Consolidated Financial Statements of
TALON METALS CORP.
For the years ended
December 31, 2010 and 2009

Talon Metals Corp.

Management's Responsibility for Financial Information

Management has prepared the information and representations in these financial statements. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in Canada, and where appropriate, reflect management's best estimates and judgment.

Talon Metals Corp. maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced. Our independent auditors have the responsibility of auditing the consolidated financial statements and expressing an opinion on them.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is comprised of three directors. This Committee meets periodically with management and the independent auditors to review accounting, auditing, internal control and financial reporting matters.

s/Stuart Comline, President and CEO

s/Nelson Pfaltzgraff, CFO

Talon Metals Corp.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Talon Metals Corp.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Talon Metals Corp., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Talon Metals Corp. as at December 31, 2010 and 2009, and their financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
March 28, 2011

Chartered Accountants
Licensed Public Accountants

TALON METALS CORP.

Consolidated Balance Sheets
Expressed in Canadian Dollars
December 31, 2010

	2010	2009
Assets		
Current assets		
Cash and cash equivalents (note 5)	**$12,345,677**	**$2,807,195**
Term deposit	**3,503,928**	**1,500,000**
Investments (note 6)	**1,137,426**	**528,112**
Prepayments	**291,734**	**22,500**
Accounts and other receivables	**672,616**	**21,388**
	17,951,381	**4,879,195**
Equipment (note 7)	**184,371**	**72,840**
Resource properties and deferred expenditures (note 8)	**10,950,914**	**9,417,920**
Loan receivables (note 9)	**-**	**5,000,000**
Investment in Tlou Energy (note 6(b))	**20,937,027**	**-**
Assets held for sale (note 10)	**3,915,488**	**-**
	$53,939,181	**$19,369,955**
Current liabilities		
Accounts payable and accrued liabilities	**$2,139,930**	**$920,069**
Shareholders' equity		
Share capital (note 11)	**41,990,775**	**22,320,031**
Common share purchase warrants	**1,388,815**	**-**
Contributed surplus (note 11)	**7,864,955**	**5,263,836**
Deficit	**(12,763,346)**	**(9,133,981)**
Accumulated other comprehensive loss	**(37,918)**	**-**
	38,443,281	**18,449,886**
Non-controlling interest (note 4 (a) and 11)	**13,355,970**	**-**
	$53,939,181	**$19,369,955**

See accompanying notes to the consolidated financial statements.

TALON METALS CORP.

Consolidated Statements of Operations and Comprehensive Loss
Expressed in Canadian Dollars
Years ended December 31, 2010 and 2009

	2010	2009
Income		
Gain on sale of projects and equipment (note 6,8 and 10)	**$4,234,594**	$-
Interest income	**73,511**	12,655
	4,308,105	12,655
Expenses		
Office and general	**1,214,193**	1,043,743
Professional fees	**853,563**	869,535
Consulting fees	**1,520,768**	515,630
Management fees	**366,870**	270,000
Stock based compensation	**2,633,769**	269,779
Travel	**166,812**	109,267
Interest and bank charges	**28,464**	53,705
Listing and filing expense	**103,386**	44,982
Write down of projects (note 10)	**2,128,772**	23,282
Amortization of equipment	**23,116**	20,000
	9,039,713	3,219,923
Loss for the year before the following:	**(4,731,608)**	(3,207,268)
Foreign currency translation loss	**(18,903)**	(20,080)
Gain on sale of investments	**195,894**	682,542
Unrealized gain on investments	**314,426**	702,844
Share of net loss of Tlou (note 6 (b))	**(105,905)**	-
Net loss for the year	**(4,346,096)**	(1,841,962)
Share of other comprehensive loss –Tlou	**(37,918)**	-
Total Comprehensive loss	**(4,384,014)**	(1,841,962)
Loss attributable to:		
Owners of Talon	**(4,323,045)**	(1,841,962)
Non-controlling interests in Rio Verde	**(23,051)**	-
Basic and diluted loss per share (note 14)	**$(0.08)**	$(0.07)

See accompanying notes to the consolidated financial statements

Talon Metals Corp.
Consolidated Statements of Deficit
Expressed in Canadian Dollars
Years ended December 31, 2010 and 2009

	2010	2009
Deficit, beginning of the year	**$(9,133,981)**	$(7,292,019)
Net loss for the year	**(4,323,045)**	(1,841,962)
Dilution gain (note 4 (a))	**693,680**	-
Deficit, end of the year	**$(12,763,346)**	$(9,133,981)

See accompanying notes to the consolidated financial statements.

TALON METALS CORP.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars
Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Net loss for the year	**$(4,346,096)**	$(1,841,962)
Items not affecting cash:		
Stock based compensation	**2,633,769**	269,779
Gain on sale of projects and equipment	**(4,234,594)**	-
Share of net loss in Tlou	**105,905**	-
Gain on sale of investments	**(195,894)**	(682,542)
Write down of projects	**2,128,772**	23,282
Foreign currency translation gain	**13,909**	-
Unrealized gain on investments	**(314,426)**	(702,844)
Amortization of equipment	**23,116**	20,000
	(4,185,539)	(2,914,287)
Changes in non-cash working capital balances:		
Prepayments	**(149,445)**	-
Accounts receivable	**(210,478)**	39,019
Accounts payable and accrued liabilities	**(32,465)**	592,016
	(4,577,927)	(2,283,252)
Cash flows from investing activities		
Acquisition of equipment	**(66,993)**	(6,559)
Proceeds on maturity of term deposit	**1,500,000**	1,393,784
Proceeds on disposal of assets held for sale	**1,967,932**	-
Cash assumed from Saber	**591,469**	-
Cash assumed from Rio Verde (note 4)	**5,965,941**	-
Transaction costs	**(520,692)**	-
Purchase of term deposit	**(3,503,928)**	(1,500,000)
Proceeds on sale of projects	**2,016,000**	-
Proceeds on sale of investments	**724,006**	2,272,937
Resource properties and deferred expenditures – proceeds	**507,939**	-
Resource properties and deferred expenditures	**(2,805,130)**	(1,272,277)
	6,376,544	887,885
Cash flows from financing activities		
Repayment of long-term debt	**4,057**	-
Proceeds from private placements	**7,565,846**	-
Proceeds from exercise of options	**33,625**	-
Share issue costs	**(53,887)**	-
Repayment of loan receivable	**190,224**	-
	7,739,865	-
Increase (decrease) in cash and cash equivalents	**9,538,482**	(1,395,367)
Cash and cash equivalents, beginning of the year	**2,807,195**	4,202,562
Cash and cash equivalents, end of the year	**$12,345,677**	$2,807,195

See accompanying notes to consolidated financial statements.

1. Incorporation and Operations

The Company has three subsidiaries incorporated in Brazil, Brazilian Resources Mineracao Ltda. ("BRM"), Brazmin Ltda. ("BRAZ LTDA") and Talon Iron Mineracao Ltda (“TIML”).The Company, through its subsidiaries BRM and BRAZ LTDA, has acquired rights ranging from a 65% to 100% interest in a number of prospective gold mining projects situated in Brazil. The Company, through its subsidiary Rio Verde Minerals Corp., holds a 50 to 100% interest in various potash projects situated in Brazil. The Company, through its subsidiary TIML holds a 100% interest in various iron ore projects situated in Brazil.

The Company also has a subsidiary, Saber Energy Inc (“Saber”), incorporated in Barbados. Saber, through its various wholly-owned subsidiaries, held exploration licenses for the exploration of coal bed methane and organic shale gas fields in Botswana.

These consolidated financial statements include the accounts of the Company's subsidiaries. All inter-company balances have been eliminated.

2. Summary of significant accounting policies

a) General -

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). Because a precise determination of assets and liabilities depends on future events, the preparation of financial statements for a period necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expense during the period. Estimates are used when accounting for items and matters such as amortization, asset valuations, impairment assessments, taxes, stock based compensation and contingencies. Actual amounts could differ from these estimates. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

b) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which Talon has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Company. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Company. The consideration transferred includes the fair value of any assets or liability resulting from a

contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportional share of the acquiree's net assets.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated.

When acquiring project companies, an assessment is made to determine whether the project company represents a business or is just a corporate wrapper for a specific asset or group of assets such as land and/or licenses. Where the project company is a business, acquisition accounting is applied. Where the project company does not meet the definition of a business, the transaction is treated as an asset acquisition. Key factors in determining whether the definition of a business is met include an assessment of inputs, processes and outputs and the stage of the project development plan at the acquisition date.

Transactions with non-controlling interests

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the differences between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

c) Cash and cash equivalents –

Cash and cash equivalents include cash and term deposits with original maturities less than three months from the date of acquisition.

d) Property, plant & equipment

Office and computer equipment

Office and computer equipment is stated at cost and amortized at 20% per annum on a declining balance. One-half of this rate is applied in the year of acquisition.

Assets held for sale

Long-lived assets are classified as held for sale when certain criteria are met, which include: the Company's commitment to a plan to sell the assets; the assets being available for immediate sale in their present condition; an active program to locate buyers and other actions to sell the assets have been initiated; the sale of the assets is probable and their transfer is expected to qualify for recognition as a completed sale within one year; the assets are being actively marketed at reasonable prices in relation to their fair value; and it is unlikely that significant changes will be made to the plan to sell the assets or that the plan will be withdrawn.

The Company measures assets held for sale at the lower of carrying amount or fair value less cost to sell. These assets are not depreciated.

e) Resource properties and deferred exploration costs

Mineral properties

Interests in mineral exploration properties are recorded at cost. Exploration expenditures, other than those of a general nature, relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off.

The cost of mineral properties includes the cash consideration and the negotiated value of shares issued on the acquisition of properties. Properties acquired under option agreements, whereby option payments are made at the discretion of the company, are recorded in the financial statements at the time payments are made. Certain option payments that management has determined are likely to be made, have been accrued in the financial statements. The proceeds from options granted on properties are credited to the cost of the related property.

Once the feasibility of a project has been established, deferred exploration expenses and other costs are segregated as deferred development expenditures. These costs are amortized over the estimated useful life of the related mineral property as commercial production commences. If the net carrying amount of the deferred exploration expenses is not recoverable, these costs are written down to net recoverable amount of the deferred exploration expense.

The amounts shown for mineral properties and deferred exploration costs represents cost to date, and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of future reserves.

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Oil & gas properties

The company follows the full cost method of accounting for oil and gas operations, whereby all costs related to exploration and development of oil and gas reserves are capitalized. Such costs which includes licence costs, the cost of drilling productive and non-productive wells, geological and geophysical costs, production facilities, corporate expenses directly related to acquisition, exploration and development activities, are capitalized on a country-by-country basis, which to date there is one cost centre, Botswana. These costs do not include any costs related to the general overhead expenses.

The amounts shown for exploration properties represents costs to date and do not necessarily reflect present or future values. If the properties are sold, allowed to lapse or are no longer of interest, accumulated costs are written down.

Included in exploration properties are amounts related to expenditures incurred during the pre-development period. Once a project reaches commercial production, the exploration costs are amortized over the estimated useful life of the producing properties.

The Company reviews and evaluates the carrying value of its exploration properties on an annual basis or whenever events or changes in circumstances indicate that their carrying amounts might not be recoverable.

f) Impairment of property, plant & equipment

Property, plant & equipment subject to amortization is reviewed for impairment periodically or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss must be recognised if the carrying amount of the asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. In that event, the asset must be written down to its fair value and an impairment loss recorded in the statement of operations.

The fair value is based on the present value of the estimated cash flows. Management's estimate of future cash flows is subject to risk and uncertainties and it is reasonably possible that changes could occur which may affect the recoverability of the Company's long-lived assets and may have a material effect on the Company's results of operations and financial position.

g) Stock based compensation –

The Company uses the accounting standard for stock-based compensation which requires the use of the fair value method for valuing stock option grants. Under this method, compensation cost attributable to all share options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

h) Investments -

The Company's short-term investments are measured initially at cost, and carried at cost in subsequent periods until such time as the investment is no longer in a private company. Investments are tested regularly for impairment.

The Company's long-term investments are classified as "held-for-trading" securities and are measured at fair value. Changes in fair value are recognized in net income. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange are recorded at values based on the current bid prices.

The Company accounts for its investments in companies over which it has significant influence using the equity basis of accounting whereby the investments are initially recorded at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received, if any. Carrying values of investments would be reduced to estimated market values if there is other than a temporary decline in the value of the investment. Such reduction would be recorded in the consolidated statements of operations.

i) Asset retirement obligation –

An asset retirement obligation is a legal obligation associated with the retirement of long-lived assets that the company is required to settle.

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred, when a reasonable estimate of the fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

i) Income taxes –

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

k) Foreign currency translation –

The functional currency of the company is Canadian dollars. A portion of the Company's transactions are denominated in United States dollars, Australian dollars, Brazilian reals, Botswana pula and South African rands. The Company's foreign subsidiaries are integrated

operations and financial statements stated in foreign currencies are translated using the temporal method. Monetary assets and liabilities denominated in the abovementioned currencies are translated to Canadian dollars at the rate in effect at the balance sheet date. Non-monetary items are translated at historical rates. Revenue and expenses are translated at average rates prevailing in effect during the year. The resulting gain or loss is included in the statement of operations.

l) Basic and diluted earnings (loss) per share –

The Company uses the treasury stock method to determine the dilutive effect of the share purchase warrants and the stock options. Per share amounts have been computed based on the weighted average number of common shares outstanding for the period presented. Diluted earnings (loss) per share is calculated by adjusting outstanding shares to take into account the dilutive effect of stock options and share purchase warrants

m) Share issue costs –

Share issue costs related to equity financing are charged directly to deficit.

n) Revenue recognition –

Revenue comprises interest income and is recognized when earned. The proceeds from options granted on properties are credited to the cost of the related property, but where the proceeds exceed the property's carrying value, any excess proceeds are credited to income.

3. Adoption of new accounting recommendations

Future accounting changes

In January 2009, the CICA issued new accounting standards, Handbook Section 1582 "Business Combinations", Handbook Section 1602 "Non-Controlling Interests", and Handbook Section 1601 "Consolidated Financial Statements", which are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, "Business Combinations". The new standards replace the existing guidance on business combinations and consolidated financial statements. The objective of the new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards shall not be adjusted upon application of these new standards. Section 1602 should be applied retrospectively except for certain items.

On April 29, 2009, the CICA amended Section 3855, "Financial Instruments – Recognition and Measurement", adding/amending paragraphs regarding the application of effective interest

method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. These amendments are not expected to have a significant impact on the Company's accounting for its financial instruments.

IFRS convergence

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

The Company has substantially completed the conversion process as of the Company's transition date of January 1, 2010.

4. Acquisitions

(a) Rio Verde Minerals Corp (see note 8.A.2)

On December 10, 2010, the Company completed the acquisition of 54.28%, representing approximately 27 million common shares, of Rio Verde Minerals Corporation ("Rio Verde") in exchange for all of the Company's rights in the Sergipe Potash Project licenses. The Company has early adopted CICA Handbook section 1582 ("Section 1582") to account for this acquisition.

The Company has not presented supplementary pro forma revenues and net income as Rio Verde has had minimal operations since its incorporation in 2010.

The Company incurred $83,000 of acquisition-related costs. These expenses are included in general and administrative expense in the Company's consolidated statement of income for the year ended 31 December 2010.

The following table summarizes the consideration transferred to acquire Rio Verde and the amounts of identified assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest in Rio Verde at the acquisition date. The provisional values of assets and liabilities are recognized at their estimated fair values at the date of acquisition. Section 1582 allows up to 12 months for provisional acquisition accounting to be finalized following the acquisition date if any subsequent information provides better evidence of the fair values at he acquisition date. The Company has elected to measure the non-controlling interest at fair value by reference to the share price in the private placements completed by Rio Verde during December 2010. Further, no gain or loss has been recognized with respect to the

Sergipe project transferred by Talon to Rio Verde as that asset continues to be part of the consolidated financial statements.

Fair value of consideration received	$13,309,754
Identifiable assets and liabilities	
Cash	5,965,941
Mineral property interests'	19,332,841
Fixed assets	67,654
Other assets	9,349
Accounts payable	(714,446)
	24,661,339
Non-controlling interest	(11,351,585)
	$13,309,754

Rio Verde dilution

Subsequent to the effective date of the Company's acquisition Rio Verde issued approximately 5,500,000 common shares to third parties (non controlling interests or NCI) for proceeds of approximately $2.8 million thereby diluting Talon's ownership interest from 54% to 49%. The Company has determined that it has retained effective control over Rio Verde subsequent to Rio Verde's share issuance. Under GAAP changes in a parent's ownership interest after control is obtained that do not result in a change in control of the subsidiary are accounted for as equity transactions. As the Company continues to control Rio Verde, the Company has adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in Rio Verde. As a result of the foregoing, the Company has recorded:

(i) An increase of $2,027,436 to NCI
(ii) A dilution adjustment of $693,680 as a reduction of deficit

(b) Saber Energy Corp. (see note 6(a))

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On March 24, 2010 the Company and Saber Energy Corp completed a merger pursuant to the pre-merger agreement entered into on September 1, 2009. The resulting company ("MergeCo") is governed by the provisions of the BVI Act and retains the corporate name, "Talon Metals Corp.". The MergeCo common shares continue to be listed and posted for trading on the Toronto Stock Exchange under the symbol "TLO".

The merger was effected as follows:
(a) each outstanding Talon share was converted into one MergeCo share

(b) each outstanding Talon option, without exchange of the option certificate or agreement,

becomes exercisable to purchase one MergeCo share at an exercise price per MergeCo share equal to the exercise price of the Talon Option so exercised;

(c) each outstanding value warrant issued by Saber to Talon was cancelled;

(d) each outstanding Saber share was exchanged for 0.17685 of a MergeCo share;

The Company has provisionally determined that this transaction does not meet the definition of a business combination in accordance with GAAP. For accounting purposes the Company has provisionally determined that the transaction represents an acquisition of Saber's net assets and has designated an effective date of March 24, 2010. The measurement of the purchase consideration is based on the closing market price of the Talon common shares on the effective acquisition date.

The acquisition cost of $16.4 million has been assigned to the acquired assets and liabilities, as follows:

Acquisition cost	$16,391,160
Net assets acquired:	
Cash	$591,469
Accounts receivable	431,750
Prepayments	119,789
Property, plant and equipment held for sale (note 10)	4,993,010
Exploration licenses held for sale	16,222,213
Accounts payable and accrued liabilities	(623,187)
Loan payable	(4,809,776)
Rehabilitation provision	(534,108)
	$16,391,160

The Company has disposed of a substantial part of the Saber exploration assets and the related property, plant and equipment before year end.

5. Cash and cash equivalents

	2010	2009
Cash on hand and balances with banks	$9,548,109	$199,718
Short term investments	2,797,568	2,607,477
	$12,345,677	$2,807,195

6. Investments

(a) Temporary investments

The Company holds 500,000 shares in Lago Dourado Minerals Ltd. (“Lago”) with a fair value of $325,000. The Company also has 500,000 warrants in Lago with a fair value of $191,353. The Company has valued the warrants using the Black-Scholes option pricing model with the following assumptions : expected life of 2 years, risk-free interest rate of 1.375%, dividend rate of 0% and volatility of 100%. These warrants have an exercise price of $0.50 per warrant and expire on July 13, 2012.

The Company holds 985,830 shares in Brazilian Gold Corporation (“Brazilian”) with a fair value of $621,073.

At December 31, 2009 the Company held 2,450,000 shares of Beadell Resources Limited with a fair value of $528,112. All of these shares were sold by the Company during the first quarter of 2010 for gross proceeds of $724,006.

(b) Long term investments

Tlou Energy

Effective November 30, 2010, the Company completed a transaction with Tlou Energy Limited (Tlou Energy) in which Talon transferred to Tlou Energy all of the Company's rights in the Saber Gas Project licenses and some property, plant and equipment, in return for a 30% ownership interest in Tlou Energy valued at approximately $21 million. The Company recognized a net gain of approximately $3 million relating to the licenses and equipment sale. The Company also has the option to increase its investment by subscribing for an additional 4,945,055 shares of Tlou Energy. The Company accounts for its investment in Tlou Energy using the equity method, since it has significant influence over the investee.

The Company's investment in Tlou Energy at December 31, 2010 amounted to $20,937,027 and is comprised of the initial cost of $21,080,850, less a 30% share of net loss in Tlou Energy for the month ended December 31, 2010. The Company's share of Tlou's net assets at the date of acquisition is approximately $10 Million. The difference will be tested for impairment on an annual basis.

7. Equipment

	2010	2009
Cost	$141,000	$141,000
Additions	12,277	-
Additions - Rio Verde (note 4)	67,654	-
Other additions	54,716	-
Accumulated amortization	(91,276)	(68,160)
Net book value	$184,371	$72,840

8. Resource properties and deferred expenditures

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

Mineral Properties

	2010	**2009**
Trairão Iron Ore Project	$606,006	$-
Rio Verde Projects	8,108,941	751,687
São Jorge Gold Project	-	6,129,137
Água Branca Gold Project	1,118,904	1,313,768
Campo Grande Gold Project	519,586	512,491
Other Projects	597,477	710,837
	$10,950,914	$9,417,920

Although the Company believes it has taken reasonable measures to ensure proper title to its mineral properties in which it has an interest, there is no guarantee that title to any of its mineral 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.

(A) Mineral properties

1. Iron Ore Project

On September 29, 2010, Talon announced that it had acquired 100% of the rights to the Trairão Project and the Inajá South Project in Pará State, Brazil, through concluding two separate agreements, respectively, with Codelco do Brasil Mineração Ltda (“Codelco”) and Barrick International (Barbados) Corp. (“Barrick Barbados”). The Barrick Barbados rights are held in TIML.

Under the agreement with Codelco, Talon paid Codelco a nominal purchase price and will pay a royalty of US$0.7005 per tonne of iron mined and sold, in the event of mining in the future on the licences.

Under the agreement with Barrick Barbados, Talon paid Barrick Barbados a nominal purchase price and is obliged to pay certain production related royalties, at varying levels in respect of specific metals, in the event of mining on any of the rights to projects held by Barrick Brasil. In the case of the Trairão Project, the royalty payable to Barrick Barbados is US$0.2995 per tonne of iron mined and sold. However, 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 terms of the Inajá South Project, Barrick 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. There are also provisions for Talon to buy back the base metal royalty and for Barrick Barbados to buy back up to a 50% interest in any future gold mining operation, which exceeds a reserve of three million ounces.

2. Sergipe Potash Project

Rio Verde's Sergipe Potash project comprises ten onshore and two offshore potash prospects in the Sergipe and Alagoas States of Brazil. Rio Verde holds exploration licenses for a total area of 107,987 hectares (266,840 acres) and applications for licenses are pending for a further 4,982 hectares (12,311 acres).

On May 22, 2009 the Company concluded an agreement with Kmine Holdings Ltd ("Kmine"). a private company, to acquire a 100% interest in BANCOR. The Company has determined that this transaction does not meet the definition of a business combination in accordance with GAAP. Under the terms of the agreement with Kmine, cash payments of US$20 million, are payable over 10 years, of which US $375,000 was paid on closing of the agreement and another payment of the same amount, was made at the commencement of the second year (May 2010). A further US$375,000 is payable in November 2010 and a further US$1,000,000 is payable in May 2011, US$1,375,000 in May 2012 and US$2,000,000 in May 2013. Finally US$4,500,000 is payable in May 2014 and US$10,000,000 is payable in May 2019. As from the end of the second year, Talon can make payments part in Talon shares (50% of each payment) and part in cash. Talon may withdraw from the agreement at any time and return the licenses. As such, the full amount payable as per above, has not been set up as a liability.

A payment of US$75,000 was made to Ana Palmira in October 2009 for additional potash prospects. The Company has determined that this transaction does not meet the definition of a business combination in accordance with GAAP. A further US$100,000 was paid before September 30, 2010, and a further US$100,000 is payable on or before each of September 30, 2011 and 2012. A payment of US$125,000 is due on or before September 30, 2013 and finally, a payment of US$6,000,000 or shares representing 25% of the shares of Sergi Mineracao Ltda, is to be made on or before October 31, 2014. The Company can withdraw from this agreement at any time and return the licenses. As such, the full amount payable as per above, has not been set up as a liability.

On December 7, 2009 the Company concluded an agreement in which it has a right to acquire a 75% interest in a subsidiary of Lara Exploration Ltd. (“Lara”), that holds all 13 of Lara’s potash exploration licences (including five applications for potash exploration licences), which are located in Sergipe State, Brazil. The Company has determined that this transaction does not meet the definition of a business combination in accordance with GAAP. To exercise its option, Talon must make cash payments totaling US$0.5 million, as well as undertake a US$4 million work program to be managed and funded by Talon. Both the cash payments and work commitments are on an annual basis, spread over four years. The work program includes the drilling of a minimum of five holes over four years. In addition, Talon is required to complete a Resource Report on these licence areas by late 2014. In April 2010 the transfer of Lara’s potash exploration licences to Talon was completed and Talon paid Lara US$50,000. A further payment of US$100,000 that was due on or before December 31, 2010, was paid directly by Rio Verde in December 2010 (see below).

In December 2010, Talon closed a transaction to transfer 100% of its rights to the Sergipe Potash Project to Rio Verde, in return for a 54% stake in Rio Verde or 26.6 million shares. See note 4 Acquisitions.

3. São Jorge Gold Project (see note 10)

On June 15, 2010, Talon announced that it had concluded an agreement with Brazilian Gold Corporation (“Brazilian Gold”) (TSXV:BGC) whereby Brazilian Gold has been granted an option to purchase a 100% interest in São Jorge, a 57,420 hectare property in Pará State, Brazil. Under the terms of this agreement, 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 October 2010, Brazilian Gold made an initial payment of $1,000,000 in cash and $500,000 in Brazilian Gold shares. Brazilian Gold is required to make additional payments of $500,000 in cash and $1,000,000 in shares 270 days after the closing date. A final payment of $750,000 in cash and $750,000 in shares is due 540 days after the closing date. This agreement is subject to a 1% net smelter return royalty payable to Talon upon commencement of commercial production.

Since this agreement has closed, the related project amounts remain classified under Assets Held for Sale, as at December 31, 2010.

4. Água Branca Gold Project

In 2004 the Company acquired a 100% interest in Água Branca, a 9,356 hectare property, located in Pará State, Brazil within the Tapajós Gold District.

On December 10, 2009, the Company concluded an agreement with Brazauro Resources Corporation (“Brazauro”) (TSX:BZO”), whereby Brazauro has the option to earn a 100% interest

in Água Branca. Subsequently, Brazauro was acquired by Eldorado Gold Corporation (TSX:ELD).

Under the terms of this agreement, Talon received an initial payment of US$60,000 immediately and a further US$60,000 was received during the second quarter of 2010, upon the transfer of the licences to Brazauro. In December 2010, the Company received a further US$130,000. In order to exercise its option, Brazauro is required to 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 within two years of the transfer of the licences, including the completion of a minimum of 2,000 meters of core sample drilling in the first year.

Talon is also entitled to a 2% net smelter royalty (“NSR”) which Brazauro can repurchase for US$2 million. If the payments are not made or the exploration program is not completed Brazauro forfeits its ownership rights.

5. Campo Grande Gold Project

The Campo Grande project is located approximately 110 km west of Belo Horizonte, the capital of Minas Gerais State, Brazil. This project consists of three exploration licenses covering 2,611 hectares, which are owned 100% by Company subsidiaries. An NSR of 1.5% is held by a third party on one of the three licenses.

6. Other Projects

The Company owns or has interests in several other projects in Brazil.

Juruena

In 2007 the Company applied for the rights to the Juruena Gold Project (“Juruena”) and in April 2009, an exploration license was formally granted to the Company.

On February 12, 2010 the Company concluded an agreement with Gungnir Resources Inc. (“Gungnir”), whereby Gungnir was granted an option to earn up to a 75% interest in Juruena. Subsequently, Gungnir assigned the option to 7177411 Canada Corp., and this company then changed its’ name to Lago Dourado Minerals Ltd (“Lago”).

In July 2010, Talon concluded an agreement with Lago that superseded the option agreement of February 2010 with Gungir. Under the terms of the agreement with Lago, Talon sold 100% of its indirect interest in Juruena to Lago. In return, Talon received $1,016,000 in cash on July 13, 2010, the closing date of this transaction, along with 500,000 Lago common shares (at a deemed price of $0.50 per share) and 500,000 Lago warrants, resulting in a gain to the Company of approximately $1,161,000.(See note 6 Investments)

Batistao

The Batistão Gold Project comprises a 20,000-hectares property located on the Peixoto de Azevedo Mineral Province on the northern portion of Mato Grosso State, Brazil. In April 2010,

Talon concluded an agreement with Mineração Regent Brasil Ltda ("Regent"), a private company, regarding Batistão. Under the terms of this agreement, Talon sold 100% of its indirect interest in Batistão to Regent for an initial payment of $50,000 which was received in November 2010. A further payment of $100,000 is due in November 2011. Also Talon is entitled to a 2% NSR from any future mining which Regent can re-purchase for $1 million. Following the signing of this agreement, Regent was acquired by Brazilian Gold Corp. (TSXV:BGC).

(B) Oil and gas properties

Tlou Energy's Botswana CBM Project, formerly the Saber Gas Project, is an unconventional gas project targeting coalbed methane ("CBM") and shale gas deposits in the Karoo age rocks in the Kalahari and Zambesi basins in Botswana, Africa.

The license area total approximately 1.2 million hectares (3 million acres) in eastern central Botswana, along the eastern flank of the Karoo age basins, in the Kalahari and in northeastern Botswana where the Karoo age, Mid-Zambezi Basin extends south-westward.

Talon completed the sale of its interests in the Botswana Gas Project in November 2010 and received 19 million shares in Tlou Energy representing a 30% interest with the option to increase this interest by 5%, by subscribing for an additional 4,945,055 shares at listing. See note 6(b) Long term investments.

9. Loan receivable

As at March 24, 2010, the loan receivable from Saber (net of a repayment of $190,224 during the first quarter), was cancelled pursuant to the terms of the merger agreement.

The Company received 6,000,000 Saber warrants (the "Value Warrants") in September 2009, in accordance with the terms of the loan agreement, upon completion by Saber of a round of financing. The warrants' exercise price was US$0.06 per common share of Saber. The warrant expiry date was the date that is 2 years following the date of the closing of a Saber going public transaction. The Company has determined that the value of the warrants was not material. These warrants were cancelled upon the closing of the merger in March 2010.

10. Assets held for sale (Note 4)

The company has classified certain assets as "Assets held for sale" and measured them at the lower of carrying value and fair value less costs to sell.

Assets held for sale are comprised of the following:
(i) Saber plant and equipment – $1,215,488
(ii) Sao Jorge project - $2,700,000

Total $3,915,488

11. Shareholders' equity

The Company has 100,000,000,000 authorized common shares of no par value. The following details the changes in the Company's share capital for the period from January 1, 2009 to December 31, 2010:

	Number of shares	Amount
Balance, January 1 and December 31, 2009	27,054,222	$22,320,031
Issued on acquisition of net assets of Saber (note 4)	36,823,728	16,202,439
Private placement	10,646,325	3,402,030
Options exercised	85,000	66,275
Balance, December 31, 2010	74,609,275	$41,990,775

The fully diluted share capital of the Company is 86,671,438 common shares.
This is comprised of the shares as above as well as the options and warrants as described below.

Private placement

In October 2010 the Company completed an equity offering of 10,646,325 units ("Units") of the Company at a price of $0.45 per Unit for total gross proceeds of $4,790,846 (the "Offering"). Each Unit is comprised of one common share in the capital of the Company (a "Common Share") and one-half of one Common Share Purchase Warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at a price of $0.60 until October 21, 2012. The gross proceeds have been prorated to Common Shares and Warrants based on the relative fair value of each component, as follows: Common Shares - $3.4 million; Warrants - $1.39 million. The Black-Scholes option pricing model was used to determine the fair value of the Warrants using the following assumptions: expected dividend yield – nil; expected volatility – 179%; risk free interest rate – 1.58%; and an expected life of two years. All of the warrants were exercised in March 2011.

Common share purchase warrants

The following common share purchase warrants are outstanding at December 31, 2010:

	Number of Warrants	Exercise Price	Expiry Date
Issued on private placement	5,323,163	$0.60	October 21, 2012

Stock Options

The Company has an incentive stock option plan which provides for the granting of options for the benefit of employees and officers. The exercise price for the options is equivalent to the market price during the session immediately preceding the date on which the option is granted. The terms and conditions of the options are determined by the Board of Directors. All options are granted for a term of five years from the grant date. The total number of options that can be granted is limited to 12.5% of the issued and outstanding share capital of the Company.

a) During the fourth quarter of 2010, the Company issued a total of 1,010,000 stock options to certain of its officers and employees. The options expire in October 2015 and vested immediately. The exercise price is $0.70 per share. All these options are outstanding as at December 31, 2010.

Estimated fair value of stock options

The Company determined the fair value of the 1,010,000 stock options issued using the Black-Scholes option pricing model under the following assumptions:

Expected life	5 years
Fair value ($/option)	$0.69
Risk-free interest rate	2.60%
Volatility	207%
Dividends	0%

b) During the second quarter of 2010, the Company issued a total of 4,974,500 stock options to certain of its officers and employees. The options expire in May 2015 and vested immediately. The exercise price is $0.40 per share. All these options are outstanding as at December 31, 2010.

Estimated fair value of stock options

The Company determined the fair value of the 4,974,500 stock options issued using the Black-Scholes option pricing model under the following assumptions:

Expected life	5 years
Fair value ($/option)	$0.39
Risk-free interest rate	2.60%
Volatility	199%
Dividends	0%

c) During the second quarter of 2009, the Company issued a total of 644,500 stock options to certain of its officers and employees. The options expire in June 2014 and vested immediately. The exercise price is $0.385 per share. All these options are outstanding as at December 31, 2010.

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

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

A summary of options outstanding as at December 31, 2010 and 2009 and changes during the years then ended, is presented below:

	2010		2009	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding – beginning of year	3,185,000	$1.04	2,540,500	$1.20
Granted	4,974,500	0.40	644,500	0.38
Cancelled	(850,500)	1.27	-	-
Granted	1,010,000	0.70	-	-
Expired	(1,495,000)	1.25	-	-
Exercised	(85,000)	0.40	-	-
Balance December 31, 2010	6,739,000	0.45	3,185,000	$1.04

Total outstanding and exercisable (December 31, 2010)		Expire
Options	Weighted Average Exercise Price	
1,010,000	$0.70	2015
200,000	0.57	2013
614,500	0.385	2014
4,914,500	0.40	2015
6,739,000	$0.45	

The total potential proceeds to the Company should all outstanding options be exercised would be $3,023,383

Contributed Surplus

A summary of the changes in contributed surplus for the two years ended December 31, 2010, is as follows:

Balance – January 1, 2009	$4,994,057
Options granted	269,779
Balance – December 31, 2009	5,263,836
Options exercised	(32,650)
Options granted	2,633,769
Balance – December 31, 2010	$7,864,955

Non-controlling interest

In connection with the acquisition of Rio Verde the Company recognized a non controlling interest ("NCI") valued at $11,351,585 (see note 4). This NCI balance was increased by $2,027,436 representing the NCI's share of proceeds from share issuance by Rio Verde to third party investors during the period from December 11 to December 31, 2010. NCI was allocated its share of net loss for the post acquisition period in the amount of $23,051.

12. Financial instruments

	2010	2009
Held for trading, measured at fair value:		
Cash and cash equivalents	$12,345,677	$2,807,195
Term deposit	3,503,928	1,500,000
Investments	1,137,426	528,112
Loans and receivables, measured at amortized cost:		
Accounts and other receivables	672,616	21,388
Loan receivable	-	5,000,000
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	2,139,930	920,069

The Company's financial instruments include cash and cash equivalents, term deposit, accounts receivable, loans and other receivable, investments, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates carrying value.

Fair Value Hierarchy

The fair value hierarchy in Section 3862 establishes three levels to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as as prices, or indirectly (derived from prices). Level 3 inputs are unobservable (supported by little or no market activity), such as non-corroborative indicative prices for a particular instrument provided by a third party.

The Company has classified the above financial assets and liabilities as follows:

Level 1
(i) Cash and cash equivalents $12,345,677
(ii) Term deposits $3,503,928
(iii) Investments $946,073

Level 2

Lago Dourado warrants $191,353

Level 3

No items are included in this category.

There were no transfers between Level 1 and 2 or any transfers into or out of Level 3 during the year.

Risks

The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis. The exploration and development of mineral deposits involves significant financial risks. The success of the Company will be impacted by a

number of factors including financing, currency, exploration and extraction risks, political uncertainty, regulatory issues and environmental and other regulations.

Liquidity Risk -

The Company's approach to liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company has sufficient cash to meet all expected obligations at December 31, 2010.

Market Risk -

Market risk is the risk that changes in market prices including foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company records its investments using the year end bid price. Changes in the bid price will affect the fair value of these investments. A 5% change in the value of its investments, will only affect net income of the Company by about $58,000. The Company is minimally exposed to movements in the United States dollar, the Brazilian real, South African Rand and the Botswana Pula as transfers are made to these subsidiaries in United States dollars and then converted by them in domestic currencies. The Company has no interest bearing debt. If foreign exchange rates changed by 5%, there would be an insignificant change in the net income of the Company.

Credit risk -

Cash and short–term investments are held in treasury bills and are therefore not exposed to credit risk.

13. Capital management

The Company's capital management objectives are to maintain financial flexibility in order to preserve its capacity to meet its financial commitments and to meet its potential obligations resulting from internal growth and acquisitions. The Company defines capital as Shareholders' equity which at December 31, 2010 was $38,443,281 (December 31, 2009:$18,449,886).

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, it may issue new shares. The Company is currently meeting all its financial commitments. There have been no changes in the Company's approach to capital management during the period. The Company is not subject to any external capital requirements.

14. Earnings (loss) per share

The following table sets forth the computing of basic and diluted loss per share:	**2010**	2009
Numerator for basic and diluted loss per share available to common shareholders	**$(4,323,045)**	$(1,841,962)
Denominator for basic and diluted loss per share	**57,646,977**	27,054,222
Basic and diluted loss per Share	**$(0.08)**	$(0.07)

15. Income taxes

As the Company is incorporated under the BVI Business Companies Act, 2004, it is exempt from tax in the British Virgin Islands. The Brazilian subsidiaries have loss carry forwards of approximately $878,824 which are available to shelter future taxable income. These losses have no expiry date but can only be offset against taxable income to the extent of 30% in a year. The South African subsidiary has unrecognized tax losses of approximately $1,000,000 on its operations. These losses have no expiry date.

The Company has taken a full valuation allowance against the future tax asset relating to these losses, and accordingly, no future income tax asset has been recognized in these financial statements.

The difference between the expected tax recovery at statutory rates and the actual tax recovery of $nil, is due to the tax effect of losses not booked in the subsidiaries, and the exempt status of the parent company.

16. Related party transactions and balances

The Company has entered into an administrative service agreement (the “Tau Agreement”) with Tau Capital Corp. (“Tau”). The Tau Agreement terminated on March 31, 2011. A new agreement has been entered into between Talon and Tau. This agreement becomes effective on April 1, 2011 and has an initial term of one year, which can be renewed. Under this agreement, Talon has agreed to pay Tau a monthly service fee of $58,500. For the year ended December 31, 2010, fees paid to Tau for these services were $366,870 (2009: $270,000).

Consulting fees paid to officers of the Company for the year ended December 31, 2010 were $1,242,708 (2009:$249,145). In addition an amount of $163,497 (2009:$139,950) was charged to the Company by Tau in respect of services rendered outside of the Agreement for the year ended December 31, 2010. Consulting fees paid to a Company owned by an officer of the Company for the year ended December 31, 2010 were $165,860 (2009:$141,898).

Prepayments at December 31, 2010 include $33,000 paid to Tau for management fees for January 2011 (December 31, 2009: $22,500).

Accounts payable at December 31, 2010 include $1,010,688 payable to an officer of the Company for consulting fees. (2009: $34,821).

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

17. Geographic information

Interest income is earned in Canadian dollars. $126,948 (2009 - $67,721), of the Company's mining equipment is in Brazil, and all of the Company's assets held for sale are located in Southern Africa. All of the mineral properties are located in Brazil.

18. Subsequent events

In March 2011, all the warrants relating to the private placement in 2010 were exercised and gross proceeds of approximately $3,193,000 were received.

The Company issued the following options to officers and employees after year end, for which the related expense will be included in the statement of operations in the first quarter of 2011:

January 17, 2011 - 835,000 options fully vested and exercisable at $1.58 each for a term of 5 years
February 7, 2011 – 70,000 options fully vested and exercisable at $2.12 each for a term of 5 years
March 3, 2011 – 330,000 options fully vested and exercisable at $2.48 each for a term of 5 years.