and evaluation costs	\$ 1,142	\$ 687
Plant and equipment depreciation included in resource properties and deferred exploration and evaluation costs	462	940
Increase (decrease) in asset retirement obligation related to resource properties	10	4
Cash equivalents, end of the period	26,226	1,632

26. ACQUISITION OF EAGLE AND PURCHASE PRICE ALLOCATION

On January 9, 2026 (the "Closing Date"), the Company, through its subsidiary Talon Metals (USA) Inc., completed the acquisition of all of the issued and outstanding shares of Eagle Mining US from Lundin Mining pursuant to a share purchase agreement (the "Share Purchase Agreement") dated December 18, 2025 (the "Transaction").

Pursuant to the Share Purchase Agreement, Talon acquired 100% of the issued and outstanding shares of Eagle Mining

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for the following consideration:

- the issuance of 27,515,223 post-Consolidation common shares of Talon ("Talon Shares") (being 275,152,232 pre-consolidation Talon Shares issued on the Closing Date adjusted to reflect a 10:1 consolidation of the Talon Shares completed on January 23, 2026 ("Share Consolidation")); and
- a production payment royalty payable to Lundin Mining on ore from sources other than the Eagle Mine that is processed through the Humboldt Mill at a rate of \$1.00 per tonne.

The purchase price of Eagle Mining US was as follows:

Fair value of 27,515,223 common shares issued by the Company	\$ 128,705
Production payment royalty	4,200
Purchase price adjustment related to normal working capital	(11,477)
Total purchase price	\$ 121,428

The fair value of the common shares issued was determined using the Company's share price of C\$6.50 (or \$0.65 before the Share Consolidation) at the close of business on January 8, 2026, given that the transaction closed prior to market open on the Closing Date and an exchange rate of CAD/USD 1.3896 on January 9, 2025.

Assets acquired and liabilities assumed of Eagle Mining US were as follows:

Cash and cash equivalents	\$ 715
Accounts receivable	6,787
Inventories	23,241
Prepaid expenses	2,703
Property, plant and equipment	227,613
Goodwill	3,466
Total assets	\$ 264,525
Current liabilities	
Accounts payable - trade	\$ (21,025)
Decommissioning provision, current	(3,634)
Lease liabilities, current	(1,775)
Non-current liabilities	
Lease liabilities	(9,223)
Reclamation provisions	(70,182)
Other long-term liabilities	(1,045)
Deferred tax liabilities	(36,213)
Total liabilities	\$ (143,097)
Total assets acquired and liabilities assumed, net	\$ 121,428

Both the purchase price and purchase price allocation above are provisional in nature. The Company continues to assess and review the fair values of the net assets acquired and the fair value of the production payment royalty. Since the Company continues to finalize the valuation of the purchase price and the assets and liabilities acquired at the date of the acquisition, the allocation of the purchase price could vary significantly from the amounts used in these unaudited condensed interim consolidated financial statements. During the quarter ended June 30, 2026, the purchase price adjustment related to normal working capital was finalized and the amount of \$11.5 million was received from Lundin Mining resulting in an increase to goodwill. At this time, the fair value of the purchase price, property, plant and

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equipment and reclamation provisions are provisional which upon finalization will impact goodwill and deferred tax liabilities.

27. SUBSEQUENT EVENT

On July 21, 2026, the Company completed the exercise of its contractual right to reduce the New Royalty (see Note 7(a)) held by Triple Flag US from 1.67% to 1.00%. The required payment of US\$5.0 million was made on July 20, 2026, in accordance with the terms of the royalty agreement. Including a previous royalty, Triple Flag now retains a combined 2.85% net smelter returns royalty on Talon's interest in the Tamarack Project.