



Talon Metals Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2009

Dated: November 16, 2009

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This Management's Discussion and Analysis ("MD&A") of the consolidated financial position for the three and nine months ended September 30, 2009, should be read in conjunction with the consolidated financial statements and notes of Talon Metals Corp. ("Talon" or the "Company") for the three and nine months ended September 30, 2009.

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

1. Forward-Looking Information

This MD&A contains certain "forward-looking information". All information, other than information pertaining to historical fact, which addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, information regarding the Company's plans and objectives, mineral resources, metallurgical results, the Company's exploration results with respect to the São Jorge, and other gold projects, the Company's exploration plans on its Brazilian potash projects, as well as the loans to Saber Energy Corp. ("**Saber**") and the proposed merger between Talon and Saber (the "**Merger**") constitute 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, the preliminary nature of metallurgical results, changes in mineral prices (including gold and potash prices), changes in equity markets, the possibility that future exploration results will not be consistent with the Company's expectations, political developments in Brazil, changes to regulations affecting the Company's activities, delays in obtaining or failures to obtain required regulatory approvals, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties involved in interpreting drilling results and other geological data, other risks involved in the mineral exploration and development industry, increases in the costs associated with completing the Merger, the failure of Talon and Saber to complete the Merger, the failure to obtain shareholder, regulatory and/or stock exchange approval of the Merger, and Saber failing to repay the interim loans from Talon. For further factors and assumptions that underlie the forward-looking information included in this MD&A relating to the loans to, and the proposed merger with, Saber, please refer to the section entitled "Forward-Looking Statements" in the news releases of the Company dated March 24, 2009, April 24, 2009, and May 25, 2009 and September 1, 2009, (available on SEDAR at www.sedar.com). Forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

The mineral resource figures referred to in this MD&A are estimates, and no assurances can be given that the indicated levels of gold will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates included in this MD&A are well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

2. Overview

*Additional information relating to the Company, including the Company's Annual Information Form ("**AIF**") for the year ended December 31, 2008, is available on SEDAR at www.sedar.com.*

Talon is focused on the acquisition, exploration and development of high-quality resource opportunities. Management remains guardedly optimistic that, despite the changed circumstances of the past year, the long term fundamentals of the resource industry are attractive. The Company has acquired a balanced portfolio of exploration properties ranging from advanced to grassroots stages of development.

The principal asset, the São Jorge Gold Project ("**São Jorge**") in Pará State, Brazil, is an advanced-staged gold exploration project and Phase I and Phase II diamond drilling and work programs were completed in respect of São Jorge in 2005 and 2006, respectively. The results of the Phase I drilling were utilized in an independent National Instrument 43-101 ("**NI 43-101**") mineral resource estimate undertaken by SRK Consulting (Canada) Inc. ("**SRK**") in the latter part of 2006. Subsequent to that resource estimate, further drilling results were received and exploration undertaken. As a result of this and the significant increase in the price of gold, Talon commissioned Coffey Mining ("**Coffey**"), an independent consulting firm, to undertake an updated NI 43-101 mineral resource estimate for the Wilton Zone at São Jorge. This was completed and the results announced by news release on September 4, 2008. Coffey reported a 79% increase in the indicated category of the mineral resource estimate for the Wilton Zone at São Jorge of 343,000 troy ounces of gold. Furthermore, an additional 458,000 troy ounces of gold was reported in the inferred resource category.

Talon is defining a revised strategy to continue with the development of the São Jorge Gold Project, to maximize value for shareholders. Currently the extension areas to the Wilton pit are being reviewed, with the aim of assessing the probability of defining additional resources while optimization studies on the existing resource in the Wilton pit continue.

At the Água Branca Gold Project, surface exploration was undertaken in 2007 to identify and define the targets in preparation for a Phase II drilling program, which commenced in the fourth quarter of 2007 and was completed in April 2008. After a

review of the exploration results was completed in the fourth quarter of 2008, Talon decided to identify a partner in order to continue the development of this project.

Management continually reviews the Company's asset base and any potential new acquisitions to ensure optimum use of shareholders' funds. Talon's strategy of establishing a portfolio of projects at different stages of development is aimed at providing benefit from both near-term exploration success and any future rise in resource prices. Talon is currently reviewing its portfolio of gold properties in Brazil and projects that do not meet Talon's objectives will be considered for farm out to third parties.

In addition, the Company has commenced an active program to identify, evaluate and acquire interests in other prospective opportunities globally. As a result of this program Talon identified prospective potash projects in Brazil. In a news release on May 25, 2009, the Company announced the acquisition from Bancor Mineracao Ltda of certain properties in the Sergipe and Alagoas States of Brazil with potential for potash, collectively referred to as the "**Sergipe Potash Project.**" Talon is actively pursuing interests in other potash projects in the same area.

During the third quarter of 2009, further licences were granted and applications made for other licences increasing the land position of the Sergipe Potash Project. This project now comprises ten onshore and two offshore potash prospects. Exploration licences are held for a total area of 40,277 hectares (99,526 acres) and applications have been made for a further 44,120 hectares (109,022 acres).

Also as a result of the Company's acquisition program, Talon announced a Heads of Agreement ("**HOA**") with Saber Energy Corp. ("**Saber**"), regarding a potential merger of the two companies in a news release of September 25, 2008 (as updated in Talon's news releases of March 24, 2009, April 24, 2009 and May 25, 2009.)

Saber is a private coal bed methane ("**CBM**") exploration company focused on developing a CBM and shale gas field in the Karoo Basin in Botswana, Africa. Saber drilled 82 wells in its first exploration program in 2008-09. This proposed transaction with Saber was entered in to in order to realize Talon's goal to participate in a large project of merit, a strategic undertaking that has been underway since mid-2007.

Also on September 25, 2008, Talon announced it had agreed to loan up to \$6 million to Saber, in advance of the signing of a pre-merger agreement and that an initial \$3 million had been advanced. Both the HOA and the loan agreement have been filed on SEDAR and may be accessed on Talon's Sedar profile at www.sedar.com.

In the fourth quarter of 2008, Talon, in accordance with its agreement with Saber, increased the loan to Saber to \$6 million and in April 2009 Talon announced it had agreed to extend the maturity date of this loan to October 31, 2009 based on positive developments at Saber including Saber's signing of a Heads of Agreement with Tlou Energy Pty Ltd ACN 136 739 967 ("**Tlou Energy**"), a joint venture between the experienced CBM companies from Australia, Mitchell Energy Group and Walcot Capital.

On September 1, 2009, Talon entered a definitive agreement with Saber (the "**Pre-Merger Agreement**") with respect to the Merger. The Pre-Merger Agreement been filed on SEDAR. The Merger remains subject to the completion of a number of conditions precedent, including receipt of necessary regulatory approvals. Please see *Section 14 Proposed Transaction* for further details regarding the Pre-Merger Agreement and the status of Merger related matters.

Also on September 1, 2009, Talon agreed to further amend the loan agreement with Saber to: (i) loan a further US\$0.5 million to Saber, which amount has since been repaid to Talon, and (ii) extend the maturity date of the loan to the earlier of December 15, 2009 and the effective date of the Merger.

On October 9, 2009, Talon announced a one month extension on the maturity date of the loan to the earlier of January 15, 2010 and the effective date of the Merger. In addition, on October 9, 2009, Talon and Saber amended the Pre-Merger Agreement to extend the deadline for the completion of the Merger to December 31, 2009. Both the amendment to the Pre-Merger Agreement and the amended loan agreement have been filed on SEDAR.

3. Exploration Projects

São Jorge Gold Project

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

In 2005, the Company completed a Phase I diamond drilling program on the São Jorge Project. A total of 10,104 metres was drilled in 48 holes. The main target, the Wilton Zone, had 42 drill holes totalling 9,228 metres completed, covering the 650 metre by 100 metre zone on sections of approximately 40 metre spacing and at 40 metre intervals down dip to approximately 150 metres below surface. Assay results for all the holes were received and published in Talon news releases. Referee samples amounting to approximately 8% of the total number were submitted to a separate laboratory, independent of Talon, for check analyses. The results indicate acceptable levels of correlation.

Once the Company completed a geological interpretation of the Wilton Zone at São Jorge on the basis of the Phase I drilling results and field programs, the entire data set was provided to SRK, an independent engineering firm, contracted to perform a NI 43-101 mineral resource estimate of the Wilton Zone. This work was based on diamond drilling information from both Talon's Phase I Program, as well as data from the previous drilling performed by a subsidiary of Rio Tinto PLC.

On October 13, 2006, the Company filed a NI 43-101 technical report entitled "BrazMin Corp.: Resource Estimate and Technical Report for the São Jorge Project, Brazil", dated October 12, 2006. A copy of this report is available on the Company's SEDAR profile at www.sedar.com.

A Phase II Exploration Program was conducted from May to September 2006. The drilling portion of this program comprised 7,952 metres in 34 holes. Of this drilling,

2,302 metres in eight holes consisted of in-fill diamond drilling on the Wilton Zone. The balance of the drilling was directed towards the testing of new target areas and step-out drilling from the Wilton Zone to identify additional mineralization. Two new gold-mineralized zones, the "Kite Zone" and "Wilton East Zone", were discovered some 350 metres northwest and 430 metres southeast, respectively, of the Wilton Zone, as reported in news releases of July 24, 2006 and November 3, 2006.

Results for all 34 holes in the Phase II Program are contained in news releases dated July 24, 2006, August 17, 2006, October 6, 2006 and November 3, 2006.

The Phase II program also included 33.26 line-kilometres of ground geophysics consisting of Induced Polarization and magnetometer surveys covering an area some two kilometres in radius surrounding the Wilton Zone. A regional airborne geophysical program consisting of 2,636.34 line-kilometres of magnetometer and radiometric surveys has been completed. Based on the interpretation of structural and airborne geophysical data, several regional targets were defined at São Jorge.

In 2007, surface exploration included the soil sampling of two extension lines within the regional soil sampling survey and the sampling of an additional parallel line. The program comprised 181 soil samples and focused on several west-northwest trending structural corridors sub-parallel to the Wilton Zone. Anomalous gold values were received over a 600 metre length on one line.

In 2008, based on Phase II drill results, and in light of the significant increase in the price of gold since 2006, Talon commissioned Coffey, an independent consulting firm, to undertake an updated NI 43-101 mineral resource estimate for the Wilton Zone at São Jorge.

In a news release dated September 4, 2008, the Company announced the results of Coffey's mineral resource estimate for the Wilton Zone. Using a 0.5 grams per tonne ("g/t") gold cut-off, Coffey classified only that material in the Wilton Zone occurring within 260 metres of surface as a mineral resource. Coffey's mineral resource estimates are presented in Table 1. This mineral resource estimate was prepared by Mr. Bernardo Viana (Member: AIG), an employee of Coffey and a "Qualified Person" within the meaning of NI 43-101.

Table 1 : Global Mineral Resource Estimate for the Wilton Zone at São Jorge using a 0.5 g/t Au cut-off grade (effective date: September 4, 2008).¹

São Jorge Project – Wilton Zone Grade Tonnage Report			
Multiple Indicator Kriging Estimate 10E x 10mN x 2.5mRL Selective Mining Unit ²			
Indicated Mineral Resource			
Cut-off Grade (g/t Au)	Million Tonnes³	Average Grade (g/t Au)	Contained Gold (Kozs)³
0.5	8.334	1.3	343
Inferred Mineral Resource			
Cut-off Grade (g/t Au)	Million Tonnes³	Average Grade (g/t Au)	Contained Gold (Kozs)³
0.5	12.576	1.1	458

¹ For additional information on São Jorge and these mineral resource estimates see the independent technical report entitled “Talon Metals Corp.: Sao Jorge Gold Project, Para State, Brazil, National Instrument 43-101 Second Technical Report” and dated September 4, 2008, which has been filed on SEDAR and may be accessed on the Company’s profile at www.sedar.com.

² Specification on the size of the blocks used in the block modeling.

³ Appropriate rounding has been applied. “Kozs” indicates thousand troy ounces.

Talon is defining a revised strategy to continue with the development of São Jorge, to maximize value for shareholders. Currently the extension areas to the Wilton pit are being reviewed, with the aim of assessing the probability of defining additional resources while optimization studies on the existing resource in the Wilton pit continue.

A total of \$131,453 has been expended on São Jorge during the nine month period under review.

Sergipe Potash Project

Talon's Sergipe Potash Project comprises ten onshore and two offshore potash prospects located in the Sergipe and Alagoas States of Brazil. Talon holds exploration licences for a total area of 40,277 hectares (99,526 acres) and has applications for exploration licences pending for a further 44,120 hectares (109,022 acres). The Sergi, Rio do Sal and Capela prospects are the most attractive onshore prospects and are the focus of Talon's current exploration program.

Eight of Talon's potash prospects were acquired from Bancor Mineracao Ltda. ("**Bancor**"), a Brazilian subsidiary of Kmine Holdings Ltd., a private company, as announced in Talon's news release of May 25, 2009.

The project areas are in the same sedimentary basin as established oil producing areas and the nearby Taquari-Vassouras potash mine, which is operated by Vale and produced 607,000 tonnes of potash in 2008.

There is a significant amount of technical data on the Sergipe-Alagoas sedimentary basin, generated by the oil and gas industry since 1960. To date, Talon has acquired the logs of 86 historical oil wells within the basin, some of which are strategically located within Talon's prospect areas.

In addition, Talon is acquiring other existing exploration data, including 2-D and 3-D seismic data, additional drill logs, downhole geophysical profiles and the data from a regional gravity survey. All of this data originated from exploration programs focused on oil and gas and therefore requires reinterpretation in order to apply it to potash exploration.

By the end of the first quarter of 2010, Talon expects to receive and evaluate all the outstanding historical data to define the most attractive targets for potash mineralisation and to delineate the basin structure. This will conclude Phase I of the exploration program. Particular emphasis will be placed on identifying the more continuous and well developed potash deposits. Much of the reinterpretation is being conducted in association with experienced consultants, Stratageo SARL.

A Phase II exploration program is planned to commence in 2010 and could include 2-D and 3-D seismic surveys over the most prospective targets, followed by a drilling program. Talon is in the process of submitting applications for the environmental licences that are required to conduct the Phase II field based program.

Since the Sergipe Potash Project was acquired in May 2009, a total of \$502,800 has been spent by Talon on this project.

Água Branca Gold Project

In 2004, Talon acquired a 100% interest in the underlying mineral rights to a 9,356 hectare area named the Água Branca Gold Project ("**Água Branca**"), located in the Tapajós Gold District within the Pará State, Brazil. Nine payments totalling

approximately US\$150,000 have been made to the vendors. A final option payment of US\$150,000 on a portion of the property was due in March 2009, and this has not been paid. The property area is subject to a 2% net smelter return (“NSR”) royalty, with a buyout of US\$2 million.

In September 2006, a Talon subsidiary signed option agreements to acquire a 100% interest in an additional 7,725 hectares, however in 2008 Talon dropped the option on this acreage.

The Company applied for the rights to an additional area of 5,651 hectares to cover available land adjacent to the current land holdings.

Água Branca is situated approximately 70 kilometres west-northwest of São Jorge and 30 kilometres northwest of the Transgarimperia Highway. An existing road from the highway to the community of Água Branca provides access for personnel and equipment.

A Phase I Drill Program was conducted on the Camarão Hill target from October to December 2006. A total of 2,416 metres were drilled in 13 holes, covering an approximately 550 metre strike extent of the 750 by 300 metre Camarão Hill target area. Results from this program were announced by the Company in news releases dated January 9, 2007 and February 13, 2007. All holes drilled in this program intersected gold mineralization.

In October 2007, Talon initiated a 2,000-metre Phase II Drill Program to test the Serra da Abelha, Jerimun, Heaven West and Sierra Delta targets at Água Branca. The drilling program was concluded in April 2008 and comprised of 21 drill holes and a total of 2,316.80 metres. Drilling was performed by Boart Longyear-Geoserv, which is ISO 14001 accredited.

The updated exploration results from the Phase II Drill Program are contained in the Company's news release of July 7, 2008.

Following a review of the exploration results in the fourth quarter of 2008, Talon decided to identify a partner in order to continue the development of Água Branca.

During the nine months ended September 30, 2009, a total of \$74,885 was capitalized at Água Branca.

Campo Grande Gold Project

Talon's Campo Grande Gold Project (“**Campo Grande**”) is located in Minas Gerias State, approximately 110 kilometres west of the state capital of Belo Horizonte and 15 kilometres north of the Town of Pitangui. A major road transects the Campo Grande property and facilitates access to the project area. Campo Grande is located in a region known as the “Iron Quadrangle”, a major Brazilian gold mining camp with continuous production since the 17th century.

Campo Grande consists of three exploration licences totalling 2,611 hectares. All three licences are owned 100% by Talon subsidiaries; a NSR of 1.5% is held by a third party on one of the three licences.

Work by previous operators at Campo Grande outlined a 1.8 kilometre by 250 metre semi-coincident gold, arsenic and antimony soil anomaly. Between January and April 2007, Talon conducted a nine-hole (1,456 metre) drill program with the objective of providing an initial drill test of the soil anomaly. All significant assays from this program are included in the Company's news release of May 14, 2007.

In the third quarter of 2007, further check drill core samples were submitted for analysis. Gold assays indicated a good correlation with the original drill results.

Talon did not conduct any exploration activities on Campo Grande during 2009.

During the nine months ended September 30, 2009, a total of \$6,128 was capitalized at Campo Grande.

Other Gold Projects

The Company owns or has interests in several other gold projects in Brazil (the "**Other Gold Projects**".)

In 2007 Talon applied for the rights to the Juruena Gold Project ("**Juruena**"). In April 2009 exploration licences were formally granted to Talon for this 6,369 hectare property which is 100% owned by the Company. Juruena previously had been one of the major garimpeiro mining sites in Brazil and has an estimated historical production of some 250,000 ounces of gold from eleven pits in alluvial and near surface shallow saprolite deposits. The hard rock target here is a series of multiple quartz veins hosted in alteration zones within granites. Talon will now undertake a more detailed assessment of previous mining and exploration at Juruena and formulate a strategy to maximize the value for Talon.

The Batistão Gold Project ("**Batistão**") comprises a 20,000-hectares property, which is 100% owned by Talon. The project is located on the Peixoto de Azevedo Mineral Province on the northern portion of Mato Grosso State, Brazil.

Talon relocated all of the historical drill holes at Batistão and completed the compilation of existing geological, geochemical and geophysical data. Based on the interpretation of these data, the Company intends to conduct a future drill program to validate the best intercepts and test new geological/structural concepts.

The Rio Maria Project ("**Rio Maria**") consists of five exploration licence applications covering 43,379 hectares located in southeastern Pará State, Brazil. Based on exploration by Talon and past operators, the Company determined that the Rio Maria did not meet Talon's 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 Resources NL ("**Troy**"), regarding Rio Maria. Under the terms of the agreement Reinarda earned a 51% interest in Rio Maria by paying Talon a total of US\$150,000 and committing to expenditure of US\$100,000 over twelve months ending December 31, 2008 (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 Serrita and Serrita Norte Project are two adjoining parcels located in Pernambuco State, Brazil (together the "**Serrita Project**"). Talon initially owned a 65% interest in the Serrita Project. On February 8, 2006, the Company entered into an option agreement with Troy. Pursuant to the agreement, Troy has the right to acquire up to a 75% interest in the Serrita Project by spending US\$700,000 over four years and making certain cash payments to the Company and its partners. Should Troy earn its 75% interest, the Company may retain a 16% interest or elect to convert to a NSR. In the third quarter of 2008 an amount of \$374,094 was written down to reduce this project to a value of \$nil.

In the fourth quarter of 2008, Troy decided to withdraw from the option agreement with Talon on the Serrita Project. Talon reviewed all the exploration data acquired by Troy and decided to abandon the project.

Effective February 2007, Brazauro Resources Corporation ("**Brazauro**") acquired Talon's interests in the Tocantinzinho Gold Project (the "**Toc Project**") in Brazil in exchange for 13,150,000 treasury shares of Brazauro (TSX-V:BZO). Subsequently, in September 2007, Talon sold about 62% of its share position in Brazauro (8,214,500 common shares) for approximately \$6.6 million. In March 2009, Talon sold a further 3,600,000 shares for approximately \$1.7 million and in April 2009 Talon sold its remaining 1,335,500 common shares of Brazauro for about \$0.6 million.

During the third quarter of 2007, Talon entered into an agreement to assign its option to acquire a 100% interest in the Tartarugalzinho Gold Project ("**Little Turtle**") to Beadell Resources Limited ("**Beadell**"). Under the terms of the agreement Talon received a total of US\$650,000 in cash and shares from Beadell (ASX:BDR). The share consideration amounted to 2.45 million common shares of Beadell which are currently designated as "held for trading" on the Company's Consolidated Balance Sheets.

During the nine months ending September 30, 2009, an amount of \$201,911 was expended on the Other Gold Projects, primarily related to property maintenance costs and additions to projects.

Qualified Person

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

4. Critical Accounting Estimates and Changes in Accounting Policies

Critical Accounting Estimates

In preparing financial statements in accordance with Canadian Generally Accepted Accounting Principles, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses for the nine month period ended September 30, 2009. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact on the Company's financial statements. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. The following accounting estimates are critical:

(a) Impairment of mineral properties and deferred expenditures

Mineral properties and deferred expenditures are the most significant assets of the Company and represent capitalized expenditures related to the exploration of these properties. The Company reviews and evaluates its mineral properties and deferred expenditures for impairment quarterly or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

(b) Income taxes

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

(c) Stock based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. This model requires the Company to make reasonable assumptions in order to derive parameters such as the expected volatility of the Company's shares, and the expected life of the stock options and interest rates, all of which are based on historical information. Future behaviours of these parameters are beyond the Company's control, and thus, may be significantly

different from the Company's estimates. Please refer to Section 8 of this MD&A for details on the parameters used in the option pricing model.

Changes in Accounting Policies or GAAP

Effective January 1, 2008, Talon adopted the following new accounting standards of the Canadian Institute of Chartered Accountants ("**CICA**"):

- CICA Handbook Section 3862, "Financial Instruments – Disclosures" ;
- CICA Handbook Section 3863, "Financial Instruments Presentation";
- CICA Handbook Section 1535, "Capital Disclosures"; and
- CICA Handbook Section 1400, "General Standards of Financial Statement Presentation."

Please refer to Notes 10 and 11 of the September 30, 2009 consolidated financial statements for additional details.

Talon will be adopting International Financial Reporting Standards ("**IFRS**"), from January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

The Company is currently engaged in the scoping phase of its conversion which involved a high level review of major differences between Canadian GAAP and IFRS, setting a timeline for resources and developing a project plan. This scoping is intended to provide direction to the Company's management for the second phase of the conversion project and will be disclosed in the Company's 2009 annual financial statements and management's discussion and analysis.

5. Financial Instruments

	September 30, 2009 (unaudited)	December 31, 2008
Held for trading, measured at fair value:		
Cash and cash equivalents	\$1,684,179	\$4,202,562
Term deposit	3,108,851	1,393,784
Investments	255,486	1,415,663
Loans and receivables, measured at amortized cost:		
Accounts receivable	58,640	82,907
Loans receivable	5,543,050	5,000,000
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	853,493	328,053

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

Beginning in the third quarter of 2008, Talon is exposed to a credit risk to the extent of its loan receivable related to Saber not be repaid, and the assets held as security for the loan cannot be sold.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at reasonable cost. The Company has sufficient cash in treasury to meet all expected obligations at September 30, 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 quarter 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 carrying values of the Company's financial instruments approximate their fair values unless otherwise noted.

6. Capital Expenditure on Exploration Projects

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

	September 30, 2009 (unaudited)	Additions (unaudited)	December 31, 2008
São Jorge Gold Project	\$6,069,923	\$131,453	\$5,938,470
Água Branca Gold Project	1,297,683	74,885	1,222,798
Campo Grande Gold Project	507,628	6,128	501,500
Other Gold Projects	708,068	201,911	506,157
Sergipe Potash Project	502,800	502,800	-
	<u>\$9,086,102</u>	<u>\$917,177</u>	<u>\$8,168,925</u>

7. Disclosure of Outstanding Share Data

The following details the share capital structure as at November 16, 2009:

	<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Total</u>
Common Shares			27,054,222
Stock options	Apr 18, 2010	\$1.25	1,495,000
Stock options	May 31, 2011	\$2.00	230,500
Stock options	Dec 20, 2011	\$1.00	200,000
Stock options	Apr 18, 2012	\$0.98	50,000
Stock options	Aug 23, 2012	\$1.00	365,000
Stock options	Feb 18, 2013	\$0.57	200,000
Stock options	Jun 11, 2014	\$0.39	644,500
Total fully diluted number of shares			30,239,222

A summary of options outstanding as at September 30, 2009 is presented below:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding – beginning of year	2,540,500	\$1.20
Granted	644,500	\$0.39
Total	3,185,000	\$1.04
Exercisable – end of period	3,185,000	\$1.04

8. Results of Operations

Review of Operations

(Thousands of C\$)

	Three months ended Sept 30, 2009 (unaudited)	Three months ended Sept 30, 2008 (unaudited)	Nine months ended Sept 30, 2009 (unaudited)	Nine months ended Sept 30, 2008 (unaudited)	Year ended Dec 31, 2008
Interest income	\$2	\$67	\$11	\$259	\$270
Administration expense ¹	1,301	1,081	2,172	1,937	5,098
Foreign currency translation gain (loss) ²	(22)	(10)	(14)	44	42
Stock based compensation expense	6	36	270	241	262

¹ Administration is Total Expenses excluding stock based compensation expense.

² Foreign currency translation gain (loss) is due to the appreciation/depreciation of the Canadian dollar and the Brazilian real versus the US dollar.

Net loss for the three month period ended September 30, 2009 was \$1.24 million or \$0.05 per share (basic and diluted) which was primarily due to administration expenses.

This compares to net loss of \$4.18 million or \$0.16 per share (basic and diluted) for the third quarter of 2008, which was primarily due to unrealized loss on investments and a write down of projects.

Net loss for the nine month period ended September 30, 2009 was \$1.33 million, or \$0.05 per share (basic and diluted) which relates to operating expenses reduced by realized and unrealized gains on investments. Net loss for the first nine months of last year was \$3.89 million due to administration expenses and unrealized loss on investments.

This compares to a net loss for the 12 month period ended December 31, 2008 of \$6.83 million or \$0.25 per share (basic and diluted).

Stock based compensation expense is a function of stock options granted and vested during the reporting period.

Capitalized exploration

Capitalized exploration for the three and nine month periods ended September 30, 2009 amounted to \$284,773 and \$917,177 respectively. This primarily relates to the acquisition of the Sergipe Potash Project. This compares to \$343,399 and \$1,279,240, respectively, for the three and nine month periods last year, which was mainly related to work done on the Água Branca and São Jorge projects.

Stock Options

A summary of options outstanding as at September 30, 2009 is presented in *Section 7* of this MD&A. For the three months ended September 30, 2009, an amount of \$6,083 was expensed for options vested and granted in 2009, compared to \$35,570 for options vested and granted in the same period last year.

During the second quarter of 2009, the Company issued 644,500 stock options. No options were issued during the first or third quarters of 2009.

Estimated fair value of stock options

The Company determined the fair value of the 644,500 stock options issued during the second quarter of 2009, using the Black-Scholes option pricing model under the following assumptions:

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

9. Summary of Quarterly Results

(All numbers are unaudited)

	Three months ended Sept 30, 2009	Three months ended Jun 30, 2009	Three months ended Mar 31, 2009	Three months ended Dec 31, 2008
Total Revenues	\$2,281	\$3,024	\$6,038	\$136,268
Net Earnings / (Loss)	(1,241,929)	(668,968)	579,704	(2,941,957)
Net Earnings / (Loss) basic and diluted per share	(0.05)	(0.03)	0.02	(0.11)
	Three months ended Sept 30, 2008	Three months ended Jun 30, 2008	Three months ended Mar 31, 2008	Three months ended Dec 31, 2007
Total Revenues	\$66,901	\$75,140	\$116,978	\$172,156
Net Earnings / (Loss)	(4,185,194)	1,023,538	(729,548)	(1,722,479)
Net Earnings / (Loss) basic and diluted per share	(0.16)	0.04	(0.03)	(0.06)

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

Foreign currency translation gain or loss reflects changes in Canadian dollar / US dollar and US dollar / Brazilian real exchange rates on foreign currency balances.

Quarterly trends in Net Earnings (Loss) are also impacted by gains and losses on investments, both realized and unrealized. This factor was particularly significant in the first quarter of 2009 and the third quarter of 2008.

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

Cash Flow Highlights

(Thousands of C\$)

	Three months ended Sept 30, 2009 (unaudited)	Three months ended Sept 30, 2008 (unaudited)	Nine months ended Sept 30, 2009 (unaudited)	Nine months ended Sept 30, 2008 (unaudited)	Year ended Dec 31, 2008
Operating activities	\$ (534)	\$ (409)	\$ (1,607)	\$ (1,213)	\$ (1,523)
Investing activities	(3,359)	(3,345)	(912)	(4,297)	(8,875)
Beginning cash & cash equivalent balance	5,576	12,843	4,203	14,600	14,600
Increase / (decrease) in cash & cash equivalents	(3,892)	(3,754)	(2,518)	(5,510)	(10,397)
Ending cash & cash equivalent balance	\$ 1,684	\$ 9,089	\$ 1,684	\$ 9,089	\$ 4,202

Operating Activities

Operating activities for the three month period ended September 30, 2009 consumed \$533,501 primarily due to net operating expenses. Operating activities for the three months ended September 30, 2008 consumed \$408,845, primarily due to net operating expenses.

Operating activities for the nine month period ended September 30, 2009 consumed \$1,606,699 primarily due to net operating expenses. Operating activities for the nine months ended September 30, 2008 consumed \$1,213,146, primarily due to net operating expenses.

For the 12 month period ended December 31, 2008 operating activities consumed \$1,522,620.

Financing Activities

There were no financing activities for the three or nine month periods ended September 30, 2009 or 2008, nor for the 12 month period ending December 31, 2008.

Investing Activities

Investing activities for the third quarter of 2009 utilized \$3,358,675, primarily due to purchase of a term deposit. In the same three month period last year, investing activities utilized \$3,345,274 due to loan receivable.

Investing activities for the nine month period ended September 30, 2009 utilized \$911,684 primarily due to capitalized exploration. Investing activities for the nine months ended September 30, 2008 consumed \$4,297,387, primarily due to capitalized exploration expenses and a loan receivable.

For the 12 month period ended December 31, 2008 investing activities consumed \$8,874,514.

Liquidity and Capital Resources

The Company estimates total expenditures for the next 12 months to be approximately \$2 million, but this will be dependent on any new projects acquired and on the proposed exploration programs related to such projects. Cash and cash equivalents and term deposits were \$4.8 million as of September 30, 2009. All cash equivalents are held in government securities (e.g. T-bills). The Company therefore has sufficient liquidity and capital resources to sustain operations through the medium-term.

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

Talon's loans receivable of \$5.5 million is a financial instrument with potential liquidity risk as the assets that secure this loan may be difficult to liquidate.

A summary of Contributed Surplus for the period from January 1, 2008 to September 30, 2009 is as follows:

Balance	Dec 31, 2007	3,119,938
Options	Granted 07/08	261,929
Warrants	Expired 2008	1,612,190
Balance	Dec 31, 2008	4,994,057
Options	Granted 09	269,779
Balance	Sept 30, 2009	\$5,263,836

11. Related Party Transactions

On August 1, 2004, the Company entered into an administrative service agreement (the "**Tau Agreement**") with Tau Capital Corp. ("**Tau**"). The controlling shareholder of Tau is a 5% shareholder of the Company. The Tau Agreement was to terminate on July 31, 2007 and 2008, but automatically renewed on the same terms and conditions for a further one year period. The terms of the Tau Agreement require the Company to pay Tau a monthly service fee of \$22,500. For the three months ended September 30, 2009 and 2008, fees paid to Tau for these services were \$67,500 in both years.

Consulting fees paid to officers of the Company for the three months ended September 30, 2009 were \$60,321 (2008:\$52,797). For the nine months ended September 30, 2009, this amount was \$188,824 (2008:\$193,552). In addition, an amount of \$26,937 (2008:\$41,974) was charged to the Company by Tau in respect of services rendered outside of the Tau Agreement in the second quarter of 2009. For the nine months ended September 30, 2009, this amount was \$103,153 (2008:\$109,483). Consulting fees paid to a Company owned by an officer of the Company in the third quarter of 2009 were \$41,465 (2008:\$NIL). For the nine months ended September 30, 2009 this amount was \$100,433 (2008:\$NIL).

Accounts receivable and other assets, at September 30, 2009, include \$22,500 paid to Tau for management fees for October 2009.

Accounts payable at September 30, 2009 include \$11,607 payable to an officer of the Company for consulting fees for September 2009. (September 30, 2008: \$11,607).

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.

12. Risks

The Company 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 factors should be considered, among others:

The exploration for mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Talon or any of its joint venture partners will result in a profitable commercial mining operation.

Talon's operations are subject to all the hazards and risks normally encountered in mineral exploration, development and production, including unusual and unexpected

geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling 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 consequent 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.

All phases of the Company's operations are subject to environmental regulation which 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.

Government approvals and permits are required in connection with the Company's operations. To the extent such approvals are required but not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

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.

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 valid title to its material properties, there is no guarantee that title to any of its material 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.

The construction of mining facilities and the commencement of mining operations, will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company.

Mineral prices fluctuate and are affected by numerous factors beyond the control of the Company. The prices of gold and potash have fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business.

The markets for potash tend to move in cycles which can result in supply/demand imbalances and pressures on potash prices and profit margins.

The Company's operations are currently conducted in Brazil and, as such, the Company's operations 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; 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.

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Gold or other minerals are generally sold in US dollars and the Company's costs are incurred principally in Canadian dollars and Brazilian reals. The appreciation of non-US dollar currencies against the US dollar can increase the cost of gold and other mineral exploration and production in US dollar terms.

Talon is dependent upon the services of key executives and consultants. Due to the small size of the Company the loss of these persons may adversely affect the business and future operations of the Company.

Talon is exposed to a credit risk to the extent that its loan receivable related to Saber is not repaid, and the assets held as security for the loan cannot be sold. The ability of Saber to repay the loan amount is subject to various factors beyond the control of the Company, including, variations in Saber's results of operations, conditions in the industry and general market or economic conditions. If such factors result in Saber being unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, Saber may fail, or be unable, to repay the loans from Talon and the value of the Company's loans to Saber could be significantly reduced or, to the extent that the assets held as security for the loans cannot be sold, even eliminated.

Each of Talon and Saber has the right to terminate the Pre-Merger Agreement in certain circumstances and there can be no certainty that the Pre-Merger Agreement will not be terminated before completion of the Merger. The completion of the Merger is subject to a number of conditions precedent, certain of which are outside of the control of Talon and Saber (including obtaining the approval of shareholders and receipt of approval to list the MergeCo Shares (defined below) on the Toronto Stock Exchange or TSX Venture Exchange). There can be no assurances that the conditions precedent will be satisfied and the Merger will be completed.

13. Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during the period beginning July 1, 2009 and ended September 30, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

14. Proposed Transaction

Talon announced in a news release of September 1, 2009, that the Company had entered into the Pre-Merger Agreement. The Merger is subject to a number of conditions including, among others, receipt of all necessary regulatory approval and the approval of the shareholders of both Talon and Saber. The board of directors of Talon received an opinion from its financial advisor, Thomas Weisel Partners Canada Inc., that the Merger was fair to Talon, from a financial point of view.

Pursuant to the Pre-Merger Agreement, Saber was required to raise minimum gross proceeds of \$2.2 million pursuant to a private placement financing. Saber fulfilled this condition precedent in September and October of 2009, raising total gross proceeds of US\$3,314,333 through the issuance of 55,238,888 common shares of Saber.

Pursuant to the terms of the interim loans, the Company received 6,000,000 warrants (the "**Value Warrants**") to purchase common shares in the capital of Saber in September 2009, upon completion by Saber of the initial tranche of the above mentioned private placement. The Value Warrants are exercisable for common shares of Saber at an exercise price of US\$0.06 per common share. The Value Warrant expiry date is the date that is two years following the date of the closing of a Saber going public transaction. The Company has decided not to recognize the Value Warrants in the financial statements, as their value is not material.

Pursuant to the Pre-Merger Agreement, each outstanding common share of Talon will be exchanged for one common share of MergeCo (each, a "**MergeCo Share**"), each outstanding common share of Saber will be exchanged for 0.17685 MergeCo Shares, and each outstanding Value Warrant will be cancelled.

In a news release of October 9, 2009 Talon and Saber announced an amendment to the Pre-Merger Agreement, pursuant to which the deadline for completion of the Merger was extended to December 31, 2009.

As of the date of this MD&A, Talon is in the process of pursuing the required stock exchange approvals for the Merger and is assessing whether the cost (and time required) to obtain such approvals is acceptable to the Company.

The expected effect of the Merger on Talon's financial condition is neutral in the near term as the Saber exploration program currently underway is being fully funded by Saber's joint venture partner Tlou Energy, as part of its earn-in agreement with Saber.

15. Outlook

During fourth quarter 2009 and into 2010, Talon plans to pursue a Phase I and Phase II exploration program at its recently acquired Sergipe Potash Project, which has the potential to host substantial potash deposits.

Further exploration on the Company's numerous gold projects in Brazil will be kept to a minimum, with a view to ensuring that further expenditure is directed towards those projects with the highest potential and where the corporate objectives, in terms of return on investment, can best be realized. In addition, expenditure will be incurred to service the licence terms of the land holdings.

At São Jorge, the current optimization studies will continue, as will the assessment of areas where extension to the Wilton pit mineralized zone could lead to an addition of further resources.

Regarding the proposed Merger with Saber, Talon is working through the regulatory process for the required stock exchange approvals and is assessing whether the cost (and time required) to obtain such approvals is acceptable to the Company.