



Talon Metals Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2009

Dated: March 29, 2010

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This Management's Discussion and Analysis ("MD&A") of the consolidated financial position for the twelve months ended December 31, 2009, should be read in conjunction with the consolidated financial statements and notes of Talon Metals Corp. ("Talon" or the "Company") for the year ended December 31, 2009. All financial information reported herein for the year ended December 31, 2009 has been audited, while all financial information for the fourth quarter of 2009 is unaudited.

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

1. Forward-Looking Information

This MD&A contains certain "forward-looking information". All information, other than information pertaining to historical fact, which addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, including, without limitation, information regarding the Company's plans and objectives, 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, the Company's 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 Energy (defined below) concerning the joint venture project in Botswana, plans and expectations concerning the transition to IFRS (defined below), and the medium-term financial obligations of the Company and its ability to maintain its interests in the Sergipe Potash Project (defined below), constitute forward-looking information.

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

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; failure to establish estimated mineral resources, exploration costs varying significantly from estimates; delays in the exploration and development of, and/or commercial production from, the 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 other risks involved in the mineral exploration and development industry and risks specific to the Company, including the risks discussed in this MD&A under "Risks". For further factors and assumptions that underlie the forward-looking information included in this MD&A relating to the merger with Saber (the "**Merger**"), please refer to the section entitled "Forward-Looking Statements" in the management information circular of the Company dated February 2, 2010 under the Company's profile on SEDAR at www.sedar.com.

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

The mineral resource figures referred to in this MD&A are estimates, and no assurances can be given that the indicated levels of 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 estimates included in this MD&A are well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. 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.

2. Overview

*Additional information relating to the Company, including the Company's Annual Information Form ("**AIF**") for the year ended December 31, 2009, is available on SEDAR at www.sedar.com.*

Talon is focused on the acquisition, exploration and development of high-quality mineral resource projects. Management remains guardedly optimistic that, despite the changed circumstances of the past year, the long term fundamentals of the mineral resource industry are attractive. The Company has acquired a balanced portfolio of mineral exploration properties ranging from advanced to grassroots stages of development.

The principal asset, the São Jorge Gold Project ("**São Jorge**") in Pará State, Brazil, is an advanced-staged gold exploration project. Phase I and Phase II diamond drilling and work programs were completed in respect of São Jorge in 2005 and 2006, respectively. The results of the Phase I drilling were utilized in an independent National Instrument 43-101 ("**NI 43-101**") mineral resource estimate undertaken by SRK Consulting (Canada) Inc. ("**SRK**") in the latter part of 2006. Subsequent to that resource estimate, further drilling results were received and exploration undertaken. As a result of this and the significant increase in the price of gold, Talon commissioned Coffey Mining ("**Coffey**"), an independent consulting firm, to undertake an updated NI 43-101 mineral resource estimate for the Wilton Zone at São Jorge. This was completed and the results announced by news release on September 4, 2008. Coffey reported a 79% increase in the indicated category of the mineral resource estimate for the Wilton Zone at São Jorge of 343,000 troy ounces of gold. Furthermore, an additional 458,000 troy ounces of gold was reported in the inferred resource category.

Talon is defining a revised strategy to continue with the development of the São Jorge Gold Project, and if appropriate seek parties to participate in the future development of the project to maximize value for shareholders. Currently the extension areas to the Wilton pit are being reviewed in advance of planning further exploration, with the aim of defining additional resources while optimization studies on the existing resource in the Wilton pit continue.

Management continually reviews the Company's asset base and any potential new acquisitions to ensure optimum use of shareholders' funds. Talon's strategy of establishing a portfolio of mineral projects in different commodities, is aimed at securing rights to projects which have the ability to enhance the Company and provide value to shareholders. Talon is currently reviewing its portfolio of gold properties in Brazil and projects that do not meet Talon's objectives will be considered for farm out to third parties.

In addition, the Company has commenced an active program to identify, evaluate and acquire interests in other prospective mineral projects globally. As a result of this program Talon identified prospective potash projects in Brazil. In a news release on May 25, 2009, the Company announced the acquisition from Bancor Mineracao Ltda of certain properties in the Sergipe and Alagoas States of Brazil with potential for potash, collectively referred to as the "**Sergipe Potash Project**."

During the second half of 2009, further licences were granted and applications made for other licences increasing the land position of the Sergipe Potash Project. This project now comprises ten onshore and two offshore potash targets. Exploration licences are held for a total area of 91,948 hectares and applications have been made for a further 20,392 hectares.

Talon announced a Heads of Agreement ("**HOA**") with Saber Energy Corp. ("**Saber**"), regarding a potential merger of the two companies in a news release of September 25, 2008. This proposed transaction with Saber was entered into in order to realize Talon's goal to participate in a large project of merit, a strategic undertaking that had been underway since mid-2007.

Saber was a private unconventional gas exploration company focused on developing a coal bed methane ("**CBM**") and shale gas fields in the Kalahari and Zambesi basins in Botswana, Africa (the "**Saber Project**" or "**CBM Projects**"). Saber drilled 82 wells in its first exploration program in 2008-2009.

Also on September 25, 2008, Talon announced it had agreed to loan up to \$6 million to Saber in advance of the signing of a pre-merger agreement, and that an initial \$3 million had been advanced. The HOA and all amendments thereto have been filed on SEDAR and may be accessed on Talon's SEDAR profile at www.sedar.com.

In the fourth quarter of 2008, Talon increased the loan to Saber to \$6 million.

In April 2009, Talon announced it had agreed to extend the maturity date of this loan to October 31, 2009 based on positive developments at Saber including Saber's signing of a Heads of Agreement with Tlou Energy Pty Ltd ACN 136 739 967 ("**Tlou Energy**"), a joint venture between the experienced unconventional gas companies from Australia, Mitchell Energy Group and Walcot Capital.

On September 1, 2009, Talon entered a definitive agreement with Saber (the "**Pre-Merger Agreement**") with respect to the Merger. The Pre-Merger Agreement and subsequent amendments thereto are filed on SEDAR. Also on September 1, 2009, Talon agreed to further amend the loan agreement with Saber to loan a further US\$0.5 million to Saber, which amount has since been repaid.

The loan agreement was amended on December 30, 2009 to extend the maturity date of the loan to the earlier of March 30, 2010 and the effective date of the Merger. The Merger was completed on March 24, 2010 and the loan to Saber was cancelled on the same date.

Please see *Section 17 Subsequent Events* for further details regarding the Merger.

3. Exploration Projects

São Jorge Gold Project

São Jorge covers 57,420 hectares in the eastern part of the Tapajós Gold District in Pará State, Brazil.

In 2005, the Company completed a Phase I diamond drilling program on the São Jorge Project. A total of 10,104 metres was drilled in 48 holes. The main target, the Wilton Zone, had 42 drill holes totaling 9,228 metres completed, covering the 650 metre by 100 metre zone on sections of approximately 40 metre spacing and at 40 metre intervals down dip to approximately 150 metres below surface. Assay results for all the holes were received and published in Talon news releases. Referee samples amounting to approximately 8% of the total number were submitted to a separate laboratory, independent of Talon, for check analyses. The results indicate acceptable levels of correlation.

Once the Company completed a geological interpretation of the Wilton Zone at São Jorge on the basis of the Phase I drilling results and field programs, the entire data set was provided to SRK, an independent engineering firm, contracted to perform a NI 43-101 mineral resource estimate of the Wilton Zone. This work was based on diamond drilling information from both Talon's Phase I Program, as well as data from the previous drilling performed by a subsidiary of Rio Tinto PLC.

On October 13, 2006, the Company filed a NI 43-101 technical report entitled "BrazMin Corp.: Resource Estimate and Technical Report for the São Jorge Project, Brazil", dated October 12, 2006. A copy of this report is available on the Company's SEDAR profile at www.sedar.com.

A Phase II Exploration Program was conducted from May to September 2006. The drilling portion of this program comprised 7,952 metres in 34 diamond drill holes. Of this drilling, 2,302 metres in eight holes consisted of in-fill diamond drilling on the Wilton Zone. The balance of the drilling was directed towards the testing of new target areas and step-out drilling from the Wilton Zone to identify additional mineralization. Two new gold-mineralized zones, the "Kite Zone" and "Wilton East Zone", were discovered some 350 metres northwest and 430 metres southeast, respectively, of the Wilton Zone, as reported in news releases of July 24, 2006 and November 3, 2006.

Results for all 34 holes in the Phase II Program are contained in news releases dated July 24, 2006, August 17, 2006, October 6, 2006 and November 3, 2006.

The Phase II program also included 33.26 line-kilometres of ground geophysics consisting of Induced Polarization and magnetometer surveys covering an area some two kilometres in radius surrounding the Wilton Zone. A regional airborne geophysical program consisting of 2,636.34 line-kilometres of magnetometer and radiometric surveys has been completed. Based on the interpretation of structural and airborne geophysical data, several regional targets were defined at São Jorge.

In 2007, surface exploration included the soil sampling of two extension lines within the regional soil sampling survey and the sampling of an additional parallel line. The program comprised 181 soil samples and focused on several west-northwest trending structural corridors sub-parallel to the Wilton Zone. Anomalous gold values were received over a 600 metre length on one line.

In 2008, based on Phase II drill results, and in light of the significant increase in the price of gold since 2006, Talon commissioned Coffey, an independent consulting

firm, to undertake an updated NI 43-101 mineral resource estimate for the Wilton Zone at São Jorge.

In a news release dated September 4, 2008, the Company announced the results of Coffey's mineral resource estimate for the Wilton Zone. Using a 0.5 grams per tonne ("g/t") gold cut-off, Coffey classified only that material in the Wilton Zone occurring within 260 metres of surface as a mineral resource. Coffey's mineral resource estimates are presented in Table 1. This mineral resource estimate was prepared by Mr. Bernardo Viana (Member: AIG), an employee of Coffey and a "Qualified Person" within the meaning of NI 43-101.

Table 1 : Global Mineral Resource Estimate for the Wilton Zone at São Jorge using a 0.5 g/t Au cut-off grade (effective date: September 4, 2008).¹

São Jorge Project – Wilton Zone Grade Tonnage Report Multiple Indicator Kriging Estimate 10E x 10mN x 2.5mRL Selective Mining Unit ²			
Indicated Mineral Resource			
Cut-off Grade (g/t Au)	Million Tonnes³	Average Grade (g/t Au)	Contained Gold (Kozs)³
0.5	8.334	1.3	343
Inferred Mineral Resource			
Cut-off Grade (g/t Au)	Million Tonnes³	Average Grade (g/t Au)	Contained Gold (Kozs)³
0.5	12.576	1.1	458

¹ For additional information on São Jorge and these mineral resource estimates see the independent technical report entitled "Talon Metals Corp.: Sao Jorge Gold Project, Para State, Brazil, National Instrument 43-101 Second Technical Report" and dated September 4, 2008, which has been filed on SEDAR and may be accessed on the Company's profile at www.sedar.com.

² Specification on the size of the blocks used in the block modeling.

³ Appropriate rounding has been applied. "Kozs" indicates thousand troy ounces.

Talon is following a revised strategy to continue with the development of São Jorge, to maximize value for shareholders, including identifying parties who may participate in the further exploration and development of this project. Currently further exploration is being planned for the extension areas to the Wilton pit with the aim of defining additional resources while optimization studies on the existing resource in the Wilton pit continue.

A total of \$190,667 has been expended on São Jorge during the twelve month period under review.

Sergipe Potash Project

Talon's Sergipe Potash Project comprises ten onshore and two offshore potash targets located in the Sergipe and Alagoas States of Brazil. Talon holds exploration licences for a total area of 91,948 hectares and has applications for exploration licences pending for a further 22,392 hectares. The Sergi, Rio do Sal, Barra dos Coqueiros and Capela targets are the most attractive onshore targets and are the focus of Talon's current exploration program.

Eight of Talon's potash targets were acquired from Bancor Mineracao Ltda. ("**Bancor**"), a Brazilian subsidiary of Kmine Holdings Ltd., a private company, as announced in Talon's news release of May 25, 2009.

On December 7, 2009, Talon concluded an agreement to acquire a 75% interest in a subsidiary of Lara Exploration Ltd. ("**Lara**") which holds 13 potash exploration licences located immediately north-northeast of Vale's Taquari-Vassouras mine boundary in Sergipe State, Brazil.

These potash targets are in the same sedimentary basin as established oil producing areas and the nearby Taquari-Vassouras potash mine which produced 607,000 tonnes of potash in 2008.

There is a significant amount of technical data on the Sergipe-Alagoas sedimentary basin, generated by the oil and gas industry since 1960. To date, Talon has acquired the logs of 90 historical oil wells within this basin, some of which are strategically located within Talon's target areas.

In addition, Talon is acquiring other existing exploration data, including 2-D and 3-D seismic data, additional drill logs, downhole geophysical profiles and the data from a regional gravity survey. All of this data originated from exploration programs focused on oil and gas and therefore requires reinterpretation in order to apply it to potash exploration. Overall, the amount of historical data available within the Sergipe basin includes 4,590 oil wells and 618 2-D seismic lines.

Talon has engaged two consultants to assist with the acquisition, collation and interpretation of a large volume of data from previous exploration in the area of the Talon's potash properties. Stratageo SARL ("**Stratageo**"), a Rio de Janeiro based consultancy primarily serving the oil and gas industry, has collated all the seismic and drilling data Talon acquired on the Sergipe basin and is working with Talon's management to undertake an interpretation of the basin structure and potash distribution within the basin.

Ercosplan Ingenieurgesellschaft of Germany ("**Ercosplan**"), potash industry specialists, have been engaged to work with Stratageo and Talon's management to further interpret the data and assess the potash potential of the Sergipe basin and to propose an appropriate exploration program.

By the end of the first quarter of 2010, Talon expects to receive and evaluate all the outstanding historical data to define the most attractive targets for potash

mineralisation and to delineate the basin structure. This will conclude Phase I of the exploration program. Particular emphasis will be placed on identifying the more continuous and well developed potash deposits.

A Phase II exploration program is planned to commence in the second quarter of 2010, and where appropriate, will include 2-D and 3-D seismic surveys over the most prospective targets, as well as a drilling program. Talon has been granted environmental licences for its higher priority targets and is submitting further applications for environmental licences for additional areas that have been identified as priority areas in the past quarter and where the Phase II field based program is being planned.

A total of \$751,687 was spent by Talon on the Sergipe Potash Project in the year.

Água Branca Gold Project

The Água Branca Gold Project ("**Água Branca**") covers 9,356 hectares in the Tapajós Gold District within the Pará State, Brazil. Água Branca is situated approximately 70 kilometres west-northwest of São Jorge and 30 kilometres northwest of the Transgarimperia Highway. An existing road from the highway to the community of Água Branca provides access to the project area.

Following a review of the exploration results in the fourth quarter of 2008, Talon decided to identify a partner in order to continue the development of Água Branca.

On December 10, 2009, Talon concluded an agreement with Brazauro Resources Corporation (TSX:BZO), whereby Brazauro has the option to earn a 100% interest in Água Branca.

Under the terms of this agreement, Talon received an initial payment of US\$60,000 immediately and a further US\$60,000 is receivable upon the transfer of the licences to Brazauro. In order to exercise its option, Brazauro is required to make additional payments to Talon of US\$130,000 on or before December 31, 2010 and a further payment of US\$1.87 million on or before September 30, 2011. 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.

Talon is also entitled to a 2% net smelter royalty which Brazauro can re-purchase for US\$2 million. If the payments are not made or the exploration program is not completed Brazauro forfeits its ownership rights.

During the twelve months ended December 31, 2009, a total of \$90,970 was spent at Água Branca.

Campo Grande Gold Project

Talon's Campo Grande Gold Project ("**Campo Grande**") is located in Minas Gerais State, approximately 110 kilometres west of the state capital of Belo Horizonte and 15 kilometres north of the Town of Pitangui. A major road transects the Campo Grande property and facilitates access to the project area. Campo Grande is located in a region known as the "Iron Quadrangle", a major Brazilian gold mining camp with continuous production since the 17th century.

Campo Grande consists of three exploration licences totaling 2,611 hectares. All three licences are owned 100% by Talon subsidiaries; a NSR of 1.5% is held by a third party on one of the three licences.

Work by previous operators at Campo Grande outlined a 1.8 kilometre by 250 metre semi-coincident gold, arsenic and antimony soil anomaly. Between January and April 2007, Talon conducted a nine-hole (1,456 metre) diamond drill program with the objective of providing an initial drill test of the soil anomaly. All significant assays from this program are included in the Company's news release of May 14, 2007.

In the third quarter of 2007, further check drill core samples were submitted for analysis. Gold assays indicated a good correlation with the original drill results.

Talon did not conduct any exploration activities on Campo Grande during 2009.

During the year ended December 31, 2009, a total of \$10,991 was spent at Campo Grande.

Other Gold Projects

The Company owns or has interests in several other gold projects in Brazil (the "**Other Gold Projects**".)

The Juruena Gold Project ("**Juruena**") comprises 25,150 hectares located in northern Mato Grosso State, Brazil. This mineral property covers one of the major artisanal mining sites in Brazil, where gold mineralization is associated with a series of multiple quartz veins hosted in hydrothermal alteration zones within granites. On February 12, 2010 the Company announced that it has concluded an agreement with Gungnir Resources Inc. ("**Gungnir**") whereby Gungnir has been granted an option to earn up to a 75% interest in Juruena. Subsequently, Gungnir assigned the option to 7177411 Canada Corp.

The Batistão Gold Project ("**Batistão**") comprises a 20,000-hectares property, which is 100% owned by Talon. The project is located on the Peixoto de Azevedo Mineral Province on the northern portion of Mato Grosso State, Brazil.

Talon relocated all of the historical drill holes at Batistão and completed the compilation of existing geological, geochemical and geophysical data. Based on the

interpretation of these data, the Company intends to conduct a future drill program to validate the best intercepts and test new geological/structural concepts.

The Rio Maria Project ("**Rio Maria**") consists of five exploration licence applications covering 43,379 hectares located in southeastern Pará State, Brazil. Based on exploration by Talon and past operators, the Company determined that the Rio Maria did not meet Talon's current corporate objectives and a decision was made to farm the project out. As such, Rio Maria was written down by \$62,405 to reduce the value of this project to \$nil in 2007.

In the fourth quarter of 2007, Talon entered into an agreement with Reinarda Mineracao Ltda. ("**Reinarda**"), a Brazilian subsidiary of Troy Resources NL ("**Troy**"), regarding Rio Maria. Under the terms of the agreement Reinarda earned a 51% interest in Rio Maria by paying Talon a total of US\$150,000 and committing to expenditure of US\$100,000 over twelve months ending December 31, 2008 (this payment and expenditure was made within the specified timeframe). Reinarda can increase their ownership of Rio Maria to 100%, with a 2% NSR royalty payable to Talon Ltda, and by making an additional US\$200,000 payment and further expenditures totaling US\$250,000 over the following 24 months. One half of the 2% NSR (i.e. 1%) can be purchased by Reinarda for a one time payment of US\$1,000,000.

The Serrita and Serrita Norte Project are two adjoining parcels located in Pernambuco State, Brazil (together the "**Serrita Project**"). Talon initially owned a 65% interest in the Serrita Project. On February 8, 2006, the Company entered into an option agreement with Troy. Pursuant to the agreement, Troy has the right to acquire up to a 75% interest in the Serrita Project by spending US\$700,000 over four years and making certain cash payments to the Company and its partners. Should Troy earn its 75% interest, the Company may retain a 16% interest or elect to convert to a NSR. In the third quarter of 2008 an amount of \$374,094 was written down to reduce this project to a value of \$nil.

In the fourth quarter of 2008, Troy decided to withdraw from the option agreement with Talon on the Serrita Project. Talon reviewed all the exploration data acquired by Troy and decided to abandon the project.

Effective February 2007, Brazauro Resources Corporation ("**Brazauro**") acquired Talon's interests in the Tocantinzinho Gold Project (the "**Toc Project**") in Brazil in exchange for 13,150,000 treasury shares of Brazauro (TSX-V:BZO). Subsequently, in September 2007, Talon sold about 62% of its share position in Brazauro (8,214,500 common shares) for approximately \$6.6 million. In March 2009, Talon sold a further 3,600,000 shares for approximately \$1.7 million and in April 2009 Talon sold its remaining 1,335,500 common shares of Brazauro for about \$0.6 million.

During the third quarter of 2007, Talon entered into an agreement to assign its option to acquire a 100% interest in the Tartarugalzinho Gold Project ("**Little Turtle**") to Beadell Resources Limited ("**Beadell**"). Under the terms of the agreement Talon received a total of US\$650,000 in cash and shares from Beadell (ASX:BDR). The share consideration amounted to 2.45 million common shares of Beadell which were

sold by Talon in the first quarter of 2010 for gross proceeds of approximately \$724,000.

During the year ended December 31, 2009, an amount of \$204,680 was expended on the Other Gold Projects, primarily related to property maintenance costs and additions to projects.

Qualified Person

Talon's exploration programs are managed by Talon's VP Exploration, Mr. Paulo Ilidio de Brito (Member: AusIMM), who is a "Qualified Person" within the meaning of NI 43-101. Mr. Ilidio de Brito has reviewed and approved the technical information in this MD&A.

4. Critical Accounting Estimates

In preparing financial statements in accordance with Canadian generally accepted accounting principles ("**GAAP**"), management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses for the nine month period ended September 30, 2009. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact on the Company's financial statements. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. The following accounting estimates are critical:

(a) Impairment of mineral properties and deferred expenditures

Mineral properties and deferred expenditures are the most significant assets of the Company and represent capitalized expenditures related to the exploration of these properties. The Company reviews and evaluates its mineral properties and deferred expenditures for impairment quarterly or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

(b) Income taxes

Income taxes are accounted for using the liability method under which future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. In assessing future tax assets, the Company considers whether it is more likely than not that some portion or all of the future income tax assets will be realized and whether a valuation allowance is required.

(c) Stock based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. This model requires the Company to make reasonable assumptions in order to derive parameters such as the expected volatility of the Company's shares, and the expected life of the stock options and interest rates, all of which are based on historical information. Future behaviours of these parameters are beyond the Company's control, and thus, may be significantly different from the Company's estimates. Please refer to *Section 9 Results of Operations* of this MD&A for details on the parameters used in the option pricing model.

5. **Changes in Accounting Policies**

Effective January 1, 2009, Talon adopted the Canadian Institute of Chartered Accountants ("**CICA**") new Handbook Section 3064, "Goodwill and Intangible Assets".

On March 27, 2009, the Emerging Issues Committee issued EIC-174 "Mining Exploration Costs" which the Company has adopted.

During 2009, the CICA amended Handbook Section 3862, "Financial Instruments – Disclosures" and these new disclosure requirements have been incorporated into the year end 2009 financial statements.

There were no material impacts on the Company's financial statements upon adoption of these new standards and none are expected in the future. Please refer to Note 3 of the December 31, 2009 consolidated financial statements for additional details.

Adoption of Business Combinations

In January 2009, the CICA issued the following new accounting standards:

- Handbook Section 1582 "Business Combinations";
- Handbook Section 1602 "Non-Controlling Interests"; and
- Handbook Section 1601 "Consolidated Financial Statements".

These are all based on the International Accounting Standards Board's ("**IASB**") International Financial Reporting Standard 3, "Business Combinations" which is discussed further in the next section. These new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Please refer to Note 3 of the December 31, 2009 consolidated financial statements for additional details.

Adoption of IFRS

In February 2008, the CICA announced that GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for fiscal year ending December 31, 2011 and apply them to its opening January 1, 2010 balance sheet.

The Company's IFRS implementation project consists of three primary phases which will be completed by a combination of in-house resources and external consultants.

- *Phase I* - Initial diagnostic phase (Target completion date Q3 2010) – Involves preparing a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact on Talon's financial reporting and the overall difficulty of the conversion effort.
- *Phase II* - Impact analysis, evaluation and conversion phase (Target completion date of the Q1 2011 with primary effort directed during the second half of 2010) – Involves the selection of IFRS accounting policies by senior management and the review by the audit committee, the quantification of the impact of changes on Talon's existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements.
- *Phase III* - Implementation and review phase (Target completion dates will correspond to each quarterly filing period in 2011, with primary effort directed during the first half of 2011) – Involves training key finance and other personnel and implementation of the required changes to Talon's information systems and business policies and procedures. It will enable the Company to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

Financial reporting expertise and communication to stakeholders

The Company has retained an external consultant to establish appropriate IFRS financial reporting expertise at all levels of the business. The external consultant will advise and train key finance and operational staff. Talon has also provided Audit Committee members with detailed project scoping, timelines and deliverables. Based on matters brought to their attention the Audit Committee members will review the Audit Committee Charter and make the necessary changes to reflect the requirements for IFRS financial expertise as applicable. The Audit Committee will continue to receive periodic presentations and project status updates from the external consultant and management. The Company will also ensure that its key stakeholders are informed about the anticipated effects of the IFRS transition.

The Company has completed part of the initial diagnostic phase and will continue to update its disclosures throughout 2010 to reflect specific actions taken to facilitate adoption of IFRS effective January 1, 2011. The differences that have been identified in the diagnostic phase are summarized below.

a) Transitional Impact on Financial statement presentation

The Company's financial statements will have a different format upon transition to IFRS.

The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies. Income statement will be presented as a component of the statement of comprehensive income. Balance sheet may be presented in ascending or descending order of liquidity. Income statement is classified by each major functional area – marketing, distribution, etc.

Impact on Company: *The Company will reformat the financial statements in compliance with IAS 1.*

b) IFRS-1 Transitional policy choices and exceptions for retrospective application

IFRS-1 contains the following policy choices with respect to first-time adoption that are applicable to the Company.

Designation of previously recognized financial instruments:

IFRS: IAS 39 restricts the circumstances in which the option to measure a financial instrument at fair value through profit or loss is available. In particular, an entity is permitted to designate, at the date of transition to IFRS, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria.

GAAP: Contains no similar restriction. *The Company has certain long-term investments that it has previously designated as held-for-trading. These investments were disposed of in early 2010. The Company will assess the transitional impact during Phase II by reference to IAS 39 methodology.*

Business combinations:

The revised IFRS 3, *Business Combinations* may be applied retrospectively or prospectively with respect to business combinations completed prior to January 1, 2010.

Impact on Company: *The Company has not completed any business combinations prior to January 1, 2010. The Company expects to early adopt CICA Handbook section 1582 Business Combinations (converged with IFRS 3) with respect to business combinations completed on or after January 1, 2010.*

Property, plant & equipment:

IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP.

Impact on Company: *The Company will elect to use the historical cost carrying values as determined under Canadian GAAP for transitional purposes.*

- c) Mandatorily applicable standards with retrospective application (i.e., not specifically exempt under IFRS - 1)

Deferred mineral exploration costs

Upon adoption of IFRS, the Company will have a choice between retaining its existing policy of capitalizing all prefeasibility evaluation and exploration ("E&E") expenditures and electing to change its policy retrospectively to expense some or all prefeasibility costs.

Impact on Company: *The Company will make a final determination of its policy in this area during Phase II.*

Property, plant and equipment - cost

IFRS: IAS 16 contains more extensive guidance with respect to components within property, plant and equipment. When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting).

GAAP: Section 3061 essentially contains similar guidance but is less extensive.

Impact on Company: *The Company understands that the "components" approach is primarily intended to apply to major inspection or overhaul cost that is embedded in the cost of an item of property, plant and equipment. The Company has not identified any major inspection or overhaul cost with respect to its property, plant and equipment at the time of initial recognition and does not expect a material impact upon transition.*

Provision for environmental rehabilitation

IFRS – IFRS 37 applies to a constructive obligation, where the event creates valid expectations that the entity will discharge the obligation, as well as a legal obligation. The amount recognized should be the best estimate of the expenditure required to settle the obligation at the balance sheet date. Present value should be used where the effect of the time value of money is material. The discount rate (or rates) utilized should be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Impact on the Company: *The Company does not expect a material impact upon transition.*

Functional currency

The Company uses the Canadian dollar as both its functional and reporting currency. IAS 21 contains a more comprehensive framework for the determination of functional currency.

Impact on Company: *During Phase II, the Company will review the IAS 21 criteria to determine whether there is a material impact upon transition at January 1, 2010 or at December 31, 2010 and for the interim periods and the year then ended. The Company does not expect a material impact upon transition.*

Share based compensation

IFRS: Under IFRS 2, graded vesting awards must be accounted for as though each instalment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis.

GAAP: Straight line basis is permissible under Canadian GAAP.

Impact on Company: *The Company has recognized option expense on a graded basis that is consistent with the IFRS 2 amortization methodology and had no unvested options at January 1, 2010. Accordingly, the Company does not expect any transitional impact for options unvested at January 1, 2010. For options granted on or after January 1, 2010 the Company will calculate the aggregate fair value as though each instalment is a separate award and will amortize the value on a graded basis.*

Impact on information systems and processes and controls

Based on findings from the diagnostic phase of the project, the Company does not expect that adoption of International Accounting Standards will have a pervasive impact on its present systems and processes. The Company expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as asset impairment, share based compensation, etc. As the accounting policies are selected, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. For example, any changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. The accounting policy choices discussed above are based on the Phase I preliminary assessment and are not necessarily Talon's final accounting policy choices. The certifying officers plan to complete the design, and initially evaluate the effectiveness of, any significant changes to controls in the third quarter of 2010 to prepare for certification under IFRS in 2011.

6. Financial Instruments

	December 31, 2009	December 31, 2008
Held for trading, measured at fair value:		
Cash and cash equivalents	\$2,807,195	\$4,202,562
Term deposit	1,500,000	1,393,784
Investments	528,112	1,415,663
Loans and receivables, measured at amortized cost:		
Accounts receivable	43,888	82,907
Loans receivable	5,000,000	5,000,000
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	920,069	328,053

The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Beginning in the third quarter of 2008, Talon was exposed to a credit risk to the extent its loan receivable related to Saber might not be repaid, and the assets held as security for the loan could not be sold. Following the closing of the Merger with Saber in March 2010, this loan was cancelled. (Please see *Section 17 Subsequent Events* for further details on the Merger.)

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at reasonable cost. The Company has sufficient cash in treasury to meet all expected obligations at December 31, 2009.

Market risk is the risk that changes in market prices including foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company records its investments in Brazauro and Beadell shares using the quarter end bid price. Changes in the bid price, will affect the fair value of these investments. The Company sold its shares in Brazauro in the second quarter of 2009 and its shares in Beadell in the first quarter of 2010.

The Company is minimally exposed to movements in the United States dollar and the Brazilian real as transfers are made to the Brazilian subsidiaries in United States dollars and then converted by them to Brazilian reals. In addition, the Company's investment in Beadell was denominated in Australian dollars.

The Company is exposed to interest rate risk only to the extent of its interest income on Treasury bills. These are typically short-term investments with a term of less than ninety days.

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

7. Capital Expenditure on Exploration Projects

The properties on which the Company's subsidiaries carry out exploration and development activities are located in Brazil. The mineral properties and deferred expenditures are comprised as follows:

	December 31, 2009	Additions (net)	December 31, 2008
São Jorge Gold Project	\$6,129,137	\$190,667	\$5,938,470
Água Branca Gold Project	1,313,768	90,970	1,222,798
Campo Grande Gold Project	512,491	10,991	501,500
Other Gold Projects	710,837	204,680	506,157
 Sergipe Potash Project	 751,687	 751,687	 -
	<u>\$9,417,920</u>	<u>\$1,248,995</u>	<u>\$8,168,925</u>

8. Disclosure of Outstanding Share Data

The following details the share capital structure as at March 29, 2010:

	<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Total</u>
Common Shares			63,877,950
Stock options	Apr 18, 2010	\$1.25	1,495,000
Stock options	May 31, 2011	\$2.00	230,500
Stock options	Dec 20, 2011	\$1.00	200,000
Stock options	Apr 18, 2012	\$0.98	50,000
Stock options	Aug 23, 2012	\$1.00	365,000
Stock options	Feb 18, 2013	\$0.57	200,000
Stock options	Jun 11, 2014	\$0.39	<u>644,500</u>
Total fully diluted number of shares			67,062,950

A summary of options outstanding as at December 31, 2009 is presented below:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding – beginning of year	2,540,500	\$1.20
Granted	644,500	0.385
Total	<u>3,185,000</u>	<u>\$1.04</u>
Exercisable – end of period	3,185,000	\$1.04

9. Results of Operations

Review of Operations

(Thousands of C\$)

	Three months ended Dec 31, 2009 (unaudited)	Three months ended Dec 31, 2008 (unaudited)	Year ended Dec 31, 2009	Year ended Dec 31, 2008
Interest income	\$1	\$12	\$13	\$271
Administration expense ¹	778	3,161	2,950	5,098
Foreign currency translation gain (loss) ²	(6)	(2)	(20)	42
Stock based compensation expense	0	21	270	262

¹ Administration is Total Expenses excluding stock based compensation expense.

² Foreign currency translation gain (loss) is due to the appreciation/depreciation of the Canadian dollar and the Brazilian real versus the US dollar.

Net loss for the three month period ended December 31, 2009 was \$0.5 million or \$0.02 per share (basic and diluted) which was primarily due to administration expenses partially reduced by an unrealized gain on investments. This compares to net loss of \$2.9 million or \$0.11 per share (basic and diluted) for the three months ended December 31, 2008, which was primarily due to operating expenses (including write down of projects and impairment of loan receivable).

Net loss for the year ended December 31, 2009 was \$1.8 million, or \$0.07 per share (basic and diluted) which relates to operating expenses reduced by realized and unrealized gains on investments. This compares to net loss for the prior year of \$6.8 million due to administration expenses and unrealized loss on investments. Within administration expenses, both professional fees and office and general expenses were up significantly year over year. Professional fees increased 80% year over year due to merger related legal and accounting fees, while office and general expenses climbed 155%, due to an accrual in 2009 for taxes payable in Brazil.

Stock based compensation expense is a function of stock options granted and vested during the reporting period.

Capitalized exploration

Capitalized exploration for the year ended December 31, 2009 and 2008 amounted to \$1,272,277 and \$1,462,583 respectively. This primarily relates to the acquisition of the Sergipe Potash Project in 2009 and work done on Água Branca and São Jorge in 2008.

Stock options

A summary of options outstanding as at December 31, 2009 is presented in *Section 8* of this MD&A. For the three months ended December 31, 2009, an amount of \$0 was expensed for options vested and granted in 2009, compared to \$21,292 for options vested and granted in the same period last year.

During the first, third and fourth quarters of 2009, the Company issued no stock options.

Estimated fair value of stock options

The Company determined the fair value of the 644,500 stock options issued during the second quarter of 2009, using the Black-Scholes option pricing model under the following assumptions:

Expected life	5 years
Fair value (\$/option)	\$0.37
Risk-free interest rate	2.00%
Volatility	179%
Dividends	0%

10. Summary of Quarterly Results

(All numbers are unaudited)

	Three months ended Dec 31, 2009	Three months ended Sept 30, 2009	Three months ended Jun 30, 2009	Three months ended Mar 31, 2009
Total revenues	\$1,312	\$2,281	\$3,024	\$6,038
Net earnings / (loss)	(510,769)	(1,241,929)	(668,968)	579,704
Net earnings / (loss) per share - basic and diluted	(0.02)	(0.05)	(0.03)	0.02
	Three months ended Dec 31, 2008	Three months ended Sept 30, 2008	Three months ended Jun 30, 2008	Three months ended Mar 31, 2008
Total revenues	\$136,268	\$66,901	\$75,140	\$116,978
Net earnings / (loss)	(2,941,957)	(4,185,194)	1,023,538	(729,548)
Net earnings / (loss) per share - basic and diluted	(0.11)	(0.16)	0.04	(0.03)

Quarterly trends in total revenues reflect interest received on cash balances, interest on loan and other income. Trends in quarterly expenses are driven primarily by office and general expenses followed by professional, consulting and/or management fees. The most variable component of total expenses generally was stock based compensation expense, which reflects the net of stock options granted and cancelled during each quarter.

Foreign currency translation gain or loss reflects changes in Canadian dollar / US dollar and US dollar / Brazilian real exchange rates on foreign currency balances.

Quarterly trends in net earnings (loss) are also impacted by gains and losses on investments, both realized and unrealized. This factor was particularly significant in the first and fourth quarters of 2009 and the third quarter of 2008.

11. Summary of Selected Annual Results

(Thousands of C\$)

	Year ended Dec 31, 2009	Year ended Dec 31, 2008	Year ended Dec 31, 2007
Total revenues	\$13	\$395	\$415
Net earnings (loss)	(1,842)	(6,833)	6,754
Basic and diluted earnings (loss) per share	(0.07)	(0.25)	0.25
Total Assets	19,370	20,350	26,893
Total Liabilities	920	328	300
Foreign exchange gain (loss)	(20)	42	(120)
Dividends	0	0	0

Net loss for the year ended December 31, 2009 was \$1.8 million, or \$0.07 per share (basic and diluted) which relates to operating expenses reduced by realized and unrealized gains on investments.

Net loss for the year ended December 31, 2008 was \$6,833,161 or \$0.25 per share (basic and diluted) and was primarily due to operating expenses of \$5,360,328 (including write down of projects of \$2,091,053 and impairment of loan receivable of \$1,000,000), and unrealized losses on investments in Brazauro and Beadell shares of \$1,910,163.

Net earnings for the year ended December 31, 2007 were \$6,753,593 or \$0.25 per share (basic and diluted) and were primarily due to gains on the sale of mineral properties and investments of \$9,553,975, partly offset by operating expenses of \$2,088,688 and foreign currency losses.

12. Financial Condition, Cash Flow, Liquidity and Capital Resources

Cash Flow Highlights

(Thousands of C\$)

	Three months ended Dec 31, 2009 (unaudited)	Three months ended Dec 31, 2008 (unaudited)	Year ended Dec 31, 2009	Year ended Dec 31, 2008
Operating activities	\$ (677)	\$ (310)	\$ (2,283)	\$ (1,523)
Investing activities	1,800	(4,577)	888	(8,875)
Beginning cash & cash equivalent balance	1,684	9,089	4,202	14,600
Increase / (decrease) in cash & cash equivalents	1,123	(4,887)	(1,395)	(10,397)
Ending cash & cash equivalents balance	\$ 2,807	\$ 4,202	\$ 2,807	\$ 4,202

Operating Activities

Operating activities for the three month period ended December 31, 2009 consumed \$676,553 primarily due to net operating expenses. This compares to utilization of \$310,000 in the fourth quarter of last year mainly due to operating expenses.

Operating activities for the year ended December 31, 2009 consumed \$2,283,252, primarily due to net operating expenses. This compares to utilization of \$1,522,620 in the prior year largely due to net operating expenses.

Financing Activities

There were no financing activities during 2009 or 2008.

Investing Activities

Investing activities for the three month period ended December 31, 2009 generated \$1,799,569 primarily due to proceeds on maturity of term deposit. This compares to utilization of \$4,577,000 in the fourth quarter of last year, mainly due to a loan receivable of \$3,000,000.

Investing activities for the year ended December 31, 2009 generated \$887,885, primarily due to proceeds on the sale of investments partially offset by capitalized exploration expenses. This compares to utilization of \$8,874,514 in the prior year largely due to a loan to Saber.

Liquidity and Capital Resources

The Company plans to spend approximately \$3 million in the next 12 months for the first phase of its exploration budget. Assuming a positive outcome, a further \$2.2 expenditure is anticipated. Expenditure beyond this will be dependent on any new projects acquired and/or additional exploration programs. Following the closing of the Merger with Saber in March 2010, cash and cash equivalents totaled approximately \$5 million. (Please see *Section 17 Subsequent Events* for further details on the Merger). All cash equivalents are held in government securities (e.g. T-bills). The Company therefore has sufficient liquidity and capital resources to sustain operations through the short-term. However in the medium-term Talon has substantial obligations to maintain its interests in the Sergipe Potash Project which may require the issuance of equity securities for cash. None of Talon's funds will be spent on the Saber Project until Tlou Energy completes its farm-in requirements under its agreements with the Company (the "**Farm-in Requirements**") and for up to a further 225 days.

Historically Talon's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company's access to such funding is always uncertain and there can be no assurance of continued access to equity funding if required in order for the Company to meet its planned long-term business objectives. This is particularly true in the current uncertain global financial markets which may continue to be characterised by significant reductions in liquidity.

Talon's \$5 million loan receivable related to Saber was reclassified from a current asset to a non-current asset as at December 31, 2009, as the loan was cancelled and replaced with the assets of Saber on the completion of the Merger which occurred subsequent to year end 2009.

A summary of Contributed Surplus for the two years ended December 31, 2009 is as follows:

Balance	Jan 1, 2008	\$3,119,938
Options	Granted 2008	261,929
Warrants	Expired 2008	1,612,190
Balance	Dec 31, 2008	4,994,057
Options	Granted 2009	269,779
Balance	Dec 31, 2009	\$5,263,836

13. Related Party Transactions

On August 1, 2004, the Company entered into an administrative service agreement (the "**Tau Agreement**") with Tau Capital Corp. ("**Tau**"). Until December 6, 2009, a director of the Company, who, at that time, was also a 5% shareholder of the Company, was the controlling shareholder of Tau. The Tau Agreement was to terminate on July 31, 2009, but automatically renewed on the same terms and conditions for a further one year period. The terms of the Tau Agreement require the Company to pay Tau a monthly service fee of \$22,500. For the twelve months ended December 31, 2009 and 2008, fees paid to Tau for these services were \$270,000 in both years. The Tau Agreement has been amended such that post-merger the monthly service fee for the merged Company will be \$33,000. This agreement terminates on December 31, 2010.

Consulting fees paid to officers of the Company for the year ended December 31, 2009 were \$249,145 (2008:\$261,001). In addition, an amount of \$139,950 (2008:\$154,729) was charged to the Company by Tau in respect of services rendered outside of the Tau Agreement during the year. Consulting fees paid to a Company owned by an officer of the Company in the year ended December 31, 2009 were \$141,898 (2008:\$55,719).

Accounts receivable and other assets, at December 31, 2009, include \$22,500 paid to Tau for administrative and advisory fees for January 2010.

Accounts payable at December 31, 2009 include \$34,821 payable to an officer of the Company for consulting fees for the fourth quarter of 2009.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. Risks

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 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 cyclicity 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 places 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 places 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 Energy 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 Energy 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 Energy will complete the Farm-in Requirements within the specified period, which concludes on October 17, 2011, or at all, or that Tlou Energy will not terminate the Share Sale Agreement. Should Tlou Energy 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 Company's Masama Project 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 Energy (as the operator of the Saber Project), to find, acquire, develop and commercially produce reserves. The ability of Talon and Tlou Energy 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 Energy 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 Energy, 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 seams. 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 Company's unconventional gas licences in northeastern Botswana 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 Energy 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 Energy ceases to 'carry' the Company pursuant to its agreements with the Company. 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 Energy 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 Energy would not be able to obtain equipment in Botswana in a timely manner. Further, in the event that this equipment is sold and Tlou Energy 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.

15. Internal Control Over Financial Reporting

The CEO and the CFO, with the assistance of management, have conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2009. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2009 the Company's internal control over financial reporting is effective, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework.

No changes were made to the Company's internal control over financial reporting during the period beginning January 1, 2009 and ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

16. Disclosure Controls and Procedures

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

The CEO and the CFO, with the assistance of management, have conducted an evaluation of the effectiveness of the disclosure controls and procedures as at December 31, 2009. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2009, the disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms. However, the disclosure controls and procedures cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

17. Subsequent Events

Merger with Saber

On March 24, 2010 the Company and Saber, a development stage enterprise, completed a Merger pursuant to the Pre-Merger Agreement entered into on September 1, 2009. Approvals from both Talon and Saber shareholders were received on March 9, 2010. On March 25, 2010 Talon filed a business acquisition report regarding the merger on SEDAR.

After closing of the Merger, the Company continues to be governed by the provisions of the BVI Business Companies Act, 2004 and retains the corporate name, "Talon Metals Corp." The Company's common shares remain listed and posted for trading

on the TSX under the symbol "TLO".

Pursuant to the Merger, each outstanding common share of Saber was exchanged for 0.17685 of a share of the Company. Immediately following the Merger, the existing shareholders of Talon continue to hold, in the aggregate, 27,054,222 shares of the Company and holders of Saber shares received, in the aggregate, 36,823,728 shares of the Company.

Talon is currently evaluating the accounting for the Merger. Talon expects that the net assets of the Company will likely be recorded in its accounts at their carrying values and the net assets of Saber recorded at their fair market values. For accounting purposes, the measurement of the purchase consideration is based on the fair value of the shares of the Company. The Company will present a preliminary purchase allocation of net assets acquired in its interim financial statements for the three month period ended March 31, 2010, and is to incorporate the operations of Saber from the effective date of Merger.

The acquisition of Saber has an impact on the financial condition of the Company, as this transaction brings additional net assets to Talon. However, it is not expected to have a substantive impact on the cash flow of the Company in the near term as the exploration program currently underway at the Saber Project is being fully funded by the joint venture partner Tlou Energy, as part of its earn-in agreement with Saber.

The loan to Saber was cancelled on the effective date of the Merger.

Beadell Shares

Talon sold its 2.45 million common shares of Beadell in the first quarter of 2010 for gross proceeds of approximately \$724,000.

18. Outlook

In the second quarter of 2010, Talon expects to begin a drilling program at the Sergipe Potash Project, which has the potential to host substantial potash deposits.

Further exploration is being planned for the São Jorge Gold Project. However work and expenditure on the Company's other gold properties in Brazil will be kept to a minimum, with a view to ensuring that further expenditure is directed towards those projects with the highest potential and where the corporate objectives, in terms of return on investment, can best be realized. In addition, expenditure will be incurred to service the licence terms of the land holdings.

At São Jorge, the current optimization studies will continue, as will planning of exploration on the extension to the Wilton pit mineralized zone which could lead to an addition of further resources.

Subsequent to year end 2009, Talon completed the Merger with Saber expanding Talon's exploration interests to include an unconventional gas project in Botswana. The current 12 hole drilling program underway is being managed and funded by the joint venture partner on this project, Tlou Energy. This drilling program is expected to be completed by the end of 2010.

TALON METALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2009

The Company continues to review the projects in its portfolio and assess the likely balance between risk and reward and to structure its assets accordingly. The Company also continues to review numerous opportunities and submissions 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.