



May 8, 2009

Dear Shareholders,

For most junior exploration companies, including Talon Metals Corp (“Talon”), the past year has been one of the more challenging in recent times. Since September 2008, many exploration and mining companies have seen their share prices collapse and their access to capital markets restricted. Talon is in a better position than many companies, in that it still has a sound treasury to carry out exploration, but notwithstanding this, management is acutely aware of the value of this asset. Accordingly, the preservation of cash is now a priority and we have prudently reduced our operational expenditure during the past year.

“TALON IS IN A BETTER POSITION THAN MANY COMPANIES, IN THAT IT STILL HAS A SOUND TREASURY...”

It is also management’s view that certain of the Brazilian gold exploration projects in the Company’s portfolio are unlikely to provide the level of return on investment that management is looking to achieve. Although some of these projects, particularly São Jorge and perhaps Juruena, probably have the attributes to reach the production stage, management believes it should be targeting projects with a larger resource base. It is for this reason that activities on our gold projects in Brazil have been reduced, albeit in a measured and prudent way, and we have elected to consider introducing third party participation, particularly from companies who are targeting projects of this size.

Talon’s management has decided that the Company needs to acquire an interest in a more substantial project of merit and hence our cautious approach to an agree-

ment, in September 2008, that could lead to a merger with Saber Energy Corp (“Saber”). Saber has very extensive holdings for Coal Bed Methane (“CBM”) in Botswana and has undertaken extensive exploration. Implicit in this arrangement with Saber is the fact that we do not feel that we should be constrained by commodity or geographical area in our search for quality and substantial projects. In recent months, considerable time and effort has been directed towards identifying and reviewing other candidate projects. At the time of writing, these search activities continue and we are currently in discussions with a number of companies regarding such opportunities.

THE GOLD PROJECTS

During 2008, Talon undertook a re-assessment of its gold exploration strategy, which we have pursued since 2004, based on an exploration model to identify and acquire interests in gold properties that could support low cost, bulk mineable open pit deposits. Our initial view was that a minimum target would be one million ounce deposits. Although there has been a measure of exploration success in applying this strategy, particularly at São Jorge, our re-assessment highlighted the fact

that many of these targets in the Brazilian environment are of only moderate grade. Although some of them, like São Jorge, are still considered mining targets of the future, other projects are in management’s view, unlikely to produce the level of returns we anticipated for our shareholders. In our view, and based on the current value placed on gold resources, any gold projects that would meet our revised target parameters would need to be considerably larger or higher grade than we have encountered in this environment.

Furthermore, where we believe that a project will meet these new standards, we will commit to further work. However, as we believe the probability of this happening is limited, we have reduced our activity level on the gold projects in Brazil and will be seeking ways of realizing value on these projects by identifying partners for whom these projects are a better fit.

Talon started off 2008 with an active field exploration programs focused on the Água Branca and Barra do França gold projects. During the year, we also commissioned a reassessment of the mineral resources at the São Jorge gold project, incorporating exploration results received subsequent to the initial resource estimate. In addition, in early 2009, we were advised that the rights to the Juruena gold project were granted to Talon, some two years after participating in a tender process.

At **São Jorge**, we commissioned the Brazilian subsidiary of consulting group, Coffey International Limited (“Coffey”) to undertake an update of the resource estimate at the Wilton Zone. We were very pleased with the results of this NI 43-101 compliant estimate, as the resources in the indicated category increased to 343,000 ounces at a grade of 1.3g/t gold, an increase of 79% from the 2006 estimate of 191,000 ounces at a grade of 1.19 g/t gold, undertaken by SRK Consulting. Furthermore, Coffey delineated an additional resource of 458,000 ounces at a gold grade of 1.1g/t in the inferred category.¹

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Considering that there is still potential to add further resources along strike of the Wilton Zone, as well as elsewhere in the São Jorge license areas, the project now has a reasonably sizeable resource, albeit it at a moderate grade. This is a project that would clearly become increasingly attractive with a rising gold price, particularly to a company geared towards this scale of operation.

¹ The 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, was filed on SEDAR. The “Qualified Person”, as such term is defined in NI 43-101, who prepared the mineral resource estimate is Mr. Bernardo Viana (Member: AIG). Mr. Viana is independent of Talon and an employee of Coffey. 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.

At the **Água Branca** project in the Tapajós gold district, the year started with the ongoing 2,000 metre drilling program that had commenced in 2007. In all, the five higher priority targets, of a total of eleven, were selected for drilling. All of these targets had been identified from surface exploration as having potential to host zones of wide near surface gold mineralization in granites that would be amenable to low cost open pit mining. Although gold mineralization was intersected on all the drilling targets, we did not record results that met the required criteria. Consequently Talon has decided to identify third parties to participate in the next phase of exploration on this project.

Following the reduction in exploration activity at the Água Branca project, our attention was directed towards the **Barra do França** project, where we had acquired rights late in 2007. The target here was an extensive anomaly extending over nearly one and half kilometers in sheared and altered felsic volcanic rocks. We undertook extensive surface sampling and mapping but were unable to locate a target that we considered warranted drilling and ultimately terminated the agreement with the vendor.

Two years ago we applied for the rights to the **Juruena** project, which previously had been one of the major garimpeiro mining sites in Brazil and has an estimated historical production of some 250,000 ounces of gold from 11 shallow pits in alluvial saprolite deposits. The hard rock target here is a series of multiple quartz veins hosted in alteration zones within granites. Exploration licenses were formally granted in April 2009. Talon will now undertake a more detailed assessment of previous mining and exploration at Juruena and formulate a strategy to maximize the value for Talon.

“EXPLORATION LICENSES WERE FORMALLY GRANTED IN APRIL 2009.”

AGREEMENT WITH SABER ENERGY

In Talon's effort to acquire an interest in a large project of merit, Talon entered into an agreement with Saber in September 2008. Saber has very extensive holdings for CBM in Botswana and had undertaken a considerable amount of exploration on the gas resource. The agreement was structured whereby Talon would make available to Saber a loan of \$6 million, secured against its equipment and exploration licenses, and also made provision for Talon and Saber to merge, subject to the completion of a comprehensive due diligence review by Talon. At the time of writing, the due diligence review is ongoing and any decision on the proposed merger of the two companies will be dependent on further developments at the Saber project. Subsequent to the year end, both Talon and Saber have agreed to further extend the period of the due diligence review and the loan.

NEW PROJECTS

Much of management's attention in the past year has been directed towards formulating a strategy on the direction that the company should take and on investigating and reviewing new acquisition opportunities. This strategy required further review after the sudden downturn in the markets and specifically in the minerals industry in September 2008, and the ongoing uncertainty for the future of mineral commodities. Management's view is that gold still perhaps has a brighter outlook in the medium term than many commodities, but that some of the non-traditional commodities deserve some attention. Under the circumstances, the most reasonable strategy appears to be to acquire strategic interests in selected commodities that would appear to have a more settled future.

“MANAGEMENT’S VIEW IS THAT GOLD STILL PERHAPS HAS A BRIGHTER OUTLOOK IN THE MEDIUM TERM THAN MANY COMMODITIES, BUT THAT SOME OF THE NON-TRADITIONAL COMMODITIES DESERVE SOME ATTENTION.”

INVESTMENTS AND OTHER GOLD HOLDINGS

Since 2007, Talon had held 4,935,500 treasury shares in Brazauro Resources Corporation (“Brazauro”) following its earlier agreement to cede Talon's interests in the **Tocantinzinho** gold project to Brazauro. Subsequent to the year end, Talon received an offer to dispose of these shares and following the strategy to preserve cash, accepted the offer, which added \$2.27 million to the treasury.

In addition, Talon still holds 250,000 shares in Beadell Resources Limited (ASX:BDR) related to its interests in the **Tartarugalzinho** gold project and a joint venture with Troy Resources NL in the 43,379 hectare **Rio Maria** gold project. It also has 100% interests in the 20,000 hectare **Batistao** project and the 2,611 hectare **Campo Grande** project, both in Brazil.

In closing, I would like to thank Talon's shareholders for their support and patience. In addition we would like to express our appreciation to the board of directors for their active guidance in the past year, to our staff in Brazil and our administrative support in Toronto for the hard work they have contributed during the year.



Stuart Comline
President and CEO

FORWARD-LOOKING INFORMATION

This letter contains certain “forward-looking statements”. All statements, other than statements of historical fact, that address activities, events or developments that Talon believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding mineral resources, metallurgical results, Talon’s exploration plans, exploration results and potential mineralization and resources, intention to acquire strategic interests in other commodities and/or projects, and loans to and possible merger with Saber Energy Corp.) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of Talon based on information currently available to the Company.

Talon’s management’s discussion and analysis dated March 31, 2009 (the “MD&A”) and 2008 consolidated financial statements accompany this letter. Please see the section entitled “Forward-Looking Information” in the MD&A, which section is incorporated by reference herein, for details regarding the factors and assumptions that underlie the forward-looking information included in this letter and the risks and uncertainties involved in such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, Talon disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although Talon believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.