MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2015

Dated: March 30, 2016

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*This Management's Discussion and Analysis ("**MD&A**") of the consolidated financial position for the year ended December 31, 2015, 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, 2015.*

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, projections in respect of capital expenditures (including, expenditures and the timing associated with those expenditures pursuant to the Tamarack Earn-in Agreement (as amended) (defined below)) and the Company's liquidity and capital resources (including, the Company's expected working capital requirements and the Company's plans to cut additional costs, sell non-core assets and/or 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; 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 PGEs; 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 minerals 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, 2015, is available on SEDAR *at www.sedar.com.*

GOING CONCERN

The consolidated financial statements of the Company have been prepared on a going concern basis which contemplates that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on its ability to sell non-core assets, cut costs and/or raise financing. There can be no assurance that the Company will be successful in selling non-core assets, cutting sufficient costs and/or, in compliance with the RCF Loan Agreement (defined below), raising financing to meet the Company's commitments.

As at December 31, 2015, the Company had working capital of $22.3 million (December 31, 2014 – $5.8 million) and shareholders' equity of $20.0 million (December 31, 2014 – $23.0 million). Working capital is defined as current assets less current liabilities. As at December 31, 2015, working capital includes $22.8 million of cash, of which $20.8 million (US$15 million) is restricted cash. On January 4, 2016, such restricted cash was paid to Kennecott Exploration Company ("**Kennecott**") as part of the Company's earn-in to the Tamarack Project (defined below) leaving the Company with approximately $2.0 million in cash after such payment, to pay current liabilities of $0.5 million.

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

Please see "*Financial Condition, Cash Flow, Liquidity and Capital Resources – Liquidity and Capital Resources"* for further information.

SUMMARY OF ANNUAL RESULTS

	Year ended Dec 31, 2015 (audited)	**Year ended Dec 31, 2014 (audited)**	**Year ended Dec 31, 2013 (audited)**
Total revenue	$6,311	$46,960	$75,538
Net loss from continuing operations attributable to Talon shareholders	(6,303,315)	(17,249,346)	(7,169,679)
Net loss from continuing operations per share attributable to Talon shareholders – basic and diluted	(0.06)	(0.18)	(0.08)
Total assets	39,866,738	23,655,208	36,832,059
Total non-current financial liabilities	19,387,966	-	-
Dividends	-	-	-

REVIEW OF ANNUAL RESULTS

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.

Revenue

Revenue is comprised solely of interest income on the Company's cash and cash equivalents balance. Revenues for the year ended December 31, 2015 decreased to $6,311 compared to $46,960 for the year ended December 31, 2014, primarily due to the decrease in the Company's cash and cash equivalents balance and a greater amount of funds held in U.S. dollars where interest rates provided to the Company are lower than those in Canadian dollars.

Expenses

Salaries, benefits, consulting and Brazil administration fees increased to $1,060,441 for the year ended December 31, 2015 from $761,571 in the prior year. The main reason for the increase was that in the prior year, certain salaries were classified under "Project evaluation and due diligence expenses" while the Company was evaluating new projects. In the current period, given that the Company is focussed on the Tamarack Project and is no longer evaluating new projects, no salary amounts are classified under "Project evaluation and due diligence expenses".

The Company continues to undertake cost-cutting measures where possible. In terms of salaries and consulting fees, 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%. Effective January 1, 2016, the President agreed to further reduce his salary by an additional $50,000 per year with the agreement that such reduced amount will be deferred and paid to him upon a termination without cause or a change of control of the Company.

- Effective December 1, 2015, the Executive Chairman agreed to reduce his salary from $200,000 per year to $100,000 per year with the entire amount being deferred and only paid to him upon a termination without cause or a change of control of the Company.

- Effective July 1, 2015, the board of directors of the Company agreed to defer their cash remuneration with such deferred amounts only being paid on the sale of the Company or the Tamarack Project, or when the Company has at least $3 million in the treasury, provided always that the RCF Loan must have already been repaid or converted into common shares of the Company.

Professional fees decreased to $149,423 for the year ended December 31, 2015 from $161,388 in the prior year. As part of ongoing cost-cutting measures, the Company continues to perform legal work in-house whenever possible. During 2015, it was necessary for the Company to use external legal and accounting advice in connection with the sale and potential sale of non-core assets and certain other legal advice in connection with the Company's capital raising activities. This resulted in a smaller decrease compared to the prior year than would have otherwise occurred without such activities.

Office and general expenses, as well as insurance expenses, were significantly lower compared to the prior year as a result of the Company's ongoing cost-cutting measures.

Travel increased to $179,321 for the year ended December 31, 2015 compared to $106,757 in the prior year. The increase was the result of increased travel related to capital raising initiatives of the Company.

Listing, filing and shareholder communications expense was fairly constant in 2015 compared to 2014. The slight increase in 2015 was the result of higher costs associated with newswire services and increased fees payable to the Toronto Stock Exchange and the Canadian securities commissions.

Project evaluation and due diligence expenses were nil for the year ended December 31, 2015 compared to $1,008,060 in the prior year. The decrease was due to the fact that the Company stopped evaluating new projects in Q2 2014 once it entered into the Tamarack Earn-in Agreement (defined below). The Company continues to be focused on the Tamarack Project.

Costs associated with property payments and licenses decreased to nil for 2015 compared to $25,547 in 2014 as a result of the Company's decision not to 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 year ended December 31, 2015, the Company recorded a gain of $302,000 on the provision for distribution of Rio Verde shares to option holders, compared to a gain of $98,000 in the prior year. This was a result of certain of the associated Talon options having expired or being cancelled, as well as the decreasing probability that these options would be exercised as a result of the constantly decreasing time to expiration and the trading price of Talon shares. As at December 31, 2015, no liability has been recognized due to the very low number and probability that any of the relevant options will be exercised.

Provision for lawsuits expense increased from $9,000 in 2014 to $61,816 in 2015 as a result of two employment lawsuits in Brazil and a third lawsuit relating to a former exploration license of the Company. The provision is based on management's best estimate taking into account the probability of success and expected payouts. Readers are cautioned that actual amounts paid may differ from the estimated provision.

Stock option compensation expense increased to $581,860 for the year ended December 31, 2015 compared to $359,568 in the prior year. The increase was mainly the result of the repricing of stock options which was approved by Talon shareholders at a special meeting of shareholders on December 29, 2015. The effect of this repricing was offset in part by the lower share price of the Company which directly reduces the value and the expense associated with stock options.

RCF Unsecured Convertible Loan

On November 25, 2015, the Company entered into definitive agreements with Resource Capital Fund VI L.P. ("**RCF**") whereby RCF agreed to provide US$15 million to the Company (the "**RCF**

Financing") to be used to earn an 18.45% interest in the Tamarack Project. After receipt by the Company of the US$15 million, the entire amount was transferred to Kennecott on January 4, 2016.

The RCF Financing was subject to certain closing conditions, including the receipt of shareholder approval. The Company held a special meeting of its shareholders on December 29, 2015 where shareholders approved, among other things, the RCF Financing. The material terms of the RCF Financing are as follows:

- RCF provided the Company with US$15 million, as follows: (a) US$1 million via a private placement subscription for common shares in the capital of the Company at a subscription price of C$0.12 per common share (the "**RCF Private Placement**"), and (b) US$14 million via an unsecured convertible loan (the "**RCF Loan**", and the agreement governing the RCF Loan, the "**RCF Loan Agreement**"). The RCF Loan matures on the maturity date (the "**Maturity Date**") being the earlier of: (i) November 25, 2018; and (ii) the date upon which RCF elects to accelerate the due date upon the occurrence of certain events, including an event of default.

- The RCF Loan bears interest at the rate of 12% per annum. All interest accrues and become payable on the Maturity Date. The Company may only prepay the RCF Loan (including accrued interest), in full or in part, with the prior approval of RCF.

- Under the terms of the RCF Loan, RCF may elect to convert all or part of the principal amount of the RCF Loan (including all capitalized interest) into common shares of the Company at any time at a conversion price of $0.156 per common share (the "Conversion Price"), representing a 30% premium to the RCF Subscription Price. Interest that has not been capitalized is to be converted at a price equal to the volume weighted average trading price for the five trading days prior to the conversion. Any amount being converted pursuant to RCF's conversion right will be converted from United States dollars into Canadian dollars based on the currency exchange rate as reported by Bloomberg as of 5:00 p.m. (EST) on the first business day preceding the conversion date.

- For as long as the RCF Loan Agreement is in effect or while RCF and its affiliates, on a partially diluted basis, hold common shares of the Company equal to or exceeding 10% of all common shares issued and outstanding, RCF has the right to participate in any equity or debt financings of the Company (other than certain exempt issuances) at the same price and on the same terms, on a pro rata basis, such that RCF may maintain its percentage interest in common shares of the Company on a partially diluted basis, assuming the full exercise of all rights under the RCF Loan to receive common shares, including all rights of conversion.

- At all times, (a) while any obligation remains outstanding under the RCF Loan Agreement, or (b) RCF and its affiliates, on a partially diluted basis, hold common shares of the Company equal to or exceeding 10% of all common shares of the Company issued and outstanding, RCF will have the right to nominate one individual to serve on the Company's board of directors.

- A number of events constitute an event of default under the RCF Loan Agreement, including certain material adverse changes, the delisting of the Common Shares from the TSX, the abandonment or termination of a material portion of the Tamarack Project or a change of control of the Company. Upon an event of default, the principal and interest will become due and payable and interest will accrue at the default interest rate of 17% per annum.

- The Company must adhere, within five percent (5%), to an agreed overhead budget.

- Up to June 30, 2017, the Company may not issue common shares or other securities convertible into common shares of the Company for consideration less than the Conversion Price.

The RCF Loan is denominated in US dollars and convertible into common shares of the Company based on the principal and interest balance translated to Canadian dollars. Management determined that the RCF Loan represents a combined instrument that contains an embedded derivative, being the conversion option. As a result of the foreign exchange impact on the conversion factor, the conversion option does not meet the fixed for fixed criteria and therefore represents a derivative liability. In accordance with International Accounting Standard 39, the Company has designated the entire RCF Loan at fair value through profit or loss. The RCF Loan was initially recorded at fair value and re-valued at period end with changes in fair value being recorded through profit and loss.

The fair value of the RCF Loan has been determined using a combination of the Black-Scholes option pricing model for the equity conversion portion and the discounted cash flow method for the loan portion. The following assumptions were used to determine the fair value of the RCF Loan at December 31, 2015:

Risk-free interest rate		0.73%
Expected volatility		60%
Valuation date share price	$	0.12
Expected dividend yield		0%
Yield-to-maturity on loan portion		24.01%

A continuity schedule reconciling the change in fair value of the RCF Loan follows:

	USD	CAD
Opening - December 29, 2015	$ 14,000,000	$ 19,390,000
Expenses	(428,218)	(593,596)
Accrued interest	9,333	12,937
Fair value adjustment	427,531	578,625
Loss on revaluation including interest expense and accretion	436,864	591,562
Closing fair value - end of the year	$ 14,008,646	$ 19,387,966

Impairment Loss on Resource Properties and Deferred Expenditures

The Company recognized an impairment loss on the carrying value of the Trãirao Project, of $4,218,926, primarily due to, (i) the further decline in the spot and long-term forecast prices of iron ore, (ii) continuing delays in the development of previously announced infrastructure improvements in the region that would positively affect the development of the Trairão Project, (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, and (iv) the deterioration of local roads that would have supported a direct shipping ore ("**DSO**") trucking operation that were previously maintained by local off-taker.

Given such factors, including the significant costs related to repairing approximately 380 km of local roads to support a DSO trucking operation, the project is not economic and the Company has written down the full remaining carrying value of the Trãirao Project.

The Company also recognized a loss on disposal of the Inajá South Project of $512,311 as the Company presented a negative final exploration report to the Departamento Nacional de Producao Mineral in Brazil and decided not to continue pursuing the project in order to preserve cash.

Investments

Foreign currency translation resulted in a gain of $346,736 for the year ended December 31, 2015 compared to a gain of $323,233 in the prior year. This balance is highly variable due to the volatility of exchange rates and the Company's cash balance.

The gain on investments for the year ended December 31, 2015 was $26,297 compared to a gain of $44,930 in the prior year. These gains were mainly attributable to the Company's shareholding in TSX Venture Exchange listed Brazil Resources Inc. ("**Brazil Resources**"). The Company has disposed of its shareholding in Brazil Resources and no longer holds any investments, other than Tlou Energy Limited ("**Tlou Energy**").

The Company had a loss related to its investment in Tlou Energy for the year ended December 31, 2015 of $1,148,940 compared to a gain of $152,308 in 2014. 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, during periods prior to April 9, 2015, a discount applied by the Company given that the shares were subject to the ASX Escrow (defined below). Since April 9, 2015, the Company no longer applies a discount to value its investment in Tlou Energy as the ASX Escrow has expired.

Asset Sale - São Jorge Royalty

On August 25, 2015, the Company completed the sale of a 1% net smelter returns royalty that the Company held over the São Jorge Gold Project in Pará State, Brazil (the "**São Jorge Royalty**") for $2,492,054 ($2,437,460 net of selling expenses).

Net Loss

Net loss for the year ended December 31, 2015 was $6,303,315 or $0.06 per share (basic and diluted), which was primarily the result of the write-down of the Trairão Project, an investment loss on Tlou Energy and administration expenses[1] offset by a gain on the sale of the São Jorge Royalty. This compares to a net loss of $17,296,306 in 2014 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, administration expenses[1] and project evaluation and due diligence expenses.

[1] "administration expenses" include the following expenses: Office and General; Professional Fees; Salaries, Benefits, Consulting and Brazil Administration Fees; Insurance; Travel; 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.

	2015				2014			
	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30	March 31
Total revenues	181	125	2,532	3,473	8,704	10,550	12,551	15,155
Net income/(loss) from continuing operations	(5,610,027)	1,260,398	(1,318,743)	(634,943)	(15,385,669)	(901,190)	(981,569)	19,082
Net income/(loss) from continuing operations per share – basic and diluted	(0.03)	(0.01)	(0.01)	(0.01)	(0.16)	(0.01)	(0..01)	(0.00)
Net income/(loss) and comprehensive income/(loss)	(5,610,027)	1,260,398	(1,318,743)	(634,943)	(15,385,669)	(901,190)	(981,569)	19,082
Net income/(loss) and comprehensive income/(loss) per share – basic and diluted	(0.03)	(0.01)	(0.01)	(0.01)	(0.16)	(0.01)	(0.01)	(0.00)

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 Brazil administration fees. Generally, the most variable component of total expenses over the past eight quarters has been stock option compensation payment expense, impairment losses, gains/losses on investments and foreign currency translation gains/losses.

REVIEW OF QUARTERLY RESULTS

The relatively higher net losses from continuing operations in the fourth quarter of 2014 and 2015 were primarily due to the recognition of impairment losses in respect of the Trairão Project and the Inajá South Project.

The net income in the third quarter of 2015 was primarily the result of the sale of the São Jorge Royalty for $2,437,460.

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.

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 received the right to acquire an interest in the Tamarack Project.

Pursuant to the original terms of the Tamarack Earn-in Agreement, Talon Nickel had 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 addition, Talon Nickel 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).

On March 26, 2015, Kennecott and Talon Nickel amended the Tamarack Earn-in Agreement (the "**Tamarack Earn-in First Amending Agreement**") to defer an option payment (the "**Deferred Option Payment**") and delay further cash calls from being made by Kennecott.

Concurrent with the RCF Financing, on November 25, 2015, Kennecott and Talon Nickel entered into a further agreement to amend the Tamarack Earn-in Agreement (the "**Tamarack Earn-in Second Amending Agreement**"), to provide, among other things:

- that upon receipt by Kennecott from Talon Nickel of the sum of US$15 million (which is in addition to previous amounts paid to Kennecott of US$10.52 million), Talon Nickel will earn an 18.45% interest in the Tamarack Project and Talon Nickel will have no further funding requirements to earn its interest in the Tamarack Project; and

- once Kennecott has spent the funds advanced by Talon Nickel on exploration activities in respect of the Tamarack Project, subject to certain self-funding rights by Kennecott during such period, Kennecott will have 180 days to elect whether to: (a) proceed with a 81.55/18.45 joint venture on the Tamarack Project, with Kennecott owning an 81.55% participating interest, and Talon Nickel owning an 18.45% participating interest (the "**Tamarack Joint Venture**"); or (b) grant Talon Nickel the right to purchase Kennecott's interest in the Tamarack Project for a total purchase price of US$114 million (the "**Purchase Option**"). In the event Kennecott grants Talon Nickel the Purchase Option, and Talon Nickel 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 of US$14 million.

Kennecott continues to be the operator of the Tamarack Project and the Technical Committee that was previously formed that includes representatives from each party to provide strategic input in regards to ongoing and upcoming exploration programs continues to meet.

Following on from the closing of the RCF Financing, on January 4, 2016, Talon Nickel made the US$15 million payment to Kennecott (the "**Final Earn-in Payment**"). As such, Talon Nickel currently holds an 18.45% interest in the Tamarack Project.

The total amount paid by Talon Nickel to Kennecott to earn its 18.45% interest in the Tamarack Project was US$25,520,800, broken down as follows:

Option payments	$ 1,000,000
Exploration	21,200,000
Land purchases	3,320,800
	$ 25,520,800

Kennecott Loan and Debt Settlement

On March 26, 2015, Kennecott provided Talon and Talon Nickel with an unsecured loan (the "**Kennecott Loan**") in the principal amount of US$4 million (in July, 2015, the Kennecott Loan was increased to US$4.5 million). The Kennecott Loan enabled Talon Nickel to meet all of its first year commitments under the Tamarack Earn-in Agreement. The Kennecott Loan was set to mature on December 21, 2015 and, pursuant to its terms, was to bear interest at the rate of 12 month LIBOR plus 8% per annum.

On November 25, 2015, Talon, Talon Nickel and Kennecott entered into a debt settlement agreement (the "**Debt Settlement Agreement**"), pursuant to which, among other things, concurrent with the closing of the RCF Financing:

- Kennecott extinguished the principal amount of the Kennecott Loan; and
- interest in the aggregate amount of US$349,115 in respect of the Kennecott Loan and the Deferred Option Payment was converted into 5,236,717 common shares of the Company at a conversion price per common share of $0.09 based on a fixed US dollar to Canadian dollar exchange rate of 1.35.

In connection with the closing of the RCF Financing on December 29, 2015, the Kennecott Loan and Deferred Option Payment were extinguished and the common shares referred to above were issued. As a result of issuing the common shares at $0.09 per common share, being a discount to their fair value of $0.12 per common share based on the trading price on the TSX, a loss on settlement of the Kennecott Loan of $179,200 was recognized.

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 electromagnetic ("**EM**"), ground magnetic and EM, versatile time domain electromagnetic (VTEM), IP, gravity, seismic, Mise-À-La-Masse (MALM) and downhole EM.

On October 6, 2014, Talon released a technical report prepared in accordance with NI 43-101 in respect of 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 Associates Ltd. ("**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, including the QA/QC, analytical and testing procedures employed by Kennecott at the Tamarack North Project. The Tamarack North Technical Report is available under Talon's SEDAR profile at www.sedar.com.

On April 8, 2015, the Company issued an updated resource estimate for the Tamarack North Project. This updated independent mineral resource estimate was largely the result of the successful 2014 drilling of the step-out holes from the Massive Sulphide Unit Mineral Zone; more particularly, the positive results from drill holes 14TK0211 and 14TK0213.

The updated independent mineral resource estimate for the Tamarack North Project was prepared by Brian Thomas (P.Geo), Senior Resource Geologist at Golder and is summarized below. The effective date of the resource estimate is April 3, 2015. Mr. Thomas is an independent "Qualified Person" pursuant to National Instrument 43-101 ("**NI 43-101**").

Domain	Mineral Resource Classification	Tonnes (000)	Ni (%)	Cu (%)	Co (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	NiEq (%)	Lbs NiEq (000,000)
SMSU	Indicated	3,751	1.81	1.00	0.05	0.41	0.25	0.19	2.35	194.3
SMSU	Inferred	949	1.12	0.62	0.03	0.25	0.16	0.14	1.47	30.8
MSU	**Inferred**	**422**	**6.00**	**2.48**	**0.13**	**0.78**	**0.53**	**0.26**	**7.26**	**67.5**
138 Zone	Inferred	2,012	0.95	0.78	0.03	0.23	0.14	0.17	1.33	59.0
Total	**Indicated**	**3,751**	**1.81**	**1.00**	**0.05**	**0.41**	**0.25**	**0.19**	**2.35**	194.3
Total	**Inferred**	**3,383**	**1.63**	**0.94**	**0.04**	**0.31**	**0.19**	**0.17**	**2.11**	157.4

Notes:
- All resources are reported at a 0.90% NiEq cut-off
- Tonnage estimates are rounded down to the nearest 1,000 tonnes
- Mining recovery and dilution factors have not been applied to the estimates
- 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

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

During the fourth quarter of 2015, given that Talon was focussed on raising additional capital to earn an interest in the Tamarack Project, no material amounts were spent by Talon in respect of the Tamarack Project.

During the year ended December 31, 2015, Talon incurred a total of approximately $5.5 million in respect of the Tamarack North Project and Tamarack South Project, including pursuant to its obligations under the Tamarack Earn-in Agreement.

The majority of the exploration expenditures over the course of 2015 were spent on drilling, assaying and related costs.

Upcoming Work – Tamarack North Project and Tamarack South Project

The 2016 winter exploration program, which commenced in January 2016, is in the process of winding down. The Company expects to provide further updates as and when results from the winter exploration program are received.

Kennecott and Talon are well underway with the planning for the 2016 summer exploration program at the Tamarack Project. It is expected to commence in May.

The Final Earn-in Payment of US$15 million was made to Kennecott on January 4, 2016. These funds were used for the 2016 winter exploration program and will be used for future exploration programs at the Tamarack Project.

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 updated independent resource estimate in this MD&A 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

During the first quarter of 2015, Talon sold its remaining equity investments in Brazil Resources and Lago Dourado Minerals Ltd., both of which are listed on the TSX Venture Exchange. Talon no longer holds shares in either company.

Talon continues to hold a total of 14,285,714 shares in ASX listed Tlou Energy. These shares were previously subject to a mandatory two year escrow period (the "**ASX Escrow**"). The ASX Escrow expired on April 9, 2015 and the shares are now free-trading.

CAPITAL EXPENDITURES ON EXPLORATION PROJECTS

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

	Dec 31, 2014	2015 Net Additions	2015 Write-downs	Dec 31, 2015
Mineral properties				
Tamarack Project	$9,743,629	$5,482,731	-	$15,226,360
Trairão Project	4,000,000	218,926	$(4,218,926)	-
Inajá South Project	500,000	12,311	(512,311)	-
	$14,243,629	$5,713,968	$(4,731,237)	$15,226,360

Amounts incurred on the exploration of mineral properties for the year ended December 31, 2015 amounted to $5.9 million, and is primarily a result of spending on the Tamarack North Project and, to a lesser extent, the Tamarack South Project. For the year ended December 31, 2014, the Company spent $10.2 million on mineral properties which was in relation to spending on the Tamarack Project and, to a lesser extent, the Trairão Project.

FINANCIAL INSTRUMENTS

	Dec 31, 2015	Dec 31, 2014
Held for trading, measured at fair value: Cash and cash equivalents	$2,014,013	$6,111,069
Held for trading, measured at fair value: Cash and cash equivalents – Restricted cash	$20,760,000	$nil
Investments	$nil	$226,523
Investment – Tlou Energy	$1,728,514	$2,877,454
Unsecured convertible loan	$19,387,966	$nil

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, 2015, the Company had a cash and cash equivalents balance of $22.8 million, including restricted cash of $20.8 million (December 31, 2014 - $6.1 million), leaving $2.0 million of unrestricted cash, to settle current liabilities of $0.5 million (December 31, 2014 - $0.6 million).

In order to meet future working capital requirements, the Company may need to sell non-core assets, cut additional costs and/or raise additional capital (as permitted pursuant to the RCF Loan Agreement). There can be no assurance that the Company will be successful in selling non-core assets, cutting sufficient costs and/or, in compliance with the RCF Loan Agreement, raising capital to meet the Company's future working capital requirements.

See "*Financial Condition, Cash Flow, Liquidity and Capital Resources – Liquidity and Capital Resources"* and *"Risks and Uncertainties"* for further important information.

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 loss of the Company for the year ended December 31, 2015, by approximately $90,000.

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 Agreement (as amended) and, if applicable, for the Purchase Option or any payments that may be due under the Tamarack Joint Venture will be made in United States dollars. 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. In addition, the RCF Loan is denominated in United States dollars. To date, with the exception of the RCF Financing, Talon's financing activities have been in Canadian dollars.

In the short-term, the majority of Talon's costs are salaries and administrative costs, which are denominated in Canadian dollars. As such, in the short-term, the majority of the Company's funds will be kept in Canadian dollars.

Talon is exposed to movements in the United States dollar as a result of the RCF Loan, which at December 31, 2015 had a value of US$14,009,333. The RCF Loan matures on November 25, 2018.

At December 31, 2015, the Company had net monetary assets and liabilities in foreign currencies, as follows (Canadian dollar equivalent):

United States dollars	$ 1.65 million
Brazilian real	$(0.15 million)

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, 2015 of approximately $80,000.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent of its interest income on holding of government treasury bills, money market funds and GICs (collectively, "**Short Term Investments**").

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

As of December 31, 2015, the Company had interest bearing debt of $19.4 million pursuant to the RCF Loan. Interest rate risk on the Company's debt is mitigated by the fixed interest rate of 12% and relatively short term to maturity (approximately 2.9 years) of the RCF Loan.

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	$2,014,013
Restricted cash	20,760,000
Investment in Tlou Energy	1,728,514
Level 3	
RCF Loan	19,387,966

A gain on investments for the year ended December 31, 2015 of $1.1 million (year ended December 31, 2014 – gain of $152,308) 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, 2015	Year ended December 31, 2014
Operating activities	$ (544,186)	$ (2,419,222)
Investing activities	(23,730,214)	(10,229,563)
Financing activities	20,177,344	3,906,978
Decrease in cash & cash equivalents	(4,097,056)	(8,741,807)
Beginning cash & cash equivalents	6,111,069	14,852,876
Ending cash & cash equivalents, including restricted cash	2,014,013	6,111,069

Operating Activities

Operating activities for the year ended December 31, 2015 consumed $0.5 million of cash primarily due to net operating expenses. See *"Review of Annual Results*" for a discussion of operating expenses.

Operating activities for the year ended December 31, 2014 consumed $2.4 million primarily due to net operating expenses.

Investing Activities

Investing activities for the year ended December 31, 2015 consumed $23.7 million compared to $10.2 million for the same period last year. In both cases, this was primarily due to capitalized exploration costs, however, in 2015, the Company received proceeds of $2.5 million in connection with the sale of the São Jorge Royalty.

Financing Activities

On March 26, 2015, Kennecott provided Talon and Talon Nickel with the Kennecott Loan (see "*Company Overview - Tamarack Project - Kennecott Unsecured Loan*"). The Kennecott Loan enabled Talon Nickel to meet all of its first year commitments under the Tamarack Earn-in Agreement. The Kennecott Loan was set to mature on December 21, 2015 and, pursuant to its terms, was to bear interest at the rate of 12 month LIBOR plus 8% per annum.

On November 25, 2015, Talon, Talon Nickel and Kennecott entered into the Debt Settlement Agreement, pursuant to which, effective December 29, 2015, Kennecott extinguished the principal amount of the Kennecott Loan and interest in the aggregate amount of US$349,115 payable in respect of the Kennecott Loan and the Deferred Option Payment was converted into 5,236,717 common shares of the Company.

On December 29, 2015, RCF provided the Company with US$15 million, as follows: (a) US$1 million via the RCF Private Placement, and (b) US$14 million via the RCF Loan. The entire US$15 million was paid to Kennecott on January 4, 2016 for the Company to earn an 18.45% interest in the Tamarack Project.

The Company evaluates possible financing activities on an ongoing basis taking into account the terms of the RCF Loan Agreement, 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.

The above resulted in net cash flows from financing activities of $20.1 million in 2015, which compares to $3.9 million in 2014 which was the result of an equity private placement of units (each unit comprised of a common share plus a half common share purchase warrant).

Liquidity and Capital Resources

As of December 31, 2015, the Company had a cash and cash equivalents balance of $22.8 million, including restricted cash of $20.8 million (December 31, 2014 - $6.1 million), leaving $2.0 million of unrestricted cash, to settle current liabilities of $0.5 million (December 31, 2014 - $0.6 million).

On December 29, 2015, RCF provided the Company with US$15 million, as follows: (a) US$1 million via the RCF Private Placement, and (b) US$14 million via the RCF Loan. The entire US$15 million was paid to Kennecott on January 4, 2016 for the Company to earn an 18.45% interest in the Tamarack Project.

The Company currently incurs approximately $150,000 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 ensuing 12 month period (up to December 31, 2016), the Company expects to incur a total of approximately $1.8 million on such costs excluding the impact of any additional cost-cutting.

In order to meet future working capital requirements, the Company may need to sell non-core assets, cut costs and/or raise additional capital (as permitted pursuant to the RCF Loan Agreement). There can be no assurance that the Company will be successful in selling non-core assets, cutting sufficient costs and/or, in compliance with the RCF Loan Agreement, raising financing to meet the Company's future working capital requirements.

See "*Financial Instruments – Liquidity Risk"* and *"Risks and Uncertainties"* for further important information.

A summary of Contributed Surplus for the period from January 1, 2012 to December 31, 2015 is as follows:

Balance	December 31, 2011	$13,577,709
Options	Options vested 2012	1,024,194
Options	Exercised 2012	(29,250)
Balance	December 31, 2012	14,572,653
Options	Options vested 2013	556,097
Balance	December 31, 2013	15,128,750
Options	Options vested 2014	359,568
Balance	December 31, 2014	15,488,318
Options	Options vested 2015	581,860
Balance	December 31, 2015	$16,070,178

DISCLOSURE OF OUTSTANDING SHARE DATA

The following details the share capital structure of the Company as at March 29, 2016:

	Expiry Date	Exercise Price	Total
Common Shares			128,809,937
Stock Options	May 25, 2016	$1.95	340,000
Stock Options	June 7, 2016	$1.95	500,000
Stock Options	Feb 20, 2018	$0.30	200,000
Stock Options*	Mar 20, 2018	$0.30	1,000,000
Stock Options	May 28, 2020	$0.20	109,350
Stock Options	Nov 25, 2020	$0.156	9,755,000
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
Warrants	Apr 1, 2017	$0.30	1,000,000
Warrants	Apr 1, 2017	$0.65	1,000,000
Warrants	Nov 25, 2018	$0.156	1,000,000
Total fully diluted number of shares			152,227,339

*Unvested and not expected to vest

Pursuant to the Company's incentive stock option plan (the "**Plan**"), during the year ended December 31, 2015, the Company issued 2,109,350 options.

On December 29, 2015, Talon shareholders approved the repricing and an extension of the term of 9,755,000 options. These options were repriced to an exercise price of $0.156 from an average exercise price of $0.35. In addition, the term of these options was extended to November 25, 2020.

The following details the stock options of the Company outstanding as at December 31, 2015:

	Options	Weighted Average Exercise Price
Outstanding – beginning of year	13,994,350	$0.51
Granted	2,109,350	0.20
Expired	(3,424,350)	0.40
Expired	(450,000)	0.70
Cancelled	(50,000)	0.30
Repriced	(9,755,000)	0.35
Repriced	9,755,000	0.156
Outstanding – end of the period	12,179,350	0.33

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, 2015 using the Black-Scholes option pricing model using the following range of assumptions:

	2015	2014
Risk-free interest rate	0.77%	1.6%-1.8%
Expected life	5 years	5 years
Expected volatility	60%	60%
Dividend yield	Nil	Nil

For the year ended December 31, 2015, a stock option compensation expense of $581,860 was recognized by the Company, compared to $359,568 during the same period in the prior year.

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, 2015 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.

RCF Loan

If RCF elects not to convert the entire amount owing under the RCF Loan into common shares of the Company, the principal amount advanced and outstanding under the RCF Loan and all interest accrued thereon will be due and payable to RCF on the Maturity Date (November 25, 2018). The Company's ability to repay the principal and accrued interest depends upon the Company's future ability to obtain financing. If the Company cannot raise sufficient funds to repay the RCF Loan, RCF will have all rights and remedies available at law or in equity, which may include acquiring the Company's interest in the Tamarack Project. In addition, if all or part of the RCF Loan is not paid when due, such overdue amount bears interest at an increased rate of 17% per annum. A failure to repay the RCF Loan could materially adversely affect the Company's business and future operations (including, its ability to continue as a going concern) and may result in the Company losing its interest in the Tamarack Project.

The RCF Loan Agreement contains restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to incur additional indebtedness, to create liens or other encumbrances, to maintain operations within an agreed upon operating budget, to sell or otherwise dispose of assets and merge or consolidate with another entity. A failure to comply with these obligations could result in an event of default which, if not waived, could permit acceleration of the repayment of the RCF Loan. If the repayment of the RCF Loan is accelerated, it is unlikely that the Company will have or be able to raise sufficient capital to satisfy such repayment obligation in full.

If RCF elects to convert, in whole or in part, the principal and interest outstanding under the RCF Loan into common shares of the Company, such conversion will likely involve substantial dilution to existing shareholders which may result in RCF owning a majority of the Company. In such a situation, RCF will likely be able control most of the decisions of the Company, irrespective of the wishes of other shareholders of the Company.

Working Capital Requirements

In order to meet future working capital requirements, the Company will need to sell non-core assets, cut additional costs and/or, as permitted pursuant to the RCF Loan Agreement, raise additional capital. If the Company seeks to raise additional capital, it may not be available when needed, or if available, the terms of such capital might not be favourable to the Company. 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. There can be no assurance that the Company will be successful in selling non-core assets, cutting sufficient costs and/or, in compliance with the RCF Loan Agreement, raising capital to meet the Company's future working capital requirements. If the Company is not successful in doing so (or in doing so sufficiently), it may 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).

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, 2015 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, 2016 is dependent on the Company's ability to sell non-core assets, reduce its working capital requirements and/or secure additional financing in compliance with the terms of the RCF Loan Agreement.

Litigation

The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely against the Company. Specifically, current litigation proceedings in Brazil, even in cases which the Company's legal counsel believes have a remote chance of success, may be determined, in whole or in part, against the Company. One or more of such determinations against the Company may adversely affect the Company's financial condition and the Company's Brazilian assets (including, the Trairao Project) and may have a material adverse impact on the ability of the Company to carry on operations.

Tamarack Earn-In Agreement and Tamarack Joint Venture

The Company has met its obligations under the Tamarack Earn-in Agreement (as amended) to earn an 18.45% interest in the Tamarack Project. However, during the period from when Kennecott has spent all of the funds advanced by the Company for exploration on the Tamarack Project (which period officially begins once Kennecott has provided the Company with a full accounting of the use of such funds) up until Kennecott's decision as to whether to grant the Company the Tamarack Purchase Option, the Company is responsible for (i) certain costs to keep the Tamarack Project in good standing based on its 18.45% interest, and (ii) a maximum additional amount of US$92,250 in exploration expenditures. If the Company fails to make any of such payments, its interest in the Tamarack Project will be diluted in accordance with the Tamarack Earn-in Agreement.

In addition, if the Company and Kennecott form the Tamarack Joint Venture, the Company has funding obligations to advance the Tamarack Project based on its 18.45% interest. Should the Company be unable to meet any of these funding obligations, the Company's interest in the Tamarack Project will be diluted.

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 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, if applicable, 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 as the majority of Talon's non-working capital costs are in United States dollars. Payments made to Kennecott pursuant to the Tamarack Earn-in Agreement (as amended) and, if applicable, for the Purchase Option or any payments that may be due under the Tamarack Joint Venture will be made in United States dollars. In addition, the Company's indebtedness under the RCF Loan is denominated in United States dollars. However, to date, other than the RCF Loan, Talon's financing activities have generally only been in Canadian dollars.

A depreciation of the Canadian dollar against the United States dollar may negatively affect the Company's current or future cash balance and may require the Company to raise additional capital (as permitted under the RCF Loan Agreement) to offset additional costs caused by exchange rate fluctuations. In addition, a depreciation of the Canadian dollar against the United States dollar may require the Company to raise more money than it otherwise would have been required to do. The Company may not be able to complete such a larger financing which may result in the Company not being able to meet its obligations in respect of the Tamarack Project and/or the repayment of any amounts owing under the RCF Loan. Such a failure may have a material adverse impact on the Company, including potential dilution of its interest in the Tamarack Project and its ability to continue operating.

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, input costs, foreign exchange rates, 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 currently reported for the Tamarack Project 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 (as amended) or thereafter, including, if applicable, pursuant to the Tamarack Joint Venture.

RELATED PARTY TRANSACTIONS AND BALANCES

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

The Company has entered into a services agreement with a company owned by a director of Talon (Luis Azevedo) (the "**Brazil Agreement**") pursuant to which the company provides Talon with certain accounting, legal and general administrative functions in Brazil for a monthly service fee of US$5,000. The Brazil Agreement was terminated on December 31, 2015. For 2016, Talon renegotiated for an expanded bundle of services to be provided by the company in exchange for a reduced fee of $40,000 for all of 2016.

For the year ended December 31, 2015, fees paid under the Brazil Agreement amounted to $51,000 (2014 - $61,000). Outside of the Brazil Agreement, the Company also paid $69,000 for legal fees and assistance in selling the Sao Jorge royalty.

Accounts payable and accrued liabilities at December 31, 2015 include $13,500 payable to a director of the Company (December 31, 2014 - $15,500).

The remuneration of directors and officers of the Company for the years ended December 31, 2015 and December 31, 2014 was as follows:

	Year ended Dec 31, 2015	Year ended Dec 31, 2014
Cash Compensation	$1,545,005	$1,691,800
Stock Option Compensation	567,814	316,237
Common Shares Compensation	225,000	-
Aggregate Compensation	$2,337,819	$2,008,037

The following stock options were issued during the year ended December 31, 2015 to directors and executive officers of the Company:

Date of Grant	Number	Exercise Price	Expiry Date
May 28, 2015	1,965,000	$0.20*	May 28, 2020*

*On December 29, 2015, these options were repriced to $0.156 and the term was extended to November 25, 2020

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 valuation of the RCF Loan.

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, development of infrastructure such as roads, railroads, ports and barge ports 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 the recoverable amount.

The uncertainty in regards to the valuation of the RCF Loan arises as a result of inputs such as expected price volatility, the price of the Company’s shares and credit yield-to-maturity as well as the valuation model itself.

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.

Convertible loan

In December 2015, the Company issued an unsecured convertible loan (the RCF Loan). The Company has designated the convertible loan at fair value through profit and loss. The Company has used estimates in determining the fair value of the convertible loan. Inputs used in the models employed in the valuation of the convertible loan as a hybrid financial instrument require subjective assumptions including the expected price volatility and credit yield-to-maturity of the Company. Changes in these assumptions and the selected valuation model can materially affect the fair value estimate. The valuation methods and the underlying assumptions used in the re-measurement of the convertible loan are disclosed in Note 7(b) of the financial statements.

The convertible loan is denominated in US dollars and convertible into common shares based on the principal and interest balance translated to Canadian dollars. Management determined that the convertible loan represents a combined instrument that contains an embedded derivative, being the conversion option. As a result of the foreign exchange impact on the conversion factor, the conversion option does not meet the fixed for fixed criteria and therefore represents a derivative liability. In accordance with International Accounting Standard 39, the Company has designated the entire convertible loan at fair value through profit or loss. The convertible loan was initially recorded at fair value and re-valued at period end with changes in fair value being recorded through profit and loss.

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, 2015. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2015, 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, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

The 2016 winter exploration program, which commenced in January 2016, is in the process of winding down. The Company expects to provide further updates as and when results from the winter exploration program are received.

Kennecott and Talon are well underway with the planning for the 2016 summer exploration program at the Tamarack Project. It is expected to commence in May.