



Unaudited Consolidated Financial
Statements of
TALON METALS CORP.
For the three months ended
March 31, 2009 and 2008

These unaudited financial statements of Talon Metals Corp. ("the Company") have not been reviewed by the auditors of the Company. This notice is being provided in accordance with Section 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Obligations

TALON METALS CORP.

Consolidated Balance Sheets Expressed in Canadian Dollars

	<u>March 31,</u> <u>2009</u> <u>Unaudited</u>	<u>December 31,</u> <u>2008</u>
Assets		
Current assets		
Cash and cash equivalents (note 4)	\$5,555,361	\$4,202,562
Term deposit	1,000,459	1,393,784
Loan receivable (note 5)	5,000,000	5,000,000
Accounts receivable and other assets	38,264	82,907
	<u>11,594,084</u>	<u>10,679,253</u>
Equipment (note 6)	81,281	86,281
Mineral properties and deferred expenditures (note 7)	8,293,750	8,168,925
Investments (note 8)	779,947	1,415,663
	<u>\$20,749,062</u>	<u>\$20,350,122</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$130,053</u>	<u>\$328,053</u>
Shareholders' equity		
Share capital and warrants (note 9)	22,320,031	22,320,031
Contributed surplus (note 9)	5,011,293	4,994,057
Deficit	<u>(6,712,315)</u>	<u>(7,292,019)</u>
	<u>20,619,009</u>	<u>20,022,069</u>
	<u>\$20,749,062</u>	<u>\$20,350,122</u>

See accompanying notes to the consolidated financial statements.

TALON METALS CORP.

Consolidated Statements of Operations and Deficit Expressed in Canadian Dollars

	<u>Three months ended March 31 2009 Unaudited</u>	<u>Three months ended March 31 2008 Unaudited</u>
Income		
Interest income	<u>\$6,038</u>	<u>\$116,978</u>
Expenses		
Office and general	130,181	94,139
Consulting fees	124,325	67,548
Management fees	67,500	67,500
Professional fees	56,632	67,207
Write down of projects	23,282	-
Stock based compensation	17,236	163,414
Travel	13,302	24,759
Interest and bank charges	7,920	18,569
Amortization of equipment	5,000	5,000
Listing and filing expense	4,231	22,494
	<u>449,609</u>	<u>530,630</u>
Loss for the period before the following:	(443,571)	(413,652)
Foreign currency translation gain	1,816	37,730
Gain on sale of investments	721,175	-
Unrealized gain (loss) on investments	<u>300,284</u>	<u>(353,626)</u>
Net earnings (loss) for the period	579,704	(729,548)
Deficit, beginning of the period	<u>(7,292,019)</u>	<u>(458,858)</u>
Deficit, end of the period	<u>\$(6,712,315)</u>	<u>\$(1,188,406)</u>
Basic and diluted earnings (loss) per share (note 12)	<u>\$0.02</u>	<u>\$(0.03)</u>

See accompanying notes to the consolidated financial statements.

TALON METALS CORP.

Consolidated Statements of Cash Flows Expressed in Canadian Dollars

	<u>Three months ended March 31 2009 Unaudited</u>	<u>Three months Ended March 31 2008 Unaudited</u>
Cash flows from operating activities		
Net earnings (loss) for the period	\$579,704	\$(729,548)
Items not affecting cash:		
Gain on sale of investments	(721,175)	-
Stock based compensation	17,236	163,414
Write down of projects	23,282	-
Unrealized (gain) loss on investments	(300,284)	353,626
Amortization of equipment	5,000	5,000
	<u>(396,237)</u>	<u>(207,508)</u>
Changes in non-cash working capital balances:		
Accounts receivable and other assets	44,643	2,808
Accounts payable and accrued liabilities	(198,000)	(86,370)
	<u>(549,594)</u>	<u>(291,070)</u>
Cash flows from investing activities		
Acquisition of equipment	-	(9,192)
Proceeds on maturity of term deposit	1,393,784	-
Purchase of term deposit	(1,000,459)	-
Proceeds on sale of investments	1,657,175	-
Mineral properties and deferred expenditures	(148,107)	(565,810)
	<u>1,902,393</u>	<u>(575,002)</u>
Increase (decrease) in cash and cash equivalents	1,352,799	(866,072)
Cash and cash equivalents, beginning of the period	4,202,562	14,599,696
Cash and cash equivalents, end of the period (note 4)	<u>\$5,555,361</u>	<u>\$13,733,624</u>

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements
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1. Incorporation and Operations

Resource Holdings & Investments Inc. ("RHI") was incorporated on July 8, 2004 under the International Business Companies Act in the Territory of The British Virgin Islands ("BVI") to engage in the acquisition, exploration, development and operations of mineral properties in Brazil. On April 5, 2005 RHI amalgamated with Ventures Resource Corporation ("VRC"), a publicly traded company, to form BrazMin Corp. (the "Company"), which later changed its name to Talon.

The Company has two subsidiaries incorporated in Brazil (Brazilian Resources Mineracao Ltda. ("BRM") and Brazmin Ltda. ("BRAZ LTDA"). The Company, through its subsidiaries, has acquired rights ranging from a 65% to 100% interest in a number of prospective gold mining projects situated in Brazil.

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

2. Summary of significant accounting policies

a) General -

In the opinion of management all adjustments required for a fair presentation are included in these statements, in accordance with the accounting policies of the Company. These unaudited interim consolidated financial statements have been prepared following accounting principles consistent with those used in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Company, for the year ended December 31, 2008. The results of operations for the interim period, are not necessarily indicative of the results of operations for any other interim period, or for a full fiscal year. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements.

b) Cash and cash equivalents –

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

c) Equipment –

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

d) Mineral properties and deferred exploration costs –

Interests in mineral exploration properties are recorded at cost. Exploration expenditures, other than those of a general nature, relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If a

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project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off.

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

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

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

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

e) Stock based compensation –

The Company uses the accounting standard for stock-based compensation which requires the use of the fair value method for valuing stock option grants. Under this method, compensation cost attributable to all share options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed

surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

f) Long-term investments -

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

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g) Asset retirement obligation –

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

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred, when a reasonable estimate of the fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any significant asset retirement obligations for the years presented.

h) Income taxes –

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

i) Foreign currency translation –

The functional currency of the company is Canadian dollars. A portion of the Company's transactions are denominated in United States dollars and Brazilian reals. The Company's foreign subsidiaries are integrated operations and financial statements stated in foreign currencies are translated using the temporal method. Monetary assets and liabilities denominated in United States dollars or Brazilian reals are translated to Canadian dollars at the rate in effect at the balance sheet date. Non-monetary items are translated at historical rates. Revenue and expenses are translated at average rates prevailing in effect during the year. The resulting gain or loss is included in the statement of operations.

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

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

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k) Share issue costs –

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

l) Revenue recognition –

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

3. Adoption of new accounting recommendations

In 2006, Canada's Accounting Standards Board adopted a strategy of converging Canadian GAAP for publicly accountable enterprises with International Financial reporting Standards (IFRS). The Company will be required to report using IFRS effective January 1, 2011. The Company is currently in the process of evaluating the impacts of this convergence.

4. Cash and cash equivalents

	<u>March 31,</u> <u>2009</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2008</u>
Cash on hand and balances with banks	\$2,123,612	\$333,090
Short term investments	3,431,749	3,869,472
	<hr/> \$5,555,361 <hr/>	<hr/> \$4,202,562 <hr/>

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5. Loan receivable

During 2008, the Company entered into a heads of agreement with Saber Energy Corp. ("Saber"), under which they have agreed to negotiate a pre-merger agreement in respect of a potential business combination in the first quarter of 2009. In addition, Talon loaned \$6 million to Saber. The loan was repayable by March 24, 2009, but has been extended to October 31, 2009. The interest rate is 18% per annum to July 24, 2009, and thereafter 25% per annum. The loan is secured by certain property and assets of Saber. An allowance for impairment of the loan of \$1 Million has been set up, based on management's estimate of the net recoverable amount of the loan. As such, no interest has been accrued to date.

Talon and Saber share one common director who directly or indirectly holds (or has control or direction over) approximately 5% of the outstanding shares of Talon, and approximately 8% of the outstanding shares of Saber. Talon and Saber both have an administrative services agreement with Tau Capital Corp. Management has determined that the Company and Saber are not related parties under GAAP. However, in light of the foregoing, an independent committee of the board of directors of Talon was formed and it reviewed and approved the loan to Saber.

6. Equipment

	<u>March 31,</u> <u>2009</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2008</u>
Cost	\$134,441	\$134,441
Accumulated Amortization	53,160	48,160
Net Book Value	<u>\$ 81,281</u>	<u>\$86,281</u>

7. Mineral properties and deferred expenditures

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

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<u>Name of Project</u>	<u>March 31,</u> <u>2009</u> <u>(unaudited)</u>	<u>Addition</u>	<u>December 31,</u> <u>2008</u>
<u>BRM</u>			
São Jorge Project	\$5,980,831	\$42,361	\$5,938,470
<u>BRAZ LTDA</u>			
Água Branca Project	1,222,798	-	1,222,798
Campo Grande Project	501,500	-	501,500
Other Projects	588,621	82,464	506,157
	<hr/>	<hr/>	<hr/>
	\$8,293,750	\$124,825	\$8,168,925

a) São Jorge Project -

On July 16, 2004 the Company entered into an agreement whereby BRM acquired a 100% interest in São Jorge exploration license and mineral rights located in Pará State, Brazil, within the Tapajós Gold District, from Centaurus Mineração e Participação Ltda ("Centaurus"). The license has an initial term of three years from the date of publication of the license on March 2, 2003. An application for the extension of the license for a second term of three years was submitted to the Departamento Nacional de Produção Mineral ("DNPM") in December 2005.

On April 22, 2005 the Company entered into an agreement with Jaguar Resources do Brasil Ltda whereby Talon acquired a 100% interest in three adjacent claims in the São Jorge area. On May 13, 2005 an agreement was made with Tapajós Mineração and a Mr. Pacheco whereby Talon acquired a 100% interest in certain adjacent claims within the São Jorge area. One of the vendors of the latter claims is entitled to receive a bonus at the time the project reaches development stage. The bonus amount corresponds to 1% of the proven mineable reserves as demonstrated by a feasibility study relating to the São Jorge area. This study should be prepared in accordance with internationally accepted practices and be compliant with NI 43-101. This 1% bonus is purchasable by the Company on or before September 30, 2006 for an amount of US \$2,500,000. Talon has elected not to exercise the purchase of this bonus. In addition, cash option payments totaling US \$440,000 were payable, all of which have been made. One of the acquired properties has a residual royalty amounting to 2% of gross proceeds from any mining operation, 1.5% of which is purchasable at any time for US\$500,000. The total area of São Jorge including all the above is 57,420 hectares.

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On May 5, 2006, the Company issued a press release in respect of certain alleged irregularities affecting Licence #024, being one of the licences that were obtained from Centaurus in 2004. In November 2008, Talon was notified that Licence #024 will be nullified by the DNPM, and as such Licences #058 and #275, each owned 100% by the Company, would prevail and be granted priority rights over the São Jorge deposit and a large area surrounding such deposit.

b) Água Branca Project -

On July 16, 2004 the Company acquired through BRAZ LTDA, a 100% interest in the underlying mineral rights of Água Branca, a 9,356 hectare property, located in Pará State, Brazil within the Tapajós Gold District, from an independent vendor and Centaurus. These licences have been converted to exploration licences and transferred into the name of Brazmin Ltda. Nine payments totaling approximately US\$150,000 have already been made to the vendors. A final option payment of US\$150,000 on a portion of the property, is due in March 2009, and has not been paid. The property area is subject to a 2% net smelter return royalty, with a buy out for US\$2,000,000.

In September 2006, a Talon subsidiary signed option agreements to acquire a 100% interest in an additional 7,725 hectares. This option was dropped by the Company during 2008.

The rights to an additional area of 33,259 hectares, was applied by the Company to cover available land adjacent to the current land holdings.

During the three months ending March 31, 2009, a total of \$20,364 was spent at Água Branca. However, since the project was written down to management's estimate of market value in a prior period, and management does not believe that the market value has changed, these costs were expensed in the first quarter of 2009.

c) Campo Grande Project –

The Campo Grande project is located in the Iron Quadrangle gold camp, approximately 110 km west of Belo Horizonte, the capital of Minas Gerais State, Brazil. This project consists of three exploration licenses covering 2,611 hectares, which are owned 100% by Company subsidiaries. A net smelter royalty ("NSR") of 1.5% is held by a third party on one of the three licenses.

During the three months ending March 31, 2009, a total of \$2,918 was spent at Campo Grande. However, since the project was written down to management's estimate of market value in a prior period, and management does not believe that the market value has changed, these costs were expensed in the first quarter of 2009.

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d) Other Projects

The Company owns or has interests in several Other Properties in Brazil.

In 2007 Talon applied for the rights to the Juruena Gold Project ("Juruena"), a 7,000 hectare property which is 100% owned by the Company. In April 2009 exploration licenses were formally granted to Talon.

The Serrita and Serrita Norte Project are two adjoining parcels located in Pernambuco State, Brazil (together the "Serrita Project"). BRAZ LTDA initially owned a 65% interest in the Serrita Project. The Company has decided to farm-out this project as it does not constitute a core asset. On February 8, 2006, the Company entered into an option agreement with Troy Resources NL ("Troy") of Australia. Troy has the right to up to a 75% interest in the Serrita project by spending US\$700,000 over 4 years and making certain cash payments to the Company and its partners. Should Troy earn its 75% interest, the Company may retain a 16.25% interest or elect to convert to a NSR royalty. In the third quarter of 2008 the Serrita project was written down by \$374,094 to \$nil as it will not be pursued further.

The Rio Maria Project ("Rio Maria") consists of five exploration license applications covering 43,379 hectares in the name of Brazmin Ltda. and located in southeastern Pará State. The Company determined during the fourth quarter of 2007, that the Rio Maria did not meet the current corporate objectives and a decision was made to farm the project out. As such, Rio Maria was written down by \$62,405 to reduce the value of this project to \$nil in 2007.

In the fourth quarter of 2007, Talon entered into an agreement with Reinarda Mineracao Ltda. ("**Reinarda**"), a Brazilian subsidiary of Troy, regarding Rio Maria. Under the terms of the agreement Reinarda earned a 51% interest in Rio Maria by paying Talon a total of US\$150,000 and committing to expenditure of US\$100,000 over twelve months ending December 31, 2008. (This payment and expenditure was made within the specified timeframe.) Reinarda can increase their ownership of Rio Maria to 100%, with a 2% NSR royalty payable to Talon Ltda, and by making an additional US\$200,000 payment and further expenditures totalling US\$250,000 over the following 24 months. One half of the 2% NSR (i.e. 1%) can be purchased by Reinarda for a one time payment of US\$1,000,000.

The Batistão Gold Project comprises a 20,000-hectares property, which is 100% owned by Brazmin Ltda. The project was secured by Talon in 2007 and is located on the Peixoto de Azevedo Mineral Province on the northern portion of Mato Grosso State, Brazil.

An additional \$54,990 was written off other smaller projects during the previous year, representing amounts spent on projects that will no longer be pursued.

Although the Company believes it has taken reasonable measures to ensure proper title to its mineral properties in which it has an interest, there is no guarantee that title to any of its mineral properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected

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defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

8. Investments

	<u>March 31,</u> <u>2009</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2008</u>
Brazauro Resources Corporation ("Brazauro")	\$654,395	\$1,283,230
Beadell Resources Limited ("Beadell")	125,552	132,433
	<u>\$779,947</u>	<u>\$1,415,663</u>

The Company holds 2,450,000 shares in Beadell. These shares have been valued at the closing bid price of the shares as of March 31, 2009. An unrealized loss of \$6,881 has been recognized in net loss for the three months ended March 31, 2009 (an unrealized loss of \$230,239 for 2008).

The Company held 4,935,500 common shares of Brazauro at December 31, 2008. 3,600,000 of these shares were sold during the three months ended March 31, 2009, and a gain in the amount of \$721,175 has been recognized in net earnings for this period. An unrealized gain on the remaining Brazauro shares of \$307,165, has been recognized in net earnings for the three months ended March 31, 2009. The Company sold its remaining Brazauro holding in April 2009. A realized loss of \$38,563 on this sale, will be recognized in net earnings for the three and six months ending June 30, 2009.

The share price of the Beadell shares is subject to volatility. There can be no assurance that an active trading market for Beadell shares is sustainable. The trading price could be subject to wide fluctuations in response to factors beyond the Company's control including: quarterly variations in Beadell's results of operations, changes in earnings, estimates by analysts, conditions in the industry and general market or economic conditions. Such fluctuations could adversely affect the value of the Beadell shares held by the Company

9. Share capital and warrants

The Company has 100,000,000,000 authorized common shares of no par value. The following details the changes in the Company's share capital for the period from January 1, 2008 to March 31, 2009:

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	Number of shares	Number of warrants	Amount
Balance, January 1, 2008	27,054,222	2,500,000	23,932,221
Warrants expired	-	(2,500,000)	(1,612,190)
Balance, December 31, 2008 and March 31, 2009 (unaudited)	27,054,222	-	\$22,320,031

The fully diluted share capital of the Company is 29,594,722 common shares.
This is comprised of the shares as above as well as the options as described below.

Stock Options

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

- a) During the first quarter of fiscal 2008, the Company issued a total of 200,000 stock options to certain of its officers and employees. The options expire in February 2013 and vest immediately. The exercise price is \$0.57 per share. All these options are outstanding as at March 31, 2009.

Estimated fair value of stock options

The Company determined the fair value of the 200,000 stock options issued using the Black-Scholes option pricing model under the following assumptions:

Expected life	5 years
Fair value (\$/option)	\$0.47
Risk-free interest rate	3.80%
Volatility	117%
Dividends	0%

A summary of options outstanding as at March 31, 2009 and 2008 and changes during the three month periods then ended, is presented below (unaudited):

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	2009		2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding – beginning of period	2,540,500	\$1.20	2,340,500	\$1.26
Granted	-	-	200,000	0.57
Balance, end of period	2,540,500	1.20	2,540,500	\$1.20

Total outstanding (March 31, 2009)	Weighted Average Exercise Price	Expire	Total exercisable (March 31, 2009)	Weighted Average Exercise Price
Options			Options	
1,495,000	\$1.25	2010	1,495,000	\$1.25
230,500	2.00	2011	230,500	2.00
200,000	1.00	2011	200,000	1.00
50,000	0.98	2012	50,000	0.98
365,000	1.00	2012	273,750	1.00
200,000	0.57	2013	200,000	0.57
2,540,500	\$1.20		2,449,250	\$1.21

The total potential proceeds to the Company should all outstanding options be exercised would be \$3,057,750.

Contributed Surplus

A summary of the changes in contributed surplus for the period from January 1, 2008 to March 31, 2009, is as follows:

Balance – January 1, 2008	\$3,119,938
Options granted	261,929
Warrants expired unexercised	1,612,190
Balance – December 31, 2008	4,994,057
Options granted (unaudited)	17,236
Balance – March 31, 2009 (unaudited)	\$5,011,293

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10. Financial instruments

	<u>March 31,</u> <u>2009</u> (unaudited)	<u>December 31,</u> <u>2008</u>
Held for trading, measured at fair value:		
Cash and cash equivalents	\$5,555,361	\$4,202,562
Term deposit	1,000,459	1,393,784
Investments	779,947	1,415,663
Loans and receivables, measured at amortized cost:		
Accounts receivable	38,264	82,907
Loan receivable	5,000,000	5,000,000
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	130,053	328,053

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

The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis. The exploration and development of mineral deposits involves significant financial risks. The success of the Company will be impacted by a number of factors including financing, currency, exploration and extraction risks, political uncertainty, regulatory issues and environmental and other regulations.

The Company's approach to liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company has sufficient cash to meet all expected obligations at March 31, 2009.

Market risk is the risk that changes in market prices including foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company records its investments using the year end bid price. Changes in the bid price will affect the fair value of these investments. The Company is minimally exposed to movements in the United States dollar and the Brazilian real as transfers are made to the Brazilian subsidiaries in United States dollars and then converted by them to Brazilian reals. In addition, the Company's investment in Beadell is denominated in Australian dollars. The Company is exposed to interest rate risk only to the extent of its interest income on Treasury bills. These are typically short-term investments with a term of less than ninety days. The Company has no interest bearing debt. Cash and short-term investments are held in treasury bills and are therefore not exposed to credit risk. The Company is exposed to credit risk to the extent of its Saber loan receivable not being repaid, and the assets held as security for the loan cannot be sold.

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Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period: Interest bearing bank accounts are at a variable rate and investments maturing in less than 1 year are subject to new interest rates at the time of renewal, and therefore, may be impacted. Sensitivity to a 1% change in interest rates would not have a material effect on net income.

11. Capital management

The Company's capital management objectives are to maintain financial flexibility in order to preserve its capacity to meet its financial commitments and to meet its potential obligations resulting from internal growth and acquisitions. The Company defines capital as Shareholders' equity which at March 31, 2009 was \$20,619,009 (December 31, 2008:\$20,022,069).

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

12. Earnings (loss) per share

	Three months ended March 31, 2009	Three months ended March 31, 2008
The following table sets forth the computing of basic and diluted earnings (loss) per share: (unaudited)		
Numerator for basic and diluted earnings (loss) per share available to common shareholders	\$579,704	\$(729,548)
Denominator for basic and diluted earnings (loss) per share	27,054,222	27,054,222
Basic and diluted earnings (loss) per Share	\$0.02	\$(0.03)

13. Income taxes

As the Company is incorporated under the International Companies Business Act, it is exempt from tax in the British Virgin Islands. The Brazilian subsidiaries have loss carry forwards of approximately \$260,000, which are available to shelter future taxable income. These losses have no expiry date but can only be offset against taxable income to the extent of 30% in a year.

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

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

14. Related party transactions and balances

The Company has entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"). The controlling shareholder of Tau is a 5% shareholder of the Company. The Agreement terminates on July 31, 2009, but automatically renews on the same terms and conditions for a further one year period at a time. The terms of the Agreement require the Company to pay Tau a monthly service fee of \$22,500. For the three months ended March 31, 2009, fees paid to Tau for these services were \$67,500 (2008: \$67,500).

Consulting fees paid to officers of the Company for the three months ended March 31, 2009 were \$65,937(2008:\$67,548).In addition an amount of \$40,753 (2008:\$27,727) was charged to the Company by Tau in respect of services rendered outside of the Agreement. Consulting fees paid to a Company owned by an officer of the Company for the three months ended March 31, 2009 were \$29,484 (2008:\$NIL).

Accounts receivable and other assets at March 31, 2009 include \$22,500 paid to Tau for management fees for April 2009 (March 31, 2008: \$22,500).

Accounts payable at March 31, 2009 include \$13,555 payable to an officer of the Company for consulting fees for March 2009. (March 31, 2008: \$10,861).

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

15. Geographic information

Interest income is earned in Canadian dollars by the parent company, a British Virgin Islands Company. \$74,884 of the Company's equipment is in Brazil, with the remainder being in Canada. All of the mining properties are located in Brazil.