Talon Metals Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2010

Dated: March 30, 2011

TABLE OF CONTENTS

1. Forward-Looking Information 3
2. Overview 5
3. Exploration Projects 6
4. Critical Accounting Estimates 15
5. Changes in Accounting Policies 16
6. Financial Instruments 21
7. Capital Expenditure on Exploration Projects 22
8. Disclosure of Outstanding Share Data 23
9. Results of Operations 23
10. Summary of Quarterly Results 25
11. Summary of Selected Annual Results 26
12. Financial Condition, Cash Flow, Liquidity and Capital Resources 28
13. Related Party Transactions 29
14. Risks 31
15. Internal Control Over Financial Reporting 38
16. Disclosure Controls and Procedures 39
17. Outlook 39

*This Management's Discussion and Analysis ("**MD&A**") of the consolidated financial position for the year ended December 31, 2010, should be read in conjunction with the consolidated financial statements and notes of Talon Metals Corp. ("**Talon**" or the "**Company**") for the year ended December 31, 2010.*

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

1. Forward-Looking Information

This MD&A contains certain "forward-looking information". All information, other than information pertaining to historical fact, which addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, including, without limitation, information regarding the Company's plans and objectives, the plans and objectives of Tlou Energy (defined below) and Rio Verde (defined below), including their respective intentions to pursue a listing on a stock exchange and Rio Verde's exploration plans, mineral resources, metallurgical results, the Company's drilling and exploration plans, including the exploration program at the Trairão Project (defined below) and the Inajá South Project (defined below), the expected timing for and receipt of drilling and other exploration results, the Company's intentions in respect of its interests in Tlou Energy and Rio Verde, the Company's business plans and priorities, the Company's plans to acquire new projects, the Company's exploration results and potential mineralization and resources, projections in respect of capital expenditures, plans and expectations concerning the transition to IFRS (defined below), the company's liquidity and capital resources and the medium-term financial obligations of the Company, constitute forward-looking information.

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

Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: 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; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities, including approval of applications for licences required to conduct field based program on Talon's iron ore projects and approval of environmental impact assessment applications; failure of Tlou Energy and Rio Verde to obtain a listing on a stock exchange or to advance the development of their respective projects through further investment and exploration; availability of mineral resource opportunities suitable for Talon; uncertainties involved in interpreting drilling results and other geological data; changes in the anticipated demand for iron and steel; 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; success of future exploration and development initiatives; the existence of undetected or unregistered interests or claims, whether in contract or in tort, over the property of Talon; changes in government regulations and policies, including tax and trade laws and policies; risks relating to labour; other exploration, development and operating risks; liability and other claims asserted against Talon; volatility in prices of publicly traded securities; and other risks involved in the mineral exploration and development industry and risks specific to the Company, including the risks discussed in this MD&A under "Risks".

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

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

2. Overview

*Additional information relating to the Company, including the Company's Annual Information Form ("**AIF**") for the year ended December 31, 2010, is available on SEDAR at www.sedar.com.*

Talon is focused on the acquisition, exploration and development of high-quality mineral resource projects. Management remains optimistic that the long term fundamentals of the mineral resource industry, and particularly for iron ore, are attractive.

The Company's principal asset is the Trairão project (the "**Trairão Project**"), an iron exploration project located in Pará State, Brazil. In September 2010, Talon announced that it had acquired 100% of the rights to Trairão as well as another iron ore project, the Inajá South iron project (the "**Inajá South Project**"), also situated in Pará State, Brazil. Talon acquired these projects pursuant to agreements with each of Codelco do Brasil Mineração Ltda and Barrick International (Barbados) Corp. In October 2010, Talon began a preliminary drilling program on the Trairão Project and engaged Coffey Mining Ltd ("**Coffey**") to prepare a National Instrument 43-101 ("**NI-43-101**") compliant technical report incorporating the initial drill results and the mineral resource estimate for the first target area ("**Target Area 1**") of the Trairão Project (the "**Trairão Technical Report**"). The Trairão Technical Report was completed in December 2010 and reported a global mineral resource estimate in the inferred category, for that part of Target Area 1 that was drilled of 168 million tonnes ("**Mt**") at a grade of 42% Fe, using a 35% Fe cut-off or 238 Mt at a grade of 39% Fe, using a 25% Fe cut-off and calculated to a depth of 50 metres. Subsequent to the year end, further mineral resources were delineated on part of Target Area 2 which brought the cumulative inferred mineral resource for the combined drilled areas on both Target Areas 1 and 2 to 464 Mt at an average grade of 39% Fe, using a 25% cut-off.

In June 2010, Talon announced that an option agreement had been signed for the divestment of 100% of the São Jorge Gold Project ("**São Jorge**") to Brazilian Gold Corporation ("**Brazilian Gold**"). Under the option 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 three payments of cash and shares. São Jorge is an advanced-staged gold exploration project with a NI 43-101 mineral resource estimate for the Wilton Zone.

In addition, Talon holds equity interests in a number of other public and private companies including Rio Verde Minerals Corporation ("**Rio Verde**"), owner of the Sergipe Potash Project ("**Sergipe Potash Project**"), and Tlou Energy Ltd. ("**Tlou Energy**"), owner of the Botswana CBM Project ("**Botswana CBM Project**").

In November 2010, Talon sold its rights to the Botswana CBM Project (previously known as the Saber Gas Project) to its joint venture partner and the manager of the project, Tlou Energy, in return for a 30% equity interest in Tlou Energy. Talon had announced in August 2010 its intention to complete this transaction. Tlou Energy intends to pursue a stock exchange listing.

In December 2010, Talon transferred its rights to the Sergipe Potash Project to Rio Verde, in return for a 54% equity interest (on an undiluted basis) in Rio Verde, prior to the first closing of Rio Verde's equity private placement financing. Talon had signed a Letter of Intent with Rio Verde in October 2010. Rio Verde intends to pursue a stock exchange listing.

With regard to Talon's holdings in Tlou Energy and Rio Verde, Talon intends to consider opportunities to maximize the value of these investments for shareholders including potential future dispositions and/or distributions to shareholders of Tlou Energy and/or Rio Verde shares.

Management continually reviews the Company's asset base and any potential new acquisitions to ensure optimum use of shareholders' funds.

3. Exploration Projects

A) Managed Projects

Iron Ore Projects

In September 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 Pará State is one of the more recently developed iron ore producing districts in the country. The principal iron ore mines in the region are at Carajás, about 150 kilometres to the north of the Trairão Project. Exploration for iron ore by other companies continues both to the south and north of the Trairão Project.

Under the agreement with Codelco, Talon paid Codelco a nominal purchase price and has agreed to pay a royalty of US$0.7005 per tonne of iron mined and sold from the Trairão Project.

Under the agreement with Barrick Barbados, Talon acquired a subsidiary of Barrick Barbados in exchange for a nominal purchase price and is obliged to pay certain production related royalties, at varying levels in respect of specific metals. 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. Talon has the right to buy back the base metal royalty and 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. 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.

Trairão Iron Ore Project

The Trairão Project has exploration licences for approximately 51,635 hectares over 8 properties, and applications have been made for an additional four properties covering a further 25,754 hectares, which areas have near surface iron ore potential.

Talon commenced surface exploration in 2010 which included mapping, preliminary rock and auger sampling and an interpretation of geophysical data and followed up with a preliminary 53 hole, 2,500 metre reverse circulation ("**RC**") drill program at the Trairão Project in October 2010. The preliminary drilling program is focused on grid drilling of the near surface deposits on two of the priority targets identified in earlier exploration. Talon's recent drilling program included drilling on Target Area 1, where 2,400 metres of strike was drilled and the adjacent Target Area 2, where approximately 3,000 metres of strike was drilled in the first phase of drilling. These drilling programs are centred on the two areas where the iron deposits have been drilled previously by Codelco.

The initial drilling program aimed to investigate the lateral continuity of the iron mineralization associated with a colluvium deposit at surface and the underlying supergene enriched saprolite and saprock zones that are developed on an extensive plateau area. The program included the drilling of 53 vertical RC drill holes to depths of between 40 and 60 metres, with an average depth of 50 metres, to test two high priority zones, where historical drilling reported significant iron grades. The drill holes were drilled on a grid configuration with hole spacing of 200 x 400 metres.

The preliminary RC drilling program was conducted by Servitec Sondagem, an established Brazilian drilling contractor.

The initial phase of drilling 53 RC holes was completed in December 2010 and the samples for the 22 holes (1,049 metres) drilled over 2,400 metres of strike on Target Area 1 were analysed by SGS-Geosol Laboratórios Ltda, which is ISO14001 and ISO 9001:2000 accredited and is independent of Talon. Selected RC samples have been retained for preliminary metallurgical testwork.

In addition, Talon engaged independent consultants Coffey Mining Ltd. to prepare the NI 43-101 compliant Trairão Technical Report incorporating the initial drill results and the mineral resource estimate for Target Area 1. The Trairão Technical Report was completed in December 2010 and reported a global mineral resource estimate in the inferred category, for that part of Target Area 1 that was drilled of 238 Mt at a grade of 39% Fe, using a 25% Fe cut-off or 168 Mt at a grade of 42% Fe, using a 35% Fe cut-off and calculated to a depth of 50 metres. Coffey's mineral resource estimates are presented in Table 1. This mineral resource estimate was prepared by Mr. Bernardo Horta de Cerqueira Viana, an employee of Coffey and a "Qualified Person" within the meaning of NI 43-101.

In March 2011, Talon announced an increase of 95% in the inferred mineral resource estimate at the Trairão Project. This increase in the mineral resource estimate follows receipt of the results of 31 RC drill holes on Target Area 2. The mineral resource estimate in the inferred category for Target Area 2 is estimated at 227 Mt at a grade of 39% Fe using a 25% cut-off or 158 Mt at a grade of 43 % Fe, a 25% cut-off, using a 35% Fe cut-off and calculated to a depth of 50 metres over a strike length of 3,000 metres. Coffey's mineral resource estimates are presented in Table 2.

The cumulative inferred mineral resource estimate for the Trairão Project, including Target Areas 1 and 2, is currently 464 Mt at an average grade of approximately 39%Fe, using a 25% cut-off.

Table 1 – Target Area 1 at* Trairão *Global Mineral Resource Estimate using variable cut-off grades (effective date: December 23, 2010).[1]

Grade Tonnage Report
NI 43-101 Inferred Mineral Resources
Block Model: 100, 100 10 (25, 25, 5); Rotate Bearing: 35°

Cut Off Grade (Fe %)	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	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							
Cut Off Grade (Fe %)	**Tonnes (Mt)**	**Fe (%)**	**SiO_2 (%)**	**Al_2O_3 (%)**	**Mn (%)**	**P (%)**	**LOI (%)**
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

[1] For additional information on the Trairão Project and these mineral resource estimates see the independent technical report entitled "Independent Technical Report on Exploration and Mineral Resource Estimate" and dated December 23, 2010 which has been filed on SEDAR and may be accessed at the Company's profile at www.sedar.com.

Table 2 – Target Area 2 at* Trairão *Mineral Resource Estimate using variable cut-off grades (effective date: March 21, 2011).[2]

Grade Tonnage Table
Inferred Mineral Resource Estimates – Effective Date: 21st March 2011
Block Model: 100x100x10 m^3(sub - blocking 25x25x5 m^3).

Cut Off Grade (Fe %)	Tonnes (Mt)	Fe (%)	SiO2 (%)	Al2O3 (%)	Mn (%)	P (%)	LOI (%)
Soil							
25	36.05	47.72	10.98	11.21	0.05	0.056	8.58
35	35.97	47.75	10.94	11.21	0.05	0.056	8.57
Saprolite							
25	176.13	38.34	27.60	9.99	0.13	0.044	6.76
35	119.44	42.25	22.53	9.36	0.14	0.048	6.95
Saprock							
25	14.66	32.89	40.21	5.83	0.19	0.032	5.67
35	2.88	38.53	32.47	6.02	0.21	0.035	5.53
Grand Total							
25	226.85	39.48	25.77	9.91	0.12	0.045	6.98
35	158.29	43.43	20.08	9.72	0.12	0.050	7.29

[2] For additional information on the Trairão Project and these mineral resource estimates see the Talon's news release of March 22, 2011.

Currently, Talon has two RC rigs and three diamond drill rigs on site. The RC rigs currently are completing the drilling of the 5,200 metre long western extension of Target Area 2. All holes are now being drilled on a 400 x 200 metre spaced grid and are drilling to the maximum depth capacity of the rigs of between 80 and 110 metres. On completion of this program, the rigs will move to grid drill the 7,200 metres of strike on Target Area 3. The diamond drill rigs are currently drilling on the 1,500 metre northern strike extension of Target Area 1 and are drilling to depths to intersect the banded iron formation ("**BIF**"). Thereafter, these rigs will be used to drill for additional metallurgical samples and for infill drilling with an aim to increase confidence in the mineral resource estimates on the priority areas of Target Areas 1 and 2. Preliminary mapping, grid surveying and ground based magnetic surveys continue on Target Areas 4 to 12, to determine drilling layouts.

A total of $606,006 was spent by Talon on the Trairão Project in the year under review.

Inajá South Iron Project

In September 2010, Talon announced that it had acquired 100% of the rights to the Inajá South Project in Pará State, Brazil, through concluding an agreement with Barrick Barbados.

The Inajá South Project is located 120 kilometres south of the Trairão Project, and comprises one mineral licence, with an area of 6,577 hectares. Within the licence area, an Archean age BIF of the Inajá greenstone belt is developed along a prominent ridge over a strike length of 9 kilometres. The principal target here is the BIF, which is similar to the targets currently being prospected by other companies on the adjacent licences. Talon has commenced exploration on this project which to date has included geological mapping and rock sampling, combined with a re-interpretation of the aero magnetic data.

A negligible amount has been spent on this project since being acquired in September 2010**.**

B) Projects Not Managed by Talon

Sergipe Potash Project **(owned by Rio Verde)**

Rio Verde's Sergipe Potash Project comprises ten onshore and two offshore potash targets located in the Sergipe-Alagoas basin in the Sergipe and Alagoas States of Brazil. Rio Verde holds exploration licences for a total area of 107,987 hectares and has applications for exploration licences pending for a further 4,982 hectares. Rio Verde is a private Brazilian focused fertilizer company.

In December 2010, Talon closed the transaction to transfer its rights to the Sergipe Potash Project to Rio Verde, in return for approximately 26.6 million shares of Rio Verde. Talon's intent to complete this transaction was announced in October 2010, when Talon signed a Letter of Intent ("**LOI**") with Rio Verde. This transaction was aligned with Talon's strategy to secure a partner to develop this project.

In early 2011, following the completion an equity private placement by Rio Verde, Talon's interest in Rio Verde was reduced to approximately 46% on an undiluted basis and 44% on a fully-diluted basis.

There is a significant amount of technical data on the Sergipe-Alagoas basin, generated by the oil and gas industry since 1960. Talon had acquired the logs of 286 historical oil wells within this basin, some of which are strategically located within the target areas.

In addition, Talon acquired other existing exploration data, including 234 line kilometres of 2-D seismic data, downhole geophysical profiles and the data from regional gravity and magnetometer surveys. All of this data originated from exploration programs focused on oil and gas and therefore was reinterpreted in order to apply it to potash exploration. The interpretation of this data has been completed for the Sergi and Rio do Sal targets and is nearing completion for the Capela and Panqueca targets. This re-interpretation has led to a better understanding of the geological structures and mineralization controls within the evaporitic sequence and has enhanced the process of selecting drilling sites. Similar data interpretation programs will extend to other targets within the Sergipe Project area.

Ercosplan Inginieursgesellschaft Geotechnik und Bergbau mbH ("**Ercosplan**"), potash industry specialists, had been engaged by Talon to assist with the data interpretation process on the Sergipe basin. This data interpretation identified 11 oil wells, in or near the properties which had intersected potash mineralization, in seven distinct project areas with known potash mineralization, which range in depths from 500 metres to 1,700 metres below surface. The mineralization occurs in individual seams of between 2 metres and 45 metres, and some multiple seam intersections, where the cumulative thickness of the potash mineralization is between 18 and 66 metres. Ercosplan estimated the cumulative order of magnitude of potash mineralization within these properties, and within a 1,500 metre "area of influence" radius of each of the mineralized intersections in the oil wells, to be 450 million tonnes of sylvinite mineralization and 1,100 million tonnes of carnalitite mineralization.

Subsequent to year end, drilling of the first drill hole commenced in January 2011. The aim of the drilling program is to extend the mineralization that has been intersected in the oil wells and to determine the most attractive of the seven target areas delineated, as well as to define a NI 43-101 compliant resource estimate. Rio Verde is continuing this potash exploration program.

Rio Verde also has a portfolio of phosphate exploration projects on which they expect to commence exploration during the first quarter of 2011. Rio Verde is also reviewing other phosphate opportunities for acquisition.

Rio Verde intends to list on a recognized stock exchange in the second quarter of 2011.

Botswana CBM Project **(managed by Tlou Energy)**

The Botswana CBM Project, formerly known as the Saber Gas Project is an unconventional gas project with interests in various coal bed methane ("**CBM**") and shale gas prospects in the Karoo age rocks in the Kalahari and Zambesi basins in Botswana, Africa. This project's total licence area covers 1,207,727 hectares (2,984,358 acres) in three blocks. The Masama block ("**Masama**") totals 410,059 hectares (991,038 acres), the Kalahari block ("**Kalahari**") totals 386,769 hectares (955,727 acres) and the Kweneng block ("**Kweneng**") totals 419,899 hectares (1,037,593 acres).

Talon completed the sale of its interests in the Botswana CBM Project in November 2010 and received: (i) approximately 19.2 million shares in Tlou Energy, representing a 30% equity interest in Tlou Energy at the time of the transaction and (ii) options to purchase an aggregate of 4,945,055 shares of Tlou Energy at an exercise price of AUD$1.25 each, exercisable until June 20, 2013. Tlou Energy intends to pursue a stock exchange listing.

The Botswana CBM Project is wholly owned by Tlou Energy and the Company has a 30% equity interest in Tlou Energy. The Company does not have a direct ownership interest in the Botswana CBM Project. It is estimated that, as of September 1, 2009, the licences comprising the Botswana CBM Project contain a contingent gas resource of approximately 14 trillion cubic feet ("**tcf**") and 34 tcf (on a low and high estimate basis), with a best estimate of 23 tcf. This estimate is based on a Canadian National Instrument 51-101 compliant resources report (the "**CBM Report**") dated September 1, 2009 by Gustavson and Associates, independent reservoir engineers and geological consultants.

The CBM Report provides a probabilistic distribution of the potentially recoverable portion of "Contingent Resources" as defined by the Canadian Oil and Gas Exploration Handbook, and does not represent an estimate of reserves. Contingent resources are defined as those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations, but are not currently economic. There is no certainty that it will be commercially viable to produce any portion of the resources. The specific contingencies which prevent the classification of these resources as reserves are that it has not yet been demonstrated that the CBM can be produced at economic rates, and that the area lacks sufficient infrastructure to establish access to a gas market.

The coals and coaly shales in the licences comprising the Botswana CBM Project are known accumulations that have been drilled, logged, and partially tested, with positive indications of CBM. While some of the tests have been very encouraging, results cannot yet be deemed to have proven the commerciality of future development, or to have clearly defined the quantities of CBM likely to be produced from any of the existing wells. Thus, the Botswana CBM Project licence areas do not yet have any reserves.

Significant positive factors relative to the estimate include an extensive acreage with known coal deposits, coal gas content data which shows methane in the coal in potentially commercial quantities, pilot projects which have shown encouraging early results and a stable political situation. Significant negative factors relative to the estimate include a lack of infrastructure in the area resulting in uncertainty in the gas market and the uncertainty regarding the ability to produce commercially.

Tlou Energy completed drilling at Masama in the second quarter of 2010. These holes intersected the anticipated stratigraphy of shales and coal seams that host the gas. Subsequently, Tlou Energy drilled the next five core holes in the exploration program at the Kalahari block. As of the date of this MD&A, Tlou Energy is assessing the results of the latest round of drilling in the Masama and Kalahari blocks, prior to deciding to commission a pilot test well on the most prospective target.

C) Other Projects

São Jorge Gold Project

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

On June 15, 2010, Talon announced that it had concluded an agreement (the "**São Jorge Agreement**") with Brazilian Gold (TSXV: BGC) whereby Brazilian Gold has been granted an option to purchase a 100% interest in São Jorge. Under the terms of the São Jorge 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).

Brazilian Gold made the initial payment of $1,000,000 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. A final payment of $750,000 in cash and $750,000 in shares is due by May 2012. The São Jorge Agreement provides for a 1% net smelter return royalty ("**NSR**") payable to Talon upon commencement of commercial production.

Água Branca Gold Project

The Água Branca Gold Project ("**Água Branca**") covers 9,356 hectares in the Tapajós Gold District within the Pará State, Brazil.

On December 10, 2009, Talon concluded an agreement with Brazauro Resources Corporation ("**Brazauro**") (TSX: BZO), whereby Brazauro has been granted 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 has received payments of US$250,000. In December 2010 Talon received a further US$130,000. In order to exercise its option, Brazauro is required to make one additional payment to Talon 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 metres of core sample drilling by May 10, 2011. Talon is also entitled to a 2% NSR from any future metal production, which Brazauro can re-purchase for US$2 million. If the payments are not made or the exploration program is not completed, Brazauro forfeits its ownership rights in Água Branca which will revert to Talon.

Juruena Gold Project

The Juruena Gold Project ("**Juruena**") comprises 25,150 hectares located in northern Mato Grosso State, Brazil. In July 2010 Talon concluded a saleagreement with Lago Dourado Minerals Ltd ("**Lago**"). Under the terms of this agreement, Talon sold 100% of its indirect interest in Juruena to Lago for approximately $1 million, 500,000 Lago common shares (at a deemed price of $0.50 per share) and 500,000 Lago warrants. The sale agreement with Lago supersedes an option agreement (and related agreements) of February 2010 with Gungnir Resources Inc. The sale of Juruena to Lago closed in July 2010.

Campo Grande Gold Project

Talon's Campo Grande Gold Project ("**Campo Grande**") is located in Minas Gerais State, approximately 110 kilometres west of the state capital of Belo Horizonte and 15 kilometres north of the Town of Pitangui. Campo Grande consists of three exploration licences totalling 2,611 hectares. Talon did not conduct any exploration activities on Campo Grande during the period under review as it is seeking a farm-out partner.

Batistão Gold Project

The Batistão Gold Project ("**Batistão**") comprises a 20,000-hectares property located in 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).

Rio Maria Project

The Rio Maria Project ("**Rio Maria**") consists of five exploration licence applications covering 43,379 hectares located in southeastern Pará State, Brazil. In the fourth quarter of 2007, Talon entered into an agreement with Reinarda Mineracao Ltda. ("**Reinarda**"), a Brazilian subsidiary of Troy Resources NL ("**Troy**"), regarding Rio Maria. Under the terms of the agreement Reinarda earned a 51% interest in Rio Maria by paying Talon a total of US$150,000 and committing to expenditure of US$100,000 over twelve months ending December 31, 2008. On or about July 2010 Reinarda elected not to increase their ownership of Rio Maria to 100%, consequently Talon currently owns a 49% interest in Rio Maria.

Qualified Person

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

The "Qualified Person", as such term is defined in NI 43-101, who prepared the mineral resource estimate and other technical information presented in this MD&A is Mr. Bernardo Horta de Cerqueira Viana, who is a geologist independent of Talon and an employee of Coffey.

4. Critical Accounting Estimates

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

(a) Impairment of property, plant and equipment

Property, plant and 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.

(b) Income taxes

Income taxes are accounted for using the liability method under which future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using 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 that some portion or all of the future income tax assets will be realized and whether a valuation allowance is required.

(c) Stock based compensation

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

5. Changes in Accounting Policies

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

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

Future Accounting Changes

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

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

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

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.

Adoption of IFRS

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

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

- *Phase I -* Initial diagnostic phase – Involves preparing a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact on Talon's financial reporting and the overall difficulty of the conversion effort. Phase I has been completed.

- *Phase II* - Impact analysis, evaluation and conversion phase – Involves the selection of IFRS accounting policies by senior management and the review by the audit committee, the quantification of the impact of changes on Talon's existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements. Phase II has been substantially completed.

- *Phase III -* Implementation and review phase (Target completion dates will correspond to each quarterly filing period in 2011, with primary effort directed during the first half of 2011) – Involves training key finance and other personnel and implementation of the required changes to Talon's information systems and business policies and procedures. It will enable the Company to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

The table below summarizes the expected timing of key activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Completed
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Completed

Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Completed
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Substantially completed with continuing review throughout 2011.
Management and employee education and training	Completed
Quantification of the Financial Statement impact of changes in accounting policies	Substantially completed; no material measurements differences have been identified.

Financial reporting expertise and communication to stakeholders

The Company has retained an external consultant to establish appropriate IFRS financial reporting expertise at all levels of the business. The external consultant will advise and train key finance and operational staff. Talon has also provided Audit Committee members with detailed project scoping, timelines and deliverables. The Audit Committee will continue to receive periodic presentations and project status updates from the external consultant and management. The Company will also ensure that its key stakeholders are informed about the anticipated effects of the IFRS transition.

The Company has substantially completed Phase I and Phase II and will continue to finalize the differences in connection with the March 31, 2011 interim financial statements. The differences that have been identified in Phase I and Phase II are summarized below.

a) Transitional impact on financial statement presentation

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

   The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies. Income statement will be presented as a component of the statement of comprehensive income.

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

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

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

Business combinations:
During 2010, the Company completed the acquisition of Rio Verde. IFRS 3, *Business Combinations* may be applied retrospectively or prospectively with respect to business combinations completed prior to January 1, 2010.

Impact on the Company: *There is no transitional impact at January 1, 2010. The Company has accounted for the business combination using the purchase method per CICA Handbook section 1582 which is converged with IFRS 3.*

Designation of previously recognized financial instruments:
IFRS: IAS 39 restricts the circumstances in which the option to measure a financial instrument at fair value through profit or loss is available. In particular, an entity is permitted to designate, at the date of transition to IFRS, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria.
GAAP: Contains no similar restriction.

Impact on the Company: *The Company has certain long-term investments that it has previously designated as held-for-trading. These investments were disposed of in early 2010. The Company has determined that there is no transitional impact at January 1, 2010.*

Property, plant and equipment:
IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical cost basis assuming that it conforms to IFRS.

Impact on the Company: *The Company has elected to use the historical cost carrying values.*

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

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

Impact on the Company: *The Company has decided to retain its policy of capitalizing its E&E expenditures and further determined that the adoption of the provisions of IFRS 6 Exploration for and Evaluation of Mineral Resources will not result in any transitional impact at January 1, 2010.*

Property, plant and equipment - cost
IFRS: IAS 16 contains more extensive guidance with respect to components within property, plant and equipment. When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting).
GAAP: Section 3061 essentially contains similar guidance but is less extensive.

Impact on the Company: *The Company has determined that there is no impact upon transition as at January 1, 2010.*

Provision for environmental rehabilitation

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

Impact on the Company: *The Company has determined that there is no impact upon transition.*

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

Impact on the Company: *The Company has determined that there is no transitional impact as its functional currency continues to be the Canadian dollar pursuant to the requirements in IAS 21.*

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

Impact on the Company: *The Company has recognized option expense on a graded basis that is consistent with the IFRS 2 amortization methodology and had no unvested options at January 1, 2010. Accordingly, there is no transitional impact at January 1, 2010.*

Impact on information systems and processes and controls

Based on work completed so far the Company has determined that adoption of IFRS does not have a pervasive impact on its present systems and processes. The Company expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as asset impairment, share based compensation etc. The certifying officers are currently evaluating the effectiveness of, any significant changes to controls if any, to prepare for certification under IFRS in 2011.

6. Financial Instruments

	Dec 31, 2010	Dec 31, 2009
Held for trading, measured at fair value:		
Cash and cash equivalents	$12,345,677	$2,807,195
Term deposits	3,503,928	1,500,000
Investments	1,137,426	528,112
Loans and receivables, measured at amortized cost:		
Accounts receivable	672,616	21,388
Loans receivable	-	5,000,000
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	2,139,930	920,069

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

Beginning in the third quarter of 2008, Talon was exposed to a credit risk to the extent its loan receivable related to Saber Energy Corp. might not be repaid, and the assets held as security for the loan could not be sold. Following the closing of the Company's merger with Saber Energy Corp. in March 2010, this loan was cancelled.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at reasonable cost. The Company has sufficient cash in treasury to meet all obligations at December 31, 2010.

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. Talon revalues its marketable securities using the quarter end bid price and as such, values are subject to change.

Through Talon's indirect interest in the Botswana CBM Project, the Company is exposed to movements in the following currencies: Botswana pula, South African rand, Australian dollars, Euros and British pounds. The Company is minimally exposed to movements in the United States dollar and the Brazilian real as transfers are made to the Brazilian subsidiaries in United States dollars and then converted by them to Brazilian reals.

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

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

7. Capital Expenditure on Exploration Projects

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

	Dec 31, 2010	**Dec 31, 2009**
Mineral properties		
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

8. Disclosure of Outstanding Share Data

The following details the share capital structure as at March 30, 2011:

	Expiry Date	Exercise Price	Total
Common Shares			80,272,437
Stock options	Feb 18, 2013	$0.57	200,000
Stock options	Jun 11, 2014	$0.39	599,500
Stock options	May 21, 2015	$0.40	4,589,500
Stock options	Oct 26, 2015	$0.70	985,000
Stock options	Jan 17, 2016	$1.58	835,000
Stock options	Feb 7, 2016	$2.12	70,000
Stock options	Mar 3, 2016	$2.48	530,000
Total fully diluted number of shares			88,081,437

A summary of options outstanding as at December 31, 2010 is presented below:

	Options	Weighted Average Exercise Price
Outstanding – beginning of year	3,185,000	$1.04
Cancelled	(1,495,000)	1.25
Granted	4,974,500	0.40
Granted	1,010,000	0.70
Exercised	(85,000)	0.40
Cancelled	(850,500)	1.27
Exercisable – end of year	6,739,000	$0.45

9. Results of Operations

Review of Operations
(Thousands of C$)

	Three months ended Dec 31, 2010 (unaudited)	Three months ended Dec 31, 2009 (unaudited)	Year ended Dec 31, 2010	Year ended Dec 31, 2009
Interest income	$67	$1	$73	$13
Administration expense[1]	1,595	778	6,406	2,950
Foreign currency translation gain (loss) [2]	145	(6)	(19)	(20)
Stock based compensation expense	694	0	2,634	270

[1] Administration is Total Expenses excluding stock based compensation expense.
[2] Foreign currency translation gain (loss) is due to the appreciation/depreciation of the currencies mentioned in *Section 6: Financial Instruments.*

Net gain for the three month period ended December 31, 2010 was $1.4 million or $0.02 per share (basic and diluted), which was primarily due to a gain on the sale of the Botswana CBM Project and associated equipment. This compares to a net loss of $0.5 million or $0.02 per share (basic and diluted) for the three months ended December 31, 2009, which was primarily due to administration expenses, partially reduced by an unrealized gain on investments.

Net loss for the year ended December 31, 2010 was $4.3 million or $0.08 per share (basic and diluted) which relates to administration expense, reduced by a gain on the sale of projects and equipment. Net loss for the year ended December 31, 2009 was $1.8 million, or $0.07 per share (basic and diluted) which relates to operating expenses reduced by realized and unrealized gains on investments.

Capitalized exploration

Amounts spent on exploration on mineral properties for the years ended December 31, 2010 and 2009 amounted to $2,805,130 and $1,272,277 respectively. This primarily relates to the Sergipe Potash Project in both years, and to the Trairão Project, Inajá South Project and Rio Verde's phosphate projects in 2010.

Stock options

A summary of options outstanding as at December 31, 2010 is presented in *Section 8* of this MD&A.

An amount of $693,318 was expensed for options granted in the fourth quarter 2010 compared to $0 for options vested and granted in the same period in 2009. Stock based compensation expense is a function of stock options granted and vested during the reporting period.

Estimated fair value of stock options

The Company determined the fair value of the 1,010,000 stock options issued during the fourth quarter, 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%

During the third and first quarters of 2010, the Company did not issue any stock options.

During the second quarter of 2010, the Company issued $1,940,451 of stock options.

Estimated fair value of stock options

The Company determined the fair value of the 4,974,500 stock options issued during the second quarter, 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%

10. Summary of Quarterly Results

(All numbers are unaudited)

	Three months ended Dec 31, 2010	**Three months ended Sept 30, 2010**	**Three months ended Jun 30, 2010**	**Three months ended Mar 31, 2010**
Total revenues	$3,398,102	$907,799	$2,004	$200
Net earnings / (loss)	1,433,780	(435,044)	(5,079,819)	(265,013)
Net earnings / (loss) per share - basic and diluted	0.02	(0.01)	(0.08)	(0.01)
	Three months ended Dec 31, 2009	**Three months ended Sept 30, 2009**	**Three months ended Jun 30, 2009**	**Three months ended Mar 31, 2009**
Total revenues	$1,312	$2,281	$3,024	$6,038
Net earnings / (loss)	(510,769)	(1,241,929)	(668,968)	579,704
Net earnings / (loss) per share - basic and diluted	(0.02)	(0.05)	(0.03)	0.02

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

Foreign currency translation gain or loss reflects changes in Canadian dollar / US dollar and US dollar / Brazilian real exchange rates on foreign currency balances. Beginning in the first quarter of 2010 (following the merger with Saber Energy Corp.) this also includes the other currencies mentioned in *Section 6: Financial Instruments.*

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

Significant Equity Investee - *Tlou Energy*

As of the date of this MD&A, Talon owns approximately 19 million shares in Tlou Energy, representing an ownership interest of approximately 30%. Talon also holds 4,945,055 options to purchase an aggregate of 4,945,055 Tlou Energy shares.

11. Summary of Selected Annual Results

(Thousands of C$ except EPS - All Talon numbers are audited)

	Year ended Dec 31, 2010	**Year ended Dec 31, 2009**	**Year ended Dec 31, 2008**
Total revenues	$4,308	$13	$395
Net earnings (loss)	(4,323)	(1,842)	(6,833)
Basic and diluted earnings (loss) per share	(0.08)	(0.07)	(0.25)
Total Assets	53,939	19,370	20,350
Total Liabilities	2,140	920	328
Foreign exchange gain (loss)	(19)	(20)	42
Dividends	0	0	0

Net loss for the year ended December 31, 2010 was $4.3 million, or $0.08 per share (basic and diluted) which relates to operating expenses reduced by a gain on sale of projects and equipment.

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

Net loss for the year ended December 31, 2008 was $6.8 million or $0.25 per share (basic and diluted) and was primarily due to operating expenses of $5.4 million (including write down of projects of $2.1 million and impairment of loan receivable of $1.0 million), and unrealized losses on investments in marketable securities of $1.9 million.

Significant Equity Investees
Tlou Energy

As of the date of this MD&A, Talon owns approximately 19 million shares in Tlou Energy, representing an ownership interest of approximately 30%. Talon also holds 4,945,055 options to purchase an aggregate of 4,945,055 Tlou Energy shares.

Summary of assets and liabilities for Tlou Energy's fiscal years ended June 30, 2010 and 2009 in $AUD (Reviewed by Tlou's auditors)

	June 30, 2010	June 30, 2009
ASSETS		
Current Assets	$13,121,802	$100
Non-Current Assets	6,951,690	-
TOTAL ASSETS	20,073,492	100
LIABILITIES		
Current Liabilities	1,176,039	-
TOTAL LIABILITIES	1,176,039	-
EQUITY	18,897,453	100
Revenue	310,402	-
Expenses	406,799	-
Net Loss	$(96,397)	$-
Talon's ownership percentage	30%	n/a

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

Cash Flow Highlights
(Thousands of C$)

	Three months ended Dec 31, 2010 (unaudited)	Three months ended Dec 31, 2009 (unaudited)	Year Ended Dec 31, 2010	Year ended Dec 31, 2009
Operating activities	$(1,835)	$(677)	$(4,578)	$(2,283)
Investing activities	2,800	1,800	6,376	888
Financing activities	7,550	-	7,740	-
Beginning cash & cash equivalent balance	3,830	1,684	2,807	4,202
Increase / (decrease) in cash & cash equivalents	8,515	1,123	9,538	(1,395)
Ending cash & cash equivalents balance	$12,345	$2,807	$12,345	$2,807

Operating Activities

Operating activities for the three month period ended December 31, 2010 consumed $1,834,661 primarily due to net operating expenses. This compares to utilization of $676,553 in the fourth quarter of last year mainly due to net operating expenses.

Operating activities for the year ended December 31, 2010 consumed $4,577,927 primarily due to net operating expenses**.** This compares to utilization of $2,283,252, primarily due to net operating expenses.

Financing Activities

For the year ended December 31, 2010 financing activities were $7,739,865, primarily from proceeds from private placements.

There were no financing activities during 2009.

Investing Activities

Investing activities for the three month period ended December 31, 2010 generated $2,800,719 primarily due to proceeds on disposal of assets classified as held for sale, proceeds on sale of certain projects, cash assumed from Rio Verde and maturity of term deposits. This compares to a generation of $1,799,569, in the prior year, primarily due to proceeds on maturity of a term deposits.

Investing activities for the year ended December 31, 2010 generated $6,376,544 primarily due to proceeds on disposal of assets classified as held for sale, proceeds on sale of certain projects, cash assumed from Rio Verde and Saber Energy Corp. and maturity of term deposits. Investing activities for the year ended December 31, 2009, generated $887,885 primarily due to proceeds on the sale of investments partially offset by capitalized exploration expenses.

Liquidity and Capital Resources

The Company plans to spend approximately $8 million during 2011 on exploration.

Cash and cash equivalents were $12.3 million as of December 31, 2010. All cash equivalents are held in government securities (e.g. T-bills). In March 2011, warrants were exercised which increased total cash assets by approximately $3.2 million. In addition, an estimated $1.2 million of the Assets Held for Sale is related to equipment from the Botswana CBM Project that Talon intends to sell. The Company therefore has sufficient liquidity and capital resources to sustain operations through the medium-term.

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

Talon's approximately $4.8 million loan receivable related to Saber Energy Corp. was cancelled and replaced with the assets of Saber Energy Corp. on the completion of the merger which occurred in the first quarter of 2010.

A summary of Contributed Surplus for the period from January 1, 2009 to December 31, 2010 is as follows:

Balance	Jan 1, 2009	$4,994,057
Options	Granted 2009	269,779
Balance	Dec 31, 2009	5,263,836
Options	Exercised	(32,650)
Options	Granted 2010	2,633,769
Balance	Dec 31, 2010	$7,864,955

13. Related Party Transactions

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 Tau 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.

14. Risks

Talon is subject to a number of risk factors due to the nature of the mineral business in which it is engaged, the limited extent of its assets and its stage of development.

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

General and Mineral Project Risk Factors

Exploration, Development and Operating Risks

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

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration 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 MD&A 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 continue to experience volatility, which is resulting in difficulty in raising equity capital and market forces may render it difficult or impossible for the Company to secure placees to purchase any new share issuances at prices which will not lead to severe dilution to existing shareholders, or at all.

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 could 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.

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. Talon also holds equity securities in other companies which have operations in Brazil and Botswana, and 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, or investments or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

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

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

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. 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 Energy, 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 placees to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.

The price of Talon's common shares is also likely to be significantly affected by short-term changes in 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 Energy 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 Energy 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 Energy 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.

15. <u>Internal Control Over Financial Reporting</u>

The CEO and the CFO, with the assistance of management, have conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2010. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2010 the Company's internal control over financial reporting is effective, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework.

No changes were made to the Company's internal control over financial reporting during the period beginning October 1, 2010 and ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

16. Disclosure Controls and Procedures

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

The CEO and the CFO, with the assistance of management, have conducted an evaluation of the effectiveness of the disclosure controls and procedures as at December 31, 2010. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2010, the disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms. However, the disclosure controls and procedures cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

17. Outlook

In the first quarter and throughout 2011, Talon expects to continue its prospecting program at the Trairão Project and the Inajá South Project. At the Trairão Project, an aggressive exploration program is planned whereby the drilling will continue, with an increased number of drill rigs, with an aim to extend the resources delineated thus far, as well as conducting a number of geological, geophysical and metallurgical studies and surveys on the extensive occurrences of iron mineralization on the project area.

At the Inajá South Project, geological mapping is underway and it is anticipated that drilling will commence in the second quarter in order to assess the potential of this project.

During 2011, it is anticipated that both Rio Verde and Tlou Energy will become listed companies.

The Company continues to review the projects in its portfolio and assess the likely balance between risk and reward and to structure its assets accordingly. As well the Company also continues to review numerous opportunities and submissions where there is potential for either an opportunity to realize a significant increase in value for shareholders, or for a short to medium term possibility of realising cash flow from projects. A number of iron ore exploration opportunities are under review at present.