TALON METALS CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2014

Dated: November 14, 2014

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*This Management's Discussion and Analysis ("**MD&A**") of the consolidated financial position for the three and nine months ended September 30, 2014, should be read in conjunction with the condensed consolidated interim financial statements of Talon Metals Corp. ("**Talon**" or the "**Company**") and notes thereto for the three and nine months ended June 30, 2014.*

Unless otherwise indicated, all monetary statements in this document are in Canadian dollars.

FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking information". All information, other than information pertaining to historical fact, which addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, including, among other things, the exploration plans for the Tamarack Project (defined below) and announcements of exploration results, estimates in respect of mineral resource quantities, mineral resource qualities, the preparation of mineral resource estimates and the timing thereof, the Company's targets, goals, objectives and plans, the potential for lump and/or sinter at the Trairão Project (defined below), the potential for further metallurgical and mineralogical results on the basis of further testing, the Company's business plans, priorities and budget, the Company's plans to no longer focus on new project evaluation and the costs associated therewith, projections in respect of capital expenditures (including, expenditures and the timing associated with those expenditures pursuant to the Tamarack Earn-in Agreement (defined below)), the Company's liquidity and capital resources (including, the Company's plans to raise additional capital and any plans to dispose of marketable securities).

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. With respect to forward-looking information contained in this MD&A, the Company has made assumptions regarding, among other things, future currency and interest rates, the regulatory framework (including tax and trade laws and policies) in the countries in which the Company conducts its business, and the Company's ability to obtain suitably qualified staff and equipment in a timely and cost-efficient manner to meet the Company's needs.

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: the failure of exploration programs to identify mineralization, the failure to establish estimated mineral resources and any reserves; the grade, quality and recovery of mineral resources varying from estimates; risks related to the exploration stage of the Company's properties; the possibility that future exploration results and metallurgical testing will not be consistent with the Company's expectations; changes in nickel, copper, platinum and/or iron-ore prices; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities, including approval of applications for licences/permits required to conduct field based programs and approval of environmental impact assessment applications; uncertainties involved in interpreting drilling results, and the beneficiation process and other geological and product related data; changes in the anticipated demand for nickel, copper, platinum, iron and/or steel; 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; exploration costs varying significantly from estimates; delays in the exploration, mineral processing 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 and to a lesser extent the United States; delays or cancellation to proposed infrastructure upgrades in Brazil; imprecision in preliminary resource estimates; 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 or the Tamarack Project; changes in government regulations and policies (including proposed changes to Brazilian mining legislation); 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 MD&A under *"Risks and Uncertainties"*.

Forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

The mineral resource figures referred to in this MD&A 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, beneficiation tests 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 MD&A 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.

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2013, is available on SEDAR *at* www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected quarterly consolidated financial information for the periods ending as indicated. It is derived from the unaudited interim consolidated financial statements and the audited annual consolidated financial statements of the Company. All numbers below are unaudited.

	2014			2013				2012
	Sept 30	**June 30**	**March 31**	**Dec 31**	**Sept 30**	**June 30**	**March 31**	**Dec 31**
Total revenues	10,550	12,551	15,155	16,049	19,623	21,028	18,838	19,740
Net income/(loss) from continuing operations	(901,190)	(981,569)	19,082	(1,690,268)	(584,886)	(3,600,421)	(1,294,104)	(13,679,030)
Net income/(loss) from continuing operations per share – basic and diluted	(0.01)	(0..01)	(0.00)	(0.02)	(0.01)	(0.04)	(0.01)	(0.15)
Net income/(loss) and comprehensive income/(loss)	(901,190)	(981,569)	19,082	(1,690,268)	(584,886)	(2,405,059)	(1,615,645)	(13,738,421)
Net income/(loss) and comprehensive income/(loss) per share – basic and diluted	(0.01)	(0.01)	(0.00)	(0.02)	(0.01)	(0.03)	(0.02)	(0.15)

Quarterly trends in total revenues reflect in most part interest received on cash balances. Trends in quarterly expenses are driven primarily by office and general expenses and salaries, benefits, consulting and management fees. Generally, the most variable component of total expenses over the past eight quarters has been stock option compensation payment expense, gains/losses on investments and foreign currency translation gains/losses.

REVIEW OF QUARTERLY RESULTS

Certain amounts in the condensed consolidated interim statements of loss and comprehensive loss have been reclassified to conform to the current year's presentation and, as such, the discussion that follows below takes into account such reclassification. Specifically, certain amounts from office and general expenses; professional fees; salaries, benefits, consulting and management fees; and travel have been reclassified into project evaluation and due diligence expenses. Please also refer to Note 9 in the Company's condensed consolidated interim financial statements for further details of this reclassification.

Revenue

Revenue is comprised solely of interest income on the Company's cash and cash equivalents balance. Revenues for the three months ended September 30, 2014 decreased to $10,550 (nine months ended September 30, 2014 - $38,256) compared to $19,623 for the three months ended September 30, 2013 (nine months ended September 30, 2013 - $59,489), primarily due to the decrease in the Company's cash and cash equivalents balance.

Expenses

There was a small increase to salaries, benefits, consulting and management fees to $246,098 for the three months ended September 30, 2014 from $210,921 for the three months ended September 30, 2013, partially as a result of small bonuses of $15,000 paid to each of the CEO and President of the Company for successfully securing a deal with Kennecott (defined below) in respect of the Tamarack Project. For the nine month period ended September 30, 2014 compared to the nine month period ended September 30, 2013, this amount decreased slightly from $559,538 to $546,662.

The Company continues to undertake cost-cutting measures where possible. This has included a voluntary reduction of the salaries of seven of the Company's senior employees, including the CEO, President and CFO, effective January 1, 2014, and in the case of the CFO, February 1, 2014. The salary reductions ranged from 10% to 50%.

During the three months ended September 30, 2014, the Company issued warrants to a consultant (in lieu of cash compensation) with a fair value of $33,552.

Professional fees increased from $17,155 and $105,567 for the three and nine month periods ended September 30, 2013, respectively, to $110,348 and $155,149 for the three and nine months ended September 30, 2014, respectively. Auditor and legal fees are the major components of the professional fees expense. The increase in the third quarter of this year was the result of the use by the Company of necessary external legal and accounting advice in connection with the Company's recently closed financing and matters related to the acquisition and ongoing continuous disclosure requirements in respect of the Tamarack Project, including US tax planning and the preparation of a technical report prepared in accordance with National Instrument 43-101. As part of ongoing cost-cutting measures, the Company continues to perform legal work in-house whenever possible.

Office and general expenses were reasonably consistent for the three and nine months ended September 30, 2014 compared to the same periods in the prior year.

Project evaluation and due diligence expenses decreased to approximately nil for the three months ended September 30, 2014 from $0.8 million for the same period in the prior year. The decrease was due to the fact that Company is currently focusing on the Tamarack Project and the Trairão Project. For the nine month period ended September 30, 2014, project evaluation and due diligence expenses decreased from $1.8 million to $1.0 million in the same period in the prior year.

Costs associated with property payments and licenses decreased for both the three and nine months ended September 30, 2014 compared to the prior year as a result of the Company's decision to not renew licenses on non-core properties.

Stock option compensation payments were higher for the three months ended September 30, 2014 ($188,418) compared to the three months ended September 30, 2013 ($134,781) as a result of option issuances during Q3 2014. There was a decrease for the nine months ended September 30, 2014 (296,466) compared to the prior year (462,811). The decrease was the result of (i) fewer options being granted in 2014 compared to prior periods, and (ii) a decreased amortization expense in respect of options granted in previous periods. Beginning in 2012, the Company began issuing the majority of options with vesting provisions (generally, over the course of two year periods, and in some instances, with earlier vesting occurring should certain thresholds in the price of the Company's shares be met) rather than having them vest on the date of grant, which had historically been the case. Vesting of options was enacted in order to better align the interests of employees with the interests of shareholders by incentivizing employees to stay with the Company longer-term, as well as by aligning compensation to share performance. From an accounting standpoint, this practice means that option grants that are subject to vesting are amortized over the course of the vesting period rather than being fully expensed in the quarter in which they are granted. As such, the stock option compensation payment expense for the current periods takes into account options which are subject to vesting that were granted in 2013 and are being amortized. The issuance of options subject to vesting is expected to continue.

When the Company distributed most of its Rio Verde Minerals Development Corporation ("**Rio Verde**") shares to its shareholders on July 28, 2011, the Company retained certain of these shares with the intention to distribute them to its option holders as at that date, upon the future exercise of their options on the basis of one Rio Verde share for every four Talon options exercised. For the three and nine months ended September 30, 2014 and September 30, 2013, the Company recorded gains on the provision for distribution of Rio Verde shares to option holders. This was a result of certain of the associated Talon options having expired or being cancelled, offset, in some cases, by a higher Talon share price. A higher Talon share price has the effect of increasing the liability as it increases the probability that certain of the associated Talon options will be exercised.

Investments

Foreign currency translation gain/loss was a gain of $213,361 for the three months ended September 30, 2014 compared to a loss of $160,639 for the same period in the previous year. For the nine months ended September 30, 2014, and 2013 there were gains of $222,215 and $184,710, respectively. This balance is highly variable due to the volatility of exchange rates and the Company's relatively large, but decreasing, cash balance. Gains occur when the U.S. dollar strengthens (which has been the case recently), as the Company, at the end of the most recent quarter, held approximately half of its cash and cash equivalents in U.S. dollars.

The gain/loss on investments was a gain of $84,840 for the three months ended September 30, 2014 compared to a gain of $73,830 for the three months ended September 30, 2013. For the nine months ended September 30, 2014, there was a gain of $189,629 compared to a loss of $396,101 for the nine months ended September 30, 2013. The gains and losses are mainly attributable to the Company's shareholding in TSX Venture Exchange listed Brazil Resources Inc. ("**Brazil Resources**").

The Company's share of loss in Tlou Energy Limited ("**Tlou Energy**") decreased to nil in 2014 from $225,470 for the nine months ended September 30, 2013 because the Company changed the accounting of its Tlou Energy investment from the equity method to a financial instrument classified as held-for-trading in accordance with IFRS. The change was a result of the Company no longer having significant influence over Tlou Energy. In particular, the Company's ownership in Tlou Energy decreased to less than 20% in the second quarter of 2013. Assuming the Company's shareholding interest in Tlou Energy remains below 20%, the investment in Tlou Energy will continue to be accounted for as a portfolio investment with mark-to-market gains and losses being reported on the condensed consolidated statements of loss and comprehensive loss.

The Company had a loss related to its investment in Tlou Energy for the three months ended September 30, 2014 of $214,873 and a gain on the investment for the nine months ended September 30, 2014 of $295,622. This compares to a gain of $966,910 for the three months ended September 30, 2013 and a loss of $465,694 for the nine months ended September 30, 2013. This amount is volatile as it relates to the increase and decrease in the value of shares of Tlou Energy on the Australian Securities Exchange ("**ASX**") coupled with a discount applied by the Company given that the shares are subject to the ASX Escrow (defined below). The Company continues to decrease the amount of the discount as the period remaining on the ASX Escrow decreases.

Net Income

Net loss for the three months ended September 30, 2014 was $0.9 million or $0.01 per share (basic and diluted), which was primarily the result of administration expenses[1] and stock option compensation payments. This compares to a loss of $0.6 million for the three months ended September 30, 2013 or $0.01 per share (basic and diluted), which was primarily due to administration expenses[1], project evaluation and due diligence expenses offset by a large gain related to the investment in Tlou Energy.

Net loss for the nine months ended September 30, 2014 was $1.9 million or $0.02 per share (basic and diluted), which was primarily the result of administration expenses[1], project evaluation and due diligence expenses and stock option compensation payments. This compares to a loss of $5.5 million for the nine months ended September 30, 2013 or $0.06 per share (basic and diluted), which was primarily due to administration expenses[1], project evaluation and due diligence expenses and investment losses on portfolio investments and Tlou Energy.

COMPANY OVERVIEW

The Company is a mineral exploration company focused on the exploration and development of the Tamarack nickel-copper-platinum project (the "**Tamarack Project**") in Minnesota, USA and the Trairão iron project (the "**Trairão Project**") in Brazil. As of the date hereof, the only material properties of the Company are the Tamarack Project and the Trairão Project.

Tamarack Project

On June 25, 2014, Talon's wholly owned indirect subsidiary, Talon Nickel (USA) LLC, entered into an exploration and option agreement (the "**Tamarack Earn-in Agreement**") with Kennecott Exploration Company, part of the Rio Tinto Group ("**Kennecott**"), pursuant to which Talon has the right to acquire a stake in the Tamarack Project. The Tamarack Project is currently 100%

[1] "administration expenses" include the following expenses: Office and General; Professional Fees; Salaries, Benefits, Consulting and Management Fees; Provision for Distribution of Rio Verde Shares to Option holders; Listing and Filing Expense; and Depreciation of Equipment.

owned by Kennecott. It is subject to earn-in by Talon pursuant to the Tamarack Earn-in Agreement.

The Tamarack Project is located adjacent to the town of Tamarack in north-central Minnesota approximately 85 km west of Duluth and 200 km north of Minneapolis.

The Tamarack Igneous Complex ("**TIC**"), which sits within the Tamarack Project boundaries, is a mafic and ultramafic intrusion that is associated with the early evolution of the failed, Midcontinental Rift (dated at 1105ma +/- 1.2). This age is significantly older than the Duluth Complex Intrusions which consistently date at 1099ma and is consistent with other earlier intrusions of the Midcontinental Rift that are often characterised by more primitive melts.

The TIC has intruded into Thomson Formation siltstones and sandstones of the Animikie Group and is preserved beneath shallow Quaternary glacial sediments. The geometry of the TIC, as outlined by the well-defined aeromagnetic anomaly, consists of a curved elongated intrusion striking north-south to south-east over 18 km which has been described as tadpole shaped with its elongated northern tail up to 1 km wide (the "**Tamarack North Project**") and large ovoid shaped body in the south which is over 4 km wide (the "**Tamarack South Project**").

To date, exploration by Kennecott has included diamond drilling and a range of geophysical surveys, including, Aeromagnetic and EM, ground magnetic and EM, VTEM, IP, gravity, seismic, MALM and downhole EM.

Kennecott's historical exploration programs (i.e. those completed prior to the date of the Tamarack Earn-in Agreement) yielded adequate data to compile an initial independent mineral resource estimate on part of the Tamarack North Project. The independent mineral resource estimate for the Tamarack North Project was prepared by Brian Thomas (P.Geo), Senior Resource Geologist at Golder Associates Ltd. ("**Golder**") and is summarized below. The effective date of the resource estimate is August 29, 2014. Mr. Thomas is an independent "Qualified Person" pursuant to National Instrument 43-101.

Domain	**Classification**	**Tonnes** (000)	**Ni** (%)	**Cu** (%)	**Co** (%)	**Pt** (g/t)	**Pd** (g/t)	**Au** (g/t)	***NiEq** (%)
SMSU	Indicated	3,751	1.81	1.00	0.05	0.41	0.25	0.19	2.35
SMSU	Inferred	949	1.12	0.62	0.03	0.25	0.16	0.14	1.47
MSU	Inferred	158	5.25	2.47	0.11	0.66	0.44	0.22	6.42
138 Zone	Inferred	2,012	0.95	0.78	0.03	0.23	0.14	0.17	1.33
Total	**Indicated**	**3,751**	**1.81**	**1.00**	**0.05**	**0.41**	**0.25**	**0.19**	**2.35**
Total	**Inferred**	**3,119**	**1.22**	**0.82**	**0.03**	**0.26**	**0.16**	**0.16**	**1.63**

All resources are reported above a 0.9% NiEq cut-off.
Mining recovery and dilution factors have not been applied to the estimates.
Tonnage estimates are rounded down to the nearest 1,000 tonnes.
Estimates do not include metallurgical recovery.

NiEq% = Ni%+ Cu% x 2.91/9.20 + Co% x 14/9.20 + Pt [g/t]/31.103 x 1,400/9.2/22.04 + Pd [g/t]/31.103 x 600/9.2/22.04 + Au [g/t]/31.103 x 1,300/9.2/22.04

On October 6, 2014, Talon released a technical report prepared in accordance with NI 43-101 to support the disclosure of the initial resource estimate on the Tamarack North Project. The technical report is entitled "First Independent Technical Report on the Tamarack North Project, Tamarack, Minnesota" dated October 6, 2014 ("**Tamarack Technical Report**") and was prepared by independent "Qualified Persons" Brian Thomas (P. Geo) of Golder, Paul Palmer (P. Eng) of Golder and Manochehr Oliazadeh Khorakchy (P. Eng) of Hatch Ltd. Please refer to the Tamarack Technical Report for further information. The Tamarack Technical Report is available under Talon's SEDAR profile at www.sedar.com.

Pursuant to the Tamarack Earn-in Agreement, Talon has the right to acquire a 30% interest in the Tamarack Project over a three year period (the **"Earn-in Period"**) by making US$7.5-million in installment payments to Kennecott, and incurring US$30-million in exploration expenditures (the **"Tamarack Earn-in Conditions"**), in accordance with the following schedules:

Talon Payments to Kennecott

Payment Date	Amount	Term of Payment
Upon Signature	US$1,000,000	Paid
First Anniversary	US$2,500,000	Talon's Option
Second Anniversary	US$4,000,000	Talon's Option
Total	**US$7,500,000**	

Exploration Expenditures to be funded by Talon

Payment Period	Payments to be Made	Term of Payment	Amount Paid
Year 1	US$10,000,000	Committed	US$4,600,000[1]
Year 2	US$10,000,000	Talon's Option	–
Year 3	US$10,000,000	Talon's Option	–
Total	**US$30,000,000**		

In addition to the above, Talon has agreed to make certain land option payments on behalf of Kennecott, which may also be payable over the Earn-in Period (and, if payable, are included as part of the Tamarack Earn-in Conditions).

If at any point prior to expending the total earn-in funds pursuant to the Tamarack Earn-in Conditions, Talon elects not to continue with the Tamarack Project, it will earn no interest in the Tamarack Project and all funds expended will not be refunded.

During the Earn-in Period, Kennecott will continue to be the operator of the Tamarack Project. Further, Talon and Kennecott have agreed to form a Technical Committee with both parties appointing representatives who will provide strategic input in regards to ongoing and upcoming exploration programs.

Upon Talon completing the Tamarack Earn-in Conditions and Kennecott having spent the funds advanced by Talon within the time period provided for under the Tamarack Earn-in Agreement, Kennecott will elect whether to: (a) proceed with a 70/30 joint venture on the Tamarack Project,

[1] As at the date of the date hereof.

with Kennecott holding a 70% participating interest, and Talon owning a 30% participating interest; or (b) grant Talon the right to purchase Kennecott's interest in the Tamarack Project for a purchase price of US$107.5-million. In the event Kennecott grants Talon the right to purchase its interest in the Tamarack Project, and Talon elects to proceed with the purchase option, Talon will have up to 18 months to close the transaction, provided it makes an upfront non-refundable payment to Kennecott of US$7.5-million (thereby reducing the purchase price to US$100-million).

Work Completed/Expenditures – Tamarack Project

During the third quarter of 2014, Talon incurred a total of approximately $3.9 million in respect of the Tamarack Project, including pursuant to its obligations under the Tamarack Earn-in Agreement. This amount consisted of costs related to exploration expenditures of $3.1 million and land option payments of $0.8 million.

Upcoming Work – Tamarack Project

As previously announced by the Company, on August 6, 2014 the 2014 drilling program commenced at the Tamarack Project. The program includes the drilling of up to 12 holes totalling approximately 8,500 meters. Drilling remains ongoing at the Tamarack Project, however the Company anticipates that it will be in a position to announce some or all of the results before the end of the year.

The Company expects to spend approximately $3.9 million in the fourth quarter of 2014 in respect of the Tamarack Project, including pursuant to its obligations under the Tamarack Earn-in Agreement.

Kennecott and Talon are already planning the next phase of exploration at the Tamarack Project. This exploration program is expected to commence during the first quarter of 2015.

Trairão Project

In September 2010, Talon acquired 100% of the rights to the Trairão Project, as well as to another iron ore project, the Inajá South iron project (the "**Inajá South Project**"), both situated in Pará State, Brazil. Talon acquired these projects pursuant to agreements with Codelco do Brasil Mineração Ltda and Barrick International (Barbados) Corp.

Pará State is one of the more recently developed iron ore producing districts in Brazil. The principal iron ore mines in the region are at Carajás, about 150 kilometres to the north of the Trairão Project. Exploration for iron ore by other companies continues both to the south and north of the Trairão Project.

The initial RC and diamond drilling programs have been completed at the Trairão Project. Pursuant to this initial drilling campaign, 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.

In March 2012, Talon reported an updated inferred mineral resource estimate and an initial indicated mineral resource estimate for Target Areas 1 to 6 as well as for Target Area 8 on the Trairão Project of approximately 1.4 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									

Talon's independent technical consultants, Coffey Mining Pty Ltd. ("**Coffey**"), under the supervision of Mr. Porfírio Cabaleiro Rodriguez, who is a "qualified person" under NI 43-101, prepared a NI 43-101 compliant technical report incorporating these results entitled "Fourth Independent Technical Report on Mineral Resources" dated March 30, 2012 (the "**Trairão Technical Report**").

Please refer to Talon's March 2, 2012 press release entitled "Talon Metals Announces Substantial Increase to Mineral Resources at the Trairão Iron Project, Brazil" as well as the Trairão Technical Report for further information on the Trairão Project. The press release and the Trairão Technical Report are available under Talon's SEDAR profile at www.sedar.com.

On September 27, 2012 and November 22, 2012, the Company issued press releases entitled "Talon Metals Provides Operational Update on its Trairão Iron Project" and "Talon Metals Reports Positive Metallurgical Results for the Trairão Iron Project, Brazil" (the "**Update Press Releases**") which, among other things, provided updates on work completed by the Company on the Trairão Project, including further mineralogical and metallurgical test work. Please refer to the Update Press Releases available under Talon's SEDAR profile at www.sedar.com for further information.

In addition, on March 25, 2013, the Company issued a press release entitled "Talon Metals Announces Lump and Sinter Feed Potential at the Trairão Iron Project, Brazil" which expanded on the Update Press Releases regarding the potential for a high grade, near surface resource that may be amenable to producing direct shipping ore from the Trairão Project. Please refer to this press release which is available under Talon's SEDAR profile at www.sedar.com for further information.

Work Completed/Expenditures – Trairão Project

A total of approximately $227,000 was spent by Talon on the Trairão Project during the third quarter of 2014. This amount was comprised primarily of salaries, site maintenance costs, exploration expenditures and license fees.

Upcoming Work – Trairão Project

The Company continues to believe that there is potential for lump and/or sinter production from the Trairão Project. Consequently, in late 2013, the Company engaged with potential purchasers of lump and sinter in order to assess the likelihood of being able to profitably sell lump and/or sinter from the Trairão Project in the near future. The Company's dialogue with potential purchasers of lump and sinter, including the potential off-taker mentioned in previous disclosure of the Company, remains ongoing.

The Company expects to spend a total of approximately $300,000 during the fourth quarter of 2014 and first quarter of 2015 on the Trairão Project.

New Project Evaluation

As previously disclosed, given that Talon is focusing on both the Tamarack Project and the Trairão Project, in the third quarter of 2014, the Company did not spend a material amount on project evaluation and due diligence.

Investments

Talon holds equity investments in a number of other public companies, including 548,936 common shares in Brazil Resources (the successor company to Brazilian Gold Corporation) and 500,000 common shares in Lago Dourado Minerals Ltd., both of which are listed on the TSX Venture Exchange.

In addition, Talon holds a total of 14,285,714 shares in ASX listed Tlou Energy. In accordance with the rules of the ASX, all of Talon's current holding of Tlou Energy shares are subject to a mandatory two year escrow period (the "**ASX Escrow**"). The ASX Escrow began on the date of Tlou Energy's listing in April 2013.

Talon also holds options to purchase an aggregate of 4,945,055 Tlou Energy shares at an exercise price of A$1.25 each, exercisable until May 9, 2015 (the "**Tlou Options**"). All of the Tlou Options are also subject to the ASX Escrow. Talon may not exercise or transfer any Tlou Options until the ASX Escrow has expired.

Qualified Persons

James McDonald, Vice President, Resource Geology of Talon and Mike Shaw, Vice President, Exploration of Talon are both Qualified Persons within the meaning of National Instrument 43-101. Mr. McDonald and/or Mr. Shaw has reviewed, approved and verified the data disclosed in this MD&A (other than the mineral resource estimates in respect of the Tamarack Project and Trairão Project), including sampling, analytical and test data underlying the technical information.

The "Qualified Person", as such term is defined in NI 43-101, who is responsible for the Tamarack Technical Report is Brian Thomas, senior resource geologist at Golder and independent of Talon. Mr. Thomas is responsible for the mineral resource estimates in this MD&A relating to the Tamarack Project and has reviewed, approved and verified the data disclosed in this MD&A relating to the Tamarack Project mineral resource estimates (including sampling, analytical and test data underlying the mineral resource estimates).

The "Qualified Person", as such term is defined in NI 43-101, who is responsible for the Trairão Technical Report is Porfírio Cabaleiro Rodriguez, who is a mining engineer, independent of Talon and an employee of Coffey. Mr. Rodriguez is responsible for the mineral resource estimates in this MD&A relating to the Trairão Project and has reviewed, approved and verified the data disclosed in this MD&A relating to the Trairão Project mineral resource estimates (including sampling, analytical and test data underlying the mineral resource estimates).

CAPITAL EXPENDITURES ON EXPLORATION PROJECTS

The deferred exploration and development expenditures of the Company are comprised as follows:

	Dec 31, 2013	2014 Net Additions	Sept 30, 2014
Mineral properties			
Tamarack Project	$nil	$5,815,783	$5,815,783
Trairão Project	$17,558,890	$343,742	$17,902,632
Inaja South Project	1,153,515	$12,538	$1,166,053
	$18,712,405	$6,172,063	$24,884,468

Amounts incurred on the exploration of mineral properties for the three months ended September 30, 2014 and 2013, amounted to $4.3 million and $0.2 million, respectively.

Exploration expenditures incurred for the three months ended September 30, 2014 are a result of spending on the Tamarack Project and, to a small extent, the Trairão Project.

FINANCIAL INSTRUMENTS

	Sep 30, 2014	Sep 30, 2013	Dec 31, 2013
Held for trading, measured at fair value: Cash and cash equivalents	$7,439,076	$15,980,010	$14,852,876
Investments	$474,096	$329,149	$284,468
Investment – Tlou Energy	$3,020,768	$2,880,000	$2,725,146

Talon is exposed to various risks related to its financial assets and liabilities. The most significant of these risks are discussed below and are managed on an ongoing basis.

Credit Risk Management

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

Credit risk relating to accounts receivable arises from the possibility that any counterparty to an instrument fails to perform. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and cash equivalents and receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at reasonable cost. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures.

As of September 30, 2014, the Company had a cash and cash equivalents balance of $7,439,076 (December 31, 2013 - $14,852,876) to settle current liabilities of $1,602,670 (December 31, 2013 - $834,958).

In order to meet future funding of the Tamarack Earn-in Conditions and for working capital, including salaries and other administrative/overhead costs, the Company will need to raise additional capital. On November 6, 2014, the Company completed a private placement for aggregate gross proceeds of $4.4 million. The Company expects to raise capital in the first half of 2015. Although the Company has been successful in raising additional funds to date, there can be no assurance that adequate or sufficient funding will be available or available on terms acceptable to the Company to meet the Company's commitments. Historically, the Company's main source of funding has been the issuance of equity securities for cash. The Company's access to such funding is always uncertain and this is particularly true in the current uncertain global financial markets, which may continue to be characterised by significant reductions in liquidity and access to capital.

Market Risk

Market risk is the risk that changes in market prices, including foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

The Company records its investments using the closing price at the end of the reporting period. Changes in the closing price will affect the fair value of these investments.

A 5% change in the value of the Company's investments on the last day of the period with all other facts/assumptions held constant, would have affected the net income (loss) of the Company for the period ended September 30, 2014, by approximately $175,000.

Foreign Exchange Risk

The Company is exposed to movements in the United States dollar and the Brazilian real. Payments made to Kennecott pursuant to the Tamarack Earn-in Conditions are made in United States dollars and transfers made to the Brazilian subsidiaries of the Company are made in United States dollars or Canadian dollars and subsequently converted in Brazil to Brazilian reals. To date, Talon's financing activities have generally only been in Canadian dollars. Talon manages its foreign exchange risk, to the extent possible, by only undertaking currency exchanges on an as-needed basis and maintaining minimal and/or prudent balances in foreign currencies.

At September 30, 2014, the Company had net monetary assets and liabilities in foreign currencies, as follows (Canadian dollar equivalent):

United States dollars	$3,578,695
Brazilian real	$ 47,182

If foreign exchange rates changed by 5% on the last day of the period with all other facts/assumptions held constant, there would be a change in the net income (loss) of the Company for the period ended September 30, 2014 by approximately $180,000.

Interest Rate Risk

The Company is exposed to interest rate risk only to the extent of its interest income on holding of government treasury bills, money market funds and GICs. These are typically short-term investments with a term of less than ninety days. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company mitigates its risk by holding its short-term investments in instruments low in risk and highly rated with reputable financial institutions. The Company has no interest bearing debt.

The carrying values of the Company's financial instruments approximate their fair values unless otherwise noted.

The Company's financial instruments are classified as current assets or liabilities on the statement of financial position of the Company. For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Fair Value Hierarchy

The fair value hierarchy establishes three levels to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices). Level 3 inputs are unobservable (supported by little or no market activity), such as non-corroborative indicative prices for a particular instrument provided by a third party.

The Company has classified its financial assets and liabilities as follows:

Level 1	
Cash and cash equivalents	$ 7,439,076
Investments	$ 474,096
Level 2	
None	
Level 3	
Investment in Tlou Energy	$ 3,020,768

A loss on investments for Q3 2014 of $0.3 million (Q3 2013 – $0.1 million) has been recognized in the Company's condensed consolidated interim statements of loss and comprehensive loss. This relates to the revaluation of investments based on the closing bid price of the investments at the end of each quarter and any realized gains or losses.

FINANCIAL CONDITION, CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Highlights

	Nine months ended September 30, 2014 (unaudited)	Nine months ended September 30, 2013 (unaudited)	Year ended Dec 31, 2013
Operating activities	$(1,955,845)	$(2,808,652)	$(3,851,334)
Investing activities	(5,457,955)	2,302,933	2,218,481
Financing activities	-	-	-
Increase/(decrease) in cash & cash equivalents	(7,413,800)	(505,719)	(1,632,853)
Beginning cash & cash equivalents	14,852,876	16,485,729	16,485,729
Ending cash & cash equivalents	7,439,076	15,980,010	14,852,876

Operating Activities

Operating activities for the nine months ended September 30, 2014 consumed $2.0 million of cash primarily due to net operating expenses. This compares to a utilization of $2.8 million in the same period of last year which was also primarily due to net operating expenses. See *"Review of Quarterly Results*" for a discussion of operating expenses.

Operating activities for the year ended December 31, 2013 consumed $3.9 million primarily due to net operating expenses.

Investing Activities

Investing activities for the nine months ended September 30, 2014 consumed $5.4 million compared to a source of cash flow of $2.3 million for the same period in the prior year. In 2014, this was primarily due to capitalized exploration costs, while in 2013 the Company received proceeds of $3.2 million from the sale of (i) shares of Tlou Energy and Rio Verde, and (ii) equipment.

Investing activities for the year ended December 31, 2013 generated $2.2 million primarily due to proceeds from the sale of (i) shares of Tlou Energy and Rio Verde, and (ii) equipment. This amount was partially offset by capitalized exploration costs.

In the short term, the Company may dispose of certain marketable securities.

Financing Activities

There were no financing activities during the nine month period ended September 30, 2014 and 2013 and during the year ended December 31, 2013.

On November 6, 2014, the Company closed a bought deal private placement offering (the "**Offering**"). Pursuant to the Offering, the Company issued a total of 14,755,450 units (the "**Units**") at a price of $0.30 per Unit, for gross proceeds of $4,426,635.

Each Unit consists of one common share of the Company (a "**Common Share**") and one-half of one common share purchase warrant (each full warrant, a "**Warrant**"). Each Warrant entitles the holder thereof to acquire one Common Share at a price of $0.45 for a period of 36 months following the closing date of the Offering. If the price of the Common Shares on the Toronto Stock Exchange (following the expiry of the required statutory hold period) closes at a minimum of $0.60 for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the Warrants (the "**Warrant Acceleration**").

The Company evaluates possible financing activities on an ongoing basis taking into account the Company's short and long term budgets in respect of its projects and working capital requirements, as well as the availability and costs associated with raising additional capital. In order to meet future funding of the Tamarack Earn-in Conditions and for working capital, including salaries and other administrative/overhead costs, the Company will need to raise additional capital. The Company expects to undertake one or more financings in the first half of 2015.

Liquidity and Capital Resources

Cash and cash equivalents were approximately $7.4 million as of September 30, 2014. On November 6, 2014, the Company completed a private placement for aggregate gross proceeds of $4.4 million. All cash equivalents are held in money market funds and GICs with major commercial banks.

The Company expects to spend approximately $5.5 million during the fourth quarter of 2014.

The Company has committed to spend US$10 million on the Tamarack Project during the first year of the Tamarack Earn-in Agreement (after the first year, any additional payments are at the option of Talon). Talon has also agreed to make certain land option payments on behalf of Kennecott during the term of the Tamarack Earn-in Agreement (up to a maximum of US$5 million). The Company expects to incur approximately US$1.1 million in land option payments during the fourth quarter of 2014.

The Company currently incurs approximately $250,000 per month on salaries and other administrative/overhead costs.

The Company expects to raise additional capital in the first half of 2015.

Although the Company has been successful in raising additional funds to date, there can be no assurance that adequate or sufficient funding will be available or available on terms acceptable to the Company to meet the Company's commitments. Historically, the Company's main source of funding has been the issuance of equity securities for cash. The Company's access to such funding is always uncertain and this is particularly true in the current uncertain global financial markets, which may continue to be characterised by significant reductions in liquidity and access to capital.

A summary of Contributed Surplus for the period from January 1, 2011 to September 30, 2014 is as follows:

Balance	January 1, 2011	$7,864,955
Options	Exercised	(307,424)
Options	Granted 2011	6,020,178
Balance	December 31, 2011	13,577,709
Options	Granted 2012	1,024,194
Options	Exercised 2012	(29,250)
Balance	December 31, 2012	14,572,653
Options	Granted 2013	556,097
Balance	December 31, 2013	15,128,750
Options	Granted 2014	296,466
Balance	September 30, 2014	15,425,216

DISCLOSURE OF OUTSTANDING SHARE DATA

The following details the share capital structure of the Company as at November 14, 2014:

	Expiry Date	Exercise Price	Total
Common Shares			106,832,137
Stock Options	May 21, 2015	$0.40	3,424,350
Stock Options	Oct 26, 2015	$0.70	450,000
Stock Options	Jan 17, 2016	$1.58	255,000
Stock Options	Feb 7, 2016	$2.12	20,000
Stock Options	May 25, 2016	$1.95	340,000
Stock Options	June 7, 2016	$1.95	500,000
Stock Options	Jan 31, 2017	$0.45	2,800,000
Stock Options	Apr 4, 2017	$0.415	1,033,940
Stock Options	Apr 25, 2017	$0.37	376,060
Stock Options	June 15, 2017	$0.33	400,000
Stock Options	Feb 20, 2018	$0.30	300,000
Stock Options	Feb 28, 2018	$0.30	100,000
Stock Options	Mar 20, 2018	$0.30	1,000,000
Stock Options	Aug 1, 2018	$0.30	400,000
Stock Options	Oct 1, 2018	$0.30	500,000
Stock Options	May 28, 2009	$0.30	300,000
Stock Options	July 2, 2014	$0.37	1,795,000
Warrants	Aug 21, 2017	$0.37	250,000
Warrants	Nov 6, 2017	$0.45	7,377,725
Warrants	Nov 6, 2016	$0.32	885,327
Total fully diluted number of shares			129,339,539

Pursuant to the Company's incentive stock option plan (the "**Plan**"), the Company issued 1,795,000 stock options during the third quarter of 2014.

The following details the stock options of the Company outstanding as at September 30, 2014:

	Options	Weighted Average Exercise Price
Outstanding – beginning of year	12,849,350	$0.54
Cancelled	(2,667)	0.37
Cancelled	(20,000)	0.40
Cancelled	(7,333)	0.415
Cancelled	(440,000)	$0.385
Cancelled	(450,000)	0.70
Cancelled	(30,000)	1.95
Granted	300,000	0.30
Granted	1,795,000	0.37
Outstanding – end of the period	13,994,350	$0.51

Other than 2,733,733 stock options, all of the stock options outstanding have been issued pursuant to the Plan.

Estimated fair value of stock options

The Company determined the fair value of the stock options issued during the year ended December 31, 2013 and the nine month period ended September 30, 2014, using the Black-Scholes option pricing model using the following range of assumptions:

Expected life	5 years
Risk-free interest rate	1.6%-1.8%
Volatility	60%
Dividends	0%

In the third quarter of 2014, a total stock option compensation payment of $188,418 was recognized by the Company, compared to $134,761 in the third quarter of 2013.

For the year ended December 31, 2013, a total stock option compensation payment expense of $556,097 was recognized by the Company.

RISKS AND UNCERTAINTIES

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 exploration 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. The Company's activities in pursuit of its objectives are subject to a number of risks and uncertainties.

The following is a summary of the most significant of those risks and uncertainties affecting or that could affect the financial condition or results of operations of the Company. For a further discussion of the risks and uncertainties facing the Company, please refer to the Company's Annual Information Form for the year ended December 31, 2013 under the heading "Risk Factors" available on SEDAR at www.sedar.com. 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, 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 risks actually occur, the business, financial condition or results of operations of the Company could be negatively affected.

Exploration, Development and Operating Risks

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 or Kennecott will result in a profitable commercial mining operation. Talon cannot give any assurance that its and Kennecott's (in respect of the Tamarack Project) 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. In addition, Kennecott is the operator of the Tamarack Project and, although Talon is able to provide its input at Technical Committee meetings and otherwise, the ultimate exploration decisions are made by Kennecott. 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; commodity 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.

Although Talon's present activities are directed towards the acquisition, financing, exploration and development of mineral projects, its activities may also ultimately include mining operations. Mining and exploration operations generally involve a high degree of risk. Talon's operations (and Kennecott's as it relates to the Tamarack Project) are subject to all the hazards and risks normally encountered in the exploration, development, production and beneficiation of iron ore, nickel, copper and platinum, 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 projects such as the Trairão Project and the Tamarack Project, may be 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, if necessary, in accessing local smelting facilities.

Additional Capital

In addition to working capital requirements and funds required to progress exploration and development of the Trairão Project, Talon will need to seek additional capital to meet its funding commitments under the Tamarack Earn-in Agreement. 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 and/or the loss of the Company's interest in one or more of the Company's properties (including, not being able to meet commitments (whether optional or not) under the Tamarack Earn-in Agreement which may result in a loss of capital invested, the ability to earn an interest in the Tamarack Project and/or continue as a joint venture partner in the Tamarack Project). The main source of funds available to the Company is through the sale of equity capital. 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 (including, in certain circumstances, the ability of the Company to continue to operate as a going concern). 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.

Maintaining the Tamarack Earn-in Agreement in Good Standing

The Company is subject to various commitments pursuant to the terms of the Tamarack Earn-in Agreement, including the Tamarack Earn-in Conditions. If the Company fails to meet its obligations under the Tamarack Earn-in Agreement in a timely manner, including its payment obligations, the Company could lose its ability to earn a 30% interest in the Tamarack Project and any funds expended pursuant to the terms of the Tamarack Earn-in Agreement will not be refunded by Kennecott. Such a failure may have a material adverse effect on the Company's business.

Uncertainty Relating to Inferred and Indicated Mineral Resources

There is a risk that the inferred and indicated mineral resources referred to in this MD&A 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.

Governmental Regulation; Environmental Risks and Hazards

The mineral exploration activities of the Company and Kennecott (in respect of the Tamarack Project) 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 and Kennecott's (in respect of the Tamarack Project) 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 (including, changes to the regulations in Minnesota surrounding the protection of waters in which wild rice inhabits), 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, including the Tamarack Project.

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.

Exchange Rate Fluctuations

The Company is exposed to movements in the United States dollar and the Brazilian real. Payments made to Kennecott pursuant to the Tamarack Earn-in Conditions are made in United States dollars and transfers made to the Brazilian subsidiaries of the Company are made in United States dollars or Canadian dollars and subsequently converted in Brazil to Brazilian reals. To date, Talon's financing activities have generally only been in Canadian dollars and the Company's cash balance is primarily in Canadian dollars. A depreciation of the Canadian dollar against either the United States dollar or, to a lesser extent, the Brazilian real may negatively affect the Company's cash balance, requiring the Company to raise additional capital to offset additional costs caused by exchange rate fluctuations.

Metal Prices

Prices of metals are determined by a number of factors, including, global and regional supply and demand; political and economic conditions and production costs in major metal producing regions of the world; the strength of the United States dollar; and expectations for inflation.

The aggregate effect of these factors on metals prices is impossible for us to predict. In addition, the prices of metals are sometimes subject to rapid short-term and/or prolonged changes because of speculative activities. The current demand for and supply of various metals affect the prices of nickel, copper, platinum and/or iron, but not necessarily in the same manner as current supply and demand affect the prices of other commodities. The supply of these metals primarily consists of new production from mining.

A continued decline in nickel, copper, platinum and/or iron prices may adversely impact the business of Talon and could affect the feasibility of Talon's projects. A continued decline in copper, nickel, platinum and/or iron prices may also adversely impact the Company's ability to attract financing.

Land Title

With respect to Brazil, the Company's interests in mineral properties are comprised of exclusive rights under government licenses to conduct exploration operations and, in due course if warranted and approved by the government, development and mining, on the license areas. With respect to the Tamarack Project, the mineral and surface interests are held in Kennecott's name through various Minnesota state leases, private agreements and fee ownership. Maintenance of all of such rights are subject to ongoing compliance with the terms of such licenses, agreements 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. In addition, with respect to the Tamarack Project, Kennecott is responsible for land tenure as the operator of the project and certain aspects of this process may be out of the Company's control. 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 (including, the Tamarack Project), 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. To mitigate certain of these risks, the Company has purchased title insurance over certain areas of the Tamarack Project. There is no guarantee a given title defect may be claimable under the policy.

Legislative Changes

The government of Brazil has announced its intention to amend the country's current mining legislation which governs certain of the operations and activities of the Company in Brazil. A draft of the legislative changes has been released but it is subject to further parliamentary review and possible changes. It is not known what the final form of such 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. In addition, any changes to legislation that impacts the exploration, development or operation of the Tamarack Project could also have a material adverse effect on the Company's business, financial condition and results of operations and could cause increases in exploration expenses, capital expenditures or production costs, or abandonment or delays in development of the Tamarack Project, including impacting decisions to continue with the funding of the Tamarack Project pursuant to the Tamarack Earn-in Agreement or thereafter.

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. Specifically, the location of the Trairão Project within Para State, Brazil, presents challenges from an infrastructure perspective, primarily as it relates to options for moving material produced at the Trairão Project to local and export markets. Although the government of Brazil has announced significant infrastructure improvements within Brazil, including improvements which would positively impact the Trairão Project, there can be no assurance that any of these announced infrastructure improvement projects will be completed on-time or at all. Such infrastructure challenges could materially adversely affect the Company's ability to continue with the development of 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.

RELATED PARTY TRANSACTIONS AND BALANCES

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

Effective April 1, 2011, Talon entered into a services agreement with a company owned by an officer and director of Talon (Luis Azevedo) (the "**Brazil Agreement**"). Pursuant to the Brazil Agreement, the company provides Talon with certain accounting, legal and general administrative functions in Brazil. The Brazil Agreement had an initial term of one year and automatically renewed for additional one year terms, until terminated in accordance with its terms. Under the Brazil Agreement, Talon agreed to pay a monthly service fee of US$33,000. Effective May 1, 2012, the parties agreed to lower the monthly service fee to US$23,000 and, on October 1, 2012, the parties agreed to further lower the monthly service fee to US$18,000. Coupled with the revised fee in October 2012, the parties agreed to a one year term for the Brazil Agreement terminating September 30, 2013, unless extended by agreement of the parties. The parties agreed to extend the Brazil Agreement from September 30, 2013 while they renegotiated a new agreement. On January 1, 2014, the parties entered into an amended and restated services agreement (the "**New Brazil Agreement**") pursuant to which the parties agreed to lower the monthly service fee to US$5,000 for a term of one year, unless extended by agreement of the parties. As part of the negotiation of the New Brazil Agreement which resulted in the lower monthly service fee, the Company agreed to transfer the Campo Grande Project license to a company controlled by Luis Azevedo for no additional consideration. For the nine months ended September 30, 2014, fees paid amounted to $47,000 (2013 - $158,000). In addition, the Company paid additional fees outside of the New Brazil Agreement in the normal course of $57,000 related to fees for additional legal work in Brazil and assistance with permitting matters.

Accounts payable and accrued liabilities at September 30, 2014 include $36,000 payable pursuant to the additional fees outside of the New Brazil Agreement (December 31, 2013 - $17,918 payable under the Brazil Agreement).

The remuneration of directors and officers of the Company for the three and nine months ended September 30, 2014 and September 30, 2013 was as follows:

	Three months ended Sept 30, 2014	Three months ended Sept 30, 2013	Nine months ended Sept 30, 2014	Nine months ended Sept 30, 2013
Cash Compensation	$500,910	$462,775	$1,230,770	$1,304,158
Stock Option Compensation	186,088	107,205	255,257	414,028
Aggregate Compensation	$686,998	$569,980	$1,486,027	$1,718,186

The following stock options were issued during the nine months ended September 30, 2014 to directors and executive officers of the Company:

Date of Grant	Number	Exercise Price	Expiry Date
May 28, 2014	300,000	$0.30	May 28, 2019
July 2, 2014	1,765,000	$0.37	July 2, 2019

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of each reporting period and for the periods then ended, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the valuation of resource properties and the provision for distribution of Rio Verde shares to certain option holders.

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

The uncertainty in regards to the provision for distribution of Rio Verde shares to option holders arises as a result of estimating the probability that certain option holders will exercise their options.

Talon considers the following accounting policies to be critical in the preparation of its financial statements:

Resource properties and deferred exploration and evaluation costs

Interests in mineral exploration properties are recorded at cost. Exploration expenditures, other than those of a general nature, relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If the project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off. The Company only capitalizes costs on its core properties and expenses all costs related to properties that were of a secondary focus.

The cost of mineral properties includes the cash consideration paid and the negotiated value of shares issued on the acquisition of properties. Properties acquired under option agreements, whereby option payments are made at the discretion of the company, are recorded in the financial statements at the time payments are made. The proceeds from options granted on properties are credited to the cost of the related property.

Once the feasibility of a project has been established, deferred exploration expenses and other costs are segregated as deferred development expenditures. These costs are amortized over the estimated useful life of the related mineral property as commercial production commences. If the net carrying amount of the deferred exploration expenses is not recoverable, these costs are written down to net recoverable amount of the deferred exploration expense.

The amounts shown for mineral properties and deferred exploration costs represents cost to date, and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of future reserves.

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes were made to the Company's internal control over financial reporting during the three months ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

Tamarack Project

As previously announced by the Company, on August 6, 2014 the 2014 drilling program commenced at the Tamarack Project. The program includes the drilling of up to 12 holes totalling approximately 8,500 meters. Drilling remains ongoing at the Tamarack Project, however the Company anticipates that it will be in a position to announce some or all of the results before the end of the year.

Kennecott and Talon are already planning the next phase of exploration at the Tamarack Project. This exploration program is expected to commence during the first quarter of 2015.

Trairão Project

The Company continues to believe that there is potential for lump and/or sinter production from the Trairão Project. Consequently, in late 2013, the Company engaged with potential purchasers of lump and sinter in order to assess the likelihood of being able to profitably sell lump and/or sinter from the Trairão Project in the near future. The Company's dialogue with potential purchasers of lump and sinter, including the potential off-taker mentioned in previous disclosure of the Company, remains ongoing.