MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2014

Dated: March 31, 2015

TABLE OF CONTENTS

*This Management's Discussion and Analysis ("**MD&A**") of the consolidated financial position for the year ended December 31, 2014, should be read in conjunction with the consolidated financial statements of Talon Metals Corp. ("**Talon**" or the "**Company**") and notes thereto for the year ended December 31, 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 and timing thereof for the Tamarack Project (defined below) and announcements of exploration results, estimates in respect of mineral resource quantities, mineral resource qualities, the Company's targets, goals, objectives and plans, the Company's business plans, priorities and budget (including opting into year two of the Tamarack Earn-in Agreement (defined below)), 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 expected working capital requirements for the remainder of 2015 and the Company's plans to raise additional capital).

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 and/or PGE 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 and/or platinum; 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; 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; 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, 2014, is available on SEDAR *at www.sedar.com.*

SUMMARY OF ANNUAL RESULTS

	Year ended Dec 31, 2014 (audited)	**Year ended Dec 31, 2013 (audited)**	**Year ended Dec 31, 2012 (audited)**
Total revenue	$46,960	$75,538	$153,314
Net gain/(loss) from continuing operations attributable to Talon shareholders	(17,249,346)	(7,169,679)	(18,400,058)
Net gain/(loss) from continuing operations per share attributable to Talon shareholders – basic and diluted	(0.18)	(0.08)	(0.20)
Total assets	23,655,208	36,832,059	42,808,978
Total non-current financial liabilities	-	-	-
Dividends	-	-	-

Certain amounts in the consolidated 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 consolidated 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 year ended December 31, 2014 decreased to $46,960 compared to $75,538 for the year ended December 31, 2013, primarily due to the decrease in the Company's cash and cash equivalents balance.

Expenses

Salaries, benefits, consulting and management fees increased to $770,571 for the year ended December 31, 2014 from $656,987 in the prior year mainly as a result of greater time spent by existing employees of the Company on work related to the Tamarack Project which could not be capitalized under IFRS, small bonuses 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 and small year-end bonuses paid to the Company's employees for hard work and dedication over the course of the year.

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 and President, effective January 1, 2014, and the CFO, effective February 1, 2014. The salary reductions ranged from 10% to 50%.

Professional fees increased to $161,388 for the year ended December 31, 2014 from $135,626 in the prior year. This increase was primarily the result of the use by the Company of necessary external legal and accounting advice in connection with 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 ("**NI 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 lower in 2014 compared to 2013 as a result of the Company's ongoing cost-cutting measures.

Project evaluation and due diligence expenses decreased to approximately $1.0 million for the year ended December 31, 2014 from $2.8 million in the prior year. The decrease was due to the fact that the Company stopped evaluating new projects once it entered into the Tamarack Earn-in Agreement (defined below) and is currently focusing on the Tamarack Project.

Costs associated with property payments and licenses decreased in 2014 compared to the prior year as a result of the Company's decision to not renew licenses on non-core properties.

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 years ended December 31, 2014 and December 31, 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 probability that the remaining Talon options would be exercised.

Stock option compensation payments decreased to $359,568 in 2014 compared to $556,097 in the prior year as a result of fewer options being granted in 2014 compared to 2013.

Impairment Loss on Resource Properties and Deferred Expenditures

The Company recognized an impairment loss on the carrying value of the Trãirao Project, of $14.0 million, primarily due to, (i) the decline in the spot and long-term forecast prices of iron ore, (ii) delays in the development of previously announced infrastructure improvements in the region that would positively affect the development of the Trairão Project, and (iii) the closure of the potential local off-taker with which the Company had previously signed a letter of intent and the closure of other potential off-takers/smelters in the region.

The quantum of the impairment loss on the Trãirao Project was based on the Company's assessment of the fair value, taking into account various approaches to valuation including the income, cost and market approaches. The fair value measurement falls within a Level 3 estimate under IFRS. Key unobservable inputs related to the income approach include a long-term forecast of the China delivered price of US$80/tonne and an after-tax discount rate in a range of 15% to 18%.

The Company also recognized an impairment loss on the carrying value of the Inajá South Project of $0.7 million, primarily due to, (i) the decline in the spot and long-term forecast prices of iron ore, and (ii) delays in the development of previously announced infrastructure improvements in the region that would positively affect the development of the Inajá South Project.

The quantum of the impairment loss on the Inajá South Project was based on the Company's assessment of the fair value, taking into account various approaches to valuation including the cost and market approaches. The fair value measurement falls within a Level 3 estimate under IFRS.

Investments

Foreign currency translation was a gain of $323,233 in 2014 compared to a gain of $439,799 in 2013. 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 during 2014, held approximately half of its cash and cash equivalents in U.S. dollars (see also "*Financial Instruments – Foreign Exchange Risk*").

The gain/loss on investments was a gain of $44,930 in 2014 compared to a loss of $440,782 in 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 in 2013 as 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 consolidated statements of loss and comprehensive loss.

The Company had a valuation gain related to its investment in Tlou Energy in 2014 of $152,308 compared to a loss of $627,231 in 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 (see also "*Company Overview – Investments*").

Net Loss

Net loss for the year ended December 31, 2014 was $17.2 million or $0.18 per share (basic and diluted), which was primarily the result of impairment losses on the Trairão Project and the Inajá South Project, and to a lesser extent, administration expenses[1] and project evaluation and due diligence expenses. This compares to a loss of $7.2 million for the year ended December 31, 2013 or $0.08 per share (basic and diluted), which was primarily due to project evaluation and due diligence expenses, administration expenses[1] and investment losses.

[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.

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			
	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30	March 31
Total revenues	8,704	10,550	12,551	15,155	16,049	19,623	21,028	18,838
Net income/(loss) from continuing operations	(15,385,669)	(901,190)	(981,569)	19,082	(1,690,268)	(584,886)	(3,600,421)	(1,294,104)
Net income/(loss) from continuing operations per share – basic and diluted	(0.16)	(0.01)	(0..01)	(0.00)	(0.02)	(0.01)	(0.04)	(0.01)
Net income/(loss) and comprehensive income/(loss)	(15,385,669)	(901,190)	(981,569)	19,082	(1,690,268)	(584,886)	(2,405,059)	(1,615,645)
Net income/(loss) and comprehensive income/(loss) per share – basic and diluted	(0.16)	(0.01)	(0.01)	(0.00)	(0.02)	(0.01)	(0.03)	(0.02)

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

The relatively higher net loss from continuing operations in the second quarter of 2013 was due to a reclassification of the historical recognized equity loss related to the Company's investment in Tlou Energy from other comprehensive loss to net loss in accordance with IFRS.

The relatively lower net loss from continuing operations in the third quarter of 2013 was due to an approximately $1 million gain in connection with an increase in the share price of Tlou Energy during that quarter.

The net income in the first quarter of 2014 was primarily the result of investment and foreign currency gains, offset by project evaluation, due diligence and administration expenses.

The large net loss in the fourth quarter of 2014 was due to the recognition of an impairment loss in respect of the Trairão Project and Inajá South Project, offset by reduced spending on project evaluation and due diligence. Administrative expenses during the fourth quarter of 2014 were generally in-line with recent quarters. In addition to the impairment losses discussed above, the Company also recognized in the fourth quarter of 2014 an impairment loss of $100,000 related to assets held for sale.

The 2013 net losses and comprehensive losses by quarter largely follow the net losses from continuing operations, with the difference resulting from the inclusion of other comprehensive income or losses from the investment in Tlou Energy that was accounted for using the equity method. For most of 2013 and all of 2014, Tlou Energy was not accounted for using the equity method, and therefore in 2014, there was no difference between net loss and comprehensive loss.

COMPANY OVERVIEW

The Company is a mineral exploration company currently focused on the exploration and development of the Tamarack nickel-copper-PGE project (the "**Tamarack Project**") in Minnesota, USA (which comprises the "**Tamarack North Project**" and the "**Tamarack South Project**"). As of the date hereof, the only material property of the Company is the Tamarack North Project.

Tamarack Project

Tamarack Earn-in Agreement

On June 25, 2014, Talon's wholly owned indirect subsidiary, Talon Nickel (USA) LLC ("**Talon Nickel**"), 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 Nickel has the right to acquire a stake in the Tamarack Project. The Tamarack Project is currently 100% owned by Kennecott. It is subject to earn-in by Talon Nickel pursuant to the Tamarack Earn-in Agreement.

Pursuant to the Tamarack Earn-in Agreement, Talon Nickel 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 Nickel Payments to Kennecott

Payment Date	Amount	Term of Payment
Upon Signature	US$1.0 million	Paid
First Anniversary[1]	US$2.5 million	Talon's Option
Second Anniversary	US$4.0 million	Talon's Option
Total	**US$7.5 million**	

[1] This payment has been deferred until December 21, 2015 pursuant to the terms of the amendment to the Tamarack Earn-in Agreement (see *"Company Overview - Tamarack Project - Kennecott Unsecured Loan"*).

Exploration Expenditures to be funded by Talon Nickel

Payment Period	Payments to be Made	Term of Payment	Amount Paid
Year 1	US$10 million	Committed	US$9.3 million[1]
Year 2	US$10 million	Talon's Option	–
Year 3	US$10 million	Talon's Option	–
Total	**US$30 million**		

In addition to the above, Talon Nickel has agreed to make certain land option payments on behalf of Kennecott, which are payable over the Earn-in Period (and, when 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 Nickel completing the Tamarack Earn-in Conditions and Kennecott having spent the funds advanced by Talon Nickel 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, with Kennecott holding a 70% participating interest, and Talon Nickel owning a 30% participating interest; or (b) grant Talon Nickel 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 Nickel the right to purchase its interest in the Tamarack Project, and Talon elects to proceed with the purchase option, Talon Nickel 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).

Kennecott Unsecured Loan

On March 26, 2015, Kennecott provided Talon and Talon Nickel with an unsecured loan in the principal amount of US$4,000,000 (the "**Kennecott Loan**"). The Kennecott Loan enables Talon Nickel to meet all of its first year commitments under the Tamarack Earn-in Agreement. The Kennecott Loan matures on December 21, 2015 and bears interest at the rate of the 12 month LIBOR plus 8% per annum (the "**Interest Rate**"). Pursuant to the Kennecott Loan, the sum of US$2,059,872 (the "**First Draw-Down**") has been drawn-down by Talon Nickel from the principal amount. The First Draw-Down began accumulating interest at the Interest Rate as of February 19, 2015, and will be used to fund exploration expenditures at the Tamarack Project. Going forward, subsequent draw-downs may be made from the Kennecott Loan via cash calls by Kennecott in accordance with the terms of the Tamarack Earn-in Agreement, with interest accruing at the Interest Rate as of the date of each draw-down. The proceeds from the Kennecott Loan may only be used by Kennecott to fund exploration expenditures at the Tamarack Project, and for certain pre-determined land acquisitions.

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

In addition, on March 26, 2015, Kennecott also agreed to amend the Tamarack Earn-in Agreement to: (1) defer a US$2,500,000 option payment due by Talon on June 26, 2015 until December 21, 2015 (the "**Deferred Option Payment**"); and (2) not make any cash calls from Talon beyond the amount of the Kennecott Loan until the fourth quarter of 2015.

Tamarack North Project

The Tamarack North 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 North Project boundaries, is an 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.

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 NI 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 North 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 North Technical Report for further information. The Tamarack North Technical Report is available under Talon's SEDAR profile at www.sedar.com.

Work Completed/Expenditures – Tamarack North Project and Tamarack South Project

During the fourth quarter of 2014, Talon incurred a total of approximately $3.9 million in respect of the Tamarack North Project and the Tamarack South Project, including pursuant to its obligations under the Tamarack Earn-in Agreement. This amount consisted of costs related to exploration expenditures of $1.9 million and land option payments of $2.0 million.

During the year ended December 31, 2014, Talon incurred a total of approximately $9.7 million in respect of the Tamarack North Project and Tamarack South Project, including pursuant to its obligations under the Tamarack Earn-in Agreement. This amount consisted of costs related to exploration expenditures of $7.7 million and land option payments of $2.0 million.

The majority of the exploration expenditures over the course of the year have been spent on drilling, assaying and related costs.

Upcoming Work – Tamarack North Project and Tamarack South Project

The 2015 winter exploration program, which commenced in January 2015, is in the process of winding down. A total of 15 holes and 8,099 metres were drilled during the 2015 winter exploration program. The Company expects to provide further updates as and when results from the winter exploration program are received.

Kennecott and Talon have begun planning for the 2015 summer exploration program at the Tamarack Project. It is expected to commence in the second quarter of this year.

The Company expects to spend approximately $6.1 million and $5.1 million in the first and second quarters of 2015, respectively, in respect of the Tamarack Project, including pursuant to its obligations under the Tamarack Earn-in Agreement. The majority of these amounts are expected to be spent on drilling, assaying and related costs and, in the second quarter, on a recognition of the Deferred Option Payment.

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 NI 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 North 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 North 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 and has reviewed, approved and verified the data disclosed in this MD&A relating to the mineral resource estimates (including sampling, analytical and test data underlying the mineral resource estimates).

Investments

As at December 31, 2014, Talon held equity investments in a number of other public companies, including 381,936 common shares in Brazil Resources (the successor company to Brazilian Gold Corporation) and 500,000 common shares in Lago Dourado Minerals Ltd. ("**Lago Dourado**"), 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 expires on April 9, 2015.

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.

CAPITAL EXPENDITURES ON EXPLORATION PROJECTS

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

	Dec 31, 2013	2014 Net Additions	Write-downs	Dec 31, 2014
Mineral properties				
Tamarack Project	$nil	$9,743,629	$nil	$9,743,629
Trairão Project	$17,558,890	$473,563	($14,032,453)	$4,000,000
Inajá South Project	$1,153,515	$20,599	($674,114)	$500,000
	$18,712,405	$10,237,791	($14,706,567)	$14,243,629

Amounts incurred on the exploration of mineral properties for the three months ended December 31, 2014 and 2013, amounted to $4.1 million and $0.1 million, respectively, and are primarily a result of spending on the Tamarack North Project and, to a lesser extent, the Tamarack South Project.

FINANCIAL INSTRUMENTS

	Dec 31, 2014	Dec 31, 2013
Held for trading, measured at fair value: Cash and cash equivalents	$6,111,069	$14,852,876
Investments	$226,523	$284,468
Investment – Tlou Energy	$2,877,454	$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 December 31, 2014, the Company had a cash and cash equivalents balance of $6,111,069 (December 31, 2013 - $14,852,876) to settle current liabilities of $607,355 (December 31, 2013 - $834,958).

On November 6, 2014, the Company completed a private placement for aggregate gross proceeds of $4.4 million. In addition, on March 26, 2015, the Company secured the Kennecott Loan with a principal amount of US$4 million (see "*Company Overview - Tamarack Project - Kennecott Unsecured Loan*"). The proceeds from the Kennecott Loan will be used by Talon to meet its requirements under the Tamarack Earn-in Conditions.

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 will also need to repay all drawdowns from the Kennecott Loan (principal and interest) and the Deferred Option Payment by December 21, 2015.

The Company expects to raise capital in the second half of 2015 which may be completed in a number of ways, including but not limited to, selling equity capital, a combination of strategic partnerships, debt finance, offtake financing, royalty financing and other capital markets alternatives. 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 year ended December 31, 2014, by approximately $160,000.

Foreign Exchange Risk

The Company is exposed to movements in the United States dollar and, to a lesser extent, 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. Given that the majority of Talon's costs are in United States dollars (i.e. those payments made to Kennecott pursuant to the Tamarack Earn-in Agreement and the repayment of the Kennecott Loan), in order to manage foreign exchange risk, beginning in 2015, Talon expects to keep a majority of its funds in United States dollars and will undertake currency exchanges into United States dollars once a financing has been completed.

At December 31, 2014, the Company had net monetary assets and liabilities in foreign currencies, as follows (Canadian dollar equivalent):

United States dollars	$ 2,523,216
Brazilian real	$ 21,913

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 loss of the Company for the period ended December 31, 2014 of approximately $125,000.

Interest Rate Risk

The Company is exposed to interest rate risk (i) to the extent of its interest income on holding of government treasury bills, money market funds and GICs (collectively, "**Short Term Investments**"), and (ii) on the Kennecott Loan.

The Short Term Investments typically have 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 the Short Term Investments. The Company mitigates its risk by holding Short Term Investments low in risk and with highly rated reputable financial institutions.

The Company's only interest bearing debt is the Kennecott loan which bears interest at LIBOR plus 8% per annum. The Company is exposed to changes in the LIBOR rate.

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	$ 6,111,069
Investments	$ 226,523
Level 2	
None	
Level 3	
Investment in Tlou Energy	$ 2,877,454

A gain on investments in 2014 of $0.2 million (2013 – loss of $1.1 million) has been recognized in the Company's consolidated 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

	Year ended December 31, 2014	Year ended December 31, 2013
Operating activities	$ (2,419,222)	$ (3,851,334)
Investing activities	(10,229,563)	2,218,481
Financing activities	3,906,978	-
Increase/(decrease) in cash & cash equivalents	(8,741,807)	(1,632,853)
Beginning cash & cash equivalents	14,852,876	16,485,729
Ending cash & cash equivalents	6,111,069	14,852,876

Operating Activities

Operating activities for the year ended December 31, 2014 consumed $2.4 million of cash primarily due to net operating expenses. This compares to a utilization of $3.9 million in 2013 which was also primarily due to net operating expenses. See *"Review of Quarterly Results*" for a discussion of operating expenses.

Investing Activities

Investing activities for the year ended December 31, 2014 consumed $10.2 million compared to proceeds of $2.2 million in 2013. In 2014, this was primarily due to capitalized exploration costs. In 2013, the Company received proceeds from the sale of (i) shares of Tlou Energy and Rio Verde, and (ii) equipment, which was partially offset by capitalized exploration costs.

Financing Activities

During 2014, the Company undertook one financing. 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**").

On March 26, 2015, Kennecott provided Talon with the Kennecott Loan (see "*Company Overview - Tamarack Project - Kennecott Unsecured Loan*"). The proceeds from the Kennecott Loan will be used by Talon to meet its requirements under the Tamarack Earn-in Conditions.

At the time of the Kennecott Loan, Kennecott also agreed to amend the Tamarack Earn-in Agreement to: (1) defer a US$2,500,000 option payment due by Talon on June 26, 2015 until December 21, 2015; and (2) not make any cash calls from Talon beyond the amount of the Kennecott Loan until the fourth quarter of 2015.

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 (including, repayment of the Kennecott Loan (principal and interest) and the Deferred Option Payment) and for working capital, including salaries and other administrative/overhead costs, the Company will need to raise additional capital. The Company expects to raise capital in the second half of 2015.

Liquidity and Capital Resources

Cash and cash equivalents were approximately $6.1 million as of December 31, 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 Short Term Investments with major commercial banks. On March 26, 2015, Kennecott provided Talon with the Kennecott Loan (see "*Company Overview - Tamarack Project - Kennecott Unsecured Loan*"). The proceeds from the Kennecott Loan will be used by Talon to meet its requirements under the Tamarack Earn-in Conditions.

The Company currently incurs approximately $250,000 per month on salaries, other administrative/overhead costs, costs related to the Trairão Project and costs related to the Tamarack Project outside of the Tamarack Earn-in Agreement. As such, for the remainder of the year from the date hereof, the Company expects to incur a total of approximately $2.25 million on such costs.

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).

As of the date hereof, the Company has spent US$9.3 million towards the first year of the Tamarack Earn-in Agreement. For the remainder of the first year, the Company is committed to spending an additional US$0.7 million and certain land payments estimated to be US$0.6 million, for a total of US$1.3 million (such amount is being satisfied by the Kennecott Loan). The Company also expects to opt into year two of the Tamarack Earn-in Agreement on June 25, 2015, requiring payment of the Deferred Option Payment (US$2.5 million) to Kennecott by December 21, 2015. No further cash calls will be made by Kennecott until the fourth quarter of 2015, at which time the Company expects a cash call for the first half of the second year of the Tamarack Earn-in Agreement of approximately US$5.0 million.

As such, the Company's total estimated working capital requirements for the remainder of the year from the date hereof are: (i) US$8.8 million pursuant to the terms of the Tamarack Earn-in Agreement, (ii) US$2.1 million to pay back the principal of the Kennecott Loan drawn-down as of the date hereof, (iii) a total interest payment of approximately US$350,000 pursuant to the Kennecott Loan (assuming a total draw-down of the Kennecott Loan and payback at the maturity date), and (iv) C$2.25 million in other costs (as discussed above), for a total of C$16.3 million[1].

In order to meet this capital requirement, the Company expects to raise capital in the second half of 2015 which may be completed in a number of ways, including but not limited to, selling equity capital, a combination of strategic partnerships, debt finance, offtake financing, royalty financing and other capital markets alternatives.

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

[1] Using a C$/US$ exchange rate of 1.26

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 December 31, 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	359,568
Balance	December 31, 2014	15,488,318

DISCLOSURE OF OUTSTANDING SHARE DATA

The following details the share capital structure of the Company as at March 31, 2015:

	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	$0.34	500,000
Stock Options	May 28, 2019	$0.30	300,000
Stock Options	July 2, 2019	$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 2,095,000 stock options during the year ended December 31, 2014.

The following details the stock options of the Company outstanding as at December 31, 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 years ended December 31, 2013 and December 31, 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 fourth quarter of 2014, a total stock option compensation payment of $63,102 was recognized by the Company, compared to $93,286 in the fourth quarter of 2013.

For the year ended December 31, 2014, a total stock option compensation payment expense of $359.568 was recognized by the Company compared to $556,097 for the year ended December 31, 2013.

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, 2014 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.

Repayment of Kennecott Unsecured Loan

The principal amount advanced and outstanding under the Unsecured Loan and all interest accrued thereon will be due and payable to Kennecott on December 21, 2015.

The Company's indebtedness under the Unsecured Loan has an interest rate which is in part variable, based on the LIBOR rate at certain points in time. Such variable portion of the interest rate exposes the Company to interest rate risk. If the interest rate increases, the amount of the Company's repayment obligation will increase.

The Company's ability to repay the principal and accrued interest depends upon the Company's future ability to obtain financing (see "Risks and Uncertainties – Additional Capital" and "Risks and Uncertainties – Ability to Continue Operating"). If the Company cannot raise sufficient funds to repay the Unsecured Loan, Kennecott may take such actions and commence such proceedings as may be permitted under applicable law at such times and in such manner as Kennecott in its sole discretion may choose. In addition, if all or part of the Unsecured Loan is not paid when due, such overdue amount bears interest at an increased rate of LIBOR plus 12% per annum. In addition, a default by the Company on repaying the Unsecured Loan will likely affect the ability of the Company to continue to earn an interest in the Tamarack Project pursuant to the Tamarack Earn-in Agreement. A failure to repay the Unsecured Loan could materially adversely affect the Company's business and future operations (including, its ability to continue as a going concern).

Additional Capital

In addition to working capital requirements, Talon will need to seek additional capital to continue its earn-in 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 but may also include a combination of strategic partnerships, joint venture arrangements, debt finance, offtake financing, royalty financing and other capital markets alternatives. 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.

Ability to Continue as a Going Concern

The Company believes that it has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. In assessing whether the going concern assumption contained in the Company's financial statements for the year ended December 31, 2014 is appropriate, the Company takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue future operations beyond December 31, 2015 is dependent on the Company's ability to secure additional financing, which may be completed in a number of ways including but not limited to, selling equity capital, a combination of strategic partnerships, joint venture arrangements, debt finance, offtake financing, royalty financing and other capital markets alternatives. The Company will pursue such additional sources of financing, and while the Company has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company.

Maintaining the Tamarack Earn-in Agreement in Good Standing

The Company is subject to various commitments (some of which are optional) pursuant to the terms of the Tamarack Earn-in Agreement (as amended by the Tamarack Earn-in Amending 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.

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 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 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 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 (or Kennecott as it relates to the Tamarack Project) 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.

Exchange Rate Fluctuations

The Company is exposed to movements in the United States dollar and, to a lesser extent, 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. At this time, the majority of Talon's costs are in United States dollars (i.e. those payments made to Kennecott pursuant to the Tamarack Earn-in Conditions). The Company intends to convert the majority of any money it raises through a financing or otherwise into United States dollars at the time it raises such money to bring more certainty to the Company's budgeting process and to protect against exchange rate fluctuations. However, a depreciation of the Canadian dollar against the United States dollar may negatively affect the Company's cash balance and may require the Company to raise additional capital to offset additional costs caused by exchange rate fluctuations.

Changes in the Price of Nickel

The ability to develop the Tamarack Project is directly related to the market price of nickel. Nickel is sold in an active global market and traded on commodity exchanges, such as the LME and the New York Mercantile Exchange. Nickel prices are subject to significant fluctuations and are affected by many factors, including actual and expected macroeconomic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels, investments by commodity funds and other actions of participants in the commodity markets. Nickel prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of the Tamarack Project cannot be accurately predicted and may be adversely affected by fluctuations in nickel prices.

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, including as it relates to the Tamarack Project, Minnesota. 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 (or Kennecott's as it relates to the Tamarack Project) 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 (or Kennecott's as it relates to the Tamarack Project). 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.

Increased Availability of Alternative Nickel Sources or Substitution of Nickel from End Use Applications

Demand for primary nickel may be negatively affected by the direct substitution of primary nickel with other materials in current applications. In response to high nickel prices or other factors, producers and consumers of stainless steel may partially shift from stainless steel with high nickel content to stainless steels with either lower nickel content or no nickel content, which would adversely affect demand for nickel.

Land Title

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. 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. 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 North Project. There is no guarantee a given title defect may be claimable under the policy.

Insurance and Uninsured Risks

Talon's business (and that of Kennecott as it relates to its operatorship of the Tamarack Project) 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 (including, the Tamarack Project) 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. In addition, given that the Tamarack Project is operated by Kennecott, insurance over the Tamarack Project is maintained by Kennecott and may not protect Talon. Talon may also be unable to obtain or maintain insurance to cover 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.

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 operates and/or holds interests. Such changes 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 impacting decisions to continue with the funding of the Tamarack Project pursuant to the Tamarack Earn-in Agreement or thereafter.

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. 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 year ended December 31, 2014, fees paid under the New Brazil Agreement amounted to $61,000 (2013 - $208,000). In addition, the Company paid additional fees to the same company owned by Luis Azevedo outside of the New Brazil Agreement in the normal course of $57,000. Such additional fees related to additional legal work in Brazil and assistance with permitting matters.

Accounts payable and accrued liabilities at December 31, 2014 include $15,500 payable to certain officers (December 31, 2013 - $17,918 payable under the Brazil Agreement).

The remuneration of directors and officers of the Company for the years ended December 31, 2014 and December 31, 2013 was as follows:

	Year ended Dec 31, 2014	**Year ended Dec 31, 2013**
Cash Compensation	$1,691,800	$1,801,933
Stock Option Compensation	316,237	485,877
Aggregate Compensation	$2,008,037	$2,287,810

The following stock options were issued during the year ended December 31, 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, the willingness and ability of potential buyers to acquire the Company's resource properties 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

The CEO and the CFO, with the assistance of management, have conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2014. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2014, the Company's internal control over financial reporting is effective, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework.

No changes were made to the Company's internal control over financial reporting during the three months ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO are responsible for establishing and maintaining adequate disclosure controls and procedures designed to ensure that information required to be disclosed in the Company's filings under securities legislation is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding public disclosure. The disclosure controls and procedures are designed to provide reasonable assurance that all information required to be disclosed in these filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and the CFO, with the assistance of management, have conducted an evaluation of the effectiveness of the disclosure controls and procedures as at December 31, 2014. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2014, the disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms. However, the disclosure controls and procedures cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

OUTLOOK

The 2015 winter exploration program, which commenced in January 2015, is in the process of winding down. A total of 15 holes and 8,099 metres were drilled during the 2015 winter exploration program. The Company expects to provide further updates as and when results from the program are received.

Kennecott and Talon have begun planning for the 2015 summer exploration program at the Tamarack Project. It is expected to commence in the second quarter.