ANNUAL INFORMATION FORM

AS AT MARCH 29, 2010

TALON METALS CORP.

FOR THE YEAR ENDED DECEMBER 31, 2009

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NOTE TO READER

Wherever used in this Annual Information Form, the "**Company**", "**Talon**" and "**MergeCo**" refer to Talon Metals Corp. and all of its subsidiaries, except where the context otherwise requires.

Unless otherwise indicated, all dollar amounts herein are expressed in Canadian dollars.

FORWARD-LOOKING INFORMATION

This Annual Information Form contains "forward-looking information". All information, other than information concerning historical fact, that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, information regarding mineral resources, metallurgical results, the Company's exploration plans, the Company's business plans and priorities, the Company's plans to dispose of, option out, or expand existing projects, the Company's plans to acquire new projects, exploration results and potential mineralization and resources, market trends with respect to demand for and the price of gold and potash, projections in respect of capital expenditures, the plans and expectations of the Company and Tlou (defined below) concerning the joint venture project in Botswana, and forward-looking information in the Merger Circular (defined below)) is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: volatility of and sensitivity to market prices for gold, potash and gas and prices (market or otherwise) for electricity; delays in receiving and evaluating outstanding historical data to define the most attractive targets for potash mineralisation and to delineate the basin structure; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities, including approval of applications for licences required for Talon to conduct a Phase II field based program on its potash projects and approval of environmental impact assessment applications; availability of mineral resource opportunities suitable for Talon; uncertainties involved in interpreting drilling results and other geological data; changes in the anticipated demand for electricity in southern Africa; changes in the anticipated demand for fertilizer including factors related to world population growth, income per capita, the use of biofuels and area of arable land; changes in equity and debt markets; inflation; changes in exchange rates; declines in U.S., Canadian and/or global economies; failure of Tlou's investment to advance the development of the Saber Project (defined below); 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 and development of, and/or commercial production from, the Saber Project and the properties Talon has an interest in; inability to commercially exploit the resources which may be contained in the Saber Project, including the production of downstream products such as petrochemicals; inability to secure and produce sufficient water to support gas production; actual gas usage varying from assumptions; equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in Brazil and Africa; imprecision in preliminary resource estimates, including estimates of the life and recovery thereof; success of future exploration and development initiatives; the existence of undetected or unregistered interests or claims, whether in contract or in tort, over the property of Talon; changes in government regulations and policies, including tax and trade laws and policies; risks relating to labour; other exploration, development and operating risks; liability and other claims asserted against Talon; volatility in prices of publicly traded securities; and the factors listed under "Forward Looking Statements" in the Merger Circular.

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 any 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 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. All forward looking information contained in the Merger Circular and incorporated by reference herein is also subject to the qualifications set out in the section entitled "Forward Looking Statements" in the Merger Circular.

The mineral resource figures referred to in this Annual Information Form are estimates, and no assurances can be given that the indicated levels of gold or potash will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimate included in this Annual Information Form is well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

CORPORATE STRUCTURE

Name, Address and Incorporation

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

RHI was incorporated by memorandum and articles of association filed under the *BVI Business Companies Act, 2004* (British Virgin Islands) (the "**BVI Act**") on July 8, 2004 for the purpose of engaging in the acquisition, exploration and development of mineral properties in

Brazil and, in particular, the São Jorge Gold Project (described below). Following the RHI Consolidation, the properties and assets of RHI became the properties and assets of the Company.

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

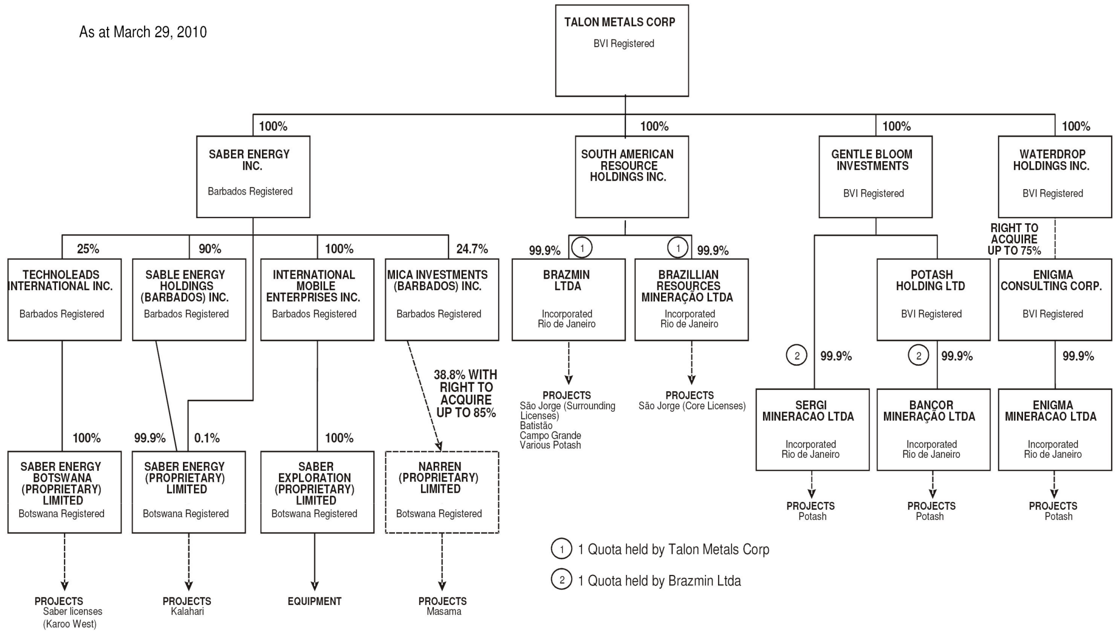
On March 24, 2010, the Company and Saber Energy Corp. (“**Saber**”) merged pursuant to a merger effected under the BVI Act (the “**Saber Merger**”). On closing of the Saber Merger, the properties and assets of Saber became the properties and assets of the Company. Talon survived the Saber Merger, retained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

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

Talon’s registered office is located at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands, and its head office is located at Avenida Jornalista Ricardo Marinho no. 360 salas 111, 112 e 113 Barra Da Tijuca, CEP 22.631-350, Rio de Janeiro, RJ, Brazil. The address of Talon’s representative in Canada is c/o Tau Capital Corp. (“**Tau**”), 110 Sheppard Ave. East, Suite 610, Toronto, Ontario, Canada, M2N 6Y8. Talon is a reporting issuer in the provinces of Ontario, British Columbia and Alberta.

Intercorporate Relationships

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



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Company is a mineral exploration company engaged in the acquisition, exploration and development of mineral (gold and potash) projects in Brazil and elsewhere. Please see "Description of the Business - General" (below) for a general description of the properties and holdings of the Company. The following summary describes the development of the Company's business over the last three financial years, including acquisitions, dispositions and other factors which influenced the business of the Company. As of the date hereof, the only material property of the Company is São Jorge Gold Project, a description of which is set forth below under the heading "Description of the Business - São Jorge Gold Project".

Disposition of Resources Holdings 2004 Inc. and EIMB

Effective February 6, 2007, Brazauro Resources Corporation ("**Brazauro**") acquired from Talon, pursuant to an acquisition agreement between Brazauro and Talon dated September 11, 2006, all of the outstanding common shares of Resource Holdings 2004 Inc. ("**RH 2004**") and Empresa Internacional de Mineração do Brasil Ltda ("**EIMB**"), two wholly owned subsidiaries of Talon through which Talon indirectly held interests in the Tocantinzinho gold project area in Brazil.

Brazauro issued to Talon 13,150,000 common shares in the capital of Brazauro (collectively, the "**Brazauro Shares**") in consideration for Talon's sale of its security holdings in RH 2004 and EIMB. The Brazauro Shares represented approximately 19.9% of the issued and outstanding shares of Brazauro at the time of the acquisition.

Talon sold 8,214,500 of its Brazauro Shares in the third quarter of 2007, an additional 3,600,000 of its Brazauro Shares in March 2009 and the balance of 1,335,500 Brazauro Shares in April 2009.

Merger with Saber Energy Corp.

Talon entered into a binding heads of agreement on September 25, 2008 (the "**HOA**") with Saber, a private energy company with interests in three prospective licence areas in the Kalahari and Zambesi basins in Botswana (of which two are in the Kalahari basin and one is in the northern, Zambesi basin). For more information on Saber, see "Appendix D – Saber Energy Corp. Information Brochure" in the information circular of the Company in respect of the Saber Merger dated February 2, 2010 (the "**Merger Circular**") as well as the business acquisition report of the Company dated March 25, 2010, which Merger Circular and business acquisition report are incorporated by reference herein in their entirety. References to "MergerCo" in the Merger Circular are references to Talon upon completion of the Saber Merger.

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

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

On September 1, 2009, Saber and Talon entered into a pre-merger agreement (the "**Pre-Merger Agreement**") in respect of the Saber Merger. In connection with its entry into the Pre-Merger Agreement, Talon agreed to extend an additional loan to Saber in principal amount of US$0.5 million (together with the Interim Loan, the "**Interim Loans**") and extend the maturity date of the Interim Loans to the earlier of December 15, 2009 and the effective date of the Saber Merger (the "**Effective Date**"). On October 1, 2009, Saber repaid the principal amount of US$0.5 million to Talon.

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

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

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

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

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

Option Agreement re. Agua Branca Gold Project

On December 10, 2009, Talon concluded an agreement with Brazauro granting Brazauro an option to earn a 100% interest in Talon's Água Branca Gold Project ("**Água Branca**"). Água Branca comprises a total area of 9,356 hectares in the Tapajós Gold District within the Pará State of Brazil. Under the terms of this agreement, Talon will receive payments of US$2.12 million over approximately two years. In addition, Brazauro must spend US$1 million on exploration within two years of the transfer of the licences, including the completion of a minimum of 2,000 metres of core sample drilling in the first year. If the foregoing payments are not made or the exploration program is not completed, Brazauro forfeits its ownership rights in respect of Água Branca and the ownership rights revert to Talon. Talon is also entitled to a 2% net smelter royalty pursuant to its agreement with Brazauro, which Brazauro can repurchase for US$2 million.

Acquisition of Sergipe Potash Project

On May 25, 2009, Talon concluded an agreement to acquire a 100% interest in Bancor Mineração Ltda., a Brazilian subsidiary of Kmine Holdings Ltd. which holds potash exploration licences in the Sergipe and Alagoas States of Brazil, for cash payments of US$20 million, payable over 10 years. This is known as the Company's Sergipe Potash Project. The agreement for Bancor Mineração Ltda. also permits Talon to issue shares in partial satisfaction of the purchase price. The Company acquired interests in additional potash exploration licences during the balance of the year, including the right to acquire a 75% interest in a subsidiary of Lara Exploration Ltd (TSXV:LRA) which holds potash exploration licences in the Sergipe State for a cash payment of US$0.5 million and a commitment to conduct US$4 million work program over a four year period.

Joint Venture of Juruena

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

DESCRIPTION OF THE BUSINESS

General

Following completion of the Saber Merger, the Company continues to be a resource company focused primarily on the exploration and development of mineral projects. In particular, the Company expects to continue the business of Talon prior to completion of the Saber Merger, which consists of the acquisition, exploration and development of mineral properties, including one material property - the São Jorge Gold Project – and a number of prospective gold properties situated in Brazil and described herein. In addition, the Company will continue exploration and expansion of Talon's growing Brazilian potash projects and related fertilizer industry mineral projects. The Company will also continue to actively seek, evaluate and acquire interests in other projects or business opportunities in the mineral exploration industry that are indicated to have substantial potential.

Through the Saber Merger, the Company acquired the interests, assets and properties of Saber in respect of its unconventional gas projects in Botswana (the "**Saber Assets**"). For more information on Saber and its projects, see the Merger Circular under the heading "Business of the Company" in "Appendix D - Saber Energy Corp. Information Brochure". The Company expects to hold the Saber Assets and consider the most effective method of funding Saber's business following the Farm-in Period (as defined below). None of the Company's funds will be expended on the Saber Project (as defined below) during the Farm-in Period and for up to a further 225 days.

Talon has one material property - the São Jorge Gold Project - a description of which is set forth below. Talon also owns a number of prospective gold and potash properties situated in Brazil. The current portfolio of Talon in Brazil is comprised of the following key projects:

Name of Project	Commodity	Location
Batistão	Gold	Mato Grosso State
Campo Grande	Gold	Minas Gerias State
São Jorge	Gold	Pará State
Sergipe	Potash	Sergipe and Alagoas States

While the exploration at the São Jorge Gold Project and Sergipe Potash Project represent the core activities of Talon at this time, the Company is actively prospecting and evaluating other mineral properties within its portfolio in order to determine the potential of these properties. Projects that do not meet Talon's target criteria will be optioned out. For further details relating to the Company's projects in Brazil, see Talon's Management's Discussion and Analysis for the year ended December 31, 2009 filed under the Company's profile on SEDAR at www.sedar.com.

Talon also continues to review numerous opportunities where there is potential for either an opportunity to realise a significant increase in value for shareholders or for a short to medium term possibility of realising cash flow from projects.

São Jorge Gold Project

On July 16, 2004, RHI, through its wholly-owned subsidiary, Brazilian Resources Mineração Ltda ("**BRM**"), acquired from Centaurus Mineração e Participação Ltda ("**Centaurus Brazil**") a 100% interest in the core 10,000 hectares ("**ha")** São Jorge exploration licence and mineral rights in Pará State, Brazil, within the Tapajos Gold District (the "**São Jorge Gold Project**"). Terms of the acquisition included a series of cash payments totalling US$250,000 referenced to development phases and production from the property, the issuance of 500,000 shares of RHI and the assumption of the balance of Centaurus Brazil's obligations under the underlying option agreement.

On April 22, 2005, the Company entered into an agreement with Jaguar Resources do Brasil Ltda whereby Talon acquired a 100% interest in three adjacent claims in the São Jorge area, totalling 29,661 ha. The purchase price for these claims was US$60,000, which has been paid in full.

On May 13, 2005, an agreement was made with Tapajos Mineraçáo and a Mr. Pedro Pacheco whereby Talon acquired a 100% interest in two adjacent claims within the São Jorge area, totalling 18,900 ha. One of the vendors of the latter claims is entitled to receive a bonus at the time the São Jorge Gold Project reaches development stage. The bonus amount corresponds to 1% of the proven mineable reserves as demonstrated by a feasibility study relating to the São Jorge area. This study is to be prepared in accordance with internationally accepted practices and be compliant with National Instrument 43-101 – *Standards of Disclosure for Minerals Projects* ("**NI 43-101**"). This 1% bonus was purchasable by the Company on or before September 30, 2006 for an amount of US$2,500,000; however, the Company elected not to purchase the bonus. Additional cash option payments totalling US$440,000 were payable to the vendor, all of which payments have been made. In addition, one of the newly acquired properties has a residual royalty amounting to 2% of net proceeds from any mining operation, 1.5% of which is purchasable at any time for US$500,000.

On May 5, 2006, the Company issued a news release in respect of certain alleged irregularities affecting Licence #024, being one of the licences that were obtained from Centaurus Resources Ltd. in 2004. Talon received a document from the Brazilian Mining Department (the "**DNPM**"), dated August 7, 2006, indicating that in the event that any such alleged irregularity should result in Licence #024 being nullified by the DNPM, then Licences #058 and #275, each owned 100% by the Company, would prevail and be granted priority rights over the São Jorge deposit and a large area surrounding such deposit. In November 2008, Talon was notified by the DNPM that Licence #024 would be nullified and as such Licences #058 and #275 would prevail and be granted priority rights.

Saber Project and Tlou Transaction Agreements

Prior to the Saber Merger, Saber entered into a series of agreements (the "**Tlou Transaction Agreements**") with Tlou Energy Pty Ltd ("**Tlou**"), a 50-50 joint venture between Mitchell Energy Group and Walcot Capital, pursuant to which Tlou acquired an indirect interest in Saber's project in Botswana (the "**Saber Project**" or the "**CBM Projects**"). Tlou has the right to retain its interest in the various projects by completing certain specified exploration requirements (the "**Farm-in Requirements**") before October 17, 2011 (the "**Farm-in Period**"). In the event that Tlou does not complete the Farm-in Requirements within the Farm-in Period (subject to certain limited exceptions) or if Tlou terminates the arrangement during the Farm-in Period as specified in the Tlou Transaction Agreements, all of Tlou's interest in the Saber Project will be transferred back to the Company.

Pursuant to the Tlou Transaction Agreements, in the event that Tlou completes the Farm-in Requirements within the Farm-in Period, the Company is not required to contribute to the funding of the subsequent exploration program in respect of the Saber Project. That is, at the Company's election, Tlou is required to 'carry' Talon for such subsequent exploration program. Also pursuant to the Tlou Transaction Agreements, Tlou Energy (Proprietary) Limited, a wholly-owned Botswana subsidiary of Tlou, has been appointed as manager of the Company's Saber Project.

For further information regarding the Tlou Transaction Agreements and the Company's business objectives in respect of the Saber Project acquired through the Saber Merger, see the Merger Circular under "Appendix D - Saber Energy Corp. Information Brochure" and "Appendix E - MergeCo Information Brochure".

Specialized Skill and Knowledge

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

Trends

Gold

In terms of market price, gold fell from above US$350 per ounce for most of the 1990s to below US$300 per ounce in 1997. Although the gold price remained below US$300 per ounce until 2003, it steadily increased in US dollar terms over the past five years. The gold price has more dramatically increased since mid 2007, trading in a general upward trend from US$700 per ounce in 2007 to the US$1,000 per ounce level in early 2008. In the past year, whereas many of the base metals and other precious metals have declined in price, the gold price has remained broadly at the levels recorded in the previous year, trading mostly between US$900 and US$1,200 per ounce.

Whereas the Company believes that in the medium-term the price of gold will remain at least at these elevated levels in US dollar terms, there always remain uncertainties regarding the trends of gold and other mineral prices in the long-term and therefore also the availability of equity financing for the purpose of mineral exploration and development. The above discussion includes forward-looking information about the price of gold. 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. For further information regarding forward-looking information, see the heading "Forward Looking Information". See also "Risk Factors – *Gold Price"*.

Potash

Before 2003, potash prices remained relatively flat at US$100 per tonne, primarily due to the oversupply created followed the collapse of the Soviet Union. Since then, potash demand growth narrowed the gap, increasing sufficiently to absorb the excess supply, and prices began to reflect this. Consistent growth in global demand, coupled with limited increases in global supply, fueled a significant increase in potash prices which hit an all time high of US$965 per tonne in October 2008 (KCL Vancouver FOB), an increase of 408% if compared to the US$190 per tonne level of February 2007. Although potash prices have since declined from this peak, they remain well above historical levels. See "Risk Factors – Potash Price".

Employees

As at December 31, 2009, Talon and its subsidiaries employed 9 individuals. In addition, the Company engages contractors and consultants from time to time to work on specific properties and for administrative, legal and other services as required.

Environmental Protection

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

Competitive Conditions

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

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

RISK FACTORS

Talon is subject to a number of risk factors due to the nature of the mineral business in which it is engaged, the limited extent of its assets and its stage of development. The following risk factors should be considered, in addition to the risk factors set out in the Merger Circular in "Appendix D – Saber Information Brochure" under "Risk Factors", and "Appendix E – MergeCo Information Brochure" under "Risk Factors".

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

General and Mineral Project Risk Factors

Exploration, Development and Operating Risks

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

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Talon or any of its joint venture partners will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal and potash prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Talon not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. Talon's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of potash and gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, 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, milling 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 consequent liability.

Insurance and Uninsured Risks

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

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

Cyclical Potash Industry

The markets for potash tend to move in cycles. Periods of high demand, increasing profits and high capacity utilization lead to new plant investment and increased production. This growth increases supply until the market is over-saturated, leading to declining prices and declining capacity utilization until the cycle repeats. The cyclicality in prices can result in supply/demand imbalances and pressures on potash prices and profit margins which may impact Talon's financial results and the price of Talon's common shares.

Agricultural Sector

The potash industry is dependent on conditions in the economy generally and the agriculture sector. The agricultural sector can be affected by adverse weather conditions, cost of inputs, commodity prices, animal diseases, the availability of government support programs and other uncertainties that may affect sales of fertilizer products.

Governmental Regulation; Environmental Risks and Hazards

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

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

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

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

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

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining or energy 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.

As unconventional gas is relatively new in Botswana, there is additional regulatory complexity. Any problems experienced by other operators might adversely impact the Company, through additional regulations or greater difficulty in acquiring licences, leases, permits or regulatory approvals.

Infrastructure

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

Land Title

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims (including native land claims) and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Competition

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself. Competition in the precious metals and potash mining industries is primarily for properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals and potash, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Additional Capital

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

Gold Price

The profitability of the Company's operations will be dependent upon the market price of gold. The price of gold fluctuates and is affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of gold and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of gold has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

In addition, declining gold prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Potash Price

The potential economic viability of Talon's potash operations, and the corresponding value of the common shares of Talon will be affected by changes in potash prices. Potash prices can fluctuate widely and are affected by numerous factors beyond the control of Talon. The market prices for potash are affected by rates of production of potash from mining, and may be affected by a variety of unpredictable international economic, monetary and political considerations. Macroeconomic considerations include: expectations of future rates of inflation; the strength of the US dollar, the currency in which the price of potash is generally quoted, and other currencies; interest rates; global or regional economic events; and, competition from other types of fertilizers.

Foreign Subsidiaries

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

Foreign Operations

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

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

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

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

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Potash, gold or other minerals are generally sold in US dollars and the Company's costs are incurred principally in Canadian dollars and Brazilian reals. The appreciation of non-US dollar currencies against the US dollar can increase the cost of potash, gold and other mineral exploration and production in US dollar terms.

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

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

The price of Talon's common shares is also likely to be significantly affected by short-term changes in potash, gold or other mineral prices or in its financial condition or results of operations as reflected in its earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of Talon's common shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the

Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Talon's common shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of Talon's common shares that persists for a significant period of time could cause the Company's securities to be delisted, further reducing market liquidity.

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

Operations of Talon After the Merger with Saber

Talon may not realise the anticipated benefits of the Merger due to challenges associated with integrating the operations, technologies and personnel of Saber and Talon. The success of the merged company will depend in large part on the success of management of the merged company in integrating the operations, technologies and personnel of Talon with those of Saber. The failure of Talon to achieve such integration could result in the failure of the merged company to realise any of the anticipated benefits of the Merger and could impair the results of operations, profitability and financial results of Talon.

In addition, the overall integration of the operations, technologies and personnel of Saber into the merged company may result in unanticipated operational problems, expenses, liabilities and diversion of management's attention.

Key Executives

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

Dividend Policy

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

Possible Conflicts of Interest

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

Risks Associated With Limited Operating History

Talon was formed in 2005. Accordingly, Talon has a limited operating history from which its business and prospects can be evaluated. As a result, forecasts of any potential growth of the business of Talon are difficult to evaluate. Talon's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development.

Political, Judicial, Administrative, Taxation or Other Regulatory Factors

Talon may be adversely affected by changes in political, judicial, administrative, taxation or other regulatory factors in the areas in which Talon does or will operate and holds its interests, as well as unforeseen matters.

Economic Factors

Market events and conditions in recent years, including disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and global economic conditions, could, among other things, continue to impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Notwithstanding various actions by U.S., Canadian and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions persist. These disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource exploration companies such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Unconventional Gas Risk Factors

Risks Associated with Failure of Tlou to Complete its Farm-In Requirements

The ability to conduct exploration on the Saber Project and subsequently generate positive cash flow from such operations is dependent on Tlou completing the Farm-in

Requirements by drilling 12 core holes pursuant to the share sale agreement entered into on July 28, 2009 (the "Share Sale Agreement"). There can be no assurance that Tlou will complete the Farm-in Requirements within the Farm-in Period, which concludes on October 17, 2011, or at all, or that Tlou will not terminate the Share Sale Agreement. Should Tlou either fail to complete the Farm-in Requirements or terminate the Share Sale Agreement, the Company would need to obtain the financing necessary to meet its minimum annual work and spending commitments for each licence area of the Saber Project. In the event that such minimum commitments are not met, the Botswana Government has the right to suspend or terminate the Saber licences. In addition, in the event that a subsidiary, Mica Investments (Barbados) Inc. ("Mica"), does not drill two core holes on the Masama Project (as defined in the Merger Circular) by June 30, 2010 and an additional three core holes by April 30, 2012, Mica will lose its entire interest in Narren (Proprietary) Limited, and therefore the Masama Project.

Exploration, Development and Production Risks

The operations of the Saber Project are subject to the risks normally incidental to the operation and development of hydrocarbons and the drilling of gas wells, including, but not limited to, encountering unexpected formation faults and pressures, pipe or cement failures, casing collapses, uncontrollable flows of gas, explosions, blow outs, surface cratering, fires, formation water and the release of contaminants into the environment. All of these potential occurrences could result in personal injuries, loss of life and substantial damage to wells and other property of Talon and others, as well as the imposition of significant fines and penalties pursuant to environmental legislation.

An unintentional leak of gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to Talon.

Hydrocarbon operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Saber Project depends on its ability, through Tlou (as the operator of the Saber Project), to find, acquire, develop and commercially produce reserves. The ability of Talon and Tlou to find and develop reserves will depend not only on their ability to explore and develop any properties they may have from time to time, but also on their ability to select and acquire suitable producing properties or prospects. No assurance can be given that they will be able to locate satisfactory properties for acquisition or participation or that they can develop the resources into reserves. Moreover, if acquisitions or participations are identified, Talon and Tlou may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of hydrocarbons will be discovered or acquired.

Future exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Limited access windows may also subject activities and projects to significant delays. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Talon anticipates that, following the completion of the Farm-in Requirements and the subsequent exploration program by Tlou, if any, substantial capital expenditures for the acquisition, exploration, development and production of unconventional gas will be required for the Saber Project. There can be no assurances that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on the terms acceptable to Talon.

Coal-bed Methane Operations

Unconventional gas operations in Botswana are in the early stages of development. As a result, many factors affecting the economics and success of unconventional gas operations are unknown or not fully known at this time. The Saber Project is subject to all of the operating risks associated with drilling for and producing gas, including fires, explosions, blow-outs and surface cratering, uncontrollable flows of underground gas, formation water, natural disasters, pipe or cement failures, casing collapses, embedded oilfield drilling and service tools, abnormally pressured formations and environmental hazards, such as gas leaks, pipeline ruptures and discharges of toxic gases. In addition, the exploration for, and production of unconventional gas, differs from conventional oil and gas and can pose additional operating risks.

Unconventional gas can require higher capital commitments than similar depth conventional gas developments due to such factors as the type of drilling and completion techniques required, which can entail the complexity of development of multiple coal steams. In some instances, more wells per section are required to effectively develop the resource in place. Lower wellhead pressures are typical with unconventional gas production which can require additional compression or larger flow lines.

Unconventional gas also requires a longer timeframe for testing and development. Unconventional gas often comes with water. In a sandstone or limestone reservoir, the gas molecules are between the rock particles. With unconventional gas, the gas molecules are stuck to the coal or adsorbed, and the spaces between the coal, referred to as the “cleats”, must be drained of water before gas will come out of the coal. The length of this dewatering process is different in each instance, and in some instances can be lengthy before unconventional gas production begins. The operations of the Saber Project may require long lead times before peak production is reached, and the sustainability of production is subject to greater uncertainty than with conventional gas.

Water production from unconventional gas requires adequate disposal into government approved formations. The large volumes produced potentially create such operational concerns as freezing, scale formation, or backpressure caused by inefficient pumping.

The unconventional gas licences in northeastern Botswana, which include the Masama Project and a portion of the Saber Licenses Project (as defined in the Merger Circular), may in particular pose a challenge from a development perspective. Geological reports indicate that the coal formations in this area may be particularly deep, which increases the risk of flooding and otherwise being able to extract the gas in a cost effective manner.

Risks Relating to Contingent Resources

Information on resources is only an estimate and the actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent evaluator. Contingent resources are defined as those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations, but are not currently economic. Due to the uncertainty which may attach to contingent resources, there is no assurance that they will be upgraded to resources to constitute proven and probable reserves as a result of continued exploration.

Failure to Obtain an Offtake Agreement

Neither Talon nor Tlou has entered into any offtake agreements for gas production from the Saber Project. If an offtake agreement is not entered into, the Saber Project may not be able to be developed due to the resulting inability to secure a market for the future output of gas.

Additional Capital

The exploration, evaluation and development of the Saber Project will require substantial additional financing after Tlou ceases to 'carry' the Company pursuant to the Tlou Transaction Agreements. There can be no assurance that financing will be available or, if available, will be available on favourable terms or in a timely manner. Failure to obtain sufficient financing when needed will result in the dilution of the Company's interests in all or part of the Saber Project and may result in a delay or indefinite postponement of development or production on such project and may have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Key Personnel

The Company and Tlou are dependent on the services of a small number of highly skilled and experienced employees and consultants. Due to the relatively unskilled labour market in Botswana, the loss of these persons or the inability to attract and retain additional highly skilled employees or consultants may adversely affect business and future operations.

Equipment

There is a limited availability of oilfield services and equipment in Botswana. Talon has designed and mobilized top drive drilling and support equipment specifically designed for high production underbalanced pneumatic and mud drilling for both vertical and horizontal wells. This equipment had to be imported into Botswana from other countries.

Talon is pursuing the sale of some of its unconventional gas equipment. Should this equipment be sold, there is a risk that Talon and/or Tlou would not be able to obtain equipment in Botswana in a timely manner. Further, in the event that this equipment is sold and Tlou either fails to complete the Farm-in Requirements or terminates the Share Sale Agreement, there is a risk that Talon would not be able to obtain additional financing to purchase new equipment from outside of the country.

United Nations Framework Convention on Climate Change and Kyoto Implementation

Botswana has not introduced comprehensive regulations addressing greenhouse gas emissions, including emission targets for specific industrial sectors, although as a signatory to the Kyoto Protocol it will be obliged to do so in due course. The Kyoto Protocol is an international agreement which sets limits on greenhouse gas emissions from certain signatory countries. The primary source of greenhouse gas emissions is the use of hydrocarbon energy. The testing and production of the Saber Project will depend on hydrocarbon energy sources to conduct daily operations, and there are currently no economic substitutes for these forms of energy. The Government of Botswana has not finalized any formal regulatory programs to control greenhouse gases, and it is not yet possible to reasonably estimate the nature, extent, timing and cost of any programs contemplated or their potential effects on the operations of the licence blocks. However, the broad adoption of emission limitations or other regulatory efforts to control greenhouse gas emissions may effect the demand for coal as well as increase production costs.

Risks in Dealing with HIV/AIDS

The per capita incidence of the HIV/AIDS virus in Botswana has been estimated as being one of the highest in the world, according to public sources. As such, HIV/AIDS remains the major healthcare challenge faced by Botswana and Talon's operations in the country. If the number of new HIV/AIDS infections in Botswana continues to increase and if the Botswana government imposes more stringent obligations on employers related to HIV/AIDS prevention and treatment, the operations of the Saber Project in Botswana and profitability could be adversely affected.

MATERIAL MINERAL PROJECT

São Jorge, Pará State

The summary section from the technical report dated September 4, 2008 regarding the São Jorge Gold Project entitled "Talon Metals Corp.: São Jorge Gold Project, Para State, Brazil, National Instrument 43-101 Second Technical Report" (the "**Technical Report**") prepared by Coffey Mining Pty Ltd. ("**Coffey**") of Brazil, under the supervision of Beau Nicholls, Bernardo Horta Cerqueira Viana and Mario Conrado Reinhardt, each of whom is a "qualified person" under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, is reproduced in its entirety at Exhibit "I" of this Annual Information Form and the detailed disclosure in the Technical Report is incorporated by reference herein. The Technical Report is included on Talon's SEDAR profile at www.sedar.com.

DIVIDENDS

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

DESCRIPTION OF CAPITAL STRUCTURE

As noted above, Talon has no authorized capital, but is authorized to issue one class and one series of shares divided into 100,000,000,000 common shares of no par value. As at the date hereof, there are 63,877,950 common shares issued and outstanding, each carrying the right to one vote.

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

In addition, as at the date hereof, the Company has authorized for issuance 3,185,000 stock options pursuant to its incentive stock option plan, each entitling the holder to purchase one common share.

MARKET FOR SECURITIES

Trading Price and Volume

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

Period	High	Low	Volume
December 2009	$0.58	$0.40	661,342
November 2009	$0.40	$0.22	653,130
October 2009	$0.365	$0.29	516,718
September 2009	$0.435	$0.31	353,091
August 2009	$0.38	$0.25	411,813
July 2009	$0.37	$0.26	254,151
June 2009	$0.47	$0.31	162,575
May 2009	$0.53	$0.21	363,616
April 2009	$0.24	$0.19	11,024
March 2009	$0.245	$0.18	122,120
February 2009	$0.275	$0.19	552,755
January 2009	$0.25	$0.19	314,800

ESCROWED SECURITIES

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

DIRECTORS AND OFFICERS

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

Name, Residence and Current Position(s) with Talon Metals Corp.	**Principal Occupation During the Past Five Years**	**Director Since**
Luis Mauricio F. de Azevedo Rio de Janeiro, RJ, Brazil Chief Operating Officer and Director	Chief Operating Officer of Talon, 2005 to present; Partner (Lawyer), FFA Legal Simples Ltd., 1997 to present.	April 5, 2005
Stuart Comline Gauteng, South Africa Chief Executive Officer and Director	Interim President and Chief Executive Officer of Talon, November 2007 to present; Chairman of AfriOre Limited (mineral exploration and development), August 2002 to January 2007.	June 25, 2007
Sandra S. Cowan(1) (2) (3) Ontario, Canada Director and Chairman of the Board	Private Business Consultant, 2009 to present; Executive Vice President, Partner and General Counsel, Edgestone Capital Partners (merchant bank) from 2002 to 2008.	April 5, 2005
Francis J. Crothers(1)(3) Nassau, Bahamas Director	Chairman and CEO, Island Corporate Holdings Limited (investment company) from 1994 to present.	June 15, 2006
Paulo Ilidio de Brito Rio de Janeiro, RJ, Brazil Vice President, Exploration	Vice President, Exploration of Talon; Consultant Geologist, BRASGEO Mineração Ltda (2002 – Present).	Not applicable
Gregory S. Kinross(1) (3) Gauteng, South Africa Director	President of CIC Energy Corp. ("**CIC Energy**") (mineral exploration and development) from November 2007 to present; President & CEO of CIC Energy, 2006 to November 2007; President & CEO of Tau (administrative and advisory services company) from November 2007 to present; Executive Vice-President Business Development, Tau, 2005 to November 2007.	April 5, 2005
Warren E. Newfield Jerusalem, Israel Director	Co-Chairman, CIC Energy (mineral exploration and development), 2006 to October 29, 2008, Chairman, CIC Energy, October 29, 2008 to present and also Chief Executive Officer of CIC Energy from November 2007 to present; Chairman of Tau (administrative and advisory services company) from November 2007 to present; President and CEO, Tau, 2000 to November 2007; President and CEO, AfriOre Limited (mineral exploration and development) from 2000 to January 2007.	April 5, 2005
Nelson F.M. Pfaltzgraff Rio de Janeiro, RJ, Brazil Chief Financial Officer	Chief Financial Officer of Talon 1995 to present; Partner in Charge, PS Contax & Associados Auditores e Consultores S/C Ltda (accounting firm) from 1995 to present; and PC Contax & Associados Auditores Independentes S/C accounting firm) from 1998 to present.	Not applicable

Notes:

(1) Members of the Audit Committee.

(2) Chairman of the Audit Committee.

(3) Members of the Corporate Governance and Compensation Committee.

As at the date hereof, the directors and executive officers of Talon as a group beneficially own, directly and indirectly, or exercise control or direction over 7,139,848 common shares, representing approximately 11.2% of the 63,877,950 issued and outstanding common shares.

Corporate Cease Trade Orders or Bankruptcies

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

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

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

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

Penalties or Sanctions

To the best of the Company's knowledge, no director or executive officer of Talon, and no shareholder holding a sufficient number of securities of Talon to affect materially the control of Talon, has been subject to:

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

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

Personal Bankruptcies

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

Conflicts of Interest

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

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

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

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

Promoter

Tau Capital Services Inc., a corporation incorporated under the laws of Ontario, Canada, may be considered to be the promoter of Talon within the meaning of applicable Canadian securities legislation. Tau Capital Services Inc. beneficially owns, directly or indirectly, 50,000 common shares of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as disclosed herein, to the knowledge of the directors and officers of Talon, there are no legal proceedings material to Talon to which Talon or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2009, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of Talon, no penalties or sanctions have been imposed against Talon or its subsidiaries by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2009, no penalties or sanctions have been imposed against Talon by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of Talon, and no settlement agreements have been entered into by Talon before a court relating to securities legislation or with a securities regulatory authority during Talon's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

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

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

In addition, the other four directors of Talon beneficially own or have control or direction over an aggregate of 100,000 common shares of Talon (being less than 1% of the outstanding common shares of Talon) and 1,500,000 Saber Shares (being less than 1% of the outstanding common shares of Saber).

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

INTERESTS OF EXPERTS

To the best of the Company's knowledge, Beau Nicholls, Bernardo Horta Cerqueira Viana and Mario Conrado Reinhardt, the qualified persons under whose supervision the Technical Report was prepared, do not own, or hold any beneficial interest in, any securities or property of Talon or of its associates or affiliates.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

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

Composition of the Audit Committee

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

Name	Independent of Talon	Financially Literate	Relevant Education and Experience
Sandra S. Cowan	Yes	Yes	LL.B from The University of Western Ontario (1985); Private Business Consultant (2009 to present); Executive Vice President, Partner and General Counsel, EdgeStone Capital Partners (2002 – 2008); Partner (Lawyer), Goodman and Carr LLP (1999 – 2002); Director of Petrofund Energy (2002 – 2006); Director, Airboss of America Corp. (2002 – 2006); Director, AfriOre Limited (1997 – 2002); Trustee, BFI Canada Fund (March – April, 2002); Director of Richards Packaging Income Fund (February – April 2004)
Francis J. Crothers	Yes	Yes	Bachelor of Business Administration from the University of Miami; Chairman and CEO, Island Corporate Holdings Limited, a private Bahamas-based company; Director of Abaco Markets, Fortis Inc., Fidelity Bank and Trust (Cayman), C.A. Bancorp, Nuinsco Resources Limited, Templeton Mutual Funds and Victory Nickel
Gregory S. Kinross	Yes	Yes	Chartered Accountant; President of CIC Energy from November 2007 to Present; President & CEO of CIC Energy, 2006 to November 2007; President & CEO of Tau from November 2007 to Present; Executive Vice-President Business Development, Tau, 2005 to November 2007; Private equity, self-employed (1998 to 2004)

Audit Committee Oversight

During the financial year ended December 31, 2009, all recommendations of the audit committee to nominate or compensate an external auditor were adopted by the board of directors.

Pre-Approval Policies and Procedures

Included as part of the audit committee's charter is the responsibility of the audit committee to pre-approve all non-audit services to be provided to Talon by its external auditors.

External Auditor Service Fees

The following table summarizes the fees paid to Zeifmans LLP, the auditors of Talon for the years ended December 31, 2009 and December 31, 2008.

Category	**2009**	**2008**
Audit Fees	$85,000	$75,000
Audit Related Fees	$17,100(1)	$27,100(3)
Tax Fees	Nil	Nil
All Other Fees	$80,700(2)	$20,300(4)

Notes:

(1) For the limited review in respect of the financial statements and management's discussion and analysis of Talon for the interim periods in 2009 ended March 31, June 30 and September 30.

(2) For discussion regarding various corporate matters and specified procedures on the proposed Saber transactions.

(3) For the limited review in respect of the financial statements and management's discussion and analysis of Talon for the interim periods in 2008 ended March 31, June 30 and September 30, as well for meetings and consultations in respect of the Brazauro transaction, memo regarding GAAP for exploration costs, discussion of taxes on sale of mineral property and tax consulting regarding president's remuneration.

(4) For discussion regarding various corporate matters and specified procedures on the proposed Saber transactions, as contemplated in the HOA.

ADDITIONAL INFORMATION

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

Additional financial information is contained in the Company's audited financial statements and management's discussion and analysis for the year ended December 31, 2009.

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

EXHIBIT "I"

Summary from Technical Report on the São Jorge Gold Project

1. SUMMARY

1.1 Introduction

Coffey Mining Pty Ltd (Coffey Mining) under its Brazilian office operating as Geoexplore Consultoria e Serviços Ltda (Geoexplore) has been commissioned by Talon Metals Corp. (Talon) to prepare an updated resource estimate for the São Jorge Gold Project, in Para State, Brazil.

This report complies with Canadian National Instrument 43-101 'Standards of Disclosure for Mineral Projects of December 2005 (the Instrument) and the resource classifications adopted by CIM Council in December 2005.

1.2 Location

The São Jorge Gold Project is located in the southeast of Pará State Brazil, in the municipality of Novo Progresso. The region is known as Tapajós, and São Jorge is located 320km south of the main regional city Itaituba. Access to the São Jorge Gold Project from the city of Itaituba, is via 320km of un-paved roads or via 1 hour flight in a light aircraft from Itaituba city.

1.3 Ownership

Talon is the sole registered and beneficial holder of 9 gold exploration licenses in the São Jorge area for a total of 73,846Ha. Talon has complied with all its contractual obligations in respects to the original owners of the licenses including Centaurus, Fonseca, Tapajós/Pedro and Jaguar, with final payments to be made as detailed in Section 4.5 of this report.

1.4 Geology

The São Jorge property is covered by a granitoid pluton dominantly composed of an amphibole-biotite monzogranite. The gold mineralization is hosted in a circular shaped body comprised of the younger São Jorge granite. The intrusive body measures approximately 1.2km in diameter and is generally massive, grey to pink in colour with a porphyritic granular texture. The São Jorge intrusion trends 290 degrees and is sub-parallel to the strike of the regional Cuiú-Cuiú - Tocantinzinho shear zone, which also hosts several important gold deposits including the Palito mine, Tocantinzinho deposit and Cuiú-Cuiú, Bom Jardim and Batalha gold prospects.

1.5 Mineralization

Gold mineralization is related to a hydrothermal alteration zone in the monzogranite along a structurally controlled fracture - vein system approximately 700m long and 60m wide. The main trend is 290 degrees with an almost vertical dip. The main mineralized zone is defined by a fairly sharp but irregular contact between altered and unaltered monzogranite to the southwest and a more gradational transition from altered to unaltered rocks to the northeast. Strong alteration is associated with discrete quartz veinlets (1 to 2cm wide), associated with coarse pyrite grains and clusters that cut zones of intense quartz flooding.

1.6 Project Status

Talon has completed a second phase of diamond drilling to upgrade the previous Indicated Resource and to identify additional Inferred Resources. They have been successful on both accounts and are now looking to review the economic viability of the project prior to upgrading the Inferred Resource.

1.7 Resources

Resource estimates for the São Jorge Gold Project have been generated by Coffey Mining on the basis of analytical results available up to 30th July 2008. The resource model was derived via geological interpretation and modelling of the mineralized zone.

Multiple Indicator Kriging ('MIK') estimation with indirect lognormal change of support to emulate mining selectivity was selected as an appropriate estimation method based on the quantity and spacing of available data, and the interpreted controls on, and styles of, mineralization under review.

Coffey Mining also completed a detailed assessment of all analytical quality control data applied in resource estimation. At the time of resource estimation, no material bias had been identified, although the analytical precision for both field duplicate and re-assay data requires further investigation to improve the apparent moderate precision.

The summarised Resource Statement in Table 1.7_1 has been determined with an effective date of 4th September 2008 and has been prepared and reported in accordance with Canadian National Instrument 43-101, Standards of Disclosure for Mineral Projects (the Instrument) and the classifications adopted by CIM Council in December 2005. The resource estimate has been classified as an Indicated and Inferred Mineral Resource based on the confidence of the input data, geological interpretation, and grade estimation.

1.8 Conclusions

The geological understanding of the São Jorge Gold Project has evolved greatly since the commencement of the Talon exploration program. The knowledge acquired to date and exploration success over the last two years confirms the potential of São Jorge and surrounding areas.

1.9 Recommendations

Coffey considers that the proposed exploration and development strategy is entirely appropriate and reflects the potential of the São Jorge Gold Project.

Table 1.7_1 São Jorge Deposit Grade Tonnage Report Multiple Indicator Kriging Estimate 10E x 10mN x 2.5mRL Selective Mining Unit				
	Lower Cutoff Grade (g/t Au)	**Million Tonnes**	**Average Grade (g/t Au)**	**Contained Gold (Kozs)**
Indicated Mineral Resource	0.3	11.365	1.0	379
	0.5	**8.334**	**1.3**	**343**
	0.7	6.232	1.5	303
	0.8	5.453	1.6	285
	0.9	4.792	1.7	267
	1.0	4.207	1.8	249
	1.1	3.683	2.0	231
	1.2	3.199	2.1	213
Inferred Mineral Resource	0.3	20.673	0.8	558
	0.5	**12.576**	**1.1**	**458**
	0.7	7.861	1.5	369
	0.8	6.541	1.6	338
	0.9	5.465	1.8	309
	1.0	4.471	1.9	278
	1.1	3.670	2.1	251
	1.2	3.117	2.3	230

EXHIBIT “II”

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

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

I. PURPOSE

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

- reviewing the financial reports and other financial information before such reports and other financial information is provided by the Corporation to any governmental body or the public;

- recommending the appointment and reviewing and appraising the audit efforts of the Corporation’s external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;

- serving as an independent and objective party to monitor the Corporation’s financial reporting process and internal controls, the Corporation’s processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and

- encouraging continuous improvement of, and fostering adherence to, the Corporation’s policies, procedures and practices at all levels.

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

II. COMPOSITION AND MEETINGS

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

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

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

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

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

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

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

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

Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

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

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

III. RESPONSIBILITIES AND DUTIES

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

Generally

1. Create an agenda for the ensuing year.

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

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

4. Report periodically to the Board of Directors.

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

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

Documents/Reports Review

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

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

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

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

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

External Auditors

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

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

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

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

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

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

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

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

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

Financial Reporting Processes

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

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

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

Process Improvement

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

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

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

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

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

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

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

Ethical and Legal Compliance

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

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

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

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

Risk Management

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

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

Currency of Charter

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

Schedule "A"

Independence and Financial Literacy

Independence Requirement of National Instrument 52-110

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Literacy

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