ANNUAL INFORMATION FORM

AS AT MARCH 22, 2013

TALON METALS CORP.

FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE TO READER

Wherever used in this Annual Information Form, the "**Company**" and "**Talon**" refer to Talon Metals Corp. and all of its subsidiaries, except where the context otherwise requires. Unless otherwise indicated, all dollar amounts herein are expressed in Canadian dollars.

FORWARD-LOOKING INFORMATION

This Annual Information Form contains "forward-looking information". All information, other than information concerning historical fact, that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, information regarding mineral resources, metallurgical testing and results, the Company's drilling and exploration plans, including the exploration program at the Trairão Project (defined below), the Company's plans to become a large-scale producer of pellets and/or pellet feed and/or establish a small scale lump and sinter production to supply local and selective export markets, Tlou's (defined below) plans to list on the Australian Securities Exchange and the timing thereof, the Company's business plans and priorities (including, the search for new opportunities), exploration results and potential mineralization and resources, market trends with respect to demand for and the price of iron ore and projections in respect of capital expenditures is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: risks related to the exploration stage of the Company's properties; the possibility that future exploration results will not be consistent with the Company's expectations (including identifying additional and/or deeper mineralization); changes in iron ore prices; volatility of and sensitivity to market prices for iron ore; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities, including approval of environmental impact assessment applications; availability of mineral resource opportunities suitable for Talon; uncertainties involved in interpreting drilling results and other geological data; changes in equity and debt markets; inflation; changes in exchange rates; declines in U.S., Canadian and/or global economies; uncertainties relating to the availability and costs of financing needed to complete exploration activities and demonstrate the feasibility of the Company's projects; failure to establish estimated mineral resources; exploration costs varying significantly from estimates; delays in the exploration and development of, and/or commercial production from the properties Talon has an interest in; equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in Brazil; imprecision in preliminary resource estimates, including estimates of the life and recovery thereof; success of future exploration and development initiatives; the existence of undetected or unregistered interests or claims, whether in contract or in tort, over the property of Talon; changes in government regulations and policies, including tax and trade laws and policies; risks relating to labour; other exploration, development and operating risks; liability and other claims asserted against Talon; volatility in prices of publicly traded securities; and other risks involved in the mineral exploration and development industry and risks specific to the Company, including the risks discussed in this Annual Information Form under *"Risk Factors"*.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this Annual Information Form is expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise the forward-looking information herein and readers should also carefully consider the matters discussed under the heading "Risk Factors" in this Annual Information Form.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information herein is provided as of the date of this Annual Information Form.

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

Mineral resources are not mineral reserves and do not have demonstrated economic viability. Inferred mineral resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred mineral resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

All of the information concerning Tlou Energy Limited ("**Tlou**") contained in this Annual Information Form has been taken from or is based upon information provided by Tlou. Although the Company has no knowledge that would indicate that any statements contained herein taken from or based on such information are untrue or incomplete, the Company assumes no responsibility for the accuracy of such information, or for any failure by Tlou to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to the Company.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was formed on April 5, 2005 as a result of a consolidation between Ventures Resources Corporation and Resource Holdings & Investments Inc. ("**RHI**") pursuant to a plan of consolidation under the laws of the British Virgin Islands (the "**RHI Consolidation**"). The RHI Consolidation was a reverse takeover under the policies of the TSX Venture Exchange (the "**TSXV**").

RHI was incorporated by memorandum and articles of association filed under the *BVI Business Companies Act, 2004* (British Virgin Islands) (the "**BVI Act**") on July 8, 2004 for the purpose of engaging in the acquisition, exploration and development of mineral properties in Brazil. Following the RHI Consolidation, the properties and assets of RHI became the properties and assets of the Company and the name of the Company was changed to "Brazmin Corp.".

Effective July 9, 2007, the Company changed its name from "BrazMin Corp." to "Talon Metals Corp." (the "**Name Change**"). No change to the Company's capital structure resulted from the Name Change.

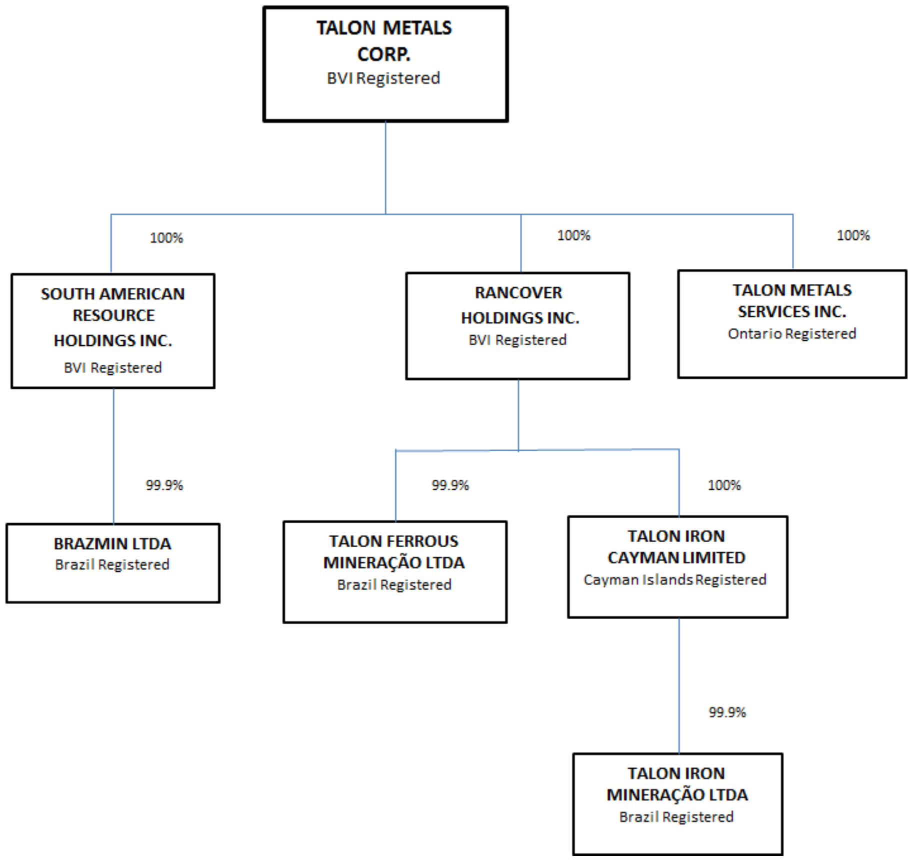
On March 24, 2010, the Company and Saber Energy Corp. ("**Saber**") merged pursuant to a merger effected under the BVI Act (the "**Saber Merger**"). On closing of the Saber Merger, the properties and assets of Saber became the properties and assets of the Company. Talon survived the Saber Merger, retained its corporate name, "Talon Metals Corp.", and continues to be governed by the provisions of the BVI Act.

Pursuant to Talon's memorandum of association under the BVI Act, it is authorized to issue one class and one series of shares divided into 100,000,000,000 common shares of no par value. The common shares of Talon are currently listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "TLO" and have been trading on the TSX since April 13, 2005.

Talon's head and registered office are located at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands. The mailing address of Talon's representative in Canada is Talon Metals Services Inc., 110 Sheppard Ave. East, Suite 610, Toronto, Ontario, Canada, M2N 6Y8. Talon is a reporting issuer in the provinces of Ontario, British Columbia, Alberta, Saskatchewan, New Brunswick and Nova Scotia.

Intercorporate Relationships

The following chart sets out all of the Company's material subsidiaries as at the date hereof, their jurisdictions of incorporation and the Company's direct and indirect voting interest in each of these subsidiaries:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Company is a mineral exploration company currently focused on the exploration and development of its iron projects in Brazil. As of the date hereof, the only material property of the Company is the Trairão iron project (the "**Trairão Project**"), a description of which is set forth below under the heading "Description of the Business - Trairão Project".

The following summary describes the development of the Company's business over the last three financial years, including acquisitions, dispositions and other factors which influenced the business of the Company.

Merger with Saber Energy Corp.

Talon entered into a binding heads of agreement on September 25, 2008 (the "**HOA**") with Saber, a private energy company holding interests in three prospective licence areas in the

Kalahari and Zambesi basins in Botswana. Pursuant to the HOA, (i) the parties agreed to negotiate a pre-merger agreement with respect to a potential merger, and (ii) Talon provided an interim loan to Saber in principal amount of $6 million (the "**Interim Loan**"), payment for which was secured over certain assets of Saber and its affiliates.

On March 24, 2009, the maturity date of the Interim Loan was extended by 30 days to April 24, 2009 pending the completion of discussions between Saber and Talon and Talon's due diligence with respect to Saber. On April 24, 2009, Talon agreed to extend the maturity date of the Interim Loan by a further six months to October 31, 2009.

On September 1, 2009, Saber and Talon entered into a pre-merger agreement (the "**Pre-Merger Agreement**") in respect of the Saber Merger. In connection with its entry into the Pre-Merger Agreement, Talon agreed to extend an additional loan to Saber in principal amount of US$500,000 (together with the Interim Loan, the "**Interim Loans**") and extend the maturity date of the Interim Loans to the earlier of December 15, 2009 and the effective date of the Saber Merger (the "**Effective Date**"). On October 1, 2009, Saber repaid the principal amount of US$500,000 to Talon.

On October 8, 2009, Talon agreed to extend the deadline for the completion of certain conditions precedent under the Pre-Merger Agreement and to further extend the maturity date of the Interim Loans to the earlier of January 15, 2010 and the Effective Date. On December 30, 2009, Talon announced that it had agreed to: (i) extend the deadline for the completion of conditions precedent under the Pre-Merger Agreement to March 15, 2010; and (ii) further extend the maturity date of the Interim Loans to the earlier of March 30, 2010 and the Effective Date.

On February 2, 2010, the Pre-Merger Agreement was further amended to change the nature of the transaction from a consolidation to a merger under the BVI Act (the "**Third Amending Agreement**"). In addition, Talon agreed to extend the deadline for completion of conditions precedent under the Pre-Merger Agreement to March 29, 2010. A final housekeeping amendment to the Pre-Merger Agreement was made on March 19, 2010 such that the Effective Date would be the date on which the Registrar of Corporate Affairs in the British Virgin Islands delivered the Certificate of Merger in connection with the Saber Merger (the "**Fourth Amending Agreement**").

The Saber Merger was completed on the Effective Date of March 24, 2010, pursuant to which Saber shareholders received 0.17685 of a Talon common share in exchange for each Saber common share.

On closing of the Saber Merger, existing Talon shareholders held 27,054,222 common shares of Talon, representing approximately 42.4% of the outstanding common shares of Talon (or 40.3% on a fully diluted basis) and shareholders of Saber received 36,823,728 common shares of Talon, representing approximately 57.6% of the outstanding common shares of Talon (or 54.9% on a fully diluted basis). In connection with closing of the Saber Merger, the remaining principal amount outstanding in respect of the Interim Loans, plus the accrued interest was forgiven by Talon.

The HOA, Pre-Merger Agreement and all amendments thereof have been filed on SEDAR and may be accessed on Talon's SEDAR profile at www.sedar.com.

Option Agreement re Água Branca Gold Project

On December 10, 2009, Talon concluded an agreement with Brazauro Resources Corporation ("**Brazauro**") granting Brazauro an option to earn a 100% interest in Talon's Água Branca Gold Project ("**Água Branca**"). Subsequently, Brazauro was acquired by Eldorado Gold Corporation (TSX: ELD). Água Branca comprises a total area of 9,356 hectares in the Tapajós Gold District within the Pará State of Brazil. On September 29, 2011, Brazauro exercised the option and acquired a 100% interest in Água Branca by making a final payment to Talon of US$1,870,000 (for total aggregate payments pursuant to the option agreement of US$2,120,000) and by completing certain other expenditures and technical milestones. Talon's Brazilian subsidiary, Brazmin Ltda. ("**Brazmin**"), retains a 2% net smelter royalty, which Brazauro is entitled to repurchase from Brazmin at any time for US$2 million.

Sale of Juruena Gold Project

On February 12, 2010, Talon concluded an option agreement with Gungnir Resources Inc. ("**Gungnir**") granting Gungnir an option to earn up to a 75% interest in Talon's Juruena Gold Project ("**Juruena**") for cash payments of US$1.75 million over a four year period. In addition, Gungnir was required to complete an exploration program and a feasibility study, at its cost, on or before December 31, 2014. Subsequently, Gungnir assigned the option to 7177411 Canada Corp. and this company then changed its name to Lago Dourado Minerals Ltd. (TSXV: LDM) ("**Lago**").

In July 2010, Talon concluded a sale agreement with Lago that superseded the above option agreement, pursuant to which Talon sold 100% of its indirect interest in Juruena to Lago in exchange for approximately $1 million, 500,000 Lago common shares and 500,000 Lago common share purchase warrants. Each of the Lago common share purchase warrants issued to Talon were exercisable for one common share of Lago at a price of $0.50 per share. All common share purchase warrants expired on July 13, 2012 without being exercised by Talon. As at the date hereof, Talon continues to hold 500,000 Lago common shares.

Option Agreement re São Jorge Gold Project

Talon entered into an option agreement (the "**São Jorge Agreement**") dated June 14, 2010 with Brazilian Gold Corporation (TSXV: BGC) ("**Brazilian Gold**") whereby Brazilian Gold was granted an option to purchase a 100% interest in the São Jorge Gold Project. Under the São Jorge Agreement, in order to exercise the option, Brazilian Gold was required to pay Talon a total of $2,250,000 in cash and $2,250,000 in Brazilian Gold shares (calculated as the number of Brazilian Gold shares equal to the dollar amount divided by the twenty day volume-weighted average trading price of Brazilian Gold shares) in three payments of cash and shares. As provided for under the São Jorge Agreement, Brazilian Gold made the first two payments totalling $1.5 million in cash and $1.5 million in Brazilian Gold shares. On February 17, 2012, the Company and Brazilian Gold entered into an amendment agreement ("**São Jorge Amendment Agreement**") whereby the parties agreed that if the final option payment was made at the time of the São Jorge Amendment Agreement, Talon would accept such payment as $1.5 million in Brazilian Gold shares, instead of $750,000 in cash and $750,000 in Brazilian Gold shares. Given this, Brazilian Gold has exercised the option and now owns a 100% interest in the São Jorge Gold Project. Talon's Brazilian subsidiary, Brazmin, has retained a 1% net smelter return royalty over the São Jorge Gold Project.

Sale of Botswana CBM Project

On August 12, 2010, Talon entered into an implementation deed (the "**Implementation Deed**") with Tlou, an unlisted public Australian based coal bed methane exploration company focused on Sub-Saharan Africa, regarding the sale of the Botswana CBM Project (described below under "Description of the Business - Tlou Energy Limited") to Tlou (the "**Tlou Transaction**").

The Tlou Transaction was completed on November 30, 2010 under the terms of a share sale agreement dated October 27, 2010 (the "**Saber Share Sale Agreement**"), pursuant to which Talon transferred to Tlou 24,700,000 common shares of Mica Investments (Barbados) Inc., 90,000,000 common shares of Sable Energy Holdings (Barbados) Inc., 25,000,000 common shares of Technoleads International Inc., 1 common share of Saber Energy (Proprietary) Limited, 100 common shares of Copia Resources Inc. and 100 common shares of Apex Resources Number 2 Inc., and certain plant and equipment of Talon used in connection with the Botswana CBM Project (the "**Saber Assets**"), in exchange for (i) 19,285,714 ordinary shares of Tlou ("**Tlou Shares**"), representing 30% of the issued share capital of Tlou as of the closing date of the Tlou Transaction, and (ii) options to purchase an aggregate of 4,945,055 Tlou Shares at an exercise price of AUD$1.25 each, exercisable until the later of (i) June 30, 2013, and (ii) 30 days after the options have been released from any mandatory escrow required by the Australian Securities Exchange ("**ASX**") in connection with Tlou's listing on the ASX. In connection with its acquisition of certain of the Saber Assets, Tlou also assumed certain liabilities of Talon of approximately AUD$629,000.

Acquisition of Iron Projects

During 2010, Talon acquired 100% of the rights to the Trairão Project and the Inajá South iron project (the "**Inajá South Project**"), both situated in Pará State, Brazil, pursuant to agreements with each of Codelco do Brasil Mineração Ltda ("**Codelco**") and Barrick International (Barbados) Corp. ("**Barrick Barbados**"), dated June 25, 2010 and September 27, 2010, respectively.

Under the terms of the agreement with Codelco, Talon paid Codelco a nominal purchase price as consideration for a 70.05% interest in the Trairão Project, and agreed to pay a royalty of US$0.7005 per tonne of iron mined and sold from the Trairão Project.

Under the terms of the agreement with Barrick Barbados (the "**Barrick Agreement**"), Talon acquired the remaining 29.95% interest in the Trairão Project and a 100% interest in the Inajá South Project by purchasing Barrick do Brasil Mineração Ltda. ("**Barrick Brasil**"). Barrick Brasil was subsequently renamed Talon Iron Mineração Ltda. Under the Barrick Agreement, Talon paid Barrick Barbados a nominal purchase price and is obliged to pay certain royalties. In the case of the Trairão Project, the royalty payable to Barrick Barbados is US$0.2995 per tonne of iron mined and sold. Talon has the right to buy back this royalty for US$599,000 during the 12 month period following the start of commercial production. In the case of the Inajá South Project, Barrick Barbados will receive a net smelter royalty of 0.5% for any base metals that may be produced and sold and 1.0% for any precious metals that may be produced and sold. Talon has the right to buy back the base metal royalty for $1 million during the 12 month period following the start of commercial production. Barrick Barbados has the right to buy back up to a 50% interest in any future gold mining operation in the event that Talon completes a feasibility study with respect to a deposit which identifies reserves totalling at least three million ounces of gold.

Sale of Sergipe Potash Project/Distribution of Rio Verde Shares

Talon entered into an agreement dated December 10, 2010 with Rio Verde Minerals Corp., at that time a private Brazilian focused fertilizer company, incorporated in the British Virgin Islands, pursuant to which Talon transferred to Rio Verde Minerals Corp. all of Talon's rights in the Sergipe Potash Project licences (including the potash exploration licences acquired from Lara) in return for approximately 26.6 million common shares of Rio Verde Minerals Corp.

On July 28, 2011, Talon distributed most of its shares of Rio Verde Minerals Development Corp. ("**Rio Verde**"), the resulting TSX listed entity, to Talon shareholders (the "**RV Distribution**"). Talon shareholders received one ordinary share of Rio Verde for every four shares of Talon held. The RV Distribution was completed as part of an arrangement pursuant to an arrangement agreement among Rio Verde Minerals Corporation, EM Resources Inc., EM Subco (BVI) Inc. and the Company dated as of April 5, 2011, as amended by an amendment agreement dated as of May 9, 2011 (collectively, the "**Arrangement Agreement**"). Rio Verde began trading on the TSX on August 3, 2011 (TSX: RVD). On March 13, 2013, Rio Verde completed a merger (in essence a take-over) with B&A Fertilizers Limited, a wholly-owned subsidiary of B&A Mineração S.A., whereby Rio Verde shareholders received $0.40 in cash for each ordinary share held.

Private Placement

The Company completed a non-brokered private placement with strategic investors in two tranches, on October 21, 2010 and October 25, 2010, for a total of 10,646,325 units (each, a "**Unit**") at a price of $0.45 per Unit for gross proceeds of $4,790,846. Each Unit was comprised of one common share of Talon and one-half of one common share purchase warrant, with each such whole common share purchase warrant being exercisable to acquire one common share of the Company at an exercise price of $0.60 each. All of the common share purchase warrants were subsequently exercised.

Prospectus Offering

On April 29, 2011, the Company completed a bought deal prospectus offering of 11,274,600 units at a price of $2.55 per unit for gross proceeds of $28,750,230. Each unit consisted of one common share in the capital of Talon and one-half of one common share purchase warrant. Each whole warrant entitled the holder thereof to purchase one common share at a price of $3.10 at any time up to 5:00 p.m. (Toronto time) on October 29, 2012.

Option Agreement re Tapajos Gold Project

On August 10, 2011, the Company and Brazilian Gold signed an option agreement (the "**Tapajos Agreement**") whereby the Company granted an exclusive option to Brazilian Gold to acquire a 100% interest in 15 exploration gold properties in the Tapajos region of Brazil and one exploration gold property in the Nova Guarita region of Brazil.

Pursuant to the terms of the Tapajos Agreement, Brazilian Gold issued the Company 250,000 Brazilian Gold shares on August 31, 2011. In order to exercise the option, Brazilian Gold is required to issue to the Company on August 31, 2012 (subject to all of the exploration applications becoming exploration licenses) (i) a further 250,000 Brazilian Gold shares, and (ii) a 1.25% net smelter return royalty on any future production from the properties (collectively, the "**Remaining Payment Obligations**"). As of the date hereof, all of the exploration applications have not yet become exploration licenses and, as such, the Remaining Payment Obligations still remain outstanding pursuant to the terms of the Tapajos Agreement.

Tlou Rights Offering

In October 2011, Talon participated in Tlou's rights offering and acquired an additional 2.57 million shares in Tlou at a price of AUD$0.60 per share (the "**Tlou Rights Offering**"). This acquisition increased Talon's equity interest in Tlou to approximately 31%.

Letter of Intent for the Sale of Lump

In June 2012, Talon entered into a letter of intent with a potential off-taker of direct shipping ore ("**DSO**") lump material from the surficial deposit at the Trairão Project. If the lump material meets the off-taker's specifications, the letter of intent may be formalized into a definitive agreement.

DESCRIPTION OF THE BUSINESS

General

Talon is a mineral exploration company focused on the exploration and development of its iron projects in Brazil. The Company's only material property is the Trairão Project. The company's primary goal is to (i) become a large-scale producer of pellets and/or pellet feed, and/or (ii) establish a small scale lump and sinter production to supply local and selective export markets to generate near-term cash flow.

Following the changes to the Company's management team announced between February, 2012 and April, 2012, Talon reviewed the Company's business strategy, with the primary goal of optimizing the use of its existing cash resources to maximize shareholder value. Based on this review, the Company has broadened its existing business strategy of advancing its iron projects in Brazil to also actively looking for opportunities that could generate cash flow for the Company in the near-term. The Company continues to actively review a number of projects in respect of different commodities, both in Brazil and elsewhere. Many of these potential projects have significant exploration upside potential.

Talon also holds equity investments in a number of other public and private companies, including approximately 3.2 million common shares in Brazilian Gold and 500,000 common shares in Lago, both of which are listed on the TSXV. Talon also holds approximately 21.9 million shares in Tlou, an unlisted Australian company. The Company's interest in each of Brazilian Gold, Lago and Tlou is solely as equity investor and, as such, the Company does not have any direct or indirect interest in, or right to, such company's assets or revenue, nor does the Company have any direct or indirect obligations in respect of, or liability for, such company's expenses or obligations.

Trairão Project

The Trairão Project is situated within the Serra da Seringa Archean age greenstone belt, within the Carajás Mineral Province in Brazil, which also hosts numerous other iron ore deposits. The Trairão Project is comprised of one exploration licence covering approximately 9,967 hectares, three exploration licenses which are the subject of the Extension Decision (discussed below) covering approximately 19,704 hectares and applications for an additional seven licenses covering a further 21,649 hectares.

As required under Brazilian law, in October 2011, in connection with the expiry of three of Talon's exploration licences (the "**Expiring Trairão Licenses**"), the Company submitted a Final Exploration Report to the Departamento Nacional de Produção Mineral ("**DNPM**") in respect of the Expiring Trairão Licenses. Subsequently, the Company applied for and, on October 3, 2012, received a favorable decision by the DNPM to suspend the agency's review and approval of the Final Exploration Report (the "**Extension Decision**"). The final step in the Extension Decision process is the official publication of the Extension Decision by the Setor de Controle de Títulos Minerários and the Divisão de Fiscalização in Brazil. On March 19, 2013, the Extension Decision was officially published. The suspension lasts for a period of three years from the date of publication. During such time, the Company may further evaluate the technical and economic feasibility of the area the subject of the Expiring Trairão Licenses and resubmit its revised conclusions to the DNPM by the end of the period.

Details regarding the terms of Talon's acquisition of the Trairão Project are set out under the heading "General Development of the Business - Three Year History - *Acquisition of Iron Projects*" (above).

Prior to the acquisition of the Trairão Project by Talon, it was explored pursuant to a joint venture between Codelco and Barrick Brasil. Under their joint venture agreement, both companies conducted an exploration program in phases from 2001 to 2009 which focused on iron-copper-gold mineralization. During this exploration program, the potential for iron was identified on a target area known as Trairão. The identification and evaluation of the areas with a potential for iron was based on the reinterpretation of an aeromagnetic survey. The highest priority magnetic anomalies were subjected to limited follow-up exploration that included geochemical grid sampling, geological mapping and limited exploration drilling.

Subsequent to its acquisition of the Trairão Project, Talon has carried out an extensive initial drilling program which has now been concluded. During this time, a total of 444 RC drill holes comprising 24,215 metres were drilled (346 of the RC drill holes were on Target Areas comprising the updated mineral resource estimate reported below) and a total of 92 diamond drill holes comprising 13,335 metres were drilled. As a result of this drilling, in March 2012, Talon reported an updated inferred mineral resource estimate and an initial indicated mineral resource estimate for Target Areas 1 to 6 and 8 of the Trairão Project of approximately 1.4 billion tonnes ("**Bt**") at an average grade of 34.27% Fe (using a 25% Fe cut-off) in the indicated category and approximately 1.2 Bt at an average grade of 29.48% Fe (using a 25% Fe cut-off) in the inferred category (see table below).

Trairao Resources (Total Aggregated Resources) Cut Off Grade: 25% Fe									
Resource Class	**Tonnes (Mt)**	**Fe (%)**	**SiO_2 (%)**	**Al_2O_3 (%)**	**Mn (%)**	**P (%)**	**LOI (%)**	**FeO (%)**	**CaO (%)**
Grand Total									
Indicated	1404.3	34.27	35.79	8.87	0.116	0.036	5.50	1.05	0.018
Inferred	1211.8	29.48	41.60	7.00	0.129	0.034	6.66	8.79	0.342
The effective date of this resource estimate is March 2, 2012									

On March 30, 2012, the Company filed a National Instrument 43-101 – *Standards of Disclosure for Minerals Projects* ("**NI 43-101**") compliant technical report entitled "*Fourth Independent Technical Report on Mineral Resources*" (the "**Trairão Technical Report**") prepared by Coffey Mining Pty Ltd., under the supervision of Mr. Porfírio Cabaleiro Rodriguez, who is a "qualified person" under NI 43-101, which updated the scientific and technical information on the Trairão Project to that date and incorporates the updated resource estimates detailed above.

The summary section from the Trairão Technical Report is reproduced in its entirety at Exhibit I of this Annual Information Form and the detailed disclosure in the Trairão Technical Report is incorporated by reference herein.[1] The Trairão Technical Report is included on Talon's SEDAR profile at www.sedar.com.

Since the date of the Trairão Technical Report, Talon has been working on refining its geological model, conducting further mineralogical and metallurgical test work and completing a logistics study to identify various port options for purposes of exporting pellet feed and/or pellets from the Trairão Project. In addition, the Company has undertaken a drilling program on its surficial deposit to assess the potential of delineating a high grade, near surface resource that

[1] Please note that the proposed budget in Table 1.6_1 of the Trairão Technical Report does not reflect the current spending intention of the Company on the Trairão Project (see the Company's Management's Discussion and Analysis for the year ended December 31, 2012 under the heading "Outlook" for further information).

may be amenable to producing DSO, in an effort to generate near-term cash flow for the Company (see "General Development of the Business - Three Year History – *Letter of Intent for the Sale of Lump*" (above)).

The refining of the geological model has involved additional detailed surface mapping, as well as more comprehensive lithological and chemical re-logging of the diamond core and RC drill samples, in an effort to better define the characteristics and distribution of the iron mineralization.

Three mineralized lateritic profiles have been identified: surficial, saprolite and saprock, which overly the mineralized fresh rock. There are two types of fresh rock, quartz-magnetite banded iron formation and magnetite-rich mineralization (previously referred to as magnetite-rich chlorite schist).

Please refer to Talon's press release dated September 27, 2012 entitled "*Talon Metals Provides Operational Update on its Trairão Iron Project*" under the heading "*Update on the Trairão Project – Results from QEMSCAN and Additional Metallurgical Testing"* and Talon's press release dated November 22, 2012 entitled "*Talon Metals Reports Positive Metallurgical Results for the Trairão Iron Project, Brazil*" under the heading "*Metallurgical Test Work Details"* for further information concerning the additional metallurgical test work completed on the Trairão Project.

Talon's "qualified person" within the meaning of NI 43-101 is Mr. Mauricio Prado (MAIG), past Vice President, Resource Modeling of Talon and currently a consultant to Talon. Mr. Prado has reviewed, approved and verified the technical information disclosed in this AIF (other than the information in the Trairão Technical Report) including sampling, analytical and test data underlying the technical information.

Tlou Energy Limited

Tlou is an unlisted public Australian based coal bed methane exploration company focused on Sub-Saharan Africa. Prior to the Saber Merger, Saber entered into a series of agreements (the "**Tlou Agreements**") with Tlou, pursuant to which Tlou acquired an indirect interest in the Botswana CBM Project, an unconventional gas project targeting coal bed methane and shale gas deposits in Botswana, Africa. Talon acquired the Botswana CBM Project pursuant to the Saber Merger.

As described under the heading "General Development of the Business - Three Year History - *Sale of Botswana CBM Project*" (above), Talon completed the Tlou Transaction whereby the Company transferred all of its remaining interest in the Botswana CBM Project to Tlou. In connection with the Tlou Transaction and subject to the terms of the Saber Share Sale Agreement, the Tlou Agreements were terminated and the Company and its affiliates were released from all obligations relating to the Botswana CBM Project, including any liabilities and funding obligations arising on or after August 28, 2009. Tlou subsequently changed the name of the project from the Saber Gas Project to the Botswana CBM Project.

As of the date hereof, the Company owns 21,857,142 shares in Tlou, representing an ownership interest of approximately 26%. The Company also holds options to purchase an aggregate of 4,945,055 Tlou Shares at an exercise price of AUD$1.25 each, exercisable until the later of (i) June 30, 2013, and (ii) 30 days after the options have been released from any mandatory escrow required by the ASX in connection with Tlou's listing on the ASX. The Company acquired its securities in Tlou pursuant to the Tlou Transaction and the Tlou Rights Offering.

On March 8, 2013, Tlou lodged a replacement prospectus (the "**Prospectus**") in respect of its initial public offering in Australia with the Australian Securities and Investments Commission. According to the Prospectus, Tlou has applied to the ASX for admission to the official list of the ASX and for official quotation of its shares on the ASX (the "**Listing**"). If the Listing occurs, the majority of Talon's shares in Tlou will be subject to a mandatory escrow as required by the ASX in connection with the Listing.

Specialized Skill and Knowledge

In order for the Company to perform its business effectively, the following specialized skills are required: qualified geoscientists, engineers, legal advisors and financial experts and experienced investor relations and marketing people. Talon employs personnel with many of these skills. In addition, it procures the services of consultants and contractors to complement the skills of its employees, wherever necessary.

Trends

Iron Ore

Since 2000, iron ore spot prices have been on the rise. After reaching highs and averaging around $180/t in 2011, prices fell sharply to around $120/t in November 2012. During 2012, prices averaged around $150/t. The predominant driver of iron ore prices is demand from Chinese steelmakers coupled with the difficulties in bringing on new supply. In the short to medium term, iron ore prices are expected to remain high relative to historic norms as China and other developing countries continue to need iron ore for steel production and as supply growth remains challenging. See also "Risk Factors – *Iron Ore Prices*" and "Risk Factors – *Reduced Global Demand for Steel or Interruptions in Steel Production*".

Employees

As at December 31, 2012, Talon and its subsidiaries employed 12 individuals. In addition, Talon engages contractors and consultants from time to time to work on specific properties and for administrative, legal and other services as required.

Environmental Protection

Talon's exploration activities are subject to various laws and regulations regarding the protection of the environment. If needed, and to the extent that it can be done economically, Talon will make expenditures to ensure compliance with applicable laws and regulations. New environmental laws and regulations, amendments to existing laws and regulations, or more stringent implementation of existing laws and regulations could have a material adverse effect on Talon, both financially and operationally, by potentially increasing capital and/or operating costs and delaying or preventing the development of mineral properties. See "Risk Factors – *Governmental Regulation; Environmental Risks and Hazards*".

Competitive Conditions

The mining industry in Brazil and elsewhere is intensely competitive in all of its phases. Talon competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than Talon, it may be unable to acquire attractive properties in the future on terms it considers acceptable. Talon competes for funding with other public resource companies, many of whom have greater financial resources and/or more advanced properties and who are better able to attract equity investments and other capital.

Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company. See "Risk Factors – *Competition*".

RISK FACTORS

Talon is subject to a number of risk factors due to the nature of the mineral business in which it is engaged, the limited extent of its assets and its stage of development. The following risk factors should be considered, among others.

The operations of the Company are speculative due to the high-risk nature of its business which is primarily focused on the acquisition, exploration and development of mineral projects. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The Company may face additional risks and uncertainties other than the factors listed below, including, risks and uncertainties that are unknown to the Company or risks and uncertainties that the Company now believes to be unimportant, which could have a material adverse effect on the business of the Company. If any of the following risks actually occur, the business, financial condition or results of operations of the Company could be negatively affected.

Exploration, Development and Operating Risks

Although Talon's present activities are directed towards the acquisition, financing, exploration and development of mineral projects, it is anticipated that its activities shall also ultimately include mining operations.

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

Mining and exploration operations generally involve a high degree of risk. Talon's operations are subject to all the hazards and risks normally encountered in the exploration, development, production and beneficiation of iron ore, including unusual and unexpected geologic formations, seismic activity, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, mining and exploration operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequential liability.

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

Uncertainty Relating to Inferred and Indicated Mineral Resources

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

Legislative Changes

It is expected that the government of Brazil will amend the country's current mining legislation which governs certain of the operations and activities of the Company in Brazil. It is not known what the changes will comprise of or when the changes will be approved and implemented, if ever. Such changes in legislation could have a material adverse effect on the Company's business, financial condition and results of operations and cause increases in exploration expenses, capital expenditures or production costs, or abandonment or delays in development of the Company's existing and/or new properties, including the Trairão Project.

Competition

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than it. Competition in the mining industry is primarily for properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future, in both iron and other commodities the Company is and/or may be interested in pursuing and developing.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Land Title

The Company's interests in mineral properties are comprised of exclusive rights under government licenses and contracts to conduct operations in the nature of exploration and, in due course if warranted, development and mining, on the license areas. Maintenance of such rights is subject to ongoing compliance with the terms of such licenses and contracts. While the Company intends to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that it will be successful in extending or renewing mineral rights on or prior to the expiration of their term. The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims (including native land claims) and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Additional Capital

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining and beneficiation facilities and commencement of mining operations, will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of development or production on any or all of the Company's properties or even a loss of a property interest. The main source of funds available to the Company is through the sale of equity capital, properties/equipment, royalty interests or the entering into of joint ventures. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations. Global securities markets continue to experience volatility, which is resulting in difficulty in raising equity capital and market forces may render it difficult or impossible for the Company to secure placees to purchase any new share issuances at prices which will not lead to severe dilution to existing shareholders, or at all.

Insurance and Uninsured Risks

Talon's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Talon maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with the Company's operations. Talon may also be unable to obtain or maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Talon or to other companies in the mining industry on acceptable terms. Talon might also become subject to liability for pollution or other hazards that may not be insured against or that Talon may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Talon to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Governmental Regulation; Environmental Risks and Hazards

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

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

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

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

Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of its properties.

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

Iron Ore Prices

The Company's current principal business is the exploration and development of iron. Iron ore prices have historically been volatile and are primarily affected by the demand for and price of steel in addition to the supply/demand balance. Given the historical volatility of iron ore prices and the particular effects of the recent global financial crisis, there are no assurances that the iron ore price will remain at current levels. An increase in iron ore supply without a corresponding increase in iron ore demand could be expected to result in a decrease in the price of iron ore. Similarly, a decrease in iron ore demand without a corresponding decrease in the supply of iron ore would be expected to result in a decrease in the price of iron ore. A continued decline in iron ore prices would adversely impact the business of Talon and could affect the feasibility of Talon’s iron ore projects. A continued decline in iron ore prices would also be expected to adversely impact the Company’s ability to attract financing.

Iron ore prices are also affected by numerous other factors beyond the Company’s control, including the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand, political and economic conditions, and transportation costs in major iron ore producing regions. Given the historical volatility of iron ore prices and the effects of the recent global financial crisis, there are no assurances that iron ore prices will remain at current levels.

Reduced Global Demand for Steel or Interruptions in Steel Production

Iron ore is used almost exclusively in the production of iron products, which are subsequently transformed into steel. As such, demand for iron ore is directly related to global levels of steel production. The global steel manufacturing industry is cyclical in nature and has historically been subject to fluctuations based on a variety of factors, including general economic conditions and interest rates. Fluctuations in the demand for steel can lead to similar fluctuations in iron ore demand. Accordingly, a decrease in economic growth rates could lead to a reduction in demand for iron ore, which could have an adverse effect on the Company’s business. In addition, materials such as aluminum, composites and plastics are substitutes for steel and an increase in their use could adversely affect the demand for steel and consequently, the demand for iron ore.

Foreign Subsidiaries and Repatriation of Funds

The Company is a foreign corporation and conducts operations through foreign subsidiaries, and a substantial portion of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company’s ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist in the future, could have an adverse impact upon the Company’s valuation.

Foreign capital investments, such as capital investments to be made by Talon in its Brazilian subsidiaries, must be registered with the Central Bank of Brazil for purposes of profit remittances to non-resident investors such as the Company, reinvestment of profits and its eventual repatriation. The repatriation of such foreign capital investments requires the prior authorization of the Central Bank of Brazil, which may delay the timing of such repatriation.

Foreign Operations

The Company's operations are currently conducted primarily in Brazil. Talon also holds equity securities in other companies which have operations in Brazil and Botswana, and as such, the Company's operations and equity investments are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation of funds; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in natural resource or investment policies or shifts in political attitude in Brazil or, to a lesser extent, Botswana may adversely affect the Company's operations, or investments or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Talon is required to enter into agreements with surface owners of the lands which it does not own. Although Brazilian laws guarantee mining companies access to third party lands, the Company may have to initiate legal action in court in order to set up indemnification amounts to such landowners, which may ultimately cause delays to the development of Talon's mineral projects.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's business, financial condition and/or results of operations.

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Iron ore or other minerals are generally sold in US dollars and the Company's costs are incurred principally in Canadian dollars and Brazilian reals. The appreciation of non-US dollar currencies against the US dollar can increase the cost of iron ore and other mineral exploration and production in US dollar terms. The Company is also subject to exchange rate fluctuations through its ownership of shares in Tlou, which are denominated in Australian dollars.

Market Price of Common Shares; Impact of Volatility; Litigation resulting from Volatility

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. In the past several years, worldwide securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. As a consequence, market forces may render it difficult or impossible for the Company to secure placees to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.

The price of Talon's common shares is also likely to be significantly affected by short-term changes in iron ore or other relevant mineral prices or in its financial condition or results of operations. Other factors unrelated to the Company's performance that may have an effect on the price of Talon's common shares include the following: the value of Tlou and the ability of Tlou to complete its listing on the ASX, which could further impact the value of the Tlou shares held by Talon; the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Talon's common shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of Talon's common shares that persists for a significant period of time could cause the Company's securities to be delisted, further reducing market liquidity.

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

Risks of Investments in Securities

Talon holds equity investments in a number of public and private companies and the Company may acquire additional investments in other entities from time to time. The value of the Company's equity investments is subject to the risks inherent in investments in securities, including the risk that the financial condition of the issuers of the equity securities held by the Company may become impaired or, in the case of securities listed on a stock exchange, that the general condition of the stock exchange may deteriorate. There is no guarantee that the shares of Tlou which are presently not listed on any stock exchange will be listed on the ASX as proposed.

Key Executives and Consultants

The Company is dependent on the services of key executives, including the directors of the Company and a small number of highly skilled and experienced employees and consultants. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations.

Dividend Policy

No dividends on Talon's common shares have been paid by the Company to date. The Company anticipates that it will retain all future earnings and other cash resources for the future operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

Possible Conflicts of Interest

Certain of the directors and the officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard.

Political, Judicial, Administrative, Taxation or Other Regulatory Factors

Talon may be adversely affected by changes in political, judicial, administrative, taxation or other regulatory factors in the areas in which Talon does or will operate and holds its interests, including but not limited to, changes in Brazilian government policy or practices with respect to the granting or confirmation of mineral and exploration interests in Talon's mineral projects (see also "Risk Factors – *Legislative Changes*"), as well as unforeseen matters.

DIVIDENDS

There are no restrictions in Talon's memorandum or articles of association that would restrict or prevent the Company from paying dividends. It is not contemplated that any cash dividends will be paid on any of Talon's common shares in the immediate future, as it is anticipated that all available funds will be reinvested to finance the growth of the business. Any decision to pay dividends on common shares in the future will be made by board of directors of the Company on the basis of earnings, financial requirements and other conditions existing at such time.

DESCRIPTION OF CAPITAL STRUCTURE

As noted above, Talon has no authorized capital, but is authorized to issue one class and one series of shares divided into 100,000,000,000 common shares of no par value. As at the date hereof, there are 92,076,687 common shares issued and outstanding, each carrying the right to one vote.

The common shares were listed for trading on the TSX on April 13, 2005.

In addition, as at the date hereof, the Company has authorized for issuance 10,775,617 stock options pursuant to its incentive stock option plan and 1,733,733 stock options outside its incentive stock option plan, each entitling the holder to purchase one common share.

The board of directors of Talon adopted a shareholder rights plan (the "**Rights Plan**") effective January 17, 2011 under the terms of a shareholder rights plan agreement between the Company and Computershare Investor Services Inc., as rights agent. The Rights Plan aims to ensure that all shareholders are treated equally and fairly in the event of a transaction that could lead to a change in control of the Company. The Rights Plan also gives the board of directors more time to assess any unsolicited bid that may be made for Talon in the future and to explore and develop alternatives for maximizing shareholder value. Talon has not received an unsolicited bid and is not soliciting bids.

The Rights Plan was approved by shareholders of Talon at its Annual and Special Meeting held on June 6, 2011. A copy of the Rights Plan has been filed on the Company's SEDAR profile at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

Talon's common shares are listed and posted for trading on the TSX under the symbol "TLO". The following table sets forth information relating to the trading of the common shares on the TSX for the periods indicated.

Period	Low	High	Volume
December 2012	$0.25	$0.37	466,000
November 2012	$0.23	$0.28	1,263,400
October 2012	$0.24	$0.30	1,906,300
September 2012	$0.30	$0.40	928,600
August 2012	$0.32	$0.44	964,000
July 2012	$0.26	$0.40	828,900
June 2012	$0.30	$0.35	263,800
May 2012	$0.33	$0.44	708,900
April 2012	$0.36	$0.44	820,100
March 2012	$0.36	$0.61	1,914,100
February 2012	$0.44	$0.85	2,923,200
January 2012	$0.42	$0.53	995,600

ESCROWED SECURITIES

As at the date of this Annual Information Form, to the knowledge of the directors and officers of the Company, no common shares of the Company are held in escrow.

DIRECTORS AND OFFICERS

The following table sets forth, as of the date hereof, the name, province or state and country of residence of each director and executive officer of Talon, as well as such individual's position with Talon, principal occupation within the five preceding years and period of service as a director (if applicable). Each director will hold office until the next annual meeting of shareholders of Talon and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal.

NAME, RESIDENCE AND CURRENT POSITION(S) WITH TALON METALS CORP.	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS	DIRECTOR SINCE
Warren E. Newfield(1)(3)(4) Jerusalem, Israel Chairman and Director	Chairman, Tau Capital Corp. ("**Tau**") (mining investment and administrative and advisory services company), November 2007 to present; Chairman, CIC Energy Corp. ("**CIC Energy**") (mineral exploration and development), October 2008 to October 2012; Chief Executive Officer, CIC Energy, November 2007 to October 2012; Co-Chairman, CIC Energy, 2006 to October 2008, President and CEO, Tau, 2000 to November 2007; President and CEO, AfriOre Limited (mineral exploration and development), 2000 to January 2007.	April 5, 2005
Francis J. Crothers(3) Nassau, Bahamas Director	Chairman and CEO, Island Corporate Holdings Limited (investment company), 1994 to present.	June 15, 2006
Gregory S. Kinross(1)(2)(3) Gauteng, South Africa Director	President & CEO of Tau (mining investment and administrative and advisory services company), November 2007 to present; President of CIC Energy (mineral exploration and development), November 2007 to October 2012; President & CEO of CIC Energy, 2006 to November 2007; Executive Vice-President, Business Development, Tau, 2005 to November 2007.	April 5, 2005
Jonathan M. Schneider(1) London, United Kingdom Director	Founding Partner, Novator Credit Opportunities Fund (hedge fund), January 2006 to present; Chairman, Taurus Gold Limited (mineral exploration and development), December 2010 to present; Director, African Financial Services (lending business), August 2010 to present.	June 24, 2010
Henri van Rooyen Ontario, Canada Chief Executive Officer and Director	CEO of Talon, February 2012 to present; Vice President, New Business & Implementation, Tau (mining investment and administrative and advisory services company), November 2006 to present.	June 29, 2012
Luis Mauricio F. de Azevedo Rio de Janeiro, RJ, Brazil Chief Operating Officer and Director	Chief Operating Officer of Talon, 2005 to present; Chief Operating Officer of Rio Verde (mineral exploration and development), December 2011 to March 2013; Partner (Lawyer), FFA Legal Ltda., 1997 to present.	April 5, 2005
Stuart R. Comline Gauteng, South Africa Technical Director and Director	Technical Director of Talon, June 2011 to present; President and Chief Executive Officer of Talon, November 2007 to June 2011; Chairman of AfriOre Limited (mineral exploration and development), August 2002 to January 2007.	June 25, 2007
Sean N. Werger Ontario, Canada President	President of Talon, March 2012 to present; General Counsel and Managing Director of Mergers & Acquisitions, Tau (mining investment and administrative and advisory services company), September 2006 to present.	Not applicable
Vincent G. Conte Ontario Canada Chief Financial Officer	Chief Financial Officer of Talon, June 2012 to present; VP Corporate Development & Financial Evaluation, Tau (mining investment and administrative and advisory services company), January 2011 to present; Senior Manager, Deloitte LLP (accounting), January 2007 to January 2011.	Not applicable

NAME, RESIDENCE AND CURRENT POSITION(S) WITH TALON METALS CORP.	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS	DIRECTOR SINCE
Etienne Dinel Ontario, Canada Vice President, Geology	Vice President, Geology of Talon, March 2012 to present; Senior Geologist, Tau (mining investment and administrative and advisory services company), August 2010 to present; Research Associate, University of Toronto and Geological Survey of Canada, August 2007 to August 2010; Geoscientist Project Leader, Geological Survey of Ontario, March 2006 to May 2007; PHD Student, University of Ottawa, April 2004 to July 2007.	Not applicable

Notes:

(1) Member of the Audit Committee.
(2) Chairman of the Audit Committee.
(3) Member of the Corporate Governance and Compensation Committee.
(4) Chairman of the Corporate Governance and Compensation Committee.

As at the date hereof, the directors and executive officers of Talon as a group beneficially own, directly and indirectly, or exercise control or direction over 11,795,129 common shares, representing approximately 12.8% of the 92,076,687 issued and outstanding common shares.

Corporate Cease Trade Orders or Bankruptcies

To the best of the Company's knowledge, no director or executive officer of the Company, is, or within the ten years prior to the date hereof, has been a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation for a period of more than 30 consecutive days:

(a) that was issued while such director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the company being the subject of such order; or

(b) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the company being the subject of such order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of the subject company.

To the best of the Company's knowledge, no director or executive officer of Talon, or a shareholder holding a sufficient securities number of Talon to affect materially the control of Talon is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including Talon) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings or arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the best of the Company's knowledge, no director or executive officer of Talon, and no shareholder holding a sufficient number of securities of Talon to affect materially the control of Talon, nor any personal holding company of any such person, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

To the best of the Company's knowledge, no director or executive officer of Talon, and no shareholder holding sufficient securities of Talon to affect materially the control of Talon, nor any personal holding company of any such person, has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

Conflicts of Interest

The directors of Talon are required by law to act honestly and in good faith with a view to the best interest of Talon and to disclose any interests that they may have in any project or opportunity of Talon. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter.

Except as set out below, to the best of Talon's knowledge, there are no known existing or potential conflicts of interest among Talon, its directors, officers or other members of management of Talon as a result of their outside business interests at the date hereof.

Certain of the directors and officers and other members of management serve as directors, officers, and members of management of other public resource companies. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Talon.

The directors and officers of Talon have been advised of their obligations to act at all times in good faith in the interest of Talon and to disclose any conflicts to Talon if and when they arise.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of Talon, there are no legal proceedings material to Talon to which Talon or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2012, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of Talon, no penalties or sanctions have been imposed against Talon or its subsidiaries by a court relating to securities legislation or by a regulatory authority during the financial year ended December 31, 2012, no penalties or sanctions have been imposed against Talon by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of Talon, and no settlement agreements have been entered into by Talon before a court relating to securities legislation or with a securities regulatory authority during Talon's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set out below, no director or executive officer of Talon, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of Talon's outstanding voting securities, nor any associate or affiliate of the foregoing have had a material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year, which has materially affected or is reasonably expected to materially affect Talon.

As described under "General Development of the Business - Three Year History" (above), the Company completed the Saber Merger on March 24, 2010. Immediately prior to the closing of the Saber Merger, Warren E. Newfield (who is a director of Talon and was a director of Saber prior to the Saber Merger) beneficially owned or had control or direction over 1,460,500 common shares of Talon (being 5.4% of the issued and outstanding common shares of Talon at that time) and 2,900,000 common shares of Saber (being 1.4% of the issued and outstanding common shares of Saber at that time). Mr. Newfield also held 250,000 options to acquire common shares of Talon. Upon completion of the Saber Merger, Mr. Newfield beneficially owned or had control or direction over 3.1%, 3.5%, and 3.3% of the issued and outstanding common shares of Talon on a basic, partial and fully diluted basis, respectively.

Immediately prior to the closing of the Saber Merger, Francis J. Crothers (who is a director of Talon) beneficially owned or had control or direction over 785,400 common shares of Talon (being 2.9% of the issued and outstanding common shares of Talon at that time) and 22,283,333 common shares of Saber (being 10.7% of the issued and outstanding common shares of Saber at that time). Mr. Crothers also held 250,000 options to acquire common shares of Talon. Upon completion of the Saber Merger, Mr. Crothers beneficially owned or had control or direction over 7.4%, 7.8%, and 7.4% of the issued and outstanding common shares of Talon on a basic, partial and fully diluted basis, respectively.

In addition, immediately prior to the closing of the Saber Merger, the other four then incumbent directors of Talon beneficially owned or had control or direction over an aggregate of 100,000 common shares of Talon (being less than 1% of the outstanding common shares of Talon at that time) and 1,500,000 common shares of Saber (being less than 1% of the outstanding common shares of Saber at that time).

In light of the foregoing, an independent committee of the board of directors of Talon comprised of Sandra Cowan, Stuart Comline and Luis Mauricio de Azevedo, was formed to review the Interim Loans and the HOA between Saber and Talon. Talon's independent committee and board of directors approved each of the Interim Loans and the HOA. In July, 2009 the board of directors of Talon established a special committee (the "**Special Committee**"), comprised of Sandra Cowan and Stuart Comline, to consider the Saber Merger and alternative transactions available to the Company. On September 1, 2009 the Special Committee recommended to the Talon Board that it approve the entering into of the Pre-Merger Agreement with Saber.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of Talon is Computershare Investor Services Inc. at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

The Company did not enter into any material contracts (other than contracts entered into in the ordinary course of business not required to be filed under NI 51-102) during its most recently completed financial year, and has not entered into any contract before its most recently completed financial year and since January 1, 2002 that is still in effect, that may be considered material to Talon.

INTERESTS OF EXPERTS

To the best of the Company's knowledge, Porfírio Cabaleiro Rodriguez, the qualified person under whose supervision the Trairão Technical Report was prepared, does not own, or hold any beneficial interest, direct or indirect in, any securities or property of Talon or Tlou or of their associates or affiliates.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The text of the charter of the audit committee of the Company's board of directors is attached hereto as Exhibit II.

Composition of the Audit Committee

The following table provides information relating to each member of the audit committee, including his name, a description of whether he is (i) independent of Talon, and (ii) financially literate, and a summary of his relevant education and experience.

Name	Independent of Talon	Financially Literate	Relevant Education and Experience
Warren E. Newfield	Yes	Yes	Successful businessman with extensive public and private company management and directorship experience. Chairman, Tau, November 2007 to present; Chairman, CIC Energy, October 2008 to October 2012; Chief Executive Officer, CIC Energy, November 2007 to October 2012; Co-Chairman, CIC Energy, 2006 to October 2008, President and CEO, Tau, 2000 to November 2007; President and CEO, AfriOre Limited, 2000 to January 2007.
Gregory S. Kinross	Yes	Yes	Chartered Accountant (South Africa); President & CEO of Tau, November 2007 to Present; President of CIC Energy from November 2007 to October 2012; President & CEO of CIC Energy, 2006 to November 2007; Executive Vice-President Business Development, Tau, 2005 to November 2007; Private equity, self-employed, 1998 to 2004.
Jonathan M. Schneider	Yes	Yes	Bachelor of Commerce and Bachelor of Accounting from the University of the Witwatersrand; Chartered Accountant (South Africa); Founding Partner, Novator Credit Opportunities Fund, January 2006 to present; Director, Amaranth Advisors, 2003 to June 2005.

Audit Committee Oversight

During the financial year ended December 31, 2012, all recommendations of the audit committee to nominate or compensate an external auditor were adopted by the board of directors.

During the financial year ended December 31, 2012, the audit committee recommended to the shareholders of the Company a change in external auditor from Zeifmans LLP to MSCM LLP. On June 29, 2012, at the Company's Annual and Special Meeting of Shareholders, shareholders of the Company approved the change of external auditor and appointed MSCM LLP as external auditor until the next annual meeting of shareholders.

Pre-Approval Policies and Procedures

It is the responsibility of the audit committee to pre-approve all non-audit services to be provided to Talon by its external auditors. This is mandated in the Audit Committee Charter.

External Auditor Service Fees

The following table summarizes the total fees billed by both Zeifmans LLP, Talon's former auditor, and, MSCM LLP, Talon's current auditor, during the years ended December 31, 2012 and December 31, 2011.

CATEGORY	2012	2011
Audit Fees	$48,700	$103,500
Audit Related Fees(1)	Nil	$39,703
Tax Fees	Nil	Nil
All Other Fees(2)	Nil	$44,692

Notes:

(1) For the limited review in respect of the financial statements and management's discussion and analysis of Talon for the interim periods in 2011 ended March 31, June 30 and September 30.

(2) For work done in respect of Talon's prospectus offering, Rio Verde and matters relating to International Financial Reporting Standards.

ADDITIONAL INFORMATION

Additional information concerning the Company may be found on SEDAR at www.sedar.com.

Additional financial information is contained in the Company's audited financial statements and management's discussion and analysis for the year ended December 31, 2012.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors.

EXHIBIT I

Summary from Technical Report on the Trairão Project

Introduction

Coffey Mining Pty Ltd (Coffey Mining), through its Brazilian office in Belo Horizonte, has been commissioned by Talon Metals Corp (Talon) to prepare an Independent Technical Report on Exploration and a Mineral Resource Estimate for the Trairão Iron Project, in Pará State, Brazil.

Talon's mineral property is considered to represent a project at the exploration stage, as such, is inherently speculative in nature. However, Coffey Mining considers the property to have been acquired based on sound technical merit. The property is also considered to be sufficiently prospective in general, subject to varying degrees of exploration risk, to warrant further exploration and assessment of its economic potential, consistent with the programs proposed.

Property Description and Ownership

The Trairão Iron Project is located in Serra do Trairão region near the city of Bannach, approximately 175km directly south-southwest of Parauapebas city, and 165km from the Carajás railway that connects the mining district with the port 'da Madeira' in São Luis, Maranhão State, the Capital (Figures 1.2_1 and 1.2_2).

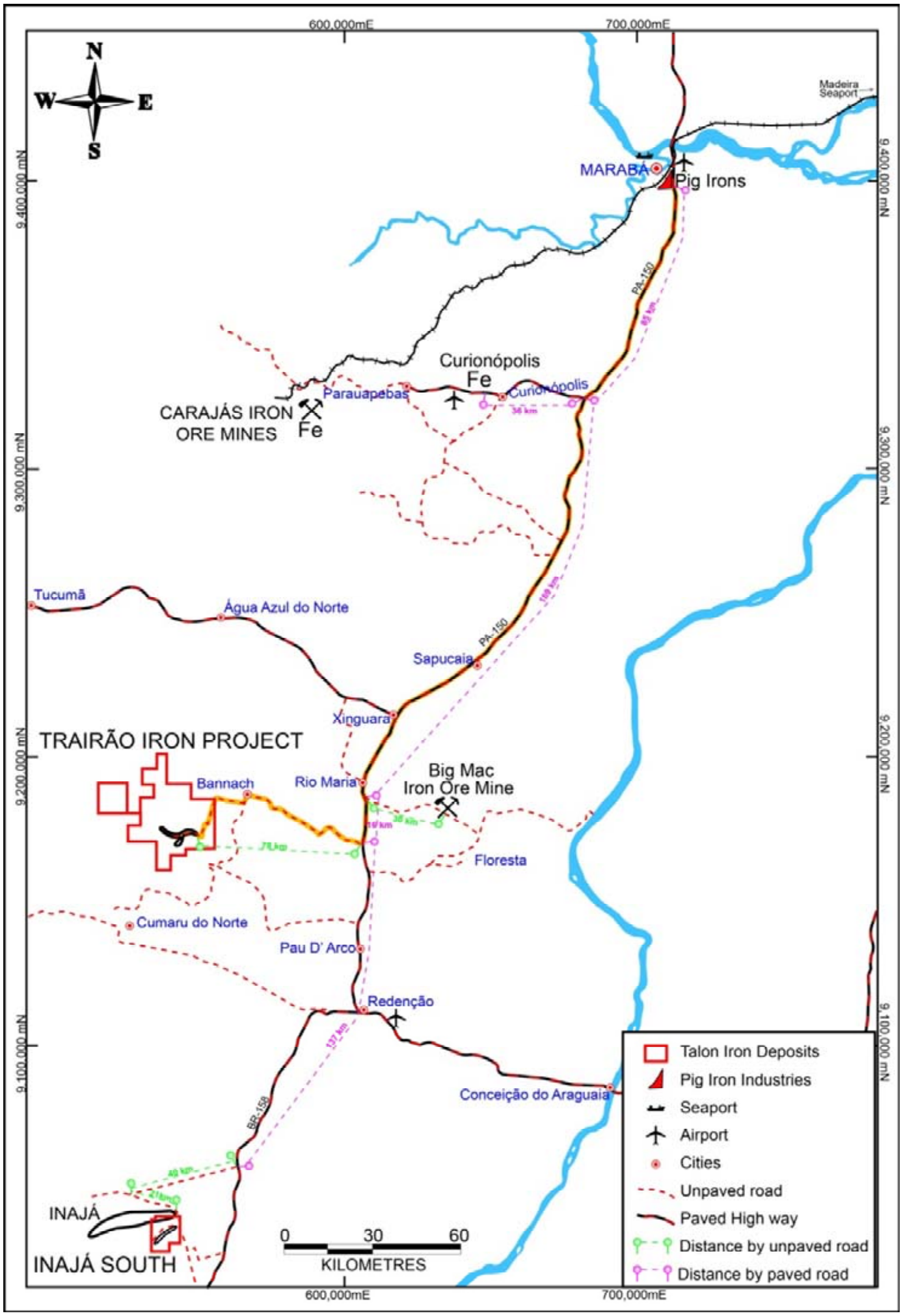
The property comprises of 8 exploration authorizations or exploration licenses (DNPM exploration titles, or research titles: 850.103/2008, 850.148/2001, 850.163/2001, 850.164/2001, 850.165/2001, 850.185/2001, 850.186/2001 and 850.187/2001) with the total of 51,635.35 hectares. There are four areas under applications for exploration licenses (851.040/1992, 850.355/2000, 850.963/2010 and 850.034/2011) covering, 24,886.99 hectares. In total, the area to which Talon holds mineral rights (including pursuant to applications) at the Trairão Iron Project is 76,522.34 hectares.

*Note – Since the date of the Technical Report, certain of the Trairão Project licenses expired. These expired licenses do not form part of the Trairão Project deposit that the Company has been investigating.

Figure 1.2_1

Trairão Iron Project

Local Access to the Trairão Property



Since 29th September 2010, Talon has owned 100% of the rights for two iron ore projects in Pará State, Brazil, through concluding two separate agreements respectively with Codelco do Brasil Mineração Ltda. (“Codelco”) and Barrick International (Barbados) Corp. (“Barrick Barbados”).

Talon owns 100% of Rancover Holdings Inc., which owns 100% of Talon Iron Cayman Limited and 99.9% of the Talon Ferrous Mineração Ltda (previously named Brazpot Mineração Ltda). Talon Iron Cayman Limited owns 99.9% of Talon Iron Mineração Ltda, which is the owner of all the projects acquired from Barrick Barbados. Talon Ferrous Mineração Ltda is the owner of all the projects acquired from Codelco.

The land surface of the principal target area at Trairão Iron Project belongs to 5 different farmers. Talon has the necessary agreements in place with the surface owners to run the proposed exploration programs.

This region is booming economically, due to the development of two large nickel laterite projects, namely Onça Puma and Vermelho, owned by Vale, who also own the developing iron ore project at Serra Sul. With increasing activity in the mining sector, significant improvements can be expected in the regional infrastructure over the next few years.

Figure 1.2_2

Trairão Iron Project

General Overview of Trairão Property

Geology and Mineralization

The Trairão Iron Project area is part of the Serra da Seringa Greenstone belt of Southern Para domain. The banded iron formations ("BIF's") are part of a large volcano sedimentary sequence and are stratigraphically located in the Intermediate and Upper Units of the Tucumã Group (Archean).

Both units are formed by clastic and carbonate and/or siliceous meta-sedimentary rocks, in which the Intermediate Unit is formed mainly by carbonate meta-silts, whereas the Upper Unit is mainly composed of ferruginous meta-silts (chlorite quartz magnetite rocks), which are the host rocks of the BIF oxide layers (Figure 1.3_1).

From a geomorphologic perspective, the Carajás ranges and the Trairão iron formations are at an altitude susceptible for lateritic soils development, increasing the possibility for the formation of ferric supergene enrichment near surface.

Besides the favorable geomorphologic conditions for developing secondary mineralization it is apparent that the ferriferous formations were affected by metamorphic and hydrothermal processes that may have concentrated the primary epigenetic mineralization.

The BIF is composed of magnetite quartz layers and are developed within the upper metasedimentary units of the Seringa greenstone belt and have associated concentrations of iron mineralization in the rocks adjacent to the magnetite quartz BIFs, composed of chlorite quartz and magnetite. Numerous individual BIF horizons underlie elevated ridges with several kilometers of strike length, including major fold closures, which are thought to be synclinal keels. The overall geotectonic setting is similar to that of the major iron deposits of the Carajás region, however prospectivity depends on the total volume of BIF, 3D geometry, and degree of supergene enrichment.

The Carajás iron deposits are hosted within Archaean iron formations. The volcanic sequence has been weathered to a depth of between 100m and 150m, while oxidation is observed to a depth of up to 500m in the BIFs of the Carajás ore zone.

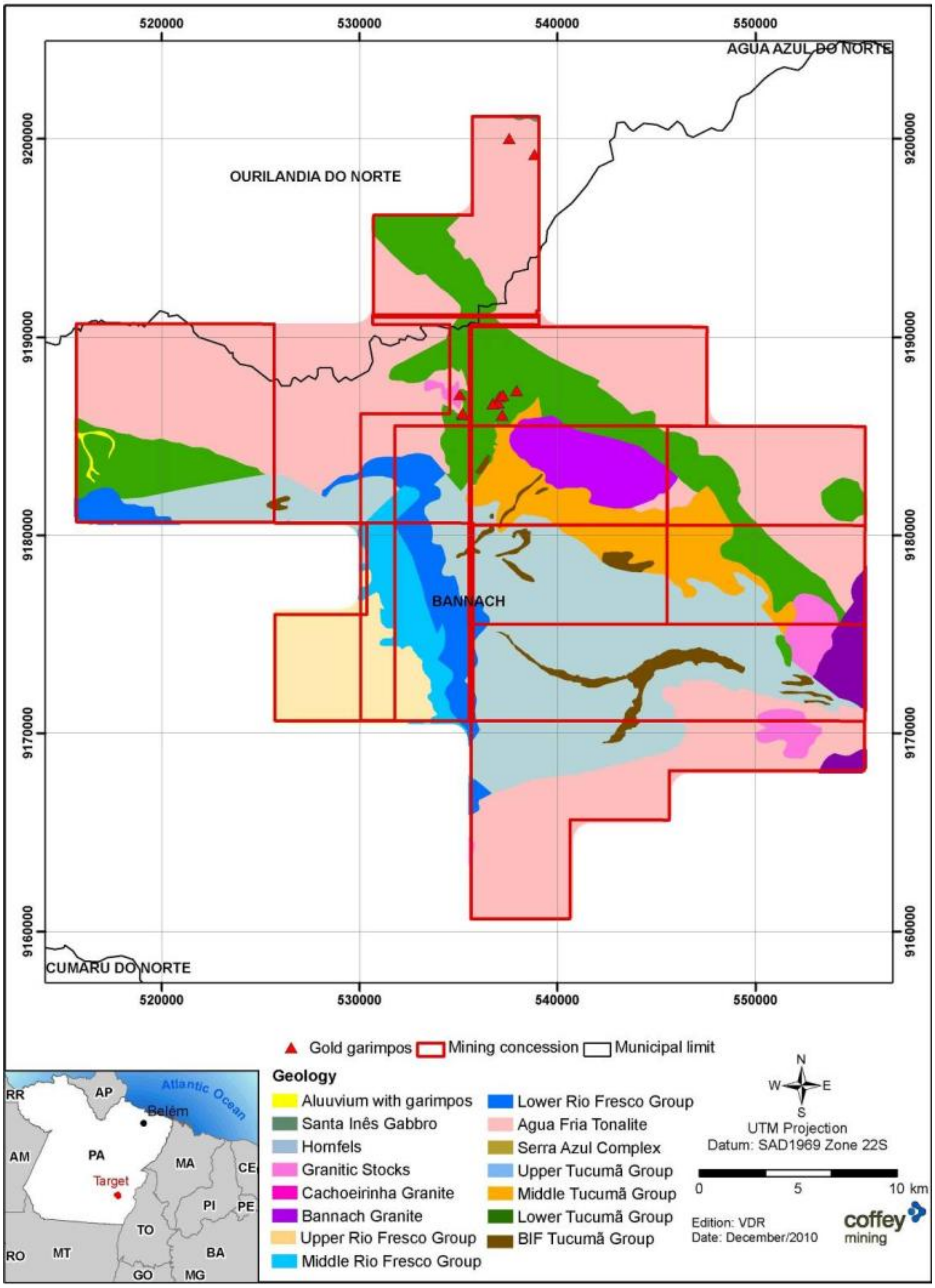
Banded iron formations (BIF) are chemical sediments which precipitated from seawater, and are defined by fine layering of silica or silicate minerals and iron minerals (oxides, carbonates, silicates or sulfides). Oxide facies iron formations, containing magnetite and/or hematite, are the most economically relevant of the facies types, and may contain up to 35% Fe. Supergene enrichment, particularly under tropical weathering conditions, can concentrate the iron in these rocks up to 65% Fe, and such enriched ore bodies form a potentially more valuable target.

Enrichment occurs commonly due to groundwater percolation through the BIF, and some of the world’s richest ore bodies are within synclinal keels, where Fe has been concentrated by downward-moving waters. This is particularly true where the underlying rocks are impervious to fluids.

Figure 1.3_1

Trairão Iron Project

Local Semi-Detail Geological Map



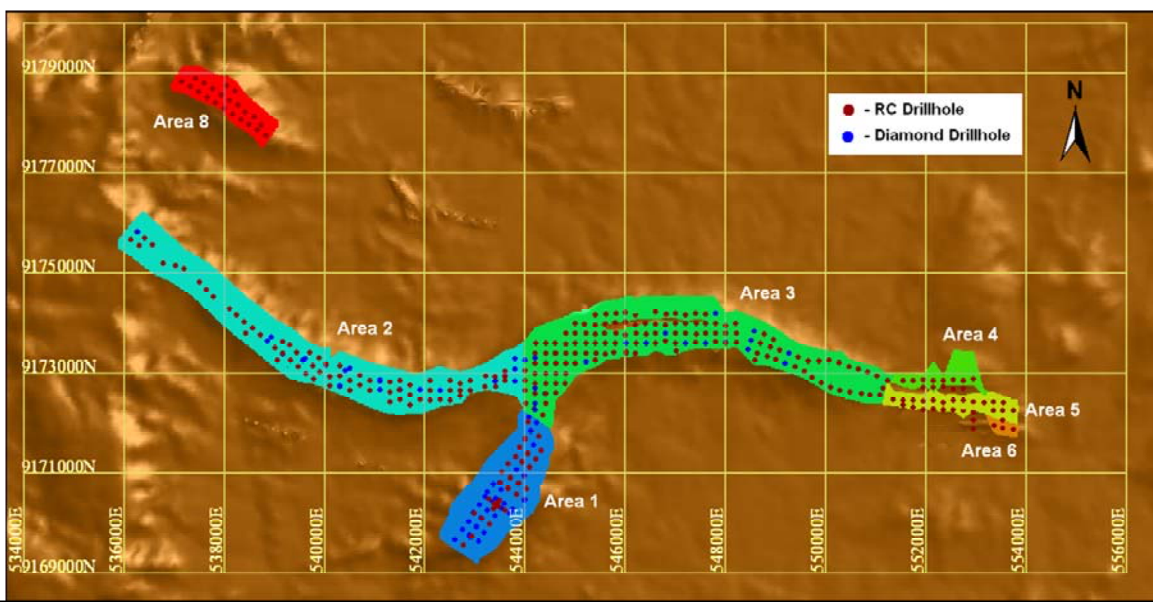
Status of Exploration

The exploration work initially focused on three areas, Target Area 1, Target Area 2 and Target Area 3. In the first phase of exploration during 2010, two areas, comprising 2,400 meters of strike on Target Area 1 and 3,000 meters of strike on Target Area 2 were selected as test areas to confirm Codelco's exploration results and hence the potential of the iron mineralization and to test the various exploration methods to be applied within the proposed Talon program. Subsequently during 2011, additional parts of Target Areas 1 to 6 and Area 8 have been covered by grid RC drilling. In addition, diamond drilling has been undertaken on Targes Areas 1,2 and 3. All of Target Areas 1 to 13 have been mapped on surface, and a program of surface rock sampling has been undertaken as has a geological interpretation of a suite of satellite based imagery. This interpretation has provided lithological and structural plans on a regional scale (1:75,000) throughout Talon's license area, as well s, detailed 1:15,000 scale plans over the higher priority targets where the mineral resources have been delineated. A program of diamond drilling commenced during the first quarter of 2011, initially on Target Area 1 and subsequently it has spread to Target Areas 2 and 3. RC drilling on a grid basis has been completed on all 13 target areas (Figure 1.4_1).

Figure 1.4_1

Trairão Iron Project

Executed Drilling Program



The entire drilling program, including RC and diamond drilling, comprised a total of 33,714 metres (Table 1.4_1). RC drilling tested all the 13 target areas while diamond drilling was concentrated on Target Area 1, 2 and 3.

The RC drill holes were mostly drilled vertically, except in Target Area 2 where 10 drill holes were drilled at an angle into stratigraphy dipping at 60 degrees. Some diamond drill holes were drilled vertically to validate RC drill holes, while other diamond drill holes were drilled using azimuths varying from 125° to 220° and inclinations between -60° and -80° in order to intersect the steeply dipping mineralized zones in the fresh rock.(Figure 1.4_1).

Table 1.4_1

Trairão Iron Project

Drilling Summary

Target	**Number of Drill Holes**	**Total Drilling Length (m)**
Diamond Drill Holes		
Target Area 1	38	5620.8
Target Area 2	32	4552.1
Target Area 3	22	3162.9
Total	**92**	**13335.8**
RC Drill Holes		
Target Area 1	64	4354
Target Area 2	79	5118
Target Area 3	139	7775
Target Area 4	13	520
Target Area5	23	1184
Target Area 6	6	234
Target Area 8	22	1193
Total	**346**	**20378**
All Drill Holes		

Area 1	102	9974.8
Area 2	111	9670.1
Area 3	161	10937.9
Area 4	13	520
Area5	23	1184
Area 6	6	234
Area 8	22	1193
Total	**438**	**33713.8**

The purpose of the diamond drilling campaign in the first quarter of 2011 was to obtain more accurate samples and to add confidence to the mineral resource estimates, as well as, to provide samples for mineralogical and metallurgical testwork. The diamond drilling has also been drilled, in part, to deeper levels to intersect the fresh rock at depth. The results are under evaluation and will be released in subsequent reports. Also, Talon has undertaken preliminary metallurgical studies aiming to establish the optimum extractive metallurgy process to generate a marketable concentrate. This program was being undertaken by Talon in association with Coffey and utilizing various metallurgical laboratories in Brazil.

Mineralogical and metallurgical studies at the University of Sao Paulo indicate that for the chert-magnetite BIF and chlorite magnetite quartz portion of the fresh rock, a product with a Fe grade of 70%, recovering around 70% of the iron contained as magnetite, can be produced. The metallurgical recovery is however lowered to approximately 37% as magnetite only comprises 21% of the sample tested.

Mineral Resource Estimates

Based on current drilling results, Coffey Mining carried out a Mineral Resources Estimation of the Target Areas 1 to 6 and Area 8. Resources were estimated using ordinary kriging. The Table 1.5_1 below presents the results.

Coffey Mining carried out the estimation of mineral resources on various types of enriched supergene material, as well as, on the underlying fresh rock, comprising unweathered samples of magnetic iron formation and the chlorite quartz magnetite rock. The mineral resource estimates were based on the current available information that has been obtained from the data obtained from the RC drilling program, as well as, the diamond drilling program.

The aggregated Indicated Mineral Resource determined by applying a 25%Fe cut-off grade is 1.40Bt at 34.27%Fe, 35.79%SiO_2 8.87%Al_2O_3 0.116%Mn, 0.036%P, 5.50%LOI, 1.05%FeO and 0.018%CaO. The aggregated Inferred Mineral Resource determined by applying a 25%Fe cut-off grade is 1.21Bt at 29.48%Fe, 41.60%SiO_2 7.00%Al_2O_3 0.129%Mn, 0.034%P, 6.6%LOI, 8.79%FeO and 0.342%CaO (Table 1.5_1).

Table 1.5_1

Trairão Iron Project

Total Aggregated Mineral Resources (all Target Areas) – 30th March 2012 – Cut off grade: 25% Fe

Mineral Resources - Block Model: 100, 100 10 (25, 25, 5)

Trairao Resources (Total Aggregated Resources)									
Resource Class	**Tonnes (Mt)**	**Fe (%)**	**SiO_2 (%)**	**Al_2O_3 (%)**	**Mn (%)**	**P (%)**	**LOI (%)**	**FeO (%)**	**CaO (%)**
Grand Total									
Indicated	1404.3	34.27	35.79	8.87	0.116	0.036	5.50	1.05	0.018
Inferred	1211.8	29.48	41.60	7.00	0.129	0.034	6.66	8.79	0.342

The effective date of this resource estimate is March 2, 2012

In general, the metallurgical testwork indicates the production of an iron concentrate is possible but the mass yield varies considerably between the various rock types which have been tested. It is necessary that further testwork continues to determine the commercial viability of the mining and beneficiation of all the rocks types tested.

It is possible that further iron mineralization and inferred mineral resources may be delineated at depth. The aim of any future diamond drilling program would be to increase the confidence levels to the mineral resource estimates within both the weathered zone and the fresh rock, as well delineating additional resources in the fresh rock mineralization over wider areas and at greater depths than has been drilled to date.

The iron deposits, as drilled to date, are likely to be amenable to be mined as an open cast operation, which is a method well established in the Brazilian iron industry. Furthermore, as the mineralization extends to surface, the strip ratio in any future open cast mining operation is likely to be low.

The main iron ore producer in Brazil (Vale) recently declared publically that the price of iron ore will be maintained above USD150 per tonne for, at least, five years. Vale also reported that the big iron ore companies, e.g. Vale, BHP and Rio Tinto, may have difficulties meeting the demand from its Asian clients. Other important recent information came from Credit Suisse, which estimated that there may be a deficit of more than 90Mt of iron ore in the market.

The independent qualified person responsible for the mineral resource estimate in this report, as summarized in Table 1.5_1 is Porfirio Cabaleiro Rodriguez, a Mining Engineer 33 years of relevant experience in iron ore resources estimation and mining, involving numerous iron ore properties in Brazil. He is a member of the Australian Institute of Geoscientists ("MAIG") and is independent of Talon as that term is defined in Section 1.5 of the Instrument.

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.

Conclusions and Recommendations

The Trairão Iron Project contains a large prospective tonnage of supergene iron mineralization which to date has been demonstrated mainly in Target Areas 1 to 6 and Area 8, where RC and diamond drilling programs have been undertaken by Talon. Additional large tonnages of iron mineralization in the fresh rock have been drilled at depth.

There are no drill holes indicating the lateral limits of mineralization and indications are that the depth of weathering varies between 50 metres and 100 metres. Within drilling program results, it was possible to analyze the deep mineralized BIF potential and subsequent drilling is necessary to test the depth extension of ore main zone.

In a number of areas drill holes were twinned and these holes show values that correlate between RC drill holes and diamond drill holes that are within acceptable parameters. For the objective of this study, the RC drilling and diamond drilling processes and results adheres industry standards. The data is consistent with the confidence level of key criteria for mineral resources estimation and classification.

The performed density determination test work on core from the diamond drill holes, as well as, *in situ* determinations on field tests, defined and designated appropriate values to lithological units for resource model. The low values at the Coefficient of Variation (CV) show that the mean of density value is also appropriate on the resource estimate. Density values on *in situ* rock ranges from 2.25g/cm^3 to 2.97g/cm^3, and the density on the surficial weathered deposit was determined as1.68g/cm^3.

Coffey Mining considers that this project has met the company's objectives, and with the continuity of the current exploration program, applying diamond drilling, will provide more information related to both the supergene and deeper mineralized material in the fresh rock, as well as, confirming the potential of the area.

Coffey Mining recommends the continuity of the current follow up exploration program and an additional exploration budget to:

- Continue with the ground magnetic surveys over the targeted areas to better understand all the existing target areas and to map the individual iron formations, the surrounding country rocks, geological structure and the saprolite and saprock lithologies overlying the iron formations.
- Continue with the extensive diamond drilling program over the main target areas to improve the confidence levels of the actual mineral resources classification. Diamond drilling will also be used to get more intercepts on the iron formations at depth, to improve confidence level of information in these rock types.
- Complete a topographic survey of the influenced areas (mineralized, furthers possible mined and service areas for further infrastructure including plants, waste dumps, tailings, etc.) to provide detailed information to support further mineral resources and reserves studies. It is necessary to model the Surficial Deposits and to possibly map the depth of weathering relative to the elevation and slope. The topography should consider the adjacencies of the mineralized areas focusing
- Complete the multivariate and other studies to define litho-chemical types to be used in the future modeling and in the selection of metallurgical samples.
- Continue the metallurgical tests to evaluate the feasibility of processing the supergene material, as well as the mineralized fresh rock.
- Continue the current QA/QC program.
- Undertake a trial mining and bulk sampling program.
- Undertake Specialist environmental, infrastructure and logistic studies as well as conceptual mining, engineering, marketing and financial studies

The timing to complete the exploration program presented is estimated at 18 months and it is estimated that the expenditure required for the proposed work program for the period of April

2012 to September 2013, will amount to CDN$15.6 million, as summarized on Table 1.6_1. This budget excludes all corporate and overhead costs.

Coffey Mining has reviewed the proposed exploration program and budget (Table 1.6_1) and concurs this is appropriate for the current status of the project.

Table 1.6_1

Trairão Iron Project

Talon Exploration Schedule and Budget

TRAIRÃO BUDGET SUMMARY		**Total (CDN$)**	**% of Budget**
1	Diamond Drilling	7 768 000	49.8%
2	Assays	2 269 000	14.5%
3	Field Costs	510 000	3.3%
4	Track Access & Surveying	435 000	2.8%
5	Geophysics – Ground	91 000	0.6%
6	Licenses & Permits	47 000	0.3%
7	Legal	145 000	0.9%
8	Travel & Transportation	426 000	2.7%
9	Environmental	230 000	1.5%
10	Mineral Resource Estimates	134 000	0.9%
11	Metallurgy & Mineralogy	448 000	2.9%
12	Specialist Studies	542 000	3.5%
13	Prefeasibility Study	1 075 000	6.9%
14	Data Verification	49 000	0.3%
15	Manpower	1 434 000	9.2%
16	**Gross Project Costs**	**15 603 000**	**100%**

EXHIBIT II

CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF TALON METALS CORP.

(Initially adopted by the Board of Directors on April 20, 2005; last amended March 12, 2010)

I. PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the "**Board of Directors**") of Talon Metals Corp. (the "**Corporation**"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the financial accounting and reporting process and internal controls for the Corporation by:

- reviewing the financial reports and other financial information before such reports and other financial information is provided by the Corporation to any governmental body or the public;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and
- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Part III of this Charter. The Audit Committee's primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Corporation's management which is responsible for preparing the Corporation's financial statements and it is the Corporation's external auditors which are responsible for auditing those financial statements.

II. COMPOSITION AND MEETINGS

The Audit Committee is to be comprised of such number of directors (but at least three) as determined by the Board of Directors, all of whom must be "independent" directors (as such term is defined in Schedule "A"). All members of the Audit Committee must, to the satisfaction of the Board of Directors, be "financially literate" (as such term is defined in Schedule "A").

The members of the Audit Committee must be elected by the Board of Directors at the annual organizational meeting of the Board of Directors and serve until their successors are duly elected. Unless a Chairman is elected by the full Board of Directors, the members of the Audit Committee may designate a Chairman by majority vote of the full Audit Committee membership.

The Audit Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to the filing of quarterly financial statements to review and discuss the unaudited financial results for the preceding quarter and the related management discussion & analysis ("**MD&A**") and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

As part of its role in fostering open communication, the Audit Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their oversight related duties, members of the Audit Committee are to be provided with full access to all corporate information and are to be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and external auditors of the Corporation.

A quorum for the transaction of business at any meeting of the Audit Committee is (the presence in person or by telephone or other communication equipment of) a simple majority of the total number of members of the Audit Committee or such greater number as the Audit Committee may by resolution determine. If within one hour of the time appointed for a meeting of the Audit Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Should a vacancy arise among the members of the Audit Committee, the remaining members of the Audit Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Audit Committee are to be held from time to time at such place as the Audit Committee or the Chairman of the Audit Committee may determine, within or outside the British Virgin Islands (other than in Canada), upon not less than three days' prior notice to each of the members. Meetings of the Audit Committee may be held without three days' prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chairman of the Audit Committee, any member of the Audit Committee, the Chairman of the Board of Directors, the Corporation's external auditors, or the Chief Executive Officer, Chief Financial Officer or Secretary of the Corporation is entitled to request that the Chairman of the Audit Committee call a meeting. A notice of the Audit Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Audit Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Audit Committee will require the vote of a majority of its members present at a meeting at which quorum is present. Action of the Audit Committee may be taken by an instrument or instruments in writing signed by all of the members of the Audit Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

Generally

1. Create an agenda for the ensuing year.

2. Review and update this Charter at least annually, prepare revisions to its provisions where conditions so dictate and submit such proposed revisions to the Board of Directors for approval.

3. Describe briefly in the Corporation's annual report and more fully in the Corporation's management information circular or its annual information form ("**AIF**") the Audit Committee's composition and responsibilities and how they were discharged, and otherwise assist management in providing the information required by applicable securities legislation (including the form requirements under National Instrument 52-110) in the Corporation's AIF.

4. Report periodically to the Board of Directors.

5. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and compensate independent counsel, accountants and other professionals to assist it in the performance of its duties as it deems necessary.

6. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

Documents/Reports Review

7. Review the Corporation's interim and annual financial statements, results of audits as well as all interim and annual MD&A and interim and annual earnings press releases prior to their publication and/or filing with any governmental body, or the public.

8. Review policies and procedures with respect to directors' and senior officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors, based on terms of reference agreed upon by the external auditors and the Audit Committee.

9. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure addressed in paragraph 7 of this part, and periodically assess the adequacy of such procedures.

10. Review the audited annual financial statements to satisfy itself that they are presented in accordance with general accepted accounting principles.

11. Provide insight to related party transactions entered into by the Corporation.

External Auditors

12. Recommend to the Board of Directors the selection of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. Instruct the external auditors that the Board of Directors, as the shareholders' representative, is the external auditors' client.

13. Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors and discussing and resolving any material differences of opinion between management and the external auditors.

14. Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Corporation to determine their independence.

15. Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiaries by the external auditors.

16. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.

17. Periodically consult with the external auditors out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Corporation's

financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

18. Ensure that the external auditors report directly to the Audit Committee, ensure that significant findings and recommendations made by the external auditors are received and discussed with the Audit Committee on a timely basis and arrange for the external auditors to be available to the Audit Committee and the full Board of Directors as needed.

19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's external auditors.

Financial Reporting Processes

20. In consultation with the external auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.

21. Consider the external auditors' judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices.

22. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

24. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit Committee may deem desirable.

25. Following completion of the annual audit and quarterly reviews, review separately with management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit and reviews

26. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.

27. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.

28. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.

29. Review activities, organizational structure, and qualifications of the Corporation's Chief Financial Officer and staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the full Board of Directors.

Ethical and Legal Compliance

30. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

31. Review and update periodically a code of business conduct and ethics (the "**Code of Conduct**") and ensure that management has established a system to enforce the Code of Conduct. Review appropriateness of actions taken to ensure compliance with the Code of Conduct and to review the results of confirmations and violations thereof.

32. Review management's monitoring of the Corporation's systems in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

33. Review, with the Corporation's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the Corporation's financial statements.

Risk Management

34. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditors' opinion of management's assessment of significant financial risks facing the Corporation and how effectively such risks are being managed or controlled.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Currency of Charter

35. This charter was last revised and approved by the Board of Directors on March 12, 2010.

Schedule "A"

Independence and Financial Literacy

Independence Requirement of National Instrument 52-110

National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") provides, in effect, that a member of the Audit Committee is "**independent**" if that member has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of such member's independent judgment.

*Section 1.4 of NI 52-110 provides that the following individuals are considered to have a "**material relationship**" with the Corporation and, as such, would not be considered independent:*

(a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;

(c) an individual who: (i) is a partner of a firm that is the Corporation's internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual: (i) is a partner of a firm that is the Corporation's internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

Section 1.5 of NI 52-110 provides that despite any determination made under section 1.4 of NI 52-110, an individual who

(i) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her own capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(ii) is an affiliated entity of the Corporation or any of its subsidiary entities, is considered to have a material relationship with the Corporation.

For purposes of determining whether or not a member has a material relationship with the Corporation, the terms set out below shall have the following meanings:

"**affiliated entity**" - a person or company is considered to be an affiliated entity of another person or company if (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or (b) the person is an individual who is (i) both a director and an employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity;

"**company**" - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

"**control**" - the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise;

"**executive officer**" of an entity - means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

"**immediate family member**" – an individual's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual's immediate family member) who shares the individual's home;

"**person**" - an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative; and

"**subsidiary entity**" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

Financial Literacy

NI 52-110 provides that a director will be considered "**financially literate**" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.