



**ANNUAL INFORMATION FORM**

**AS AT MARCH 31, 2015**

**TALON METALS CORP.**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

## TABLE OF CONTENTS

<b>NOTE TO READER.....</b>	<b>1</b>
<b>FORWARD-LOOKING INFORMATION.....</b>	<b>1</b>
<b>CORPORATE STRUCTURE .....</b>	<b>3</b>
<b>GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>5</b>
<b>DESCRIPTION OF THE BUSINESS .....</b>	<b>7</b>
<b>RISK FACTORS.....</b>	<b>11</b>
<b>DIVIDENDS .....</b>	<b>20</b>
<b>DESCRIPTION OF CAPITAL STRUCTURE .....</b>	<b>20</b>
<b>MARKET FOR SECURITIES.....</b>	<b>22</b>
<b>ESCROWED SECURITIES .....</b>	<b>22</b>
<b>DIRECTORS AND OFFICERS.....</b>	<b>22</b>
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....</b>	<b>26</b>
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS...</b>	<b>26</b>
<b>TRANSFER AGENT AND REGISTRAR .....</b>	<b>26</b>
<b>MATERIAL CONTRACTS .....</b>	<b>26</b>
<b>INTERESTS OF EXPERTS .....</b>	<b>26</b>
<b>AUDIT COMMITTEE INFORMATION .....</b>	<b>27</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>28</b>

**EXHIBIT I - EXCERPT OF SUMMARY FROM TAMARACK NORTH TECHNICAL REPORT**

**EXHIBIT II - CHARTER OF THE AUDIT COMMITTEE**

## NOTE TO READER

Wherever used in this Annual Information Form, the “**Company**” and “**Talon**” refer to Talon Metals Corp. and all of its subsidiaries, except where the context otherwise requires. Unless otherwise indicated, all dollar amounts herein are expressed in Canadian dollars.

## FORWARD-LOOKING INFORMATION

This Annual Information Form contains “forward-looking information”. All information, other than information concerning historical fact, that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, information regarding the potential for increased mineral resources and increased classification through additional exploration, potential mineralization, metallurgical testing and results, drilling and exploration plans, the Company’s business plans and priorities, market trends with respect to demand for and the price of nickel and preliminary exploration cost estimates are forward-looking information.

Forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: failure to establish estimated mineral resources and any reserves; the grade, quality and recovery of mineral resources varying from estimates; risks related to the exploration stage of the Company’s properties, including the Tamarack Project; the possibility that future exploration results and metallurgical testing will not be consistent with the Company’s expectations (including identifying additional and/or more extensive mineralization and/or recovery); changes in nickel and/or copper prices; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities; uncertainties involved in interpreting drilling results, and the beneficiation process and other geological and product related data; changes in the anticipated demand for nickel and/or copper; 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 the Tamarack Earn-in Conditions (defined below); exploration costs varying significantly from estimates; delays in the exploration, mineral processing and development of, and/or commercial production from the properties Talon has an interest in; equipment failure; unexpected geological or hydrological conditions; political risks; 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 (including, the Tamarack Project); changes in government regulations and policies; risks relating to labour; other exploration, development and operating risks; liability and other claims asserted against Talon; volatility in prices of publicly traded securities; and other risks involved in the mineral exploration and development industry and risks specific to the Company, including the risks discussed in this Annual Information Form under “*Risk Factors*”.

**Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this Annual Information Form is expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise the forward-looking information herein and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Annual Information Form.**

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information herein is provided as of the date of this Annual Information Form.

The mineral resource figures referred to in this Annual Information Form are estimates, and no assurances can be given that the indicated levels of nickel, copper or PGEs 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 Annual Information Form 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.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

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

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

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

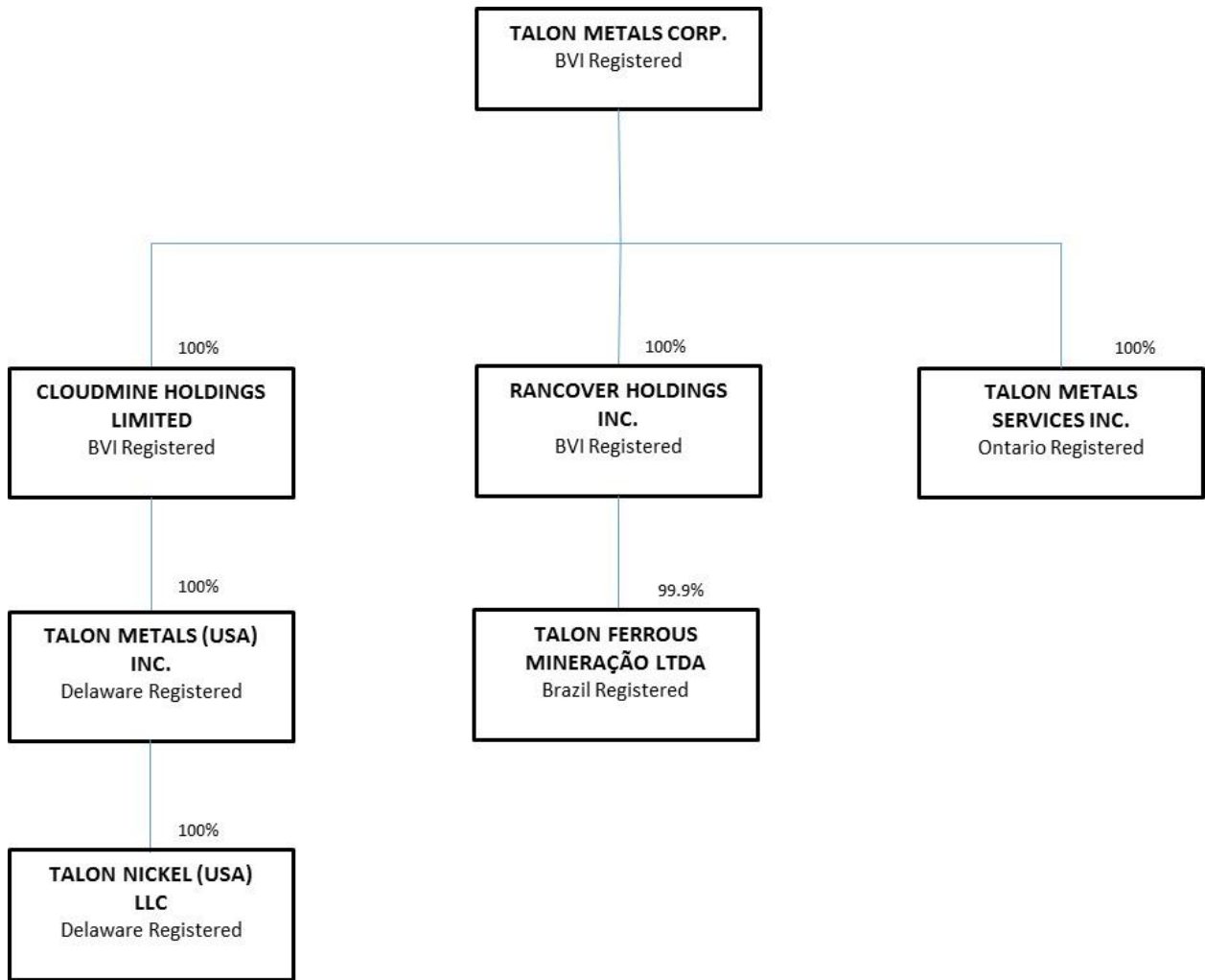
On March 24, 2010, the Company and Saber Energy Corp. (“**Saber**”) merged pursuant to a merger effected under the BVI Act (the “**Saber Merger**”). On closing of the Saber Merger, the properties and assets of Saber became the properties and assets of the Company. Talon survived the Saber Merger, retained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

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

Talon’s head and registered office are located at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands. The mailing address of Talon’s representative in Canada is Talon Metals Services Inc., 110 Sheppard Ave. East, Suite 307, Toronto, Ontario, Canada, M2N 6Y8. Talon is a reporting issuer in the provinces of Ontario, British Columbia, Alberta, Saskatchewan, New Brunswick and Nova Scotia.

## Intercorporate Relationships

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



### *Brazilian Subsidiaries Reorganization*

Effective January 1, 2014, the Company completed a merger of its Brazilian subsidiaries, namely Talon Ferrous Mineracao Ltda (“**Talon Ferrous**”), Talon Iron Mineracao Ltda and Brazmin Ltda., in order to save administration costs in Brazil by combining the entities into one. The surviving company was Talon Ferrous and is currently the only remaining Brazilian subsidiary of the Company.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

The Company is a mineral exploration company currently focused on the exploration and development of the Tamarack nickel-copper-PGE project (the “**Tamarack Project**”) in Minnesota, USA (which comprises the “**Tamarack North Project**” and the “**Tamarack South Project**”). As of the date hereof, the only material property of the Company is the Tamarack North Project, a description of which is set forth below under the heading “Description of the Business – Tamarack North Project”.

The following summary describes the development of the Company’s business over the last three financial years, including acquisitions, dispositions and other factors which influenced the business of the Company.

#### *Option Agreement re São Jorge Gold Project*

Talon entered into an option agreement (the “**São Jorge Agreement**”) dated June 14, 2010 with Brazilian Gold Corporation (“**Brazilian Gold**”) whereby Brazilian Gold was granted an option to purchase a 100% interest in the São Jorge Gold Project. Under the São Jorge Agreement, in order to exercise the option, Brazilian Gold was 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. As provided for under the São Jorge Agreement, Brazilian Gold made the first two payments totalling \$1.5 million in cash and \$1.5 million in Brazilian Gold shares. On February 17, 2012, the Company and Brazilian Gold entered into an amendment agreement (“**São Jorge Amendment Agreement**”) whereby the parties agreed that if the final option payment was made at the time of the São Jorge Amendment Agreement, Talon would accept such payment as \$1.5 million in Brazilian Gold shares, instead of \$750,000 in cash and \$750,000 in Brazilian Gold shares. Given this, Brazilian Gold has exercised the option and now owns a 100% interest in the São Jorge Gold Project. Talon’s Brazilian subsidiary, Talon Ferrous, has retained a 1% net smelter return royalty over the São Jorge Gold Project (the “**São Jorge Royalty**”). On November 22, 2013, Brazilian Gold was acquired by Brazil Resources Inc. (TSXV: BRI) (“**Brazil Resources**”). Brazil Resources is now responsible for the São Jorge Royalty.

#### *Acquisition of Iron Projects*

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

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

Under the terms of the agreement with Barrick Barbados (the “**Barrick Agreement**”), Talon acquired the remaining 29.95% interest in the Trairão Project and a 100% interest in the Inajá South Project by purchasing Barrick do Brasil Mineração Ltda. (“**Barrick Brasil**”). Barrick Brasil was subsequently renamed Talon Iron Mineração Ltda. Under the Barrick Agreement, Talon paid Barrick Barbados a nominal purchase price and is obliged to pay certain royalties. In the case of the Trairão Project, the royalty payable to Barrick Barbados is US\$0.2995 per tonne of iron mined and sold. Talon has the right to buy back this royalty for US\$599,000 during the 12 month period following the start of commercial production. In the case of the Inajá South Project, Barrick Barbados will receive a net smelter royalty of 0.5% for any base metals that may be produced and sold and 1.0% for any precious metals that may be produced and sold. Talon has the right to buy back the base metal royalty for \$1 million during the 12 month period following the start of commercial production. Barrick Barbados has the right to buy back up to a 50% interest in any future gold mining operation in the event that Talon completes a feasibility study with respect to a deposit which identifies reserves totalling at least three million ounces of gold.

#### *Tamarack Earn-in Agreement*

On June 25, 2014, Talon’s wholly owned indirect subsidiary, Talon Nickel (USA) LLC (“**Talon USA**”), entered into an exploration and option agreement (the “**Tamarack Earn-in Agreement**”) with Kennecott Exploration Company, part of the Rio Tinto Group (“**Kennecott**”), pursuant to which Talon USA has the right to acquire a 30% interest in the Tamarack Project over a three year period (the “**Earn-in Period**”) by making US\$7.5-million in installment payments to Kennecott, and incurring US\$30-million in exploration expenditures (the “**Earn-in Conditions**”). In addition, Talon USA has agreed to make certain land option payments on behalf of Kennecott, which may also be payable over the Earn-in Period.

During the Earn-in Period, Kennecott will continue to be the operator of the Tamarack Project, thereby enabling Talon to benefit from Kennecott’s competence as a top global explorer. Further, Talon and Kennecott have formed a Technical Committee with both parties appointing representatives who provide strategic input in regards to ongoing and upcoming exploration programs.

Upon Talon USA completing the Earn-in Conditions, Kennecott will elect whether to: (a) proceed with a 70/30 joint venture on the Tamarack Project, with Kennecott holding a 70% participating interest, and Talon USA owning a 30% participating interest; or (b) grant Talon USA the right to purchase Kennecott’s interest in the Tamarack Project for a purchase price of US\$107.5-million. In the event Kennecott grants Talon USA the right to purchase its interest in the Tamarack Project, and Talon USA elects to proceed with the purchase option, Talon USA will have up to 18 months to close the transaction, provided it makes an upfront non-refundable payment to Kennecott of US\$7.5-million (thereby reducing the purchase price to US\$100-million).



### *Private Placement*

On November 6, 2014, the Company completed a bought deal private placement offering (the “**November Financing**”). Pursuant to the November Financing, the Company issued a total of 14,755,450 units (the “**Units**”) at a price of \$0.30 per Unit, for gross proceeds of \$4,426,635.

Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.45 for a period of 36 months following the closing date of the November Financing. If the price of the common shares of the Company on the TSX (following the expiry of the required statutory hold period) closes at a minimum of \$0.60 for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants.

### *Kennecott Unsecured Loan/Amendment to Tamarack Earn-in Agreement*

On March 26, 2015, Kennecott provided Talon and Talon USA with an unsecured loan in the principal amount of US\$4,000,000 (the “**Unsecured Loan**”). The Unsecured Loan matures on December 21, 2015 and bears interest at the rate of LIBOR plus 8% per annum. The proceeds from the Unsecured Loan may only be used by Kennecott to fund exploration expenditures at the Tamarack Project, and for certain pre-determined land acquisitions.

In addition, on March 26, 2015, Kennecott also agreed to amend the Tamarack Earn-in Agreement (the “**Tamarack Earn-in Amending Agreement**”) to: (1) defer a US\$2,500,000 option payment due by Talon USA on June 26, 2015 until December 21, 2015; and (2) not make any cash calls from Talon USA beyond the amount of the Kennecott Loan until the fourth quarter of 2015.

## **DESCRIPTION OF THE BUSINESS**

### **General**

Talon is a mineral exploration company focused on the exploration and development of the Tamarack Project in Minnesota, USA (which is comprised of the Tamarack North Project and the Tamarack South Project). As of the date hereof, the Company’s only material property is the Tamarack North Project.

As of the date hereof, Talon no longer holds equity investments in other companies other than 14,285,714 shares in Tlou Energy Limited (“**Tlou**”), an Australian Securities Exchange (“**ASX**”) listed company (see also “Description of the Business - *Tlou Energy Limited*”). The Company’s interest in Tlou is solely as equity investor and, as such, the Company does not have any direct or indirect interest in, or right to, such company’s assets or revenue, nor does the Company have any direct or indirect obligations in respect of, or liability for, such company’s expenses or obligations.

## Tamarack North Project

The Tamarack North Project is located adjacent to the town of Tamarack in north-central Minnesota approximately 85 km west of Duluth and 200 km north of Minneapolis.

The Tamarack Igneous Complex (“**TIC**”), which sits within the Tamarack North Project boundaries, is a mafic and ultramafic intrusion that is associated with the early evolution of the failed, Midcontinental Rift (dated at 1105ma +/- 1.2). This age is significantly older than the Duluth Complex Intrusions which consistently date at 1099ma and is consistent with other earlier intrusions of the Midcontinental Rift that are often characterised by more primitive melts.

The TIC has intruded into Thomson Formation siltstones and sandstones of the Animikie Group and is preserved beneath shallow Quaternary glacial sediments.

To date, exploration by Kennecott has included diamond drilling and a range of geophysical surveys, including, Aeromagnetic and EM, ground magnetic and EM, VTEM, IP, gravity, seismic, MALM and downhole EM.

Details regarding the terms of Talon’s interest in the Tamarack Project are set out under the heading “General Development of the Business - Three Year History - *Acquisition of Tamarack Project*” (above).

Kennecott’s historical exploration programs (i.e. those completed prior to the date of the Tamarack Earn-in Agreement) yielded adequate data to compile an initial independent mineral resource estimate on part of the Tamarack North Project. The independent mineral resource estimate for the Tamarack North Project was prepared by Brian Thomas (P.Geo), Senior Resource Geologist at Golder Associates Ltd. (“**Golder**”) and is summarized below. The effective date of the resource estimate is August 29, 2014. Mr. Thomas is an independent “Qualified Person” pursuant to National Instrument 43-101 – *Standards of Disclosure for Minerals Projects* (“**NI 43-101**”).

<b>Domain</b>	<b>Classification</b>	<b>Tonnes (000)</b>	<b>Ni (%)</b>	<b>Cu (%)</b>	<b>Co (%)</b>	<b>Pt (g/t)</b>	<b>Pd (g/t)</b>	<b>Au (g/t)</b>	<b>*NiEq (%)</b>
SMSU	Indicated	3,751	1.81	1.00	0.05	0.41	0.25	0.19	2.35
SMSU	Inferred	949	1.12	0.62	0.03	0.25	0.16	0.14	1.47
MSU	Inferred	158	5.25	2.47	0.11	0.66	0.44	0.22	6.42
138 Zone	Inferred	2,012	0.95	0.78	0.03	0.23	0.14	0.17	1.33
<b>Total</b>	<b>Indicated</b>	<b>3,751</b>	<b>1.81</b>	<b>1.00</b>	<b>0.05</b>	<b>0.41</b>	<b>0.25</b>	<b>0.19</b>	<b>2.35</b>
<b>Total</b>	<b>Inferred</b>	<b>3,119</b>	<b>1.22</b>	<b>0.82</b>	<b>0.03</b>	<b>0.26</b>	<b>0.16</b>	<b>0.16</b>	<b>1.63</b>

*All resources are reported above a 0.9% NiEq cut-off.*

*Mining recovery and dilution factors have not been applied to the estimates.*

*Tonnage estimates are rounded down to the nearest 1,000 tonnes.*

*Estimates do not include metallurgical recovery.*

$$NiEq\% = Ni\% + Cu\% \times 2.91/9.20 + Co\% \times 14/9.20 + Pt [g/t]/31.103 \times 1,400/9.2/22.04 + Pd [g/t]/31.103 \times 600/9.2/22.04 + Au [g/t]/31.103 \times 1,300/9.2/22.04$$

On October 6, 2014, Talon released a technical report prepared in accordance with NI 43-101 to support the disclosure of the initial resource estimate on the Tamarack North Project. The technical report is entitled “First Independent Technical Report on the Tamarack North Project, Tamarack, Minnesota” dated October 6, 2014 (“**Tamarack North Technical Report**”) and was prepared by independent “Qualified Persons” Brian Thomas (P. Geo) of Golder, Paul Palmer (P. Eng) of Golder and Manochehr Oliazadeh Khorakchy (P. Eng) of Hatch Ltd. Please refer to the Tamarack North Technical Report for further information. The Tamarack North Technical Report is available under Talon’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.talonmetals.com](http://www.talonmetals.com).

The summary section from the Tamarack North Technical Report is reproduced in its entirety at Exhibit I of this Annual Information Form and the detailed disclosure in the Tamarack North Technical Report is incorporated by reference herein.

James McDonald, Vice President, Resource Geology of Talon and Mike Shaw, Vice President, Exploration of Talon are both Qualified Persons within the meaning of NI 43-101. Messrs. McDonald and Shaw have reviewed, approved and verified the technical information disclosed in this Annual Information Form (other than the information in the Tamarack North Technical Report), including sampling, analytical and test data underlying the technical information.

### **Tlou Energy Limited**

In March 2010, Talon completed the Saber Merger pursuant to which Talon became the owner of the Botswana CBM project, an unconventional gas project targeting coal bed methane and shale gas deposits in Botswana, Africa. Shortly thereafter, on November 30, 2010, Talon completed a transaction with Tlou, a company focused on coal bed methane exploration in Sub-Saharan Africa, whereby Tlou acquired the Botswana CBM project (the “**Tlou Transaction**”). At the time of the Tlou Transaction, Tlou was an unlisted public Australian company.

In exchange for the Botswana CBM project, Talon acquired (i) 19,285,714 ordinary shares of Tlou (“**Tlou Shares**”), representing 30% of the issued share capital of Tlou as of the closing date of the Tlou Transaction, and (ii) options to purchase an aggregate of 4,945,055 Tlou Shares at an exercise price of AUD\$1.25 each, exercisable until June 30, 2013 (“**Tlou Options**”).

On April 9, 2013, Tlou was admitted to and began trading on the official list of the ASX (the “**Tlou Listing**”). In accordance with the rules of the ASX, at the time of the Tlou Listing, some of Talon’s holding of Tlou Shares became subject to a mandatory two year escrow period (the “**ASX Escrow**”). In addition, all of the Tlou Options became subject to the ASX Escrow, restricting Talon from exercising or transferring any Tlou Options. Given this restriction on the Tlou Options, prior to the Tlou Listing, Tlou agreed to amend the terms of the Tlou Options such that they are now exercisable until May 9, 2015.

As of the date hereof, the Company owns 14,285,714 Tlou Shares, all of which are subject to the ASX Escrow. The Company also holds all of the Tlou Options originally issued pursuant to the Tlou Transaction which are also subject to the ASX Escrow. The ASX Escrow expires on April 9, 2015 and the Company's holding of Tlou Shares will become freely tradeable on that date.

### **Specialized Skill and Knowledge**

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

### **Trends**

#### *Nickel*

Since 2000, nickel prices have traded in a large range from lows of US\$2/lb to highs of US\$24/lb. During the past year, prices were in the US\$6/lb to US\$9/lb range. The key driver of supply and supply changes is unprocessed laterite ore from Indonesia and the Philippines. Demand, meanwhile, is driven by the production of stainless steel and usage of nickel in consumer and industrial applications. Over the medium-term, prices are forecast to rise due to supply deficits starting in the latter half of 2015 and increasing deficits in subsequent years. A long-term trend impacting the nickel market has been the decreasing contribution to supply from nickel sulphide mines in favour of nickel laterite mines. This trend is expected to continue which should have the impact of increasing the marginal cost of production, thereby supporting higher prices. See also "Risk Factors – *Changes in the Price of Nickel*" and "Risk Factors – *Increased Availability of Alternative Nickel Sources or Substitution of Nickel from End Use Applications*".

### **Employees**

As at December 31, 2014, Talon and its subsidiaries employed 14 individuals. In addition, Talon engages contractors and consultants from time to time to work on specific properties and for administrative, legal and other services as required. See also "Risk Factors – *Key Executives and Consultants*".

### **Environmental Protection**

Talon's exploration and, if applicable, development activities are subject to various laws and regulations regarding the protection of the environment. Talon is not the operator of the Tamarack Project and environmental protection and compliance for the Tamarack Project is the responsibility of Kennecott. As a subsidiary of one of the largest mining companies in the world, Kennecott has in place rigorous and industry leading environmental controls and procedures.

New environmental laws and regulations, amendments to existing laws and regulations, or more stringent implementation of existing laws and regulations could have a material adverse effect on Talon, both financially and operationally, by potentially increasing capital and/or

operating costs and delaying or preventing the development of mineral properties. See “Risk Factors – *Governmental Regulation; Environmental Risks and Hazards*”.

### **Competitive Conditions**

The mining industry is intensely competitive in all of its phases. Talon competes with a number of other entities for resources, including qualified people. As a result of this competition, some of which is with companies with greater financial resources than Talon, it may be unable to acquire the necessary qualified people. Talon also competes for funding with other public resource companies, many of whom have greater financial resources and/or more advanced properties and who are better able to attract equity investments and other capital.

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

## **RISK FACTORS**

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

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

### *Repayment of Kennecott Unsecured Loan*

The principal amount advanced and outstanding under the Unsecured Loan and all interest accrued thereon will be due and payable to Kennecott on December 21, 2015.

The Company’s indebtedness under the Unsecured Loan has an interest rate which is in part variable, based on the LIBOR rate at certain points in time. Such variable portion of the interest rate exposes the Company to interest rate risk. If the interest rate increases, the amount of the Company’s repayment obligation will increase.

The Company’s ability to repay the principal and accrued interest depends upon the Company’s future ability to obtain financing (see “Risk Factors – Additional Capital” and “Risk Factors – Ability to Continue Operating”). If the Company cannot raise sufficient funds to repay the Unsecured Loan, Kennecott may take such actions and commence such proceedings as may be permitted under applicable law at such times and in such manner as Kennecott in its sole

discretion may choose. In addition, if all or part of the Unsecured Loan is not paid when due, such overdue amount bears interest at an increased rate of LIBOR plus 12% per annum. In addition, a default by the Company on repaying the Unsecured Loan will likely affect the ability of the Company to continue to earn an interest in the Tamarack Project pursuant to the Tamarack Earn-in Agreement. A failure to repay the Unsecured Loan could materially adversely affect the Company's business and future operations (including, its ability to continue as a going concern).

#### *Additional Capital*

In addition to working capital requirements, Talon will need to seek additional capital to continue its earn-in under the Tamarack Earn-in Agreement. Failure to obtain sufficient financing will result in a delay or indefinite postponement of development or production on any or all of the Company's properties and/or the loss of the Company's interest in one or more of the Company's properties (including, not being able to meet commitments (whether optional or not) under the Tamarack Earn-in Agreement which may result in a loss of capital invested, the ability to earn an interest in the Tamarack Project and/or continue as a joint venture partner in the Tamarack Project). The main source of funds available to the Company is through the sale of equity capital but may also include a combination of strategic partnerships, joint venture arrangements, debt finance, offtake financing, royalty financing and other capital markets alternatives. 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 (including, in certain circumstances, the ability of the Company to continue to operate as a going concern). Global securities markets continue to experience volatility, which is resulting in difficulty in raising equity capital and market forces may render it difficult or impossible for the Company to secure places to purchase any new share issuances at prices which will not lead to severe dilution to existing shareholders, or at all.

#### *Ability to Continue as a Going Concern*

The Company believes that it has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. In assessing whether the going concern assumption contained in the Company's financial statements for the year ended December 31, 2014 is appropriate, the Company takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue future operations beyond December 31, 2015 is dependent on the Company's ability to secure additional financing, which may be completed in a number of ways including but not limited to, selling equity capital, a combination of strategic partnerships, joint venture arrangements, debt finance, offtake financing, royalty financing and other capital markets alternatives. The Company will pursue such additional sources of financing, and while the Company has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company.

### *Maintaining the Tamarack Earn-in Agreement in Good Standing*

The Company is subject to various commitments (some of which are optional) pursuant to the terms of the Tamarack Earn-in Agreement (as amended by the Tamarack Earn-in Amending Agreement), including the Tamarack Earn-in Conditions. If the Company fails to meet its obligations under the Tamarack Earn-in Agreement in a timely manner, including its payment obligations, the Company could lose its ability to earn a 30% interest in the Tamarack Project and any funds expended pursuant to the terms of the Tamarack Earn-in Agreement will not be refunded by Kennecott. Such a failure may have a material adverse effect on the Company's business.

### *Exploration, Development and Operating Risks*

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. Actual exploration, development and/or other costs and economic returns may differ significantly from those the Company has anticipated. It is impossible to ensure that the exploration programs planned by Talon or Kennecott will result in a profitable commercial mining operation. Talon cannot give any assurance that its and Kennecott's (in respect of the Tamarack Project) current and future exploration activities and/or metallurgical testing will be consistent with the Company's expectations or result in any additional mineralization or improved recovery rates and/or a mineral deposit containing mineral reserves. In addition, Kennecott is the operator of the Tamarack Project and, although Talon is able to provide its input at Technical Committee meetings and otherwise, the ultimate exploration decisions are made by Kennecott. 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; commodity 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.

Although Talon's present activities are directed towards the financing, exploration and development of mineral projects, its activities may also ultimately include mining operations. Mining and exploration operations generally involve a high degree of risk. Talon's operations (and Kennecott's as it relates to the Tamarack Project) are subject to all the hazards and risks normally encountered in the exploration, development, production and beneficiation of nickel, copper and platinum, including unusual and unexpected geologic formations, seismic activity, 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 and exploration 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.

The economic viability of mineral projects, including projects such as the Tamarack Project, may be affected, in part, by the ability of the operator to mine, beneficiate and enter into off-take agreements with potential end users. No assurance can be made that Talon (or Kennecott as it relates to the Tamarack Project) will be successful in entering into off-take agreements in respect of local and/or export sales or, if necessary, in accessing local smelting facilities.

#### *Exchange Rate Fluctuations*

The Company is exposed to movements in the United States dollar and, to a lesser extent, the Brazilian real. Payments made to Kennecott pursuant to the Tamarack Earn-in Conditions are made in United States dollars and transfers made to the Brazilian subsidiaries of the Company are made in United States dollars or Canadian dollars and subsequently converted in Brazil to Brazilian reals. To date, Talon's financing activities have generally only been in Canadian dollars. At this time, the majority of Talon's costs are in United States dollars (i.e. those payments made to Kennecott pursuant to the Tamarack Earn-in Conditions). The Company intends to convert the majority of any money it raises through a financing or otherwise into United States dollars at the time it raises such money to bring more certainty to the Company's budgeting process and to protect against exchange rate fluctuations. However, a depreciation of the Canadian dollar against the United States dollar may negatively affect the Company's cash balance and may require the Company to raise additional capital to offset additional costs caused by exchange rate fluctuations.

#### *Changes in the Price of Nickel*

The ability to develop the Tamarack Project is directly related to the market price of nickel. Nickel is sold in an active global market and traded on commodity exchanges, such as the LME and the New York Mercantile Exchange. Nickel prices are subject to significant fluctuations and are affected by many factors, including actual and expected macroeconomic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels, investments by commodity funds and other actions of participants in the commodity markets. Nickel prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of the Tamarack Project cannot be accurately predicted and may be adversely affected by fluctuations in nickel prices.

#### *Uncertainty Relating to Inferred and Indicated Mineral Resources*

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

#### *Governmental Regulation; Environmental Risks and Hazards*

The mineral exploration activities of the Company and Kennecott (in respect of the Tamarack Project) are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters.



Mining, beneficiation and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that its and Kennecott's (in respect of the Tamarack Project) 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, including as it relates to the Tamarack Project, Minnesota. 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 (including, changes to the regulations in Minnesota surrounding the protection of waters in which wild rice inhabits), 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 (or Kennecott's as it relates to the Tamarack Project) 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 (or Kennecott's as it relates to the Tamarack Project). 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, including the Tamarack Project.

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 and beneficiation 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.

#### *Increased Availability of Alternative Nickel Sources or Substitution of Nickel from End Use Applications*

Demand for primary nickel may be negatively affected by the direct substitution of primary nickel with other materials in current applications. In response to high nickel prices or other factors, producers and consumers of stainless steel may partially shift from stainless steel with high nickel content to stainless steels with either lower nickel content or no nickel content, which would adversely affect demand for nickel.

#### *Land Title*

With respect to the Tamarack Project, the mineral and surface interests are held in Kennecott's name through various Minnesota state leases, private agreements and fee ownership. With respect to Brazil, the Company's interests in mineral properties are comprised of exclusive rights under government licenses to conduct exploration operations and, in due course if warranted and approved by the government, development and mining, on the license areas. Maintenance of all of such rights are subject to ongoing compliance with the terms of such licenses, agreements and contracts. While the Company intends to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that it will be successful in extending or renewing mineral rights on or prior to the expiration of their term. In addition, with respect to the Tamarack Project, Kennecott is responsible for land tenure as the operator of the project and certain aspects of this process may be out of the Company's control. 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 (including, the Tamarack Project), 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. To mitigate certain of these risks, the Company has purchased title insurance over certain areas of the Tamarack North Project. There is no guarantee a given title defect may be claimable under the policy.

#### *Insurance and Uninsured Risks*

Talon's business (and that of Kennecott as it relates to its operatorship of the Tamarack Project) 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 (including, the Tamarack Project) 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 reasonable, its insurance will not cover all the potential risks associated with the Company's operations. In addition, given that the Tamarack Project is operated by Kennecott, insurance over the Tamarack Project is maintained by Kennecott and may not protect Talon. Talon may also be unable to obtain or maintain insurance to cover 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.

#### *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 operates and/or holds interests. Such changes 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, or abandonment or delays in development of the Company's existing and/or new properties, including impacting decisions to continue with the funding of the Tamarack Project pursuant to the Tamarack Earn-in Agreement or thereafter.

#### *Foreign Operations*

The Company's operations are currently conducted primarily in the United States and, to a lesser extent, Brazil. Talon also holds equity securities in Tlou which has operations in 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 the United States or, to a lesser extent, Brazil and 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.

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.

### *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.

### *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 it. Competition in the 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. 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.

### *Risks of Investments in Securities*

Talon holds an equity investment in Tlou 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.

### *Foreign Subsidiaries and Repatriation of Funds*

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.

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

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. In the past several years, worldwide securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. As a consequence, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.

The price of Talon's common shares may also be affected by short-term changes in nickel 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: Talon's share price, 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.

#### *Key Executives and Consultants*

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 and consultants. 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 officers of the Company also serve as directors and/or 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.

## **DIVIDENDS**

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

## **DESCRIPTION OF CAPITAL STRUCTURE**

As noted above, Talon has no authorized capital, but is authorized to issue one class and one series of shares divided into 100,000,000,000 common shares of no par value. As at the date hereof, there are 106,832,137 common shares issued and outstanding, each carrying the right to one vote.

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

In addition, as at the date hereof, the Company has authorized for issuance:

- 11,260,617 stock options pursuant to its incentive stock option plan and 2,733,733 stock options outside its incentive stock option plan, each entitling the holder to purchase one common share;
- 250,000 share purchase warrants issued to the representatives of a consultant to the Company as compensation for services, each entitling the holder to purchase one common share at a price of \$0.37 at any time up to August 21, 2017;

- 7,377,725 share purchase warrants issued as part of the November Financing, each entitling the holder to purchase one common share at a price of \$0.45 at any time up to November 6, 2017. If the price of the common shares of the Company on the TSX closes at a minimum of \$0.60 for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants (the “**Warrant Acceleration**”); and
- 885,327 share purchase warrants issued as part compensation to the brokers of the November Financing, each entitling the holder to purchase one common share at a price of \$0.32 at any time up to November 6, 2016. These warrant are also subject to the Warrant Acceleration.

Talon shareholders reconfirmed the continuation of an amended and restated shareholder rights plan between the Company and Computershare Investor Services Inc., as rights agent (the “**Rights Plan**”) at an Annual and Special Meeting held on June 27, 2014. The Rights Plan aims to ensure that all shareholders are treated equally and fairly in the event of a transaction that could lead to a change in control of the Company. The Rights Plan also gives the board of directors more time to assess any unsolicited bid that may be made for Talon in the future and to explore and develop alternatives for maximizing shareholder value. Talon has not received an unsolicited bid and is not soliciting bids.

A copy of the Rights Plan has been filed on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## MARKET FOR SECURITIES

### Trading Price and Volume

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

<b>Period</b>	<b>Low</b>	<b>High</b>	<b>Volume</b>
December 2014	\$0.22	\$0.31	4,670,500
November 2014	\$0.28	\$0.37	2,431,700
October 2014	\$0.31	\$0.38	3,710,900
September 2014	\$0.35	\$0.50	11,046,000
August 2014	\$0.30	\$0.57	16,320,100
July 2014	\$0.30	\$0.44	7,677,700
June 2014	\$0.18	\$0.37	11,334,900
May 2014	\$0.17	\$0.22	2,507,700
April 2014	\$0.20	\$0.33	1,217,300
March 2014	\$0.25	\$0.36	1,054,800
February 2014	\$0.23	\$0.32	1,186,800
January 2014	\$0.23	\$0.27	425,500

## ESCROWED SECURITIES

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

## DIRECTORS AND OFFICERS

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



NAME, RESIDENCE AND CURRENT POSITION(S) WITH TALON	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS	DIRECTOR SINCE
Warren E. Newfield <sup>(1)</sup> Abaco, Bahamas  Executive Chairman and Director	Executive Chairman of Talon, October 2013 to present; Chairman and Chief Executive Officer (“CEO”) of Tau Capital Corp. (“ <b>Tau</b> ”) (mining investment and administrative and advisory services company), November 2007 to present; Chairman of CIC Energy Corp. (“ <b>CIC Energy</b> ”) (mineral exploration and development), October 2008 to October 2012; CEO of CIC Energy, November 2007 to October 2012.	April 5, 2005
Gregory S. Kinross <sup>(1)(2)(3)</sup> Gauteng, South Africa  Director	CEO of Innovo Capital (Pty) Ltd (private equity and investment banking), January 2014 to present; President & CEO of Tau (mining investment and administrative and advisory services company), November 2007 to December 2013; President of CIC Energy (mineral exploration and development), November 2007 to October 2012.	April 5, 2005
John D. Kaplan <sup>(1)(3)(4)</sup> Ontario, Canada  Director	President of Runnymede Development Corporation Limited (land development/builder), 1999 to present; Chairman of Terra Firma Capital Corp. (real estate finance), October 2013 to present.	June 24, 2013
Henri van Rooyen Ontario, Canada  Chief Executive Officer and Director	CEO of Talon, February 2012 to present; Vice President, New Business & Implementation of Tau (mining investment and administrative and advisory services company), November 2006 to present.	June 29, 2012
Luis Mauricio F. de Azevedo Rio de Janeiro, RJ, Brazil  Director	Partner (Lawyer) of FFA Legal Ltda., 1997 to present; Chief Operating Officer of Rio Verde (mineral exploration and development), December 2011 to March 2013;	April 5, 2005
Jeffrey A. Rassuchine California, USA  Exploration Manager and Director	Exploration Manager of Talon, October 2013 to present; Senior Project Geologist of International Minerals Corporation (mineral exploration and development), 2011 to 2013; Senior Project Geologist of General Metals Corporation (mineral exploration and development), 2006 to 2010.	March 11, 2014
David E. Singer <sup>(1)(3)</sup> Erfat, Israel  Director	Managing Director of David Singer Ltd. (business consulting and legal services), 2009 to present; Consultant to Macro Consultants LLC (project management), 2004 to present; Lawyer at the Law Offices of David Singer (legal services), 1987 to 2011.	June 27, 2014
Anthony J. Naldrett West Sussex, United Kingdom  Director	Professor Emeritus at the University of Toronto, July 1998 to present; Visiting Professor at the University of Witwatersrand, June 2005 to present.	June 27, 2014
Sean N. Werger Ontario, Canada  President	President of Talon, March 2012 to present; General Counsel and Managing Director of Mergers & Acquisitions, Tau (mining investment and administrative and advisory services company), September 2006 to present.	Not applicable
Vincent G. Conte Ontario, Canada  Chief Financial Officer	Chief Financial Officer of Talon, June 2012 to present; Vice President, Financial Evaluation of Tau (mining investment and administrative and advisory services company), January 2011 to present; Senior Manager of Deloitte LLP (accounting), January 2007 to January 2011.	Not applicable

NAME, RESIDENCE AND CURRENT POSITION(S) WITH TALON	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS	DIRECTOR SINCE
Etienne Dinel Ontario, Canada Vice President, Geology	Vice President, Geology of Talon, March 2012 to present; Senior Geologist of Tau (mining investment and administrative and advisory services company), August 2010 to present; Research Associate at the University of Toronto and Geological Survey of Canada, August 2007 to August 2010.	Not applicable

Notes:

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

As at the date hereof, the directors and executive officers of Talon as a group beneficially own, directly and indirectly, or exercise control or direction over 8,245,528 common shares, representing approximately 7.7% of the 106,832,137 issued and outstanding common shares.

### **Corporate Cease Trade Orders or Bankruptcies**

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

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

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

## **Penalties or Sanctions**

To the best of the Company's knowledge, no director or executive officer of Talon, and no shareholder holding a sufficient number of securities of Talon to affect materially the control of Talon, nor any personal holding company of any such person, has been subject to:

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

## **Personal Bankruptcies**

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

## **Conflicts of Interest**

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

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

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

From time to time, the board of directors of Talon may determine not to continue pursuing a transaction involving a company and/or mineral property. With the consent of the board of directors of Talon (including, a determination of the terms for such consent), private companies affiliated with directors, officers and/or other members of management of Talon may thereafter complete a transaction involving such company or mineral property.

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

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

To the knowledge of the directors and officers of Talon, there are no legal proceedings material to Talon to which Talon or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2014, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of Talon, no penalties or sanctions have been imposed against Talon or its subsidiaries by a court relating to securities legislation or by a regulatory authority during the financial year ended December 31, 2014, no penalties or sanctions have been imposed against Talon by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of Talon, and no settlement agreements have been entered into by Talon before a court relating to securities legislation or with a securities regulatory authority during Talon's financial year.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

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

## **TRANSFER AGENT AND REGISTRAR**

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

## **MATERIAL CONTRACTS**

Other than the (i) Tamarack Earn-in Agreement (see "General Development of the Business - Three Year History - *Acquisition of Tamarack Project*" (above)) and (ii) Tamarack Earn-in Amending Agreement (see "General Development of the Business - Three Year History - *Kennecott Unsecured Loan/Amendment to Tamarack Earn-in Agreement*" (above)), the Company did not enter into any material contracts (other than contracts entered into in the ordinary course of business not required to be filed under NI 51-102) during its most recently completed financial year, and has not entered into any contract before its most recently completed financial year and since January 1, 2002 that is still in effect, that may be considered material to Talon.

## **INTERESTS OF EXPERTS**

To the best of the Company's knowledge, Brian Thomas of Golder, Paul Palmer of Golder and Manochehr Oliazadeh Khorakchy of Hatch Ltd., the qualified persons under whose supervision the Tamarack North Technical Report was prepared, do not own, or hold any

beneficial interest, direct or indirect in, any securities or property of Talon or of its associates or affiliates.

## AUDIT COMMITTEE INFORMATION

### *Audit Committee Charter*

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

### *Composition of the Audit Committee*

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

Name	Independent of Talon	Financially Literate	Relevant Education and Experience
Gregory S. Kinross	Yes	Yes	Chartered Accountant designation (South Africa). Extensive public and private company management experience, including: CEO of Innovo Capital (Pty) Ltd, January 2014 to present; President & CEO of Tau, November 2007 to December 2013; President of CIC Energy, November 2007 to October 2012; President & CEO of CIC Energy, 2006 to November 2007; Executive Vice-President Business Development of Tau, 2005 to November 2007.
John D. Kaplan	Yes	Yes	Director and senior officer of Runnymede Development Corporation Limited (" <b>Runnymede</b> "), a diversified real estate company with more than \$200 million in annual income. Responsible for directing and overseeing the annual audit of Runnymede for more than 15 years. In addition, Chairman of Terra Firma Capital Corp. (a TSXV listed real estate finance company), October 2013 to present.
David E. Singer	Yes	Yes	Has a B.A. (Economics) from university. Over 30 years of business/legal experience representing and advising companies, many of them publicly listed. Has held positions within companies as CEO and COO, requiring extensive financial literacy.

### *Reliance on Certain Exemptions*

On March 11, 2014, the Company began relying on the exemption in section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) of National Instrument 52-110 (*Audit Committees*) with the appointment of Mr. Warren Newfield to the audit committee of the Company. This appointment was a result of the resignation of Mr. Jonathan Schneider from the board of directors and audit committee of the Company. At the conclusion of the Company's Annual and Special Meeting on June 27, 2014, the Company ceased to rely on the exemption in

section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) of National Instrument 52-110 (*Audit Committees*) with the appointment of Mr. David Singer to the audit committee of the Company.

#### *Audit Committee Oversight*

During the financial year ended December 31, 2014, all recommendations of the audit committee to nominate or compensate an external auditor were adopted by the board of directors.

#### *Pre-Approval Policies and Procedures*

It is the responsibility of the audit committee to pre-approve all non-audit services to be provided to Talon by its external auditors. This is mandated in the Audit Committee Charter.

#### *External Auditor Service Fees*

The following table summarizes the total fees billed by MNP LLP, Talon's auditor, during the years ended December 31, 2014 and December 31, 2013.

<b>CATEGORY</b>	<b>2014</b>	<b>2013</b>
Audit Fees	\$44,000	\$42,400
Audit Related Fees	\$4,505 <sup>(1)</sup>	Nil
Tax Fees	\$3,184	\$1,000
All Other Fees	Nil	Nil

<sup>(1)</sup> Fees related to general advice provided during preparation of Talon's quarterly financial statements

### **ADDITIONAL INFORMATION**

Additional information concerning the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional financial information is contained in the Company's audited financial statements and management's discussion and analysis for the year ended December 31, 2014.

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

## **EXHIBIT I**

### **Summary from Technical Report on the Tamarack North Project**

#### **Scope of Work**

Golder Associates Ltd. (Golder) was retained by Talon Metals Corp. (together with its wholly owned indirect subsidiary Talon Nickel (USA) LLC, "Talon") to provide an independent mineral resource estimate, for the Tamarack North Project located in Aitkin County, Minnesota, USA, including a National Instrument 43-101 (NI 43-101) technical report for filing with the relevant Canadian securities regulators. This report represents the initial public disclosure of a mineral resource for the Tamarack North Project.

The mineral resource estimates were completed by Brian Thomas, P.Geo., and reviewed by Paul Palmer, P.Geo., P.Eng., both of Golder. Brian Thomas completed a site visit to the Tamarack North Project on July 16, 2014. Both authors are qualified persons (QP) as defined by NI 43-101.

A summary of the metallurgical work completed on the property has been completed by Manochehr Oliazadeh Khorakchy, P.Eng. of Hatch Ltd. (Hatch) and he is the QP responsible for sections 1.7, 1.10.1, 13 and 19.1 of this report.

#### **Location and Ownership**

The Tamarack North Project is located in north central Minnesota approximately 100 km west of Duluth and 200 km north of Minneapolis, in Aitkin County. The Tamarack North Project covers approximately 24,998 acres and is located near the town of Tamarack.

The Tamarack North Project is currently 100% held by Kennecott Exploration Company (Kennecott), a wholly owned subsidiary of the Rio Tinto Group. It is subject to earn-in by Talon pursuant to an Exploration and Option Agreement between Talon and Kennecott dated June 25, 2014 (Earn-in Agreement). Talon has the right to acquire a 30% interest in the Tamarack Project (which is comprised of the Tamarack North Project and the Tamarack South Project) over a three year period (Earn-in Period) by making US\$7.5-million in installment payments to Kennecott, and incurring US\$30-million in exploration expenditures (Earn-in Conditions). Upon successful completion of the Earn-in Conditions, Kennecott will elect whether to: (a) proceed with a 70/30 joint venture on the Tamarack Project, with Kennecott holding a 70% participating interest, and Talon owning a 30% participating interest; or (b) grant Talon the right to purchase Kennecott's interest in the Tamarack Project for a purchase price of US\$107.5-million. In the event Kennecott grants Talon the right to purchase its interest in the Tamarack Project, and Talon elects to proceed with the purchase option, Talon will have up to 18 months to close the transaction, provided it makes an upfront non-refundable payment to Kennecott of US\$7.5-million (thereby reducing the purchase price to US\$100-million).

Kennecott's mineral tenure and surface rights agreements are currently held in good standing with the state of Minnesota and private landholders.

## Geology and Mineralization

The Tamarack Igneous Complex (TIC) is an ultramafic to mafic intrusive, hosting nickel-copper sulphide mineralization with associated cobalt, platinum, palladium (PGE's) and gold. The intrusion of the TIC (dated at 1105 Ma $\pm$ 1.2 Ma, Goldner 2011) is related to the early evolution of the approximately 1.1 Ga Mesoproterozoic Mid-continental Rift (MCR) and has intruded into slates and greywackes of the Thomson Formation of the Animikie Group which formed as a foreland basin during the Paleoproterozoic Penokean Orogen (approximately 1.85 Ga, Goldner 2011). The TIC is completely buried beneath approximately 40 m of Quaternary age glacial and fluvial sediments. The TIC is consistent with other earlier intrusions associated with the MCR that are often characterised by more primitive melts.

The geometry of the TIC, as outlined by the well-defined aeromagnetic anomaly, consists of a curved, elongated intrusion striking north-south to south-east over 18 km. The configuration has been likened to a tadpole shape with its elongated, northern tail up to 1 km wide and large, 4 km wide, ovoid shaped body in the south (Figure 7-5 and 7-6). The northern portion of the TIC (the Tamarack North Project), which hosts the currently defined resource and identified exploration targets, is over 7 km long and is the focus of this report.

The Tamarack North Project hosts magmatic nickel (Ni)-copper (Cu)-platinum-group elements (PGE) sulphide mineralization. These deposits form as the result of segregation and concentration of liquid sulphide from mafic or ultramafic magma and the partitioning of chalcophile elements into the sulphide from the silica melt (Naldrett, 1999).

The various mineralized zones at the Tamarack North Project occur within different host lithologies, exhibit different types of mineralization styles, and display varying sulphide concentrations and tenors. These mineralized zones range from massive sulphides hosted by altered sediments in the Massive Sulphide Unit (MSU), to net textured and disseminated sulphide mineralization hosted by the Coarse Grained Feldspathic Peridotite (CGO) in the Semi-Massive Sulphide Zone (SMSU); to a more predominately disseminated sulphide mineralization as well as layers of net textured sulphide mineralization, in the 138 Zone (see Table 1-1). Mineralization in the 138 Zone, where interlayered disseminated and net textured mineralization occurs is referred to as mixed zone (MZ) mineralization. All these mineralization types are typical of many sulphide ore bodies around the world. The current known mineral zones of the Tamarack North Project (SMSU, MSU and 138 Zone) that are the basis of this resource statement are referred to as the Tamarack Zone. Also located within the Tamarack North Project are currently, two lesser defined mineral zones, namely the 480 and Laucamp.



## Key Geological and Mineralization Relationships

Project	Area	Mineral Zone	Host Lithology	Project Specific Lithology	Mineralization Type
<b>Tamarack North Project</b>	<b>Tamarack Zone</b>	SMSU	Feldspathic Peridotite	CGO	Net Textured and Disseminated Sulphides
		MSU	Meta-Sediments	Sediments	Massive Sulphides
		138	Peridotite and Feldspathic Peridotite	Mixed Zone	Disseminated and Net Textured Sulphides
	Other	480	Peridotite	FGO	Disseminated Sulphides
		Laucamp	Peridotite	FGO	Massive Sulphide Veins

## Exploration Programs

The TIC and associated mineralization was discovered as part of a regional program by Kennecott initiated in 1991. The focus on nickel and copper sulphide mineralization was intensified in 1999 based on a model proposed by Dr. A. J. Naldrett of the potential for smaller feeder conduits associated with continental rift volcanism and mafic intrusions to host nickel sulphide deposits similar to Noril'sk and Voisey's bay.

Disseminated mineralization was first intersected at Tamarack in 2002, and the first significant mineralization of massive and net-textured sulphides were intersected in 2008 at the Tamarack North Project.

To-date, exploration by Kennecott has included a wide range of geophysical surveys including; airborne magnetic and electromagnetic (EM-MegaTEM and AeroTEM), ground magnetic and EM, Induced Polarization (IP), gravity, seismic, MALM and downhole EM. Drilling in the main target areas of the Tamarack North Project has included 182 diamond drill holes totalling 67,387.37 m. Kennecott has conducted extensive drilling at the Tamarack North Project since 2002. This drilling has been comprised of 182 diamond drill holes totalling 67,387 m with holes between 33.5 m and over 956 m depth for an average hole depth of 534 m.

## Sample Preparation, QA/QC and Chain of Custody

Golder reviewed Kennecott's sampling and Quality Assurance and Quality Control (QA/QC) protocols along with the chain of custody of samples. Kennecott samples core continuously through the mineralization and their sampling and logging procedures are

consistent with industry standards and the assay methods are appropriate for the base metal sulphide mineralization found at the Tamarack North Project.

Their QA/QC program is based on insertion of certified reference materials, including a variety of standards, blanks and duplicate samples, used to monitor the precision and accuracy of their primary assay lab, and to prevent inaccurate data from being accepted into their assay database. The Kennecott QA/QC protocol is consistent with industry best practises.

Kennecott uses a system of metal seals to secure pails used to ship samples from the core shack to the assay lab ensuring that they have not been tampered with. Samples are prepared and stored in a secure facility and are monitored each step of the way to the lab. Golder is confident that the samples accurately reflect the mineralization and that there is little opportunity for the samples to be tampered with. All procedures were found to meet or exceed industry standard practises.

### **Data Validation**

Golder compared assay data from the Kennecott database to the original assay certificates from ALS Chemex for the entire sample population used for resource estimation. No errors were identified during this review.

During the QP site visit, Brian Thomas of Golder, surveyed 4 drill hole collars and then compared the coordinates to those provided by Kennecott. All collars were found to be consistent with the Kennecott collar coordinates, within the accuracy of the handheld GPS.

Golder conducted verification sampling of drill core from each of the three mineral domains. A total of nine samples were taken along with three additional CRM samples, including two standards and one blank. Assay values from the verification sample program were consistent with results obtained by Kennecott.

Golder has concluded that the Tamarack North Project drill hole database is of suitable quality to support the resource estimate in this technical report.

### **Mineral Process and Metallurgical Testing**

Metallurgical testing of the Tamarack North Project was carried out in two programs: From 2006-2010 samples consisting of high grade mineralization from the SMSU hosted in the CGO and low grade mineralization from the CGO were submitted to SGS Minerals Services for mineralogical and metallurgical testing, while the 2012-2013 program focussed only on low grade mineralization in each of the intrusions.

Head assays from both phases of testwork indicated that there were no problematic concentrations of deleterious material, such as talc and chlorite.

Mineralogy conducted by Quantitative Evaluation of Materials by Scanning Electron Microscope (QEMSCAN) on the two master composites indicated that the dominant copper sulphide was chalcopyrite, with minor amounts of cubanite present. Pentlandite was the

dominant nickel sulphide with minor amounts of mackinawite. The dominant sulphide mineral was pyrrhotite, which needs to be rejected.

Bond ball mill work index (BWi) tests ranged from 13.0 to 19.0 kWh/t (metric), the work index was found to increase as the sulphide to rock ratio decreases.

Ni and Cu liberation analysis indicated the Ni and Cu were well liberated for a roughing stage, but a regrind would likely result in an increase of the concentrate grade of Ni and Cu.

Rougher flotation tests were designed to investigate the effect of primary grind on rougher flotation recoveries. The optimum grade recovery relationships for both Ni and Cu were achieved at grinds having a P80 between 90 and 129  $\mu\text{m}$ , the recovery of Ni was 89.2% to 90.7% while Cu was 93.9% to 95.5%. Initial rougher concentrate grades in excess of 20% Cu+Ni were readily achieved. The sulphur grade of the tails needs to be decreased further, which is likely possible with extended flotation time and increased collector dosage. The best selectivity was achieved with no pH modifier, however adjusting the pH with acid may further help reduce the sulphur in the tails.

Batch cleaner flotation tests were carried out on all composites to establish the recoveries and grade of a final bulk Cu-Ni concentrate.

An initial investigation into the potential for producing separate, high grade Cu and Ni concentrates from a bulk concentrate was also started; however no optimization work has been commissioned to date. A regrind of the rougher concentrate was attempted. Specifically the impact of adding more collector and CMC to minimize metal losses in separate, high grade Cu and Ni concentrates need to be tested. The results also suggest that an additional cleaning step would be beneficial to help reject the additional non-sulphide gangue.

All the cleaning tests employed a Cu-Ni separation stage following the cleaner flotation stage. The Ni concentrate graded 21.5% Ni with a Cu:Ni ratio of 0.09. Ni recovery to this concentrate was 78.5%. The best results from the Cu separation tests results resulted in Cu concentrate graded 32.4% Cu with 0.72% Ni with 71.4% Cu recovery.

The results for the Cu-Ni separation tests were satisfactory for the Ni concentrate as the target of a Cu:Ni ratio of  $< 0.2$  in the Ni concentrate was met, therefore production of a high grade Ni concentrate with a Cu:Ni ratio of  $< 0.2$  looks readily achievable. Producing a Cu concentrate that meets the target of  $< 0.7\%$  Ni in the Cu concentrate was not met. The best result achieved a Ni grade in the Cu concentrate of 0.72%. The average %Ni in all the tests on samples from the SMSU was 1.2% when a regrind and one stage of copper cleaning was used. The goal of the next set of testing (see recommendation under section 13.8), is to produce a Cu concentrate that meets the target of  $< 0.7\%$  Ni in the Cu concentrate.

An ICP scan carried out on a blend of Cu and Ni concentrates indicated that there were no concentrations of impurity elements that would be of concern during smelting or refining of these concentrates.

## Mineral Resource Estimate

The independent initial NI 43-101 mineral resource estimate for the Tamarack North Project has been prepared by Mr. Brian Thomas (B.Sc, P.Geo), Senior Resource Geologist at Golder and is summarized in Table 1-2 below. The effective date of the mineral resource estimate is August 29, 2014. Mr. Brian Thomas is an independent QP pursuant to NI 43-101.

### Tamarack North Project Mineral Resource Estimate (August 29, 2014)

Domain	Mineral Resource Classification	Tonnes (000)	Ni (%)	Cu (%)	Co (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	NiEq (%)
SMSU	Indicated Mineral Resource	3,751	1.81	1.00	0.05	0.41	0.25	0.19	2.35
SMSU	Inferred Mineral Resource	949	1.12	0.62	0.03	0.25	0.16	0.14	1.47
MSU	Inferred Mineral Resource	158	5.25	2.47	0.11	0.66	0.44	0.22	6.42
138 Zone	Inferred Mineral Resource	2,012	0.95	0.78	0.03	0.23	0.14	0.17	1.33
Total	Indicated Mineral Resource	3,751	1.81	1.00	0.05	0.41	0.25	0.19	2.35
Total	Inferred Mineral Resource	3,119	1.22	0.82	0.03	0.26	0.16	0.16	1.63

Notes:

All resources reported above a 0.9% NiEq cut-off.

Mining recovery and dilution factors have not been applied to the estimates.

Tonnage estimates are rounded down to the nearest 1,000 tonnes.

Estimates do not include metallurgical recovery.

% - percent

g/t – grams per tonne

*\*Where used in this resource estimate, NiEq% = Ni% + Cu% x 2.91/9.20 + Co% x 14/9.20 + Pt [g/t]/31.103 x 1,400/9.2/22.04 + Pd [g/t]/31.103 x 600/9.2/22.04 + Au [g/t]/31.103 x 1,300/9.2/22.04*

The mineral resources are derived from a Datamine constructed block model (block size = 7.5 m by 7.5 m by 7.5 m) of three mineral domains (SMSU, MSU and 138 Zone) and are reported above a NiEq cut-off of 0.90%. All Domains were “unfolded” and had top cuts applied to restrict outlier values (Pt, Pd and Au). The three domains (see Figure 14-1) utilized either Ordinary Kriged (OK) or Inverse Distance (ID) methodology to interpolate grades (Ni, Cu, Co,

Pt, Pd and Au) from 1.5 m composited drill holes. Density values were based on specific gravity measurements taken from whole core and where absent, regression formulas. The resources reported are based on a “blocks above cut-off” basis and were then examined visually by Golder and found to have good continuity.

## **Conclusions**

The mineral resource estimate in this technical report is the initial NI 43-101 mineral resource estimate for the Tamarack North Project. The resource estimate has been prepared in accordance with CIM best practise guidelines and is compliant with NI 43-101 regulations.

Mr. Brian Thomas, P.Geo., is the QP of the resource and has visited the site, collected samples for check assay, and reviewed the Tamarack North Project data, including geological and metallurgical reports, maps, technical papers, digital data including lab results, sample analyses and other miscellaneous information. The QP believes that the data presented is an accurate and reasonable representation of the Tamarack North Project and concludes that the database is of suitable quality to provide the basis of the conclusions and recommendations reached in this report.

The Tamarack North Project is considered to be a project of merit and has the potential for increased resources through additional exploration.

Risks identified that could affect the accuracy of the resource estimate include the following:

- Orientation of drilling is predominantly near vertical and is not necessarily ideal for accurately determining the true width of the mineralization;
- There is a possibility that the MSU domain is not as continuous as modeled;
- The Inferred Mineral Resources in the SMSU and 138 Zone domains are sensitive to higher cut-off grades which could affect the resource if mining costs increase significantly.
- The tonnage of the 138 Zone domain is based on bulk density that was calculated by polynomial regression.

Golder has taken many steps to mitigate the impact of these risks and has classified the resources accordingly.

Golder sees many opportunities for the Tamarack North Project which can result in an increase of resources and increased classification. These opportunities include the following:

- Inferred Mineral Resource in the SMSU and 138 Zone domains could be upgraded to Indicated Mineral Resource with additional infill drilling.
- The MSU domain could be extended another 150 m down plunge if infill drilling can confirm continuity between the existing domain and high grade massive sulphide

intervals located in the footwall of the 138 Zone domain. The MSU is also open up plunge and has not been tested in this direction.

- The SMSU zone has potential to be extended up plunge to the north-east with additional exploration drilling that can outline the CGO.
- Lower grade mineralization hosted in the FGO, located up plunge, has yet to be modeled and quantified.
- The property has good exploration potential as there are indications of mineralization at various other locations throughout the property which have not been thoroughly explored at this point in time.

## **Recommendations**

Golder notes that Kennecott is currently the operator of the Tamarack North Project pursuant to the Earn-in Agreement. Although Golder makes the following recommendations to Talon, Golder understands that Kennecott is under no obligation to follow such recommendations pursuant to the terms of the Earn-in Agreement.

Golder has the following recommendations for the next two phases of the Tamarack North Project. The goal of the first phase would be to increase the size of the resource and then the second phase would be to focus on upgrading the confidence in the resource and moving it towards development. Estimated costs of each phase are summarized in Table 1-3.

Recommendations for phase 1 include the following:

- Continue data analysis to the north of the SMSU domain to identify drill targets in the CGO intrusive.
- Exploration drilling to: a) the north of the SMSU; b) the south and east of the 138 Zone domain; and c) confirm and expand the Laucamp target area.
- Model lower grade mineralization located up plunge, hosted in the FGO, in order to quantify the potential resource in that area.
- Develop a QA/QC reporting protocol (monthly, bi-monthly) during drilling programs for auditing purposes and include a check on the primary assay laboratory by sending a selection of duplicate samples to second laboratory.

The second phase of recommendations may be contingent on successful results of phase 1 or could be implemented if the focus is switched from expanding the resource to developing the resource towards production.

- A preliminary economic assessment (PEA) is recommended in order to outline high level economics for the Tamarack North Project.

- Complete infill drilling in the existing resource to increase confidence. Drilling should cross cut the mineralization in order to delineate the true width of the SMSU and 138 Zone domains.
- Measure specific gravity from existing sample pulps in the 138 Zone domain to ensure that specific gravity values are representative of the sample intervals. Alternatively, a specific gravity formula could be developed based on calculated mineral abundances that can be applied to each sample interval. This would require additional assays for iron (Fe) to calculate the abundances of sulphide minerals.
- The estimation technique may need to include Indicator Kriging once sufficient data becomes available, in order to better represent the bimodal distributions observed in the SMSU and MSU domains.
- A mineral resource update is recommended once sufficient infill drilling has been completed.
- Continued exploration drilling to expand the resource.

#### **Estimated Costs of Recommendations**

<b>Recommended Item</b>	<b>Cost \$US</b>
Phase 1	\$10,000,000
Phase 2	\$20,000,000
<b>Total Expense</b>	<b>\$30,000,000</b>

Notes: Drilling costs are preliminary estimates.

#### **Metallurgical Recommendations**

The following are metallurgical related recommendations:

- Testing a wider range of samples, including the very high grade zone (MSU) and the lower grade (but still >0.5% Ni) material within the CGO and mixed zone mineralization areas.
- Some of the PGE metals could be hosted in silicate minerals and may only be partially recoverable by flotation. Metallurgical recovery of PGE metals have not been well established at this point in time and therefore metallurgical testing should be conducted to determine the approximate expected recoveries of PGE metals (specifically Pt, Pd) and Au.
- Establish crushability and grindability of samples.

- Confirm optimum primary grind size between a P80 of 60 and 120  $\mu\text{m}$ .
- Test production of non-acid generating tailings by scavenging rougher tailings at pH 7.5 with acid and with a powerful collector at longer flotation time.
- Evaluate regrinding of rougher concentrate with and without CMC (300 g/t) and xanthate, followed by two stages of bulk cleaning.
- Define optimum particle size for regrinding feed to copper nickel separation.
- To minimize the amount of complex copper sulphide particles reporting to Cu-Ni separation, consider a copper prefloat prior to roughing to scalp off the liberated and simple binary copper sulphide particles and only do copper nickel separation on this stream.
- Establish if scavenger concentrate needs to be reground.
- Conduct locked cycle tests on preferred flowsheet.

Depending on the level of testwork, it is estimated that the costs will be \$US150,000 - \$US350,000, which are included in Phase 2 costs in Table 1-3 above.”



## EXHIBIT II

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

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

#### I. PURPOSE

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

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

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

#### II. COMPOSITION AND MEETINGS

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

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

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

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

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

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

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

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

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

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

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

### **III. RESPONSIBILITIES AND DUTIES**

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

#### **Generally**

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

## **Documents/Reports Review**

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

## **External Auditors**

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

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

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

### **Financial Reporting Processes**

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

### **Process Improvement**

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

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

### **Ethical and Legal Compliance**

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

### **Risk Management**

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

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

### **Currency of Charter**

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

## Schedule “A”

### Independence and Financial Literacy

#### Independence Requirement of National Instrument 52-110

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

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

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

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

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

is considered to have a material relationship with the Corporation.

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

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

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

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

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

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

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

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

### **Financial Literacy**

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