



**ANNUAL INFORMATION FORM**

**AS AT MARCH 31, 2009**

**TALON METALS CORP.**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**EXHIBIT “I” - EXCERPT OF SUMMARY FROM TECHNICAL REPORT**

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## NOTE TO READER

Wherever used in this Annual Information Form, the “**Company**” and “**Talon**” refer to Talon Metals Corp. and all of its subsidiaries, except where the context otherwise requires.

Unless otherwise indicated, all dollar amounts herein are expressed in Canadian dollars.

## FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain “forward-looking statements”. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding mineral resources, metallurgical results, the Company’s exploration plans with respect to the São Jorge and Água Branca Projects, exploration results and potential mineralization and resources, and loans to and possible merger with Saber Energy Corp.) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are 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 statements, 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 gold prices, changes in equity markets, further declines in U.S., Canadian and/or global economies, 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, the other risks involved in the gold exploration and development industry, the failure to enter into the proposed pre-merger agreement with Saber Energy Corp., and Saber Energy Corp.’s failure to repay the interim loans from Talon. For further factors and assumptions that underlie the forward-looking information included in this Annual Information Form relating to the loans to, and the proposed merger with, Saber, please refer to the section entitled “Forward-Looking Statements” in the press release of the Company dated March 24, 2009 (available on SEDAR at [www.sedar.com](http://www.sedar.com)), which section is incorporated by reference herein. Any forward-looking statement 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 any forward-looking statement, 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 statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

The mineral resource figures referred to in this Annual Information Form are estimates, and no assurances can be given that the indicated levels of gold would 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 estimate included in this Annual Information Form is 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.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

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

RHI was incorporated by memorandum and articles of association filed under the *BVI Business Companies Act, 2004* (British Virgin Islands) (the “**BVI Act**”) on July 8, 2004 for the purpose of engaging in the acquisition, exploration and development of mineral properties in Brazil and, in particular, the São Jorge Project (described below). Following the Merger, the properties and assets of RHI became the properties and assets of the Company.

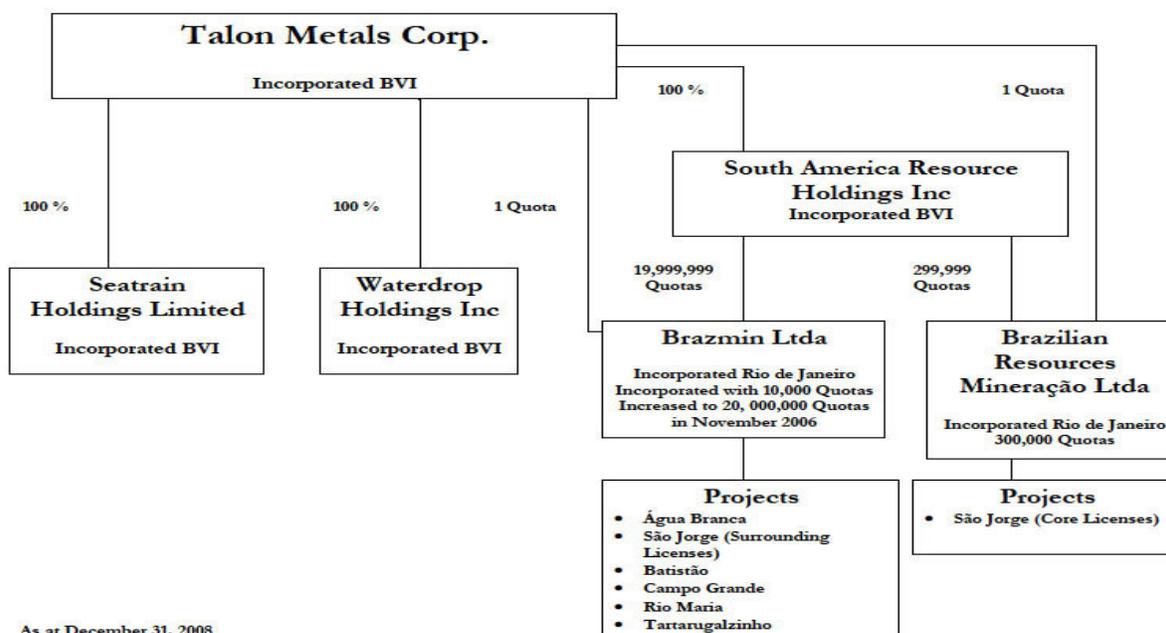
Effective July 9, 2007, the Company changed its name from “BrazMin Corp.” to “Talon Metals Corp.” (the “**Name Change**”). No change to the Company’s capital structure resulted from the Name Change.

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

Talon’s registered office is located at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands, and its head office is located at Av. das Americas, no. 700 BI 08, Sala 215E, Citta America-Barra Da Tijuca, CEP 22.640-100, Rio de Janeiro, RJ, Brazil. The address of Talon’s representative in Canada is c/o Tau Capital Corp., 110 Sheppard Ave. East, Suite 610, Toronto, Ontario, Canada, M2N 6Y8. Talon is a reporting issuer in the provinces of Ontario, British Columbia and Alberta.

## Intercorporate Relationships

The following chart sets out all of the Company's material subsidiaries as at December 31, 2008, their jurisdictions of incorporation and the Company's direct and indirect voting interest in each of these subsidiaries:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

The Company is a mineral exploration company engaged in the acquisition, exploration and development of mineral properties in Brazil and elsewhere. Please see “Description of the Business - General” (below) for a general description of the properties and holdings of the Company. The following summary describes the development of the Company's business over the last three financial years, including acquisitions, dispositions and other factors which influenced the business of the Company.

#### *Disposition of Resources Holdings 2004 Inc. and EIMB*

Effective February 6, 2007, Brazauro Resources Corporation (“**Brazauro**”) acquired from Talon, pursuant to an acquisition agreement between Brazauro and Talon dated September 11, 2006 (the “**Acquisition Agreement**”), all of the outstanding common shares of Resource Holdings 2004 Inc. (“**RH 2004**”) and Empresa Internacional de Mineração do Brasil Ltda (“**EIMB**”), two wholly owned subsidiaries of Talon through which Talon indirectly held interests in the Tocantinzinho gold project area in Brazil (the “**Tocantinzinho Project**”).

Brazauro issued to Talon 13,150,000 common shares in the capital of Brazauro (collectively, the “**Brazauro Shares**”) in consideration for Talon’s sale of its security holdings in RH 2004 and EIMB. The Brazauro Shares represented approximately 19.9% of the issued and outstanding shares of Brazauro at the time of the acquisition.

Talon sold 8,214,500 of its Brazauro Shares in the third quarter of 2007 and an additional 3,600,000 of its Brazauro Shares in March 2009. As of the date hereof, Talon holds a balance of 1,335,500 Brazauro Shares, representing approximately 1.6% of the outstanding shares of Brazauro, which remaining holdings are not considered to be material by the Company.

*Interim Loan and Heads of Agreement with Saber Energy Corp.*

On September 25, 2008, Talon entered into a binding heads of agreement (the “**HOA**”) with Saber Energy Corp. (“**Saber**”), a private coal bed methane exploration company with extensive land holdings and an active exploration program in Botswana. Under the HOA, Talon and Saber (each a “**Party**” and together the “**Parties**”) agreed to negotiate a pre-merger agreement (the “**Pre-Merger Agreement**”) in respect of a business combination of the Parties (the “**Merger**”), subject to the approval of the TSX, completion of due diligence by Talon and satisfaction of a number of conditions by March 24, 2009. In addition, Talon agreed to lend up to \$6 million to Saber. On March 24, 2009, the parties announced that they had entered into an oral agreement (the “**HOA Amendment**”) that would extend (i) the due diligence period, and (ii) the maturity date of outstanding loans from March 24, 2009 to April 24, 2009.

Under the terms of the HOA, Talon and Saber agreed, among other things, that, upon the Merger, the common shares of each of the Parties would be exchanged for securities of the company resulting from the Merger (“**MergeCo**”) on the following basis:

- (a) each outstanding common share of Talon would be exchanged for that number of common shares of MergeCo (each, a “**MergeCo Share**”) equal to the Talon Ratio (as defined in the HOA) and one (1) preference share of MergeCo (each, a “**MergeCo Preference Share**”); and
- (b) each outstanding common share of Saber would be exchanged for one MergeCo Share.

Pursuant to the terms of the HOA, the total number of MergeCo shares to be issued to Talon shareholders, should a merger be consummated, would be calculated as follows: the sum of Talon’s Net Realizable Value (as such term is defined in the HOA) divided by the subscription price paid per common share or unit of Saber (the “**Saber First Subscription Price**”) under the first arm’s length private placement by Saber completed after September 24, 2008 (the “**Saber Private Placement**”) and 2% of the outstanding common shares of Saber at the applicable time.

Additionally, the HOA provides that when Saber completes the Saber Private Placement, under which warrants are issued, the Talon shareholders will receive one common share purchase warrant for each common share of Talon held by such shareholder. The warrants will

entitle the holder thereof to purchase one common share of Talon at an exercise price equal to the exercise price and terms of the warrants distributed in the Saber Private Placement. Should the Merger occur, such Talon warrants would be exchanged at the Talon Ratio for common share purchase warrants of MergeCo.

As part of the Merger, the outstanding options and warrants of Talon and Saber, as applicable, would be exchanged for options and warrants of MergeCo.

As set out above, Talon agreed to loan Saber up to \$6 million. An initial \$3 million loan was advanced to Saber upon the execution of the HOA and an additional \$3 million loan was advanced to Saber in the fourth quarter of 2008, pursuant to the terms of the HOA and a promissory note executed by Saber (the “**Promissory Note**”). Talon will receive 3 million common share purchase warrants of Saber (each a “**Value Warrant**”) as part of the loan transaction. The Value Warrants are issuable on the earlier of the first closing date of the Saber Private Placement or the termination of the HOA, and each Value Warrant will entitle Talon to purchase one common share of Saber at an exercise price determined in accordance with a specified formula, expiring three years after the date of issuance (subject to extension in certain circumstances).

The loans bear interest at 12% per annum until January 22, 2009 and 18% per annum thereafter. The loans are secured by a pledge of the shares of certain wholly owned subsidiaries of Saber, and additional security was placed on additional assets prior to the advance of the second \$3 million. Pursuant the HOA Amendment, the loans mature on April 24, 2009 unless further extended pursuant to the terms of the HOA.

The HOA provides that if the Parties proceed with the Merger, the Value Warrants will be distributed to Talon shareholders on a pro rata basis and subsequently exchanged for a specified number (based on the Talon Ratio) of common share purchase warrants of MergeCo.

The HOA and the Promissory Note have been filed on SEDAR and may be accessed on Talon’s sedar profile at [www.sedar.com](http://www.sedar.com).

## DESCRIPTION OF THE BUSINESS

### General

Talon is engaged in the acquisition, exploration and development of mineral properties in Brazil. Talon has one material property - the São Jorge Project - a description of which is set forth below. In addition, Talon owns a number of prospective gold properties situated in Brazil. The current portfolio of Talon is comprised of the following key projects:

Name of Company	Name of Project	Percentage of Interest in Project
Brazilian Resources Mineração Ltda	- São Jorge (Core Licences)	100%
Brazmin LTDA	- São Jorge (Surrounding Licences)	100%
	- Água Branca	100%
	- Campo Grande	100%
	- Batistão	100%

On July 16, 2004, RHI, through its wholly-owned subsidiary, Brazilian Resources Mineração Ltda (“**BRM**”), acquired from Centaurus Mineração e Participação Ltda (“**Centaurus Brazil**”) a 100% interest in the core 10,000 hectares (“**ha**”) São Jorge exploration licence and mineral rights in Pará State, Brazil, within the Tapajos Gold District. Terms of the acquisition included a series of cash payments totalling US\$250,000 referenced to development phases and production from the property, the issuance of 500,000 shares of RHI (each, an “**RHI Share**”) and the assumption of the balance of Centaurus Brazil’s obligations under the underlying option agreement.

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, totalling 29,661 ha. The purchase price for these claims was US\$60,000, which has been paid in full.

On May 13, 2005, an agreement was made with Tapajos Mineração and a Mr. Pedro Pacheco whereby Talon acquired a 100% interest in two adjacent claims within the São Jorge area, totalling 18,900 ha. One of the vendors of the latter claims is entitled to receive a bonus at the time the São Jorge 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 is to be prepared in accordance with internationally accepted practices and be compliant with National Instrument 43-101 – *Standards of Disclosure for Minerals Projects* (“**NI 43-101**”). This 1% bonus was purchasable by the Company on or before September 30, 2006 for an amount of US\$2,500,000; however, the Company elected not to purchase the bonus. Additional cash option payments totalling US\$440,000 were payable to the vendor, all of which payments have been made. In addition, one of the newly acquired properties has a residual

royalty amounting to 2% of net proceeds from any mining operation, 1.5% of which is purchasable at any time for US\$500,000.

On May 5, 2006, the Company issued a news release in respect of certain alleged irregularities affecting Licence #024, being one of the licences that were obtained from Centaurus Resources Ltd. in 2004. Talon received a document from the Brazilian Mining Department (the “DNPM”), dated August 7, 2006, indicating that in the event that any such alleged irregularity should result in Licence #024 being nullified by the DNPM, then 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. In November 2008, Talon was notified by the DNPM that Licence #024 would be nullified and as such Licences #058 and #275 would prevail and be granted priority rights.

While the exploration at the São Jorge and Água Branca gold projects represent the core activities of Talon at this time, the Company is actively prospecting and evaluating other gold properties within its portfolio in order to determine the potential of these properties. Projects that do not meet Talon’s target criteria will be optioned out. For further details relating to the Company’s Brazilian gold properties, see Talon’s Management’s Discussion and Analysis for the year ended December 31, 2008 filed on SEDAR (at [www.sedar.com](http://www.sedar.com)).

In May 2007 Talon announced a program to actively seek, evaluate and acquire interests in other projects or business opportunities in the mineral exploration industry that are indicated to have substantial potential. This search for projects is continuing and includes investigations into projects for both gold and in other commodities, both in Brazil and elsewhere.

## **Principal Products**

Talon’s principal product is envisaged to be gold and other readily marketable metals and minerals. There is a worldwide market into which Talon can sell gold and, as a result, Talon would not be dependent on a particular purchaser with regard to the sale of gold, if any.

## **Specialized Skill and Knowledge**

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

## **Trends**

In terms of market price, gold fell from above US\$350 per ounce for most of the 1990s to below US\$300 per ounce in 1997. Although the gold price remained below US\$300 per ounce until 2003, it steadily increased in US dollar terms over the past five years. The gold price has more dramatically increased since mid 2007, trading in a general upward trend from US\$700 per ounce in 2007 to the US\$1,000 per ounce level in early 2008. In the past year, whereas many of

the base metals and other precious metals have declined in price, the gold price has remained broadly at the levels recorded in the previous year, trading mostly between US\$750 and US\$900 per ounce.

Whereas the Company believes that in the medium-term the price of gold will remain at least at these elevated levels in US dollar terms, there always remain uncertainties regarding the trends of gold and other mineral prices in the long-term and therefore also the availability of equity financing for the purpose of mineral exploration and development. Apart from the foregoing and the risk factors noted under the heading “Risk Factors”, the Company is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company’s business, financial condition or results of operations.

### **Employees**

As at December 31, 2008, Talon and its subsidiaries employed 11 individuals. In addition, the Company engages contractors and consultants from time to time to work on specific properties and for administrative, legal and other services as required.

### **Environmental Protection**

Talon’s exploration activities are subject to various laws and regulations regarding the protection of the environment. If needed, and to the extent that it can be done economically, Talon will make expenditures to ensure compliance with applicable laws and regulations. New environmental laws and regulations, amendments to existing laws and regulations, or more stringent implementation of existing laws and regulations could have a material adverse effect on Talon, both financially and operationally, by potentially increasing capital and/or operating costs and delaying or preventing the development of mineral properties. See “*Risk Factors – Government Regulation of the Mining Industry*”.

### **Competitive Conditions**

The mining industry in Brazil is intensely competitive in all of its phases. Talon competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than Talon, it may be unable to acquire attractive properties in the future on terms it considers acceptable. Talon competes for funding with other public resource companies, many of whom have greater financial resources and/or more advanced properties, that are better able to attract equity investments and other capital.

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

## **RISK FACTORS**

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

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

### *Exploration, Development and Operating Risks*

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

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Talon or any of its joint venture partners will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Talon not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. Talon's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, silver and copper, 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.

### *Insurance and Uninsured Risks*

Talon's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Talon maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with the Company's operations. Talon may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Talon or to other companies in the mining industry on acceptable terms. Talon might also become subject to liability for pollution or other hazards that may not be insured against or that Talon may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Talon to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### *Environmental Risks and Hazards*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Company holds interests that are unknown to the Company at present and that have been caused by previous or existing owners or operators of the properties.

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

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures

requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

### *Infrastructure*

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

### *Land Title*

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims (including native land claims) and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

### *Competition*

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself. Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

### *Additional Capital*

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. The only source of funds now available to the Company is through the sale of equity capital, properties, royalty interests or the entering into of joint ventures. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations. Global securities markets are currently experiencing extreme volatility, which is resulting in severe difficulty in raising equity capital and market forces may render it difficult or impossible for the Company to secure places to purchase any new share issuances at prices which will not lead to severe dilution to existing shareholders, or at all.

### *Gold Price*

The profitability of the Company's operations will be dependent upon the market price of gold. The gold price fluctuate and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of gold and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of gold has 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, financial condition and results of operations.

In addition, declining gold prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### *Governmental Regulation of the Mining Industry*

The mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could

limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations.

#### *Foreign Subsidiaries*

The Company is a foreign corporation and conducts operations through foreign subsidiaries, and a substantial portion of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist in the future, could have an adverse impact upon the Company's valuation.

#### *Foreign Operations*

The Company's operations are currently conducted 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.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

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

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

#### *Exchange Rate Fluctuations*

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. 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.

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

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

The price of Talon's common shares is also likely to be significantly affected by short-term changes in gold or other mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of Talon's common shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Talon's common shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of Talon's common shares that persists for a significant period of time could cause the Company's securities to be delisted, further reducing market liquidity.

As a result of any of these factors, the market price of Talon's common shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

*Loans to Saber*

The ability of Saber to repay amounts due pursuant to the Promissory Notes 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 interim 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.

#### *Merger with Saber*

There can be no assurances that the Company will enter into the proposed pre-merger agreement and merge with Saber. Any pre-merger agreement and Merger is subject to the completion of satisfactory due diligence by the Company and the satisfaction of all conditions precedent outlined in the HOA and any pre-merger agreement entered into between the Parties.

#### *Key Executives*

The Company is dependent on the services of key executives, including the directors of the Company and a small number of highly skilled and experienced consultants. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations.

#### *Dividend Policy*

No dividends on Talon's common shares have been paid by the Company to date. The Company anticipates that it will retain all future earnings and other cash resources for the future operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

#### *Possible Conflicts of Interest*

Certain of the directors and the officers of the Company also serve as directors and/or as officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard.

#### *Risks Associated With Limited Operating History*

Talon was formed in 2005. Accordingly, Talon has a limited operating history from which its business and prospects can be evaluated. As a result, forecasts of any potential growth of the business of Talon are difficult to evaluate. Talon's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development.

### *Economic Factors*

Recent market events and conditions, including disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Notwithstanding various actions by U.S., Canadian and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have caused the broader credit markets to further deteriorate and stock markets to decline substantially. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource exploration companies such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

### *Political, Judicial, Administrative, Taxation or Other Regulatory Factors*

Talon may be adversely affected by changes in political, judicial, administrative, taxation or other regulatory factors in the areas in which Talon does or will operate and holds its interests, as well as unforeseen matters.

## **MATERIAL MINERAL PROJECT**

### **São Jorge, Pará State**

The summary section from the technical report dated September 4, 2008 regarding the São Jorge Project entitled "Talon Metals Corp.: Sao Jorge Gold Project, Para State, Brazil, National Instrument 43-101 Second Technical Report" (the "**Technical Report**") prepared by Coffey Mining Pty Ltd. ("**Coffey**") of Brazil, under the supervision of Beau Nicholls, Bernardo Horta Cerqueira Viana and Mario Conrado Reinhardt, each of whom is a "qualified person" under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, is reproduced in its entirety at Exhibit "I" of this Annual Information Form and the detailed disclosure in the Technical Report is incorporated by reference herein. The Technical Report is included on Talon's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **DIVIDENDS**

There are no restrictions in Talon's memorandum or articles of association that would restrict or prevent the Company from paying dividends. However, it is not contemplated that any dividends will be paid on any of Talon's common shares in the immediate future, as it is anticipated that all available funds will be reinvested to finance the growth of the business. Any

decision to pay dividends on common shares in the future will be made by board of directors of the Company on the basis of earnings, financial requirements and other conditions existing at such time.

## **DESCRIPTION OF CAPITAL STRUCTURE**

As noted above, Talon has no authorized capital, but is authorized to issue one class and one series of shares divided into 100,000,000,000 common shares of no par value. As at the date hereof, there are 27,054,222 common shares issued and outstanding, each carrying the right to one vote.

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

In addition, as at the date hereof, the Company has authorized for issuance 3,381,778 stock options pursuant to its incentive stock option plan, each entitling the holder to purchase one common share.

## **MARKET FOR SECURITIES**

### **Trading Price and Volume**

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

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
December 2008	\$0.20	\$0.11	3,718,630
November 2008	\$0.30	\$0.10	455,084
October 2008	\$0.54	\$0.21	588,539
September 2008	\$0.59	\$0.39	648,100
August 2008	\$0.51	\$0.43	961,884
July 2008	\$0.67	\$0.45	346,106
June 2008	\$0.81	\$0.55	1,179,756
May 2008	\$0.67	\$0.60	334,010
April 2008	\$0.72	\$0.57	708,929
March 2008	\$0.71	\$0.63	1,008,587
February 2008	\$0.77	\$0.57	660,865
January 2008	\$0.83	\$0.58	224,841

## ESCROWED SECURITIES

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

## DIRECTORS AND OFFICERS

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

Name, Residence and Current Position(s) with Talon Metals Corp.	Principal Occupation During the Past Five Years	Director Since
Luis Mauricio F. de Azevedo Rio de Janeiro, RJ, Brazil Chief Operating Officer and Director	Partner (Lawyer), FFA Legal Simples Ltd. (1997 to Present)	April 5, 2005
Stuart Comline Gauteng, South Africa Interim President and Chief Executive Officer and Director	Interim President and Chief Executive Officer of Talon, November 2007 to Present; Chairman of AfriOre Limited (mineral exploration and development), January 2007 to August 2002; President and Chief Operating Officer of AfriOre Limited, December 1999 to August 2002	June 25, 2007
Sandra S. Cowan <sup>(1)(2)(3)</sup> Ontario, Canada Director and Chairman of the Board	Private Business Consultant, 2009 to Present; Executive Vice President, Partner and General Counsel, Edgestone Capital Partners (merchant bank) from 2002 to 2008	April 5, 2005
Francis J. Crothers <sup>(1)(3)</sup> Nassau, Bahamas Director	Chairman and CEO, Island Corporate Holdings Limited (investment company) from 1994 to Present	June 15, 2006
Paulo Ildio de Brito Rio de Janeiro, RJ, Brazil Vice President, Exploration	Vice President, Exploration of Talon; Consultant Geologist, BRASGEO Mineração Ltda (2002 – Present); Senior Geologist, WMC Mineração Ltda (1986 – 2001)	Not applicable
Gregory S. Kinross <sup>(1)(3)</sup> Gauteng, South Africa Director	President of CIC Energy Corp. (“ <b>CIC Energy</b> ”) (mineral exploration and development) from November 2007 to Present; President & CEO of CIC Energy, 2006 to November 2007; President & CEO of Tau Capital Corp. (investment and management services company) from November 2007 to Present; Executive Vice-President Business Development, Tau Capital Corp., 2005 to November 2007; Private equity, self-employed (1998 to 2004)	April 5, 2005

Name, Residence and Current Position(s) with Talon Metals Corp.	Principal Occupation During the Past Five Years	Director Since
Warren E. Newfield Ontario, Canada  Director	Co-Chairman, CIC Energy (mineral exploration and development), 2006 to October 29, 2008, Chairman, CIC Energy, October 29, 2008 to Present and also Chief Executive Officer of CIC Energy from November 2007 to Present; Chairman of Tau Capital Corp. (investment and management services company) from November 2007 to Present; President and CEO, Tau Capital Corp., 2000 to November 2007; President and CEO, AfriOre Limited (mineral exploration and development) from 2000 to January 2007	April 5, 2005
Nelson F.M. Pfaltzgraff Rio de Janeiro, RJ, Brazil  Chief Financial Officer	Chief Financial Officer of Talon; Partner in Charge, PS Contax & Associados Auditores e Consultores S/C Ltda (1995 – Present) and PC Contax & Associadoes Auditores Independentes S/C (1998 – Present)	Not applicable

Notes:

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

As at the date hereof, the directors and executive officers of Talon as a group beneficially own, directly and indirectly, or exercise control or direction over 2,370,900 common shares, representing approximately 8.8% of the issued and outstanding common shares.

### Corporate Cease Trade Orders or Bankruptcies

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

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

To the best of the Company's knowledge, no director or executive officer of Talon, or a shareholder holding a sufficient securities number of Talon to affect materially the control of Talon is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including Talon) that, while that person was acting in that

capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings or arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

To the best of the Company's knowledge, no director or executive officer of Talon, and no shareholder holding a sufficient number of securities of Talon to affect materially the control of Talon, has been subject to:

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

### **Personal Bankruptcies**

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

### **Conflicts of Interest**

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

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

Warren Newfield (who is a director of both Talon and Saber) and his associates beneficially own, or have control or direction over, approximately 5% of the outstanding common shares of Talon and approximately 8% of the outstanding common shares of Saber. Mr. Kinross (who is a director of Talon) and his associates beneficially own, or have control and direction over, approximately 1% of the outstanding common shares of Saber. In light of the foregoing, an independent committee of the board of directors of Talon comprised of Sandra Cowan, Stuart Comline and Luis Mauricio de Azevedo, was formed to review the loans to Saber

and the HOA between Saber and Talon. Talon's independent committee and board of directors have approved each of the loan to Saber and the HOA.

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

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

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

To the knowledge of the directors and officers of Talon, there are no legal proceedings material to Talon to which Talon or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2008, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of Talon, no penalties or sanctions have been imposed against Talon or its subsidiaries by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2008, no penalties or sanctions have been imposed against Talon by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of Talon, and no settlement agreements have been entered into by Talon before a court relating to securities legislation or with a securities regulatory authority during Talon's financial year.

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

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

As described under "General Development of the Business - Three Year History" (above), the Company entered into the HOA (as amended by the HOA Amendment) with Saber pursuant to which (i) the Parties agreed to negotiate a Pre-Merger Agreement with respect to a potential Merger and (ii) the Company provided interim loans to Saber secured by the Promissory Notes. As is set out under "Conflicts of Interest" (above), Warren E. Newfield (who is also a director of both Talon and Saber) beneficially owns or has control or direction over common shares of both Talon and Saber and Gregory S. Kinross (who is a director of Talon) beneficially owns or has control or direction over common shares of Saber. In light of the foregoing, an independent committee of the board of directors of Talon comprised of Sandra Cowan, Stuart Comline and Luis Mauricio de Azevedo, was formed to review the loans to Saber

and the HOA between Saber and Talon. Talon's independent committee and board of directors have approved each of the loan to Saber and the HOA.

### **TRANSFER AGENT AND REGISTRAR**

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

### **MATERIAL CONTRACTS**

The Company did not enter into any material contracts (other than contracts entered into in the ordinary course of business not required to be filed under National Instrument 51-102-*Continuous Disclosure Obligations*,) during its most recently completed financial year, and has not entered into any contract since January 1, 2002 that is still in effect, that may be considered material to Talon, other than:

1. the HOA (as amended by the HOA Amendment), and
2. the Promissory Note,

all of which are described above under the section entitled "General Development of the Business - Three Year History". The HOA and Promissory Note are available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **INTERESTS OF EXPERTS**

To the best of the Company's knowledge, Beau Nicholls, Bernardo Horta Cerqueira Viana and Mario Conrado Reinhardt, the qualified persons under whose supervision the Technical Report was prepared, do not own, or hold any beneficial interest in, any securities or property of Talon or of its associates or affiliates.

## AUDIT COMMITTEE INFORMATION

### *Audit Committee Charter*

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

### *Composition of the Audit Committee*

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

Name	Independent of Talon	Financially Literate	Relevant Education and Experience
Sandra S. Cowan	Yes	Yes	LL.B from The University of Western Ontario (1985); Private Business Consultant (2009 to present); Executive Vice President, Partner and General Counsel, EdgeStone Capital Partners (2002 – 2008); Partner (Lawyer), Goodman and Carr LLP (1999 – 2002); Director of Petrofund Energy (2002 – 2006); Director, Airboss of America Corp. (2002 – 2006); Director, AfriOre Limited (1997 – 2002); Trustee, BFI Canada Fund (March – April, 2002); Director of Richards Packaging Income Fund (February – April 2004)
Francis J. Crothers	Yes	Yes	Bachelor of Business Administration from the University of Miami; Chairman and CEO, Island Corporate Holdings Limited, a private Bahamas-based company; Director of Abaco Markets, Fortis Inc., Fidelity Bank and Trust [Cayman], C.A. Bancorp, Nuinsco Resources Limited, Templeton Mutual Funds and Victory Nickel
Gregory S. Kinross	Yes	Yes	Chartered Accountant; President of CIC Energy from November 2007 to Present; President & CEO of CIC Energy, 2006 to November 2007; President & CEO of Tau Capital Corp. (investment and management services company) from November 2007 to Present; Executive Vice-President Business Development, Tau Capital Corp., 2005 to November 2007; Private equity, self-employed (1998 to 2004)

### *Audit Committee Oversight*

During the financial year ended December 31, 2008, all recommendations of the audit committee to nominate or compensate an external auditor were adopted by the board of directors.

### *Pre-Approval Policies and Procedures*

Included as part of the audit committee's charter is the responsibility of the audit committee to pre-approve all non-audit services to be provided to Talon by its external auditors.

### *External Auditor Service Fees*

The following table summarizes the fees paid to Zeifmans LLP, the auditors of Talon for the years ended December 31, 2008 and December 31, 2007.

<b>Category</b>	<b>2008</b>	<b>2007</b>
Audit Fees	\$75,000	\$70,000
Audit Related Fees	\$27,100 <sup>(1)</sup>	\$32,225 <sup>(1)</sup>
Tax Fees	Nil	Nil
All Other Fees	\$20,300 <sup>(2)</sup>	Nil

Notes:

- (1) For the limited review in respect of the financial statements and management's discussion and analysis of Talon for the interim periods in 2007 and 2008 ended March 31, June 30 and September 30, as well for meetings and consultations in respect of the Brazauro transaction, memo regarding GAAP for exploration costs, discussion of taxes on sale of mineral property and tax consulting regarding president's remuneration.
- (2) For discussion regarding various corporate matters and specified procedures on the proposed Saber transactions, as contemplated in the HOA.

## **ADDITIONAL INFORMATION**

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

Additional financial information is contained in the Company's audited financial statements and management's discussion and analysis for the year ended December 31, 2008.

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

## **EXHIBIT “I”**

### **Summary from Technical Report on the São Jorge Project**

#### **1. SUMMARY**

##### **1.1 Introduction**

Coffey Mining Pty Ltd (Coffey Mining) under its Brazilian office operating as Geoexplore Consultoria e Serviços Ltda (Geoexplore) has been commissioned by Talon Metals Corp. (Talon) to prepare an updated resource estimate for the São Jorge Gold Project, in Para State, Brazil.

This report complies with Canadian National Instrument 43-101 ‘Standards of Disclosure for Mineral Projects of December 2005 (the Instrument) and the resource classifications adopted by CIM Council in December 2005.

##### **1.2 Location**

The São Jorge Gold Project is located in the southeast of Pará State Brazil, in the municipality of Novo Progresso. The region is known as Tapajós, and São Jorge is located 320km south of the main regional city Itaituba. Access to the São Jorge Gold Project from the city of Itaituba, is via 320km of un-paved roads or via 1 hour flight in a light aircraft from Itaituba city.

##### **1.3 Ownership**

Talon is the sole registered and beneficial holder of 9 gold exploration licenses in the São Jorge area for a total of 73,846Ha. Talon has complied with all its contractual obligations in respects to the original owners of the licenses including Centaurus, Fonseca, Tapajós/Pedro and Jaguar, with final payments to be made as detailed in Section 4.5 of this report.

##### **1.4 Geology**

The São Jorge property is covered by a granitoid pluton dominantly composed of an amphibole-biotite monzogranite. The gold mineralization is hosted in a circular shaped body comprised of the younger São Jorge granite. The intrusive body measures approximately 1.2km in diameter and is generally massive, grey to pink in colour with a porphyritic granular texture. The São Jorge intrusion trends 290 degrees and is sub-parallel to the strike of the regional Cuiú-Cuiú - Tocantinzinho shear zone, which also hosts several important gold deposits including the Palito mine, Tocantinzinho deposit and Cuiú-Cuiú, Bom Jardim and Batalha gold prospects.

##### **1.5 Mineralization**

Gold mineralization is related to a hydrothermal alteration zone in the monzogranite along a structurally controlled fracture - vein system approximately 700m long and 60m wide. The main trend is 290 degrees with an almost vertical dip. The main mineralized zone is defined by a fairly sharp but irregular contact between altered and unaltered monzogranite to the southwest and a more gradational transition from altered to unaltered rocks to the northeast. Strong alteration is

associated with discrete quartz veinlets (1 to 2cm wide), associated with coarse pyrite grains and clusters that cut zones of intense quartz flooding.

## **1.6 Project Status**

Talon has completed a second phase of diamond drilling to upgrade the previous Indicated Resource and to identify additional Inferred Resources. They have been successful on both accounts and are now looking to review the economic viability of the project prior to upgrading the Inferred Resource.

## **1.7 Resources**

Resource estimates for the São Jorge Gold Project have been generated by Coffey Mining on the basis of analytical results available up to 30th July 2008. The resource model was derived via geological interpretation and modelling of the mineralized zone.

Multiple Indicator Kriging ('MIK') estimation with indirect lognormal change of support to emulate mining selectivity was selected as an appropriate estimation method based on the quantity and spacing of available data, and the interpreted controls on, and styles of, mineralization under review.

Coffey Mining also completed a detailed assessment of all analytical quality control data applied in resource estimation. At the time of resource estimation, no material bias had been identified, although the analytical precision for both field duplicate and re-assay data requires further investigation to improve the apparent moderate precision.

The summarised Resource Statement in Table 1.7\_1 has been determined with an effective date of 4th September 2008 and has been prepared and reported in accordance with Canadian National Instrument 43-101, Standards of Disclosure for Mineral Projects (the Instrument) and the classifications adopted by CIM Council in December 2005. The resource estimate has been classified as an Indicated and Inferred Mineral Resource based on the confidence of the input data, geological interpretation, and grade estimation.

## **1.8 Conclusions**

The geological understanding of the São Jorge Gold Project has evolved greatly since the commencement of the Talon exploration program. The knowledge acquired to date and exploration success over the last two years confirms the potential of São Jorge and surrounding areas.

## **1.9 Recommendations**

Coffey considers that the proposed exploration and development strategy is entirely appropriate and reflects the potential of the São Jorge Gold Project.

**Table 1.7\_1**  
**São Jorge Deposit**  
**Grade Tonnage Report**  
**Multiple Indicator Kriging Estimate**  
**10E x 10mN x 2.5mRL Selective Mining Unit**

	Lower Cutoff Grade (g/t Au)	Million Tonnes	Average Grade (g/t Au)	Contained Gold (Kozs)
Indicated Mineral Resource	0.3	11.365	1.0	379
	<b>0.5</b>	<b>8.334</b>	<b>1.3</b>	<b>343</b>
	0.7	6.232	1.5	303
	0.8	5.453	1.6	285
	0.9	4.792	1.7	267
	1.0	4.207	1.8	249
	1.1	3.683	2.0	231
	1.2	3.199	2.1	213
Inferred Mineral Resource	0.3	20.673	0.8	558
	<b>0.5</b>	<b>12.576</b>	<b>1.1</b>	<b>458</b>
	0.7	7.861	1.5	369
	0.8	6.541	1.6	338
	0.9	5.465	1.8	309
	1.0	4.471	1.9	278
	1.1	3.670	2.1	251
	1.2	3.117	2.3	230

## EXHIBIT “II”

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

#### I. PURPOSE

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

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

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

#### II. COMPOSITION AND MEETINGS

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

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

Committee may designate a Chairman by majority vote of the full Audit Committee membership.

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

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

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

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

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

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

Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

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

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

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

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

#### **Generally**

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

## **Documents/Reports Review**

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

## **External Auditors**

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

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

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

### **Financial Reporting Processes**

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

### **Process Improvement**

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

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

### **Ethical and Legal Compliance**

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

### **Risk Management**

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

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

April 20, 2005

## Schedule “A”

### Independence and Financial Literacy

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

*Multilateral Instrument 52-110 - Audit Committees* (“**MI 52-110**”) provides, in effect, that a member of the Audit Committee is “**independent**” if that member has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, reasonably interfere with the exercise of the member’s independent judgment. MI 52-110 provides that the following individuals are considered to have a “**material relationship**” with the Corporation and, as such, would not be considered independent:

- (a) an individual who is, or has been, an employee or executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;
- (b) an individual whose immediate family member is, or has been, an executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;
- (c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the Corporation’s current executive officers serve on the entity’s compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
- (f) an individual who
  - (i) has a relationship with the Corporation pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors; or
  - (ii) receives, or whose immediate family member receives, more than Cdn\$75,000 per year in direct compensation from the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any

committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors, unless the prescribed period since he or she ceased to receive more than Cdn\$75,000 per year in such compensation; and

- (g) an individual who is an affiliated entity of the Corporation or any of its subsidiary entities.

For purpose of the definition of “material relationship”, the terms set out below shall have the following meanings:

“affiliated entity” - a person or company is considered to be an affiliated entity of another person or company if (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or (b) the person or company is (i) both a director and an employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity. A person will not be considered to be an affiliated entity of the Corporation if the person (a) owns, directly or indirectly, 10% or less of any class of voting securities of the Corporation; and (b) is not an executive officer of the Corporation;

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

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

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

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

“prescribed period” - means the shorter of: (a) the period commencing on March 30, 2004 and ending prior to the date the determination as to the independence of the individual by the Board of Directors is made; and (b) the three year period ending immediately prior to the date the determination as to the independence of the individual by the Board of Directors is made; and

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

## **Financial Literacy**

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