



ANNUAL INFORMATION FORM

AS AT MARCH 30, 2011

TALON METALS CORP.

FOR THE YEAR ENDED DECEMBER 31, 2010

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NOTE TO READER

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

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

FORWARD-LOOKING INFORMATION

This Annual Information Form contains “forward-looking information”. All information, other than information concerning historical fact, that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, information regarding mineral resources, metallurgical results, the Company’s drilling and exploration plans, including the exploration program at the Trairão Project (defined below), the Company’s business plans and priorities, exploration results and potential mineralization and resources, market trends with respect to demand for and the price of iron ore and potash and projections in respect of capital expenditures is forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: risks related to the exploration stage of the Company’s properties; the possibility that future exploration results will not be consistent with the Company’s expectations (including identifying additional and/or deeper mineralization); changes in iron ore prices; volatility of and sensitivity to market prices for iron ore; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities, including 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 equity and debt markets; inflation; changes in exchange rates; declines in U.S., Canadian and/or global economies; uncertainties relating to the availability and costs of financing needed to complete exploration activities and demonstrate the feasibility of the Company’s projects; 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 properties Talon has an interest in; equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in Brazil; 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 Annual Information Form under “Risk Factors”.

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

The mineral resource figures referred to in this Annual Information Form are estimates, and no assurances can be given that the indicated levels of iron ore will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimate included in this Annual Information Form is well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. Inferred mineral resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred mineral resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

INFORMATION CONCERNING TLOU AND RIO VERDE

All of the information concerning Tlou Energy Limited (“**Tlou**”) and Rio Verde Minerals Corporation (“**Rio Verde**”) contained in this Annual Information Form has been taken from or is based upon information provided by Tlou and Rio Verde. Although the Company has no knowledge that would indicate that any statements contained herein taken from or based on such information are untrue or incomplete, the Company assumes no responsibility for the accuracy of such information, or for any failure by Tlou or Rio Verde to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to the Company.

CORPORATE STRUCTURE

Name, Address and Incorporation

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

The RHI Consolidation was a reverse takeover under the policies of the TSX Venture Exchange (the “**TSXV**”).

RHI was incorporated by memorandum and articles of association filed under the *BVI Business Companies Act, 2004* (British Virgin Islands) (the “**BVI Act**”) on July 8, 2004 for the purpose of engaging in the acquisition, exploration and development of mineral properties in Brazil and, in particular, the São Jorge Gold Project (described below). Following the RHI Consolidation, the properties and assets of RHI became the properties and assets of the Company and the name of the Company was changed to “Brazmin Corp.”.

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

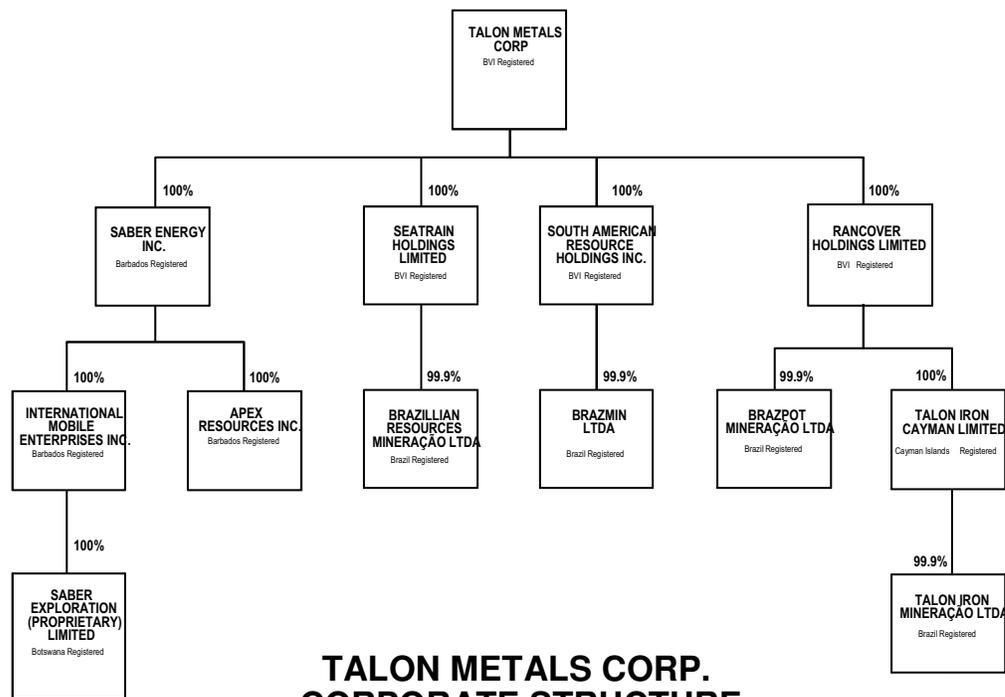
On March 24, 2010, the Company and Saber Energy Corp. (“**Saber**”) merged pursuant to a merger effected under the BVI Act (the “**Saber Merger**”). On closing of the Saber Merger, the properties and assets of Saber became the properties and assets of the Company. Talon survived the Saber Merger, retained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

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

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

Intercorporate Relationships

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



**TALON METALS CORP.
CORPORATE STRUCTURE**
March 30, 2011

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Company is a mineral exploration company engaged in the acquisition, exploration and development of mineral projects in Brazil. Please see “Description of the Business - General” (below) for a general description of the properties and holdings of the Company. The following summary describes the development of the Company’s business over the last three financial years, including acquisitions, dispositions and other factors which influenced the business of the Company. As of the date hereof, the only material property of the Company is the Trairão Project, a description of which is set forth below under the heading “Description of the Business - Trairão Project”. During the year ended December 31, 2010, the Company entered into an option agreement to divest its interest in the São Jorge Gold Project, which was previously the Company’s only material property. A description of this option agreement is set forth below under the heading “Option Agreement re São Jorge Gold Project”.

Merger with Saber Energy Corp.

Talon entered into a binding heads of agreement on September 25, 2008 (the “**HOA**”) with Saber, a private energy company holding interests in three prospective licence areas in the Kalahari and Zambesi basins in Botswana. Pursuant to the HOA, (i) the parties agreed to

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

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

On September 1, 2009, Saber and Talon entered into a pre-merger agreement (the “**Pre-Merger Agreement**”) in respect of the Saber Merger. In connection with its entry into the Pre-Merger Agreement, Talon agreed to extend an additional loan to Saber in principal amount of US\$500,000 (together with the Interim Loan, the “**Interim Loans**”) and extend the maturity date of the Interim Loans to the earlier of December 15, 2009 and the effective date of the Saber Merger (the “**Effective Date**”). On October 1, 2009, Saber repaid the principal amount of US\$500,000 to Talon.

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

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

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

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

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

The Saber Merger was a significant acquisition of the Company under National Instrument 51-102 - *Continuous Disclosure Obligations* (“**NI 51-102**”), and as such, a business acquisition report was filed on SEDAR under the Company’s profile at www.sedar.com in respect of the transaction.

Option Agreement re Água Branca Gold Project

On December 10, 2009, Talon concluded an agreement with Brazauro Resources Corporation (“**Brazauro**”) granting Brazauro an option to earn a 100% interest in Talon’s Água Branca Gold Project (“**Água Branca**”). Subsequently, Brazauro was acquired by Eldorado Gold Corporation (TSX: ELD). Água Branca comprises a total area of 9,356 hectares in the Tapajós Gold District within the Pará State of Brazil. Under the terms of this agreement, Talon has received total payments of US\$250,000. In order to exercise its option, Brazauro must make a further payment of US\$1.87 million on or before September 30, 2011. In addition, Brazauro must spend US\$1 million on exploration by May 10, 2012, including the completion of a minimum of 2,000 meters of core sample drilling by May 10, 2011. If the foregoing payments are not made or the exploration program is not completed, Brazauro will forfeit its interests in Água Branca which will revert to Talon. If Brazauro exercises its option, Talon is also entitled to a 2% net smelter royalty which Brazauro can repurchase for US\$2 million.

Acquisition of Sergipe Potash Project

On May 25, 2009, Talon concluded an agreement to acquire a 100% interest in Bancor Mineração Ltda., a Brazilian subsidiary of Kmine Holdings Ltd. holding potash exploration licences in the Sergipe and Alagoas States of Brazil, for cash payments of US\$20 million, payable over 10 years. This was known as the Company’s Sergipe Potash Project. The agreement for Bancor Mineração Ltda. also permitted Talon to issue shares in partial satisfaction of the purchase price. The Company acquired interests in additional potash exploration licences during the balance of the year, including the right to acquire a 75% interest in a subsidiary of Lara Exploration Ltd. (TSXV: LRA) (“**Lara**”) which held potash exploration licences in the Sergipe State for a cash payment of US\$500,000 and a commitment to conduct US\$4 million work program over a four year period. In April 2010, the transfer of Lara’s potash exploration licences to Talon was completed.

Sale of Juruena Gold Project

On February 12, 2010, Talon concluded an option agreement with Gungnir Resources Inc. (“**Gungnir**”) granting Gungnir an option to earn up to a 75% interest in Talon’s Juruena Gold Project (“**Juruena**”) for cash payments of US\$1.75 million over a four year period. In addition, Gungnir is required to complete an exploration program and a feasibility study, at its cost, on or before December 31, 2014. Subsequently, Gungnir assigned the option to 7177411 Canada Corp. and this company then changed its name to Lago Dourado Minerals Ltd. (TSXV: LDM) (“**Lago**”).

In July 2010, Talon concluded a sale agreement with Lago that superseded the above option agreement, pursuant to which Talon sold 100% of its indirect interest in Juruena to Lago in exchange for approximately \$1 million, 500,000 Lago common shares and 500,000 Lago

common share purchase warrants. Each of the Lago common share purchase warrants issued to Talon are exercisable for one common share of Lago at a price of \$0.50 per share and expire on July 13, 2012. As at the date hereof, Talon holds 500,000 Lago common shares and 500,000 Lago common share purchase warrants.

Option Agreement re São Jorge Gold Project

Talon entered into an option agreement (the “**São Jorge Agreement**”) dated June 14, 2010 with Brazilian Gold Corporation (TSXV: BGC) (“**Brazilian Gold**”) whereby Brazilian Gold was granted an option to purchase a 100% interest in the São Jorge Gold Project. Under the São Jorge Agreement, in order to exercise the option Brazilian Gold is required to pay Talon a total of \$2,250,000 in cash and \$2,250,000 in Brazilian Gold shares (calculated as the number of Brazilian Gold shares equal to the dollar amount divided by the twenty day volume-weighted average trading price of Brazilian Gold shares) in three payments of cash and shares. Brazilian Gold made the initial payment of \$1 million in cash and \$500,000 in Brazilian Gold shares in October 2010. Brazilian Gold is required to make additional payments of \$500,000 in cash and \$1,000,000 in shares by August 2011 and \$750,000 in cash and \$750,000 in shares by May 2012. As well, if the option is exercised, a 1% net smelter returns royalty is payable to Talon.

Sale of Botswana CBM Project

On August 12, 2010, Talon entered into an implementation deed (the “**Implementation Deed**”) with Tlou, an unlisted public Australian based coal bed methane exploration company focused on Sub-Saharan Africa, regarding the sale of the Botswana CBM Project (described below under “Description of the Business - Tlou Energy Limited”) to Tlou (the “**Tlou Transaction**”).

The Tlou Transaction was completed on November 30, 2010 under the terms of a share sale agreement dated October 27, 2010 (the “**Saber Share Sale Agreement**”), pursuant to which Talon transferred to Tlou 24,700,000 common shares of Mica Investments (Barbados) Inc., 90,000,000 common shares of Sable Energy Holdings (Barbados) Inc., 25,000,000 common shares of Technoleads International Inc., 1 common share of Saber Energy (Proprietary) Limited, 100 common shares of Copia Resources Inc. and 100 common shares of Apex Resources Number 2 Inc., and certain plant and equipment of Talon used in connection with the Botswana CBM Project (the “**Saber Assets**”), in exchange for (i) 19,285,714 ordinary shares of Tlou (“**Tlou Shares**”), representing 30% of the issued share capital of Tlou as of the closing date of the Tlou Transaction, and (ii) options to purchase an aggregate of 4,945,055 Tlou Shares at an exercise price of AUD\$1.25 each, exercisable until June 30, 2013. In connection with its acquisition of certain of the Saber Assets, Tlou also assumed certain liabilities of Talon of approximately AUD\$629,000.

The acquisition of Tlou Shares in connection with the Tlou Transaction was a significant acquisition of the Company under NI 51-102, and as such, a business acquisition report was filed on SEDAR under the Company’s profile at www.sedar.com in respect of the Tlou Transaction.

Acquisition of Iron Ore Projects

During 2010, Talon acquired 100% of the rights to the Trairão iron ore project (the “**Trairão Project**”) and the Inajá South iron project (the “**Inajá South Project**”), both situated in Pará State, Brazil, pursuant to agreements with each of Codelco do Brasil Mineração Ltda (“**Codelco**”) and Barrick International (Barbados) Corp. (“**Barrick Barbados**”), dated June 25, 2010 and September 27, 2010, respectively.

Under the terms of the agreement with Codelco, Talon paid Codelco a nominal purchase price as consideration for a 70.05% interest in the Trairão Project, and agreed to pay a royalty of US\$0.7005 per tonne of iron mined and sold from the Trairão Project.

Under the terms of the agreement with Barrick Barbados (the “**Barrick Agreement**”), Talon acquired the remaining 29.95% interest in the Trairão Project by purchasing Barrick do Brasil Mineração Ltda. (“**Barrick Brasil**”). Barrick Brasil was subsequently renamed Talon Iron Mineração Ltda. Under the Barrick Agreement, Talon paid Barrick Barbados a nominal purchase price and is obliged to pay the following royalties. In the case of the Trairão Project, the royalty payable to Barrick Barbados is US\$0.2995 per tonne of iron mined and sold. Talon has the right to buy back this royalty for US\$599,000 during the 12 month period following the start of commercial production. In the case of the Inajá South Project, Barrick Barbados will receive a net smelter royalty of 0.5% for any base metals that may be produced and sold and 1.0% for any precious metals that may be produced and sold. Talon has the right to buy back the base metal royalty for \$1 million during the 12 month period following the start of commercial production. Barrick Barbados has the right to buy back up to a 50% interest in any future gold mining operation in the event that Talon completes a feasibility study with respect to a deposit which identifies reserves totalling at least three million ounces of gold.

In connection with its acquisition of Barrick Brasil, Talon also acquired a 33.69% interest in a project known as the Terra Escura Nickel Project, comprised of two nickel laterite targets in Pará State known as Santa Fé and Santa Cruz, with exploration permits covering 19,863 hectares.

Sale of Sergipe Potash Project

Talon entered into an agreement dated December 10, 2010 with Rio Verde, a private Brazilian focused fertilizer company incorporated in the British Virgin Islands, pursuant to which Talon transferred to Rio Verde all of Talon’s rights in the Sergipe Potash Project licences (including the potash exploration licences acquired from Lara) in return for approximately 27 million common shares of Rio Verde. For further information regarding Rio Verde, see “Description of the Business - Rio Verde Minerals Corporation”.

Private Placement

The Company completed a non-brokered private placement with strategic investors in two tranches, on October 21, 2010 and October 25, 2010, for a total of 10,646,325 units (each, a “**Unit**”) at a price of \$0.45 per Unit for gross proceeds of \$4,790,846. Each Unit was comprised of one common share of Talon and one-half of one common share purchase warrant, with each

such whole common share purchase warrant being exercisable to acquire one common share of the Company at an exercise price of \$0.60 each. All of the common share purchase warrants were subsequently exercised.

DESCRIPTION OF THE BUSINESS

General

Talon is a resource company focused primarily on the acquisition, exploration and development of iron ore and other mineral projects. The Company's portfolio of projects includes one material property - the Trairão Project – and a number of prospective mineral properties situated in Brazil and described herein. During the year ended December 31, 2010, the Company entered into an option agreement to divest its interest in the São Jorge Gold Project, which was previously the Company's only material property, and divested its interest in the Botswana CBM Project. For further information regarding these developments, see "General Development of the Business - Three Year History" (above).

Talon also holds strategic equity investments in a number of other public and private companies, including 985,830 common shares in Brazilian Gold and 500,000 common shares in Lago, both of which are listed on the TSXV. Talon also holds approximately 19.2 million shares in Tlou, and approximately 26.6 million shares in Rio Verde, both of which are unlisted companies. The Company's interest in each of Brazilian Gold, Lago, Tlou and Rio Verde is solely as equity investor and, as such, the Company does not have any direct or indirect interest in, or right to, such company's assets or revenue, nor does the Company have any direct or indirect obligations in respect of, or liability for, such company's expenses or obligations.

While the exploration at the Trairão Project represents the core activity of Talon at this time, the Company is actively prospecting and evaluating other mineral properties within its portfolio in order to determine the potential of these properties. For further details relating to the Company's projects, see Talon's Management's Discussion and Analysis for the year ended December 31, 2010 filed under the Company's profile on SEDAR at www.sedar.com.

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

Trairão Project

The Trairão Project is situated within the Serra da Seringa Archean age greenstone belt, within the Carajás Mineral Province in Brazil, which also hosts numerous other iron ore deposits. The Trairão Project comprises eight exploration licences and four applications for exploration licences, for a total area of approximately 77,390 hectares. Details regarding the terms of Talon's acquisition of the Trairão Project are set out under the heading "General Development of the Business - Three Year History - *Acquisition of Iron Ore Projects*" (above).

Prior to the acquisition of the Trairão Project by Talon, it was explored pursuant to a joint venture between Codelco and Barrick Brasil. Under their joint venture agreement, both companies conducted an exploration program in phases from 2001 to 2009 which focused on iron-copper-gold mineralization. During this exploration program, the potential for iron ore was identified on a target area known as Trairão. The identification and evaluation of the areas with a potential for iron ore was based on the reinterpretation of an aeromagnetic survey. The highest priority magnetic anomalies were subjected to limited follow-up exploration that included geochemical grid sampling, geological mapping and limited exploration drilling.

Subsequent to its acquisition of the Trairão Project, Talon has carried out a preliminary drilling program, focusing on grid drilling of the near surface deposits on two of the priority targets identified in the earlier exploration and drilling. The Company announced drill results in respect of the first target in a press release dated December 13, 2010 and in respect of the second target in press releases dated February 4, 2011 and March 7, 2011. The Company also announced mineral resource estimates regarding the first target in a press release dated December 23, 2010 and regarding the second target in a press release dated March 22, 2011.

Also on February 4, 2011, the Company filed a National Instrument 43-101 – *Standards of Disclosure for Minerals Projects* (“**NI 43-101**”) compliant technical report entitled “Independent Technical Report on Exploration and Mineral Resource Estimate dated December 23, 2010” (the “**Trairão Technical Report**”) prepared by Coffey Mining Pty Ltd. of Brazil, under the supervision of Bernardo Horta de Cerqueira Viana, who is a “qualified person” under NI 43-101, which incorporates the initial drill results and the mineral resource estimate for the first target area of the Trairão Project.

The summary section from the Trairão Technical Report is reproduced in its entirety at Exhibit I of this Annual Information Form and the detailed disclosure in the Trairão Technical Report is incorporated by reference herein. The Trairão Technical Report is included on Talon’s SEDAR profile at www.sedar.com.

Tlou Energy Limited

Tlou is an unlisted public Australian based coal bed methane exploration company focused on Sub-Saharan Africa. Prior to the Saber Merger, Saber entered into a series of agreements (the “**Tlou Agreements**”) with Tlou, pursuant to which Tlou acquired an indirect interest in the Botswana CBM Project, an unconventional gas project targeting coal bed methane and shale gas deposits in Botswana, Africa. Talon acquired the Botswana CBM Project pursuant to the Saber Merger.

As described under the heading “General Development of the Business - Three Year History - *Sale of Botswana CBM Project*” (above), Talon completed the Tlou Transaction whereby the Company transferred all of its remaining interest in the Botswana CBM Project to Tlou. In connection with the Tlou Transaction and subject to the terms of the Saber Share Sale Agreement, the Tlou Agreements were terminated and the Company and its affiliates were released from all obligations relating to the Botswana CBM Project, including any liabilities and funding obligations arising on or after August 28, 2009. Tlou subsequently changed the name of the project from the Saber Gas Project to the Botswana CBM Project.

As of the date hereof, the Company owns approximately 19.2 million shares in Tlou, representing an ownership interest of approximately 30%. The Company also holds options to purchase an aggregate of 4,945,055 Tlou Shares at an exercise price of AUD\$1.25 each, exercisable until June 20, 2013. The Company acquired its securities in Tlou pursuant to the Tlou Transaction.

Rio Verde Minerals Corporation

Rio Verde is a private company focused on the exploration and development of fertilizer projects in Brazil, including one potash project and a portfolio of phosphate projects. As described under the heading “General Development of the Business - Three Year History - *Sale of Sergipe Potash Project*” (above), Talon transferred its rights in the Sergipe Potash Project licences in return for common shares of Rio Verde. As of the date hereof, the Company owns approximately 26.6 million shares in Rio Verde, representing an ownership interest of approximately 46% on an undiluted basis and 44% on a fully-diluted basis.

Talon has the right to nominate a majority of the directors of Rio Verde until such time as the shares of Rio Verde are listed on the TSX or the TSXV. Presently, Messrs. Warren Newfield, Stuart Comline, and Luis M. F. De Azevedo serve as Talon’s representative directors on the board of Rio Verde. Talon also has pre-emptive rights to a proportionate participation in any future offering of equity securities of Rio Verde, exercisable for so long as Talon holds 10% or more of the issued and outstanding common shares of Rio Verde, subject to termination in the event that the shares of Rio Verde are listed on the TSX or TSXV.

São Jorge Gold Project

The São Jorge Gold Project covers 57,420 hectares in the eastern part of the Tapajós Gold District in Pará State, Brazil, in the municipality of Novo Progresso. The region is known as Tapajós, and the São Jorge Gold Project is located 320km south of the main regional city Itaituba. Talon entered into an agreement dated June 14, 2010 with Brazilian Gold whereby Brazilian Gold has been granted an option to purchase a 100% interest in the São Jorge Gold Project. For more information, see the heading “General Development of the Business - Three Year History - *Option Agreement re São Jorge Gold Project*”.

Specialized Skill and Knowledge

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

Trends

Iron Ore

Since 2000, iron ore spot prices have been on the rise. Recently iron ore spot prices hit all time highs of US\$197-\$199 per tonne for Indian 63.5% Fe fines. The predominant driver of

iron ore price prices is demand from Chinese steelmakers. In the short term, iron ore prices are expected to remain high relative to historic norms as China and other developing countries continue to need iron ore for steel production. See also “Risk Factors – *Iron Ore Prices*” and “Risk Factors – *Reduced Global Demand for Steel or Interruptions in Steel Production*”.

Potash

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

Employees

As at December 31, 2010, Talon and its subsidiaries employed eight individuals. In addition, Talon engages contractors and consultants from time to time to work on specific properties and for administrative, legal and other services as required.

Environmental Protection

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

Competitive Conditions

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

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

RISK FACTORS

Talon is subject to a number of risk factors due to the nature of the mineral business in which it is engaged, the limited extent of its assets and its stage of development. The following risk factors should be considered, among others.

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.

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 programs planned by Talon 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 iron ore 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 iron ore, 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, mining operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequential liability.

Uncertainty Relating to Inferred Mineral Resources

There is a risk that the inferred mineral resources referred to in this Annual Information Form cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

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 have and may continue to experience volatility, which may result 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.

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.

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.

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 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.

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 iron ore mining industry 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 iron ore, 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.

Iron Ore Prices

The Company's principal business is the exploration and development of iron ore. Talon's future prospects are largely dependent on movements in the price of iron ore. Iron ore prices have historically been volatile and are primarily affected by the demand for and price of steel in addition to the supply/demand balance. Given the historical volatility of iron ore prices and the particular effects of the recent global financial crisis, there are no assurances that the iron ore price will remain at economically attractive levels. An increase in iron ore supply without a corresponding increase in iron ore demand would be expected to result in a decrease in the price of iron ore. Similarly, a decrease in iron ore demand without a corresponding decrease in the supply of iron ore would be expected to result in a decrease in the price of iron ore. A continued decline in iron ore prices would adversely impact the business of Talon and could affect the feasibility of Talon's iron ore projects. A continued decline in iron ore prices would also be expected to adversely impact the Company's ability to attract financing.

Iron ore prices are also affected by numerous other factors beyond the Company's control, including the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand, political and economic conditions and transportation costs in major iron ore producing regions. Although iron ore prices in 2010 generally increased over prices in 2009, iron ore prices in 2009 had decreased significantly as compared to prevailing iron ore prices in 2008. Given the historical volatility of iron ore prices and the effects of the recent global financial crisis, there are no assurances that iron ore prices will remain at economically attractive levels.

Reduced Global Demand for Steel or Interruptions in Steel Production

Iron ore is used almost exclusively in the production of iron products, which are subsequently transformed into steel. As such, demand for iron ore is directly related to global levels of steel production. The global steel manufacturing industry is cyclical in nature and has historically been subject to fluctuations based on a variety of factors, including general economic conditions and interest rates. Fluctuations in the demand for steel can lead to similar fluctuations in iron ore demand. Accordingly, a decrease in economic growth rates could lead to a reduction in demand for iron ore, which could have an adverse effect on the Company's business. In addition, materials such as aluminum, composites and plastics are substitutes for steel and an increase in their use could adversely affect the demand for steel and consequently, the demand for iron ore.

Potash Price

Potash prices can fluctuate widely and are affected by numerous factors beyond the control of Talon and Rio Verde. 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. The Company also holds equity securities in other companies which have operations in Brazil and Botswana. As such, the Company's operations and equity investments 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, to a lesser extent, Botswana may adversely affect the Company's operations, profitability, or investments. 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. Iron ore 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 iron ore and other mineral exploration and

production in US dollar terms. The Company is also subject to exchange rate fluctuations through its ownership of shares in Tlou, which are denominated in Australian dollars.

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

Securities of 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. In the past several years, worldwide securities markets have experienced a high level of price and volume volatility, and the 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. 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 iron ore or other relevant mineral prices or in its financial condition or results of operations. 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 value of Rio Verde and Tlou and the ability of either company to list its shares on a stock exchange, which could impact the value of the shares of Rio Verde and Tlou Shares held by Talon; 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.

Risks of Investments in Securities

Talon holds equity investments in a number of public and private companies and the Company may acquire additional investments in other entities from time to time. The value of the Company's equity investments is subject to the risks inherent in investments in securities, including the risk that the financial condition of the issuers of the equity securities held by the Company may become impaired or, in the case of securities listed on a stock exchange, that the general condition of the stock exchange may deteriorate. There is no guarantee that the shares of

Tlou and Rio Verde, which are presently not listed on any stock exchange, will be listed in the near term or at all.

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.

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.

DIVIDENDS

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

DESCRIPTION OF CAPITAL STRUCTURE

As noted above, Talon has no authorized capital, but is authorized to issue one class and one series of shares divided into 100,000,000,000 common shares of no par value. As at the date hereof, there are 80,272,437 common shares issued and outstanding, each carrying the right to one vote.

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

In addition, as at the date hereof, the Company has authorized for issuance 7,609,000 stock options pursuant to its incentive stock option plan, each entitling the holder to purchase one common share.

The board of directors of Talon adopted a shareholder rights plan (the “**Rights Plan**”) effective January 17, 2011 under the terms of a shareholder rights plan agreement between the Company and Computershare Investor Services Inc., as rights agent. The Rights Plan aims to ensure that all shareholders are treated equally and fairly in the event of a transaction that could lead to a change in control of the Company. The Rights Plan also gives the board of directors more time to assess any unsolicited bid that may be made for Talon in the future and to explore and develop alternatives for maximizing shareholder value. Talon has not received an unsolicited bid and is not soliciting bids.

The Rights Plan must be confirmed by shareholders of Talon within six months of its effective date. A complete copy of the Rights Plan is available upon request. Shareholders wishing to receive a copy of the Rights Plan should make their request by telephone at (416) 361-9636 x 243, by email at ebelling@taucapital.com or by mail to Tau Capital Corp., 110 Sheppard Avenue East, Suite 610, Toronto, Ontario, Canada M2N 6Y8, Attention: Ms. Erica Belling. A copy of the Rights Plan has been filed on the Company’s SEDAR profile at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

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

Period	High	Low	Volume
December 2010	\$1.95	\$0.92	2,961,673
November 2010	\$1.38	\$0.68	3,065,103
October 2010	\$0.83	\$0.59	1,524,755
September 2010	\$0.79	\$0.41	2,466,199
August 2010	\$0.49	\$0.24	2,603,991
July 2010	\$0.36	\$0.26	818,633
June 2010	\$0.46	\$0.33	404,992

Period	High	Low	Volume
May 2010	\$0.50	\$0.31	1,049,730
April 2010	\$0.485	\$0.29	4,467,594
March 2010	\$0.485	\$0.30	269,128
February 2010	\$0.395	\$0.34	137,510
January 2010	\$0.50	\$0.37	269,800

ESCROWED SECURITIES

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

DIRECTORS AND OFFICERS

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

Name, Residence and Current Position(s) with Talon Metals Corp.	Principal Occupation During the Past Five Years	Director Since
Luis Mauricio F. de Azevedo Rio de Janeiro, RJ, Brazil Chief Operating Officer and Director	Chief Operating Officer of Talon, 2005 to present; Partner (Lawyer), FFA Legal Simples Ltd., 1997 to present.	April 5, 2005
Stuart Comline Gauteng, South Africa President & Chief Executive Officer and Director	President and Chief Executive Officer of Talon, November 2007 to present; Chairman of AfriOre Limited (mineral exploration and development), August 2002 to January 2007.	June 25, 2007
Francis J. Crothers ⁽¹⁾⁽³⁾ Nassau, Bahamas Director	Chairman and CEO, Island Corporate Holdings Limited (investment company) from 1994 to present.	June 15, 2006
Paulo Ilidio de Brito Rio de Janeiro, RJ, Brazil Vice President, Exploration	Vice President, Exploration of Talon; Consultant Geologist, BRASGEO Mineração Ltda (2002 – Present).	Not applicable
Gregory S. Kinross ⁽¹⁾⁽²⁾⁽³⁾ Gauteng, South Africa Director	President of CIC Energy Corp. (“ CIC Energy ”) (mineral exploration and development) from November 2007 to present; President & CEO of CIC Energy, 2006 to November 2007; President & CEO of Tau (administrative and advisory services company) from November 2007 to present; Executive Vice-President Business Development, Tau, 2005 to November 2007.	April 5, 2005

Name, Residence and Current Position(s) with Talon Metals Corp.	Principal Occupation During the Past Five Years	Director Since
Warren E. Newfield Jerusalem, Israel Chairman and Director	Co-Chairman, CIC Energy (mineral exploration and development), 2006 to October 29, 2008, Chairman, CIC Energy, October 29, 2008 to present and also Chief Executive Officer of CIC Energy from November 2007 to present; Chairman of Tau (administrative and advisory services company) from November 2007 to present; President and CEO, Tau, 2000 to November 2007; President and CEO, AfriOre Limited (mineral exploration and development) from 2000 to January 2007.	April 5, 2005
Nelson F.M. Pfaltzgraff Rio de Janeiro, RJ, Brazil Chief Financial Officer	Chief Financial Officer of Talon 1995 to present; Partner in Charge, PS Contax & Associados Auditores e Consultores S/C Ltda (accounting firm) from 1995 to present; and PS Contax & Associados Auditores Independentes S/C accounting firm) from 1998 to present.	Not applicable
Jonathan M. Schneider ⁽¹⁾ London, United Kingdom Director	Founding Partner, Novator Credit Opportunities Fund (hedge fund), January 2006 to present; Director, Amaranth Advisors (hedge fund), 2003 to June 2005	June 24, 2010
Carl M. Ravinsky ⁽³⁾⁽⁴⁾ Québec, Canada Director	Partner, Lavery de Billy LLP (law firm), October 2007 to present; Partner, Desjardins Ducharmes LLP (law firm), 2004 to October 2007.	June 24, 2010

Notes:

- (1) Member of the Audit Committee.
- (2) Chairman of the Audit Committee.
- (3) Member of the Corporate Governance and Compensation Committee.
- (4) Chairman of the Corporate Governance and Compensation Committee.

As at the date hereof, the directors and executive officers of Talon as a group beneficially own, directly and indirectly, or exercise control or direction over 8,450,015 common shares, representing approximately 10.53% of the 80,272,437 issued and outstanding common shares.

Corporate Cease Trade Orders or Bankruptcies

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

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

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

Penalties or Sanctions

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

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

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

Conflicts of Interest

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

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

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

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

Promoter

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as disclosed herein, to the knowledge of the directors and officers of Talon, there are no legal proceedings material to Talon to which Talon or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2010, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of Talon, no penalties or sanctions have been imposed against Talon or its subsidiaries by a court or by a regulatory authority during the financial year ended December 31, 2010, no penalties or sanctions have been imposed against Talon by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of Talon, and no settlement agreements have been entered into by Talon before a court relating to securities legislation or with a securities regulatory authority during Talon's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

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

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

In addition, immediately prior to the closing of the Saber Merger, the other four then incumbent directors of Talon beneficially owned or had control or direction over an aggregate of 100,000 common shares of Talon (being less than 1% of the outstanding common shares of Talon at that time) and 1,500,000 common shares of Saber (being less than 1% of the outstanding common shares of Saber at that time).

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

The Company did not enter into any material contracts (other than contracts entered into in the ordinary course of business not required to be filed under NI 51-102) during its most recently completed financial year, and has not entered into any contract before its most recently completed financial year and since January 1, 2002 that is still in effect, that may be considered material to Talon, other than: the Implementation Deed, the São Jorge Agreement, the Third Amending Agreement, and the Fourth Amending Agreement, particulars of which are disclosed under the heading "General Development of the Business - Three Year History" (above).

INTERESTS OF EXPERTS

To the best of the Company's knowledge, Bernardo Horta de Cerqueira Viana, the qualified person under whose supervision the Trairão Technical Report was prepared, does not own, or hold any beneficial interest in, any securities or property of Talon, Tlou, Rio Verde or of their associates or affiliates.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

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

Composition of the Audit Committee

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

Name	Independent of Talon	Financially Literate	Relevant Education and Experience
Francis J. Crothers	Yes	Yes	Bachelor of Business Administration from the University of Miami; Chairman and CEO, Island Corporate Holdings Limited, a private Bahamas-based company; Director of Abaco Markets, Fortis Inc., Fidelity Bank and Trust (Cayman), C.A. Bancorp, Nuinsco Resources Limited, Templeton Mutual Funds and Victory Nickel
Gregory S. Kinross	Yes	Yes	Chartered Accountant; President of CIC Energy from November 2007 to Present; President & CEO of CIC Energy, 2006 to November 2007; President & CEO of Tau, November 2007 to Present; Executive Vice-President Business Development, Tau, 2005 to November 2007; Private equity, self-employed, 1998 to 2004
Jonathan M. Schneider	Yes	Yes	Bachelor of Commerce and Bachelor of Accounting from the University of the Witwatersrand; Chartered Accountant (South Africa); Founding Partner, Novator Credit Opportunities Fund, January 2006 to present; Director, Amaranth Advisors, 2003 to June 2005

Audit Committee Oversight

During the financial year ended December 31, 2010, all recommendations of the audit committee to nominate or compensate an external auditor were adopted by the board of directors.

Pre-Approval Policies and Procedures

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

External Auditor Service Fees

The following table summarizes the fees paid to Zeifmans LLP, the auditors of Talon for the years ended December 31, 2010 and December 31, 2009.

Category	2010	2009
Audit Fees	\$90,000	\$85,000
Audit Related Fees ⁽¹⁾	\$24,500	\$17,100
Tax Fees	Nil	Nil
All Other Fees ⁽²⁾	\$25,600	\$80,700

Notes:

- (1) For the limited review in respect of the financial statements and management's discussion and analysis of Talon for the interim periods in 2009 and 2010 ended March 31, June 30 and September 30.
- (2) For discussions regarding various corporate matters and specified procedures on the Saber Merger and, in 2010, included Rio Verde, Tlou and matters related to International Financial Reporting Standards.

ADDITIONAL INFORMATION

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

Additional financial information is contained in the Company's audited financial statements and management's discussion and analysis for the year ended December 31, 2010.

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

EXHIBIT I

Summary from Technical Report on the Trairão Project

EXECUTIVE SUMMARY

Introduction

Coffey Mining Pty Ltd (Coffey Mining) under its Brazilian office in Belo Horizonte has been commissioned by Talon Metals Corp (Talon) to prepare an Independent Technical Report on Exploration and a Mineral Resource Estimate for the Trairão Iron Ore Project, in Pará State, Brazil.

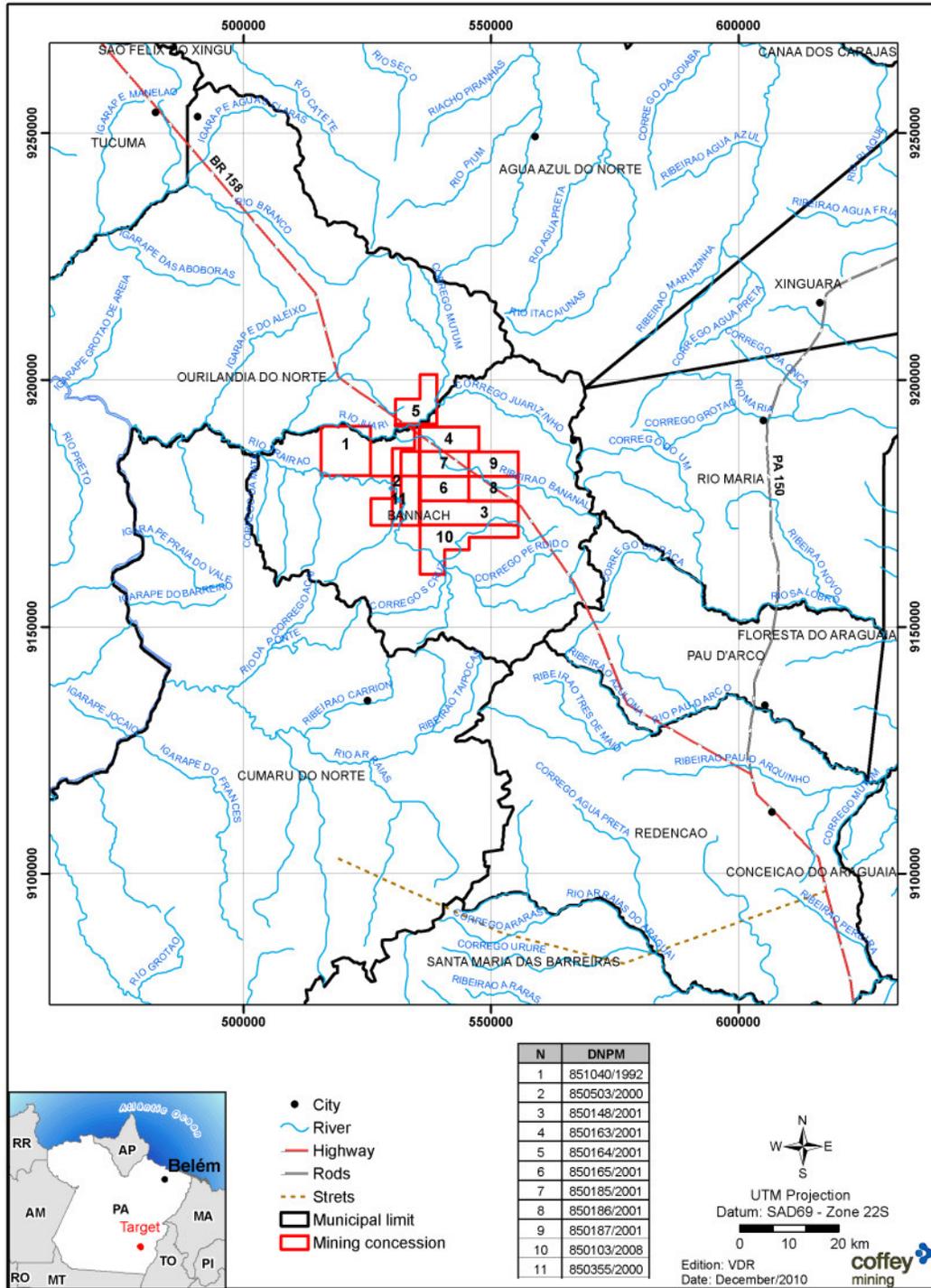
The Company's mineral property is considered to represent an Exploration Project which is inherently speculative in nature. However, Coffey Mining considers the property has been acquired based on sound technical merit. The property is also considered to be sufficiently prospective in general, subject to varying exploration risk degrees, to warrant further exploration and assessment of its economic potential, consistent with the programs proposed.

Location

The Trairão Iron Ore Project is located in Serra do Trairão region near the city named Bannach, approximately 200km south-southwest of Parauapebas city, and 250km from the Carajás railway that connects the mining district with the port 'da Madeira' in São Luis, Maranhão State Capital city (Figure ES_1).

Access to the project is from Marabá, which has regular flights to the main cities of Brazil. Rio Maria is located 260km south from Marabá, on the paved state highway PA-150. Bannach is located 60km W of Rio Maria, the last 40km stretch of road access is not paved.

Figure ES_1
Trairão Iron Ore Project
Project Location



Property

The property comprises 9 exploration authorizations or exploration licenses (DNPM exploration titles, or Alvarás de Pesquisa: 850.103/2008, 850.148/2001, 850.163/2001, 850.164/2001, 850.165/2001, 850.185/2001, 850.186/2001, 850.187/2001 and 850.503/2000) totaling 55,645.11 hectares. In addition there are two more areas under tender process (850.355/2000 and 851.040/1992), equivalent to 17,869.42 hectares. In total the area controlled by the Trairão Iron Project is therefore 73,515.03 hectares. The Table ES_01 below lists the areas and Figure ES_02 show the corresponding locations.

Municipality	DNPM process no.	Stage	Mineral	Actual Owner	Size (hectares)	Licence Number.	Expired Date
Bannach	850.103/08	Exploration License	Gold	Barrick do Brasil Mineração Ltda	9 966.90	5290	07/05/2012
Bannach	850.148/01	Exploration License	Gold	Brazpot Mineração Ltda	9 703.53	6714	16/10/2011
Bannach	850.163/01	Exploration License	Gold	Brazpot Mineração Ltda	6 000.00	6719	11/11/2012
Ourilandia do Norte / Bannach	850.164/01	Exploration License	Gold	Brazpot Mineração Ltda	5 964.92	6720	11/11/2012
Bannach	850.165/01	Exploration License	Gold	Brazpot Mineração Ltda	5 000.00	6721	16/10/2011
Bannach	850.185/01	Exploration License	Gold	Codelco do Brasil Mineração Ltda	5 000.00	6729	16/10/2011
Bannach	850.186/01	Exploration License	Gold	Brazpot Mineração Ltda	5 000.00	6730	11/11/2012
Bannach	850.187/01	Exploration License	Gold	Codelco do Brasil Mineração Ltda	5 000.00	6731	11/11/2012
Ourilandia do Norte / Bannach	850.503/00	Exploration License	Gold	Codelco do Brasil Mineração Ltda	4 010.26	6698	13/12/2010
Bannach	850.355/00	Tender Process	Copper		7 869.42	pending	pending
Bannach / Ourilandia do Norte	851.040/92	Tender Process	Nickel		10 000.00	pending	pending

Ownership

Since 29th September 2010, Talon owns 100% of the rights for two iron ore projects in Pará State, Brazil, through concluding two separate agreements respectively with Codelco do Brasil Mineração Ltda. (“Codelco”) and Barrick International (Barbados) Corp. (“Barrick Barbados”).

Talon Metals Corp owns 100% of the Rancover Holdings Limited, which owns 100% of Talon Iron Cayman Limited and 99.9% of the Brazpot Mineração Ltda. Talon Iron Cayman Limited owns 99.9% of Talon Iron Mineração Ltda, which is the owner of all the projects acquired from Barrick Iron. Brazpot Mineração Ltda is the owner of all the Projects acquired from Codelco Iron Projects.

The Trairão Project land surface belongs to 3 different farmers. Talon is preparing the agreements with the surface owners to run the second phase of the exploration campaign.

Geological Context

The Trairão Iron Ore Project area is part of the Serra da Seringa Greenstone belt of Southern Para domain. The banded iron formations (“BIF’s”) are part of a large volcano sedimentary sequence and are stratigraphically located in the Intermediate and Upper Units of the Tucumã Group (Archean).

Both units are formed by clastic and carbonate and/or siliceous meta-sedimentary rocks, in which the Intermediate Unit is formed mainly by carbonate meta-silts, whereas the Upper Unit is mainly composed of ferruginous meta-silts, which are the host rocks of the BIF oxide layers (Figure ES_02).

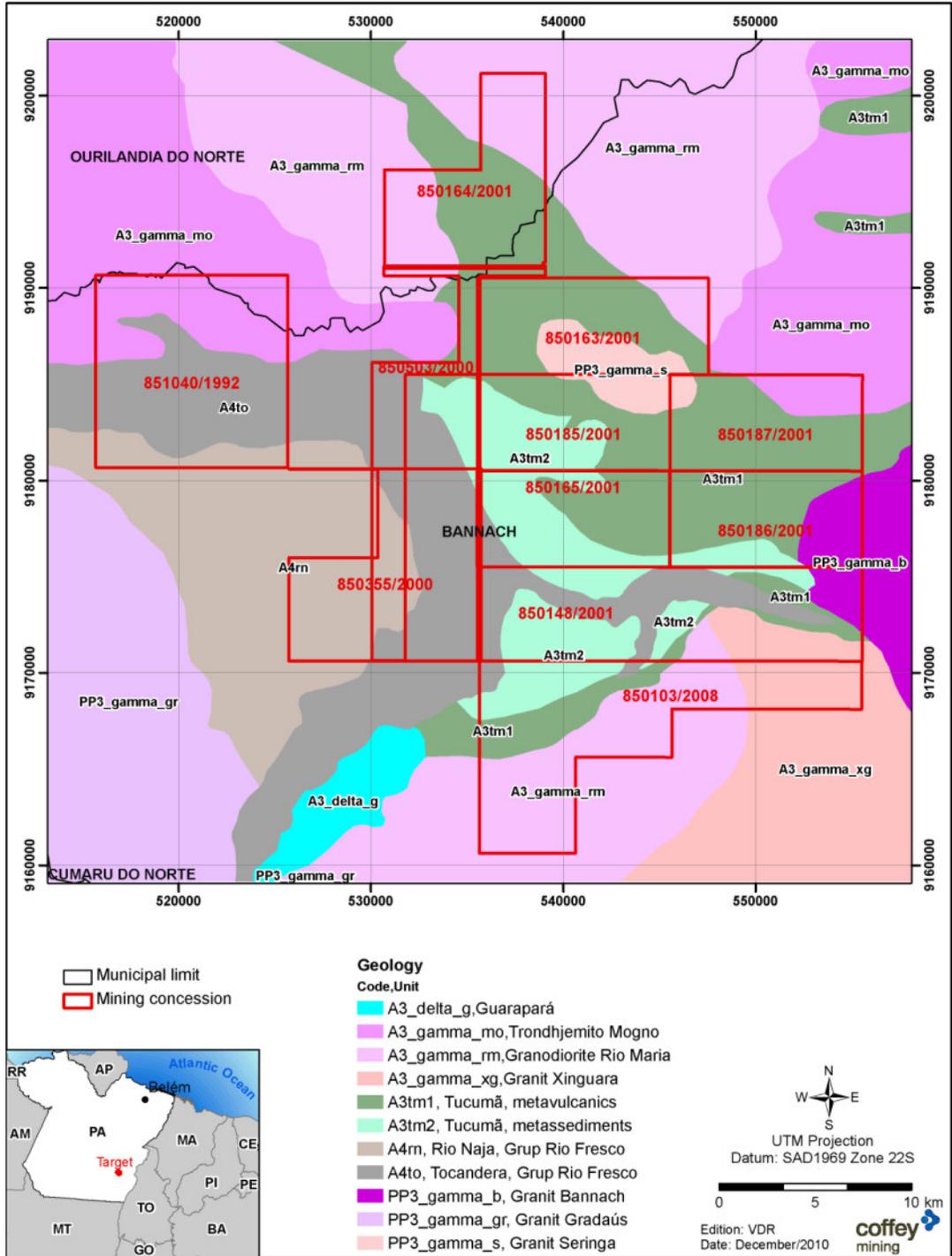
From a geomorphologic perspective, the Carajás ranges and the Trairão iron formations are at an altitude susceptible for lateritic soils development, increasing the possibility for the formation of ferric supergene enrichment near surface.

Besides the favorable geomorphologic conditions for developing secondary mineralization, the geological reconnaissance suggests the ferriferous formations were affected by metamorphic and hydrothermal processes that may have concentrated the primary epigenetic mineralization.

Figure ES_02

Trairão Iron Ore Project

Regional Geology Map Based on CPRM



Deposit Type

The BIF strata lie within the upper metasedimentary units of the Seringa greenstone belt. Numerous individual BIF horizons form a substantial surface outcrop area with several kilometers strike length, including major fold closures, which are thought to be synclinal keels. The overall geotectonic setting is similar to that of the giant iron ore deposits of the Carajás region, however prospectivity depends on the total volume of BIF, 3D geometry, and degree of supergene enrichment; all these factors are yet to be determined.

The Carajás ores are found within Archaean iron formations. The volcanic sequence has been weathered to a depth of between 100m and 150m, while oxidation is observed to a depth of up to 500m in the BIFs of the ore zone.

Mineralization

Banded iron formations (BIF) are chemical sediments which precipitated from seawater, and are defined by fine layering of silica and iron minerals (oxides, carbonates, silicates or sulfides). Oxide facies iron formations, containing magnetite and/or hematite, are the most economically relevant, and may contain up to 35% Fe. Supergene enrichment, particularly under tropical weathering conditions, can concentrate the iron in these rocks up to 65% Fe, and such enriched ore bodies form a potentially more valuable target.

Enrichment occurs commonly due to groundwater percolation through the BIF, and some of the worlds richest ore bodies are within synclinal keels, where Fe has been concentrated by downward-moving waters. This is particularly true where the underlying rocks are impervious to fluids.

Project Exploration Stage

Based on the old (Codelco) exploration data Talon has defined two small areas (Area 1 and Area 2) to investigate with RC drillings. The program started in October 2010 at the Trairão Property with the objective to delimit 2 surface mineralized iron ore areas. The exploration plan scope involved ground magnetic survey interpretation, geological mapping and a RC drilling campaign with a sampling program of over 4,000 samples.

The mineralization zone was intercepted by 100% of the 22 Area 1 drill holes and more than 90% of than stopped at the saprolite or saprock mineralized domain.

Mineral Resources Estimation

Based on current drilling results of the RC drilling, Coffey Mining carried out a Mineral Resources Estimation of the first area (Área 1) outlined by Talon. Resources were estimated using ordinary kriging. The Table ES_02 below presents the results.

Coffey Mining has estimated Inferred Mineral Resources for the Area 1 Trairão Iron Project in accordance with the guidelines as set out in the NI43-101. The in situ resources are wholly contained within the current license boundary and do not take into account any elements which may sterilize areas of the deposit for mining operations.

The total Inferred Mineral Resource for Area 1 has been estimated at 168.26 million tonnes with an average grade of 42.16% Fe (with 35% cutoff grade applied) (Table ES_02). As there are no density tests or samples were available Coffey Mining applied a density of 2.7t/m³ supported by a bibliography of regional references. This number needs to be reviewed with further in situ and diamond core hole density tests.

<p>Table ES_02 Trairão Iron Ore Project Grade Tonnage Table – 17th Dec 2010 Inferred Mineral Resources - Block Model: 100, 100 10 (25, 25, 5); Rotate Bearing: 35°</p>							
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Cut Off Grade (Fe %)	Tonnes (Mt)	Fe (%)	SiO2 (%)	Al2O3 (%)	Mn (%)	P (%)	LOI (%)
Soil							
25	22.40	50.21	7.94	10.63	0.05	0.092	8.89
35	22.40	50.21	7.94	10.63	0.05	0.092	8.89
Saprolite							
25	152.72	39.48	21.75	12.65	0.11	0.054	8.25
35	124.97	41.23	19.39	12.46	0.11	0.055	8.32

Saprock							
25	62.68	32.95	38.50	7.98	0.16	0.047	5.64
35	20.89	39.11	29.79	7.06	0.16	0.064	6.28
Grand Total							
25	237.80	38.77	24.86	11.23	0.12	0.056	7.62
35	168.26	42.16	19.16	11.55	0.11	0.061	8.14

In general, is possible the iron content enrichment but the mass yield varies a lot. It is necessary some testwork to allow a assessment of the commercial feasibility to implant a beneficiation and concentration plant.

The independent qualified person responsible for the mineral resource estimate in this report and summarised in Table ES_02 is Bernardo Viana, a geologist with 10 years of geological and mining related experience ranging from execution, management and coordination of geology projects, to resource estimation in a variety of commodities including Au, Cu, Fe, Al, U, Ni, Zn, Mn and diamond in Brazil, Angola and Chile. He is a member of the Australian Institute of Geoscientists (“MAIG”) and is independent of Talon as that term is defined in Section 1.4 of the Instrument.

Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.

Recommendations

Given all this positive geological and prospective indications Coffey Mining considers the Trairão Property to be prospective for hosting iron ore deposits. The proposed exploration strategy is considered to be consistent with the potential of the Trairão Iron Ore Projects, providing that target priorities are clearly adhered to and exploration is appropriately staged to permit continual assessment of progressive exploration results.

100% of the RC drill holes had intercepted the mineralized domains suggesting that the iron mineralization is opened in all directions (x, y and z) and most of that had stopped at the saprolite and saprock mineralized domain. The mineralization continuity should be investigated with a further RC and diamond drilling campaign.

The proposed exploration program presented aims to evaluate the iron potential of Trairão Project and provide enough data that will support further NI 43 101-compliant mineral resource estimates. The iron mineralization at Trairão property is associated with hematite-goethite-rich colluviums, as well as with a supergene enrichment zone and fresh rock over a sequence of inter-bedded BIF and magnetite-rich phyllite that belong to the upper portion of Tucumã Group. The supergene process leached a significant amount of silica from the country rocks and transformed the magnetite into hematite-goethite creating a resistant cap rock that forms the prominent topography along the Trairão Range. The Trairão Range presents a pattern of folded rocks and extends for a total length of 19km. Apart of Trairão Range, other targets exist within the project area adding a cumulative length of 31km of prospective targets. In view of the large area the exploration program was divided into two stages, as indicated below;

- Stage 1 (6 months) – Target Testing with RC drilling and Mineral Resource Estimate of Area 1 and Area 2.
- Stage 2 (12 months) – Regional Assessment and Follow up Resource RC and Diamond Drilling Program.

Stage 1 started in October 2010 and will be finished in March 2011, when the results of the Area 2 drilling program will be available and the resource estimation will be reviewed. Stage 2 will start in April 2011.

The timing to complete the exploration program is estimated at 18 months and the preliminary budget is estimated at CD\$1,660,000, including property acquisition costs and annual fees related to exploration licenses.

Coffey Mining has reviewed the proposed program and budget and concurs this is appropriate for the current status of the project. A further Stage 3 needs to be planned after the results of Stage 2 are available. If the results are positive Coffey Mining suggests Talon commission a Preliminary Assessment to evaluate the likely economic viability of the supergene enriched material.

EXHIBIT II

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

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

I. PURPOSE

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

- reviewing the financial reports and other financial information before such reports and other financial information is provided by the Corporation to any governmental body or the public;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation’s external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Corporation’s financial reporting process and internal controls, the Corporation’s processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and
- encouraging continuous improvement of, and fostering adherence to, the Corporation’s policies, procedures and practices at all levels.

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

II. COMPOSITION AND MEETINGS

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

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

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

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

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

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

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

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

the Chief Executive Officer, Chief Financial Officer or Secretary of the Corporation is entitled to request that the Chairman of the Audit Committee call a meeting. A notice of the Audit Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

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

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

III. RESPONSIBILITIES AND DUTIES

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

Generally

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, prepare revisions to its provisions where conditions so dictate and submit such proposed revisions to the Board of Directors for approval.
3. Describe briefly in the Corporation's annual report and more fully in the Corporation's management information circular or its annual information form ("AIF") the Audit Committee's composition and responsibilities and how they were discharged, and otherwise assist management in providing the information required by applicable securities legislation (including the form requirements under National Instrument 52-110) in the Corporation's AIF.
4. Report periodically to the Board of Directors.
5. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and compensate independent counsel, accountants and other professionals to assist it in the performance of its duties as it deems necessary.
6. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

Documents/Reports Review

7. Review the Corporation's interim and annual financial statements, results of audits as well as all interim and annual MD&A and interim and annual earnings press releases prior to their publication and/or filing with any governmental body, or the public.
8. Review policies and procedures with respect to directors' and senior officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors, based on terms of reference agreed upon by the external auditors and the Audit Committee.
9. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure addressed in paragraph 7 of this part, and periodically assess the adequacy of such procedures.
10. Review the audited annual financial statements to satisfy itself that they are presented in accordance with general accepted accounting principles.
11. Provide insight to related party transactions entered into by the Corporation.

External Auditors

12. Recommend to the Board of Directors the selection of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. Instruct the external auditors that the Board of Directors, as the shareholders' representative, is the external auditors' client.
13. Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors and discussing and resolving any material differences of opinion between management and the external auditors.
14. Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Corporation to determine their independence.
15. Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiaries by the external auditors.
16. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.
17. Periodically consult with the external auditors out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Corporation's

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

18. Ensure that the external auditors report directly to the Audit Committee, ensure that significant findings and recommendations made by the external auditors are received and discussed with the Audit Committee on a timely basis and arrange for the external auditors to be available to the Audit Committee and the full Board of Directors as needed.
19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's external auditors.

Financial Reporting Processes

20. In consultation with the external auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.
21. Consider the external auditors' judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices.
22. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
24. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit Committee may deem desirable.
25. Following completion of the annual audit and quarterly reviews, review separately with management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit and reviews.
26. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.

27. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.
28. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.
29. Review activities, organizational structure, and qualifications of the Corporation's Chief Financial Officer and staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the full Board of Directors.

Ethical and Legal Compliance

30. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
31. Review and update periodically a code of business conduct and ethics (the "**Code of Conduct**") and ensure that management has established a system to enforce the Code of Conduct. Review appropriateness of actions taken to ensure compliance with the Code of Conduct and to review the results of confirmations and violations thereof.
32. Review management's monitoring of the Corporation's systems in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
33. Review, with the Corporation's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the Corporation's financial statements.

Risk Management

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

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

Currency of Charter

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

Schedule “A”

Independence and Financial Literacy

Independence Requirement of National Instrument 52-110

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

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

- (a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
- (c) an individual who: (i) is a partner of a firm that is the Corporation’s internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual: (i) is a partner of a firm that is the Corporation’s internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation’s current executive officers serves or served at that same time on the entity’s compensation committee; and
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than \$75,000 in direct compensation from the Corporation during any 12 month period within the last three years.

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

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

is considered to have a material relationship with the Corporation.

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

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

“company” - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

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

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

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

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

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

Financial Literacy

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