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Talon Metals Corp.: Sao Jorge Gold Project, Para State, Brazil, National Instrument 43-101 Second Technical Report

Prepared by Coffey Mining Pty Ltd for:

Talon Metals Corp.

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Effective Date: September 4, 2008

geoexplore CONSULTORIA E SERVIÇOS

Geoexplore has merged with Coffey Mining Pty Ltd

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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
	0.5	**8.334**	**1.3**	**343**
	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
	0.5	**12.576**	**1.1**	**458**
	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

2 INTRODUCTION

2.1 Scope of Work

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.

2.2 Principal Sources of Information

In addition to site visits undertaken by Beau Nicholls and Mario Reinhardt to the São Jorge Gold Project between 10th and 13th July 2008, the authors of this report have relied extensively on information provided by Talon, extensive discussion with Talon, and numerous studies completed by other internationally recognized independent consulting and engineering groups. A full listing of the principal sources of information is included in Section 21 of this report and a summary of the main documents is provided below:

- MPH Consulting Limited (March 2006) - Technical Report on São Jorge Project, Pará State, Brazil for BrazMin Corp.
- SRK Consulting (October 2006) – Resource Estimate and Technical Report for the São Jorge Project, Brazil for BrazMin Corp.
- Various internal reports from Talon.

Coffey Mining has made enquiries to establish the completeness and authenticity of the information provided and identified, and a final draft of this report was provided to Talon along with a written request to identify any material errors or omissions prior to lodgement.

2.3 Qualifications and Experience

Coffey Mining is a highly respected international consulting firm specializing in the areas of geology, mining and geotechnical engineering, metallurgy, hydrogeology, hydrology, tailings disposal, environmental science and social and physical infrastructure.

The "qualified persons" (as defined in NI 43-101) for the purpose of this report are Beau Nicholls, Mario Conrado Reinhardt and Bernardo Horta de Cerqueira Viana, each of whom is an employee of Coffey Mining.

Mr. Nicholls is a professional geologist with 14 years experience in exploration and mining geology. He is Manager of Geology for Coffey Mining's Brazil operations. Mr. Nicholls is also a Member of the Australian Institute of Geosciences (MAIG). Mr. Nicholls has visited the São Jorge Gold Project between the 10th and 13th of July 2008.

Mr. Reinhardt is a professional geologist with 28 years experience in exploration and mining geology. He is Technical Manager for Coffey Mining's Brazil operations. Mr. Reinhardt is also a Member of the Australian Institute of Geosciences (MAIG). Mr. Reinhardt has visited the São Jorge Gold Project between the 10th and 13th of July 2008.

Mr. Viana is a professional geologist with 6 years experience in the exploration and evaluation of mineral properties internationally. Mr. Viana is the Resource Manager of Geoexplore and a Member of the Australian Institute of Geosciences (MAIG). Mr Viana has not visited the São Jorge Gold Project as Mr Nicholls and Mr Reinhardt completed all required reviews in regards to the resource estimation.

Neither Coffey Mining nor the authors of this report have or have had previously any material interest in Talon or related entities or interests. Our relationship with Talon is solely one of professional association between client and independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

2.4 Units of Measurements and Currency

Metric units are used throughout this report unless noted otherwise. Currency is United States dollars ("US$"). At the time of writing this report the currency exchange rate was 1.73 Brazilian Reals per US$. Talon uses US$ for most of its official cost and budget numbers and as such Coffey Mining did not convert any currency figures during this study. Coffey Mining used a conversion factor of 31.104 grams per ounce.

2.5 Abbreviations

A full listing of abbreviations used in this report is provided in Table 2.5_1 below.

Table 2.5_1
List of Abbreviations

	Description		Description
$	United States of America dollars	l/hr/m^2	litres per hour per square metre
"	Inches	M	million
μ	Microns	m	metres
3D	three dimensional	Ma	thousand years
AAS	atomic absorption spectrometry	Mg	Magnesium
Au	Gold	ml	millilitre
bcm	bank cubic metres	mm	millimetres
CC	correlation coefficient	Mtpa	million tonnes per annum
cm	Centimetre	N (Y)	northing
Co	Cobalt	Ni	nickel
CRM	certified reference material or certified standard	NPV	net present value
Cu	Copper	NQ_2	Size of diamond drill rod/bit/core
CV	coefficient of variation	ºC	degrees centigrade
DDH	diamond drillhole	OK	Ordinary Kriging
DTM	digital terrain model	P80 -75μ	80% passing 75 microns
E (X)	Easting	Pd	palladium
EDM	electronic distance measuring	ppb	parts per billion
Fe	Iron	ppm	parts per million
G	Gram	psi	pounds per square inch
g/m^3	grams per cubic metre	PVC	poly vinyl chloride
g/t	grams per tonne of gold	QC	quality control
HARD	Half the absolute relative difference	QQ	quantile-quantile
HDPE	High density poly ethylene	RC	reverse circulation
HQ_2	Size of diamond drill rod/bit/core	RL (Z)	reduced level
Hr	Hours	ROM	run of mine
HRD	Half relative difference	RQD	rock quality designation
ICP-AES	inductivity coupled plasma atomic emission spectroscopy	SD	standard deviation
ICP-MS	inductivity coupled plasma mass spectroscopy	SG	Specific gravity
ISO	International Standards Organisation	Si	silica
kg	Kilogram	SMU	selective mining unit
kg/t	kilogram per tonne	t	tonnes
km	Kilometres	t/m^3	tonnes per cubic metre
km^2	square kilometres	tpa	tonnes per annum
kW	Kilowatts	UC	Uniform conditioning
kWhr/t	kilowatt hours per tonne	w:o	waste to ore ratio

3 RELIANCE ON OTHER EXPERTS

The authors of this report are not qualified to provide extensive comment on legal and environmental issues associated with the Talon concessions in Brazil included in Section 4 of this report. Assessment of these aspects has relied on information provided by Talon and has not been independently verified by Coffey Mining.

Coffey Mining has relied on Talon's lawyers FFA Legal & Support Mine Companies, of Rio de Janeiro, Brazil for their opinion on the title for the São Jorge mineral concessions and Coffey Mining has received a memorandum from them supporting Talon's claims.

Talon has utilized a number of external experts in respects to the São Jorge Gold Project. They are listed below:

- Geophysical – Lasa Engenharia e Prospeccoes S.A. and MPH Consulting Limited;
- Prior resource estimates - SRK Consulting;
- Metallurgical - SGS Lakefield Limited;
- Analytical – SGS – Geosol – Lakefield Limited; and
- Technical Reports - MPH Consulting Limited.

4 PROPERTY DESCRIPTION AND LOCATION

4.1 Background Information on Brazil

Brazil occupies a land surface area of about 8.5 million square kilometres, slightly larger than Australia. The climate is largely tropical, with more temperate regions in the south. The topography is mostly flat, with rolling lowlands in the north, some plains and a narrow coastal belt. The total population is about 186 million and literacy is about 86%. The official language is Portuguese, while English, Spanish and French are also spoken. The capital city is Brasilia, located in the centre of the country.

Political conditions in Brazil are generally stable. Brazil has been a member of the World Trade Organisation since 1995 and is a founding member of Mercosur, a trade liberalisation program for South America.

The fundamentals of Brazilian macro-economic policy are based primarily on fiscal austerity, the control of inflation and free foreign exchange. The strength of the world economy and the high level of liquidity in international financial resources have accelerated production, led to more intense global trade, and created favourable conditions for foreign investment and the recovery of the country's economy since 2004.

Brazil's economy, aided by a benign international environment, grew approximately 2.9% in 2005 and 3.7% in 2006. (Note: In early 2007, the Brazilian Institute of Geography and Statistics (IBGE) revised its methodology for computing gross domestic product and announced revised figures for 2000-2006.) Sustained growth, coupled with booming exports, healthy external accounts, moderate inflation, decreasing unemployment, and reductions in the debt-to-GDP ratio. President Lula and his economic team have implemented prudent fiscal and monetary policies and have pursued necessary microeconomic reforms.

Brazil has made progress but significant vulnerabilities remain. Despite registering year-on-year declines from 2004 to 2006, Brazil's (largely domestic) government debt remains high, at 50% of GDP. Total foreign debt, while falling, is still large in relation to Brazil's export base. Over time this concern will be reduced by healthy export growth, which has anchored the positive trade and current accounts. Personal incomes improved since 2004 after a significant decline over the previous decade. Income and land distribution remains skewed.

Sustaining high growth rates in the longer term depends on the impact of President Lula's structural reform program and efforts to build a more welcoming climate for investment, both domestic and foreign. In its first year, the Lula administration passed key tax and pension reforms to improve the government fiscal accounts. Judicial reform and an overhaul of the bankruptcy law were passed in late 2004, along with tax measures to create incentives for long-term savings and investments.

Legislation promoting public private partnerships, a key effort to attract private investment to infrastructure, also passed in 2004. Labour reform and proposals to increase autonomy for the Central Bank are pending. In January 2007, the Lula administration announced a package of reforms to increase public investment and control spending growth. Despite this well-considered reform agenda, much remains to be done to improve the regulatory climate for investments, particularly in the energy sector; to simplify tax systems at the state and federal levels; and to further reform the pension system.

Brazil's production from resources, oil and gas reached US$28.0 billion (or 4.2% of GDP) in 2004. Brazil is the world's largest producer of niobium and iron ore, the second largest producer of tantalum, and the third largest producer of aluminium, graphite and manganese.

The 1995, constitutional amendment provided a landmark in Brazilian mining legislation by granting foreign companies the right to hold majority ownership in Brazilian projects and equality of fiscal and economic treatment. Today, numerous multi-national mining companies are active in Brazil, including Anglo American Plc, Rio Tinto Plc and BHP Billiton Limited.

4.2 Mineral Tenure

Tenements in Brazil are granted subject to various conditions prescribed by the Mining Code, including the payment of rent and reporting requirements, and each tenement is granted subject to standard conditions that regulate the holder's activities or are designed to protect the environment. These standard conditions are not detailed in this report, however where a tenement is subject to further specific conditions, these are detailed in the notes accompanying the tenement schedule.

Mineral tenements in Brazil generally comprise Prospecting Licenses, Exploration Licenses and Mining Licenses.

The holder of a granted Prospecting License, Exploration License or Mining License is not required to spend a set annual amount per hectare in each tenement on exploration or mining activities. Therefore, there is no statutory or other minimum expenditure requirement in Brazil. However, annual rental payments are made to the DNPM (Departamento Nacional de Produção Mineral) and the holder of an Exploration License must pay rates and taxes, ranging from US$0.35 to US$0.70 per hectare, to the Local Government.

Lodging a caveat or registering a material agreement against the tenement may protect various interests in a Mining License.

If a mineral tenement is located on private land, then the holder must arrange or agree with the landowners to secure access to the property.

4.2.1 Prospecting Licenses

A Prospecting License entitles the holder, to the exclusion of all others, to explore for minerals in the area of the License, but not to conduct commercial mining. A Prospecting License may cover a maximum area of 50 hectares and remains in force for up to 5 years. The holder may apply for a renewal of the Prospecting License which, is subject to DNPM approval. The period of renewal may be up to a further 5 years.

4.2.2 Exploration Licenses

An Exploration License entitles a holder, to the exclusion of all others, to explore for minerals in the area of the License, but not to conduct commercial mining. The maximum area of an Exploration License is 2,000 hectares outside of the Amazonia region and 10,000 hectares within the Amazonia region (Amazonas, Para, Mato Grosso, Amapa, Rondonia, Roraima and Acre states). An Exploration License remains in force for a maximum period of 3 years and can be extended by no more than a further 3 year period. Any extension is at DNPM's discretion and will require full compliance with the conditions stipulated by the Mining Code that must be outlined in a report to DNPM applying for the extension of the License.

Once the legal and regulatory requirements have been met, exploration authorisation is granted under an Exploration License, granting its holder all rights and obligations relating to public authorities and third parties. An Exploration License is granted subject to conditions regulating the conduct of activities. These include the requirement to commence exploration work no later than 60 days after the Exploration License has been published in the Federal Official Gazette and not to interrupt it without due reason for more than 3 consecutive months or 120 non-consecutive days, to perform exploration work under the responsibility of a geologist or mining engineer legally qualified in Brazil, to inform DNPM of the occurrence of any other mineral substance not included in the exploration permit and to inform DNPM of the start or resumption of the exploration work and any possible interruption.

If the holder of an exploration License proves the existence of a commercial ore reserve on the granted exploration License, the DNPM cannot refuse the grant of a mining License with respect to that particular tenement if the License holder has undertaken the following:

- An exploration study to prove the existence of an ore reserve.
- A feasibility study on the commercial viability of the reserve.
- The grant of an environmental License to mine on the particular tenement.

4.2.3 Mining Licenses

A Mining License entitles the holder to work, mine and take minerals from the mining lease subject to obtaining certain approvals.

Mining rights can be denied in very occasional circumstances, where a public authority considers that a subsequent public interest exceeds that of the utility of mineral exploration, in which case the Federal Government must compensate the mining concession holder.

A Mining License covers a maximum area of between 2,000 hectares and 10,000 hectares, depending on the geographical area in Brazil, as detailed above, and remains in force indefinitely. The holder must report annually on the status and condition of the mine.

As with other mining tenements, a Mining License is granted subject to conditions regulating the conduct of activities. Standard conditions regulating activities include matters such as:

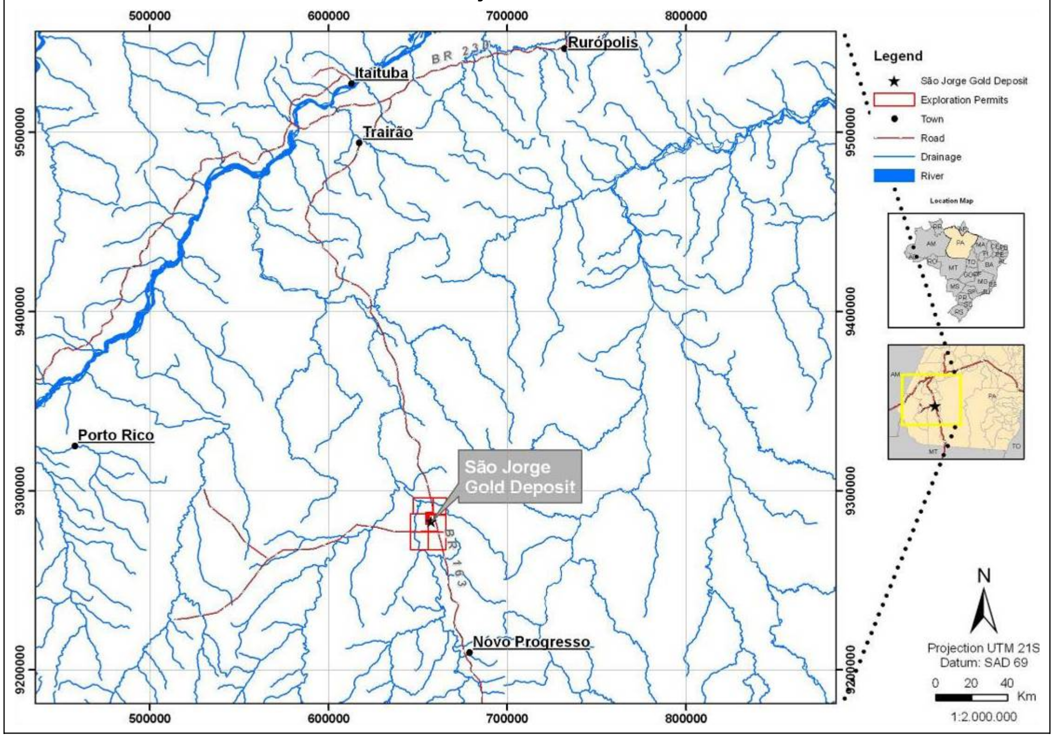
- The area intended for mining must lie within the boundary of the exploration area.
- Work described in the mining plan must be commenced no later than 6 months from the date of publication of the grant of the Mining License, except in the event of a force majeure.
- Mining activity must not cease for more than 6 consecutive months once the operation has begun, except where there is proof of force majeure.
- The holder must work the deposit according to the mining plan approved by the DNPM.
- The holder must undertake the mining activity according to environmental protection standards stipulated in an environmental License obtained by the holder.
- The holder must pay the landowner's share of mining proceeds according to values and conditions of payments stipulated by law, which is a minimum of 50% of CFEM (see below), but is usually agreed to be higher under a contract between the holder of the Mining License and the landowner.
- The holder must pay financial compensation to States and local authorities for exploring mineral resources by way of a Federal royalty being the CFEM, which is a maximum of 3% of revenue, but varies from state to state.

An application for a Mining License may only be granted solely and exclusively to individual firms or companies incorporated under Brazilian law, which will have a head office, management and administration in Brazil, and are authorized to operate as a mining company.

4.3 Project Location

The São Jorge Gold Project is located in the southeast of Pará State, 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 (Figure 4.3_1). Itaituba is located at the intersection of the Trans-Amazonica Highway with the Tapajós River. The topographical coordinates of the project are 6.48º latitude south and 55.58º longitude west. The nearest major cities with connections to international flights are Belém and Manaus. Several small regional airlines service Itaituba from Belem and Manaus.

Figure 4.3_1
Project Location



4.4 Tenement Status

Talon, through its Brazilian subsidiaries, is the sole registered and beneficial holder of nine gold exploration properties in the São Jorge area for a total of 73,845.67ha. The Wilton open pit is located within the Exploration License 024. (Table 4.4_1 and Figure 4.4_1). Some of the licences are overlapping as explained below.

Exploration License 024 granted Talon the right to explore for gold over the 10,000ha licence area until the 6th March 2006. The São Jorge gold resource is located within this licence. Prior to the expiry of the licence, Talon had submitted an application for an extension to the license to the DNPM for up to three additional years. In May 2006, allegations of irregularities in the ownership of the original of licence 024 (which predated Talons involvement) were submitted to the Departamento Nacional de Produção Mineral (DNPM) by Pedro Pacheco, who is one of the owners of Tapajós Mineração. Two independent, non-official, expert inspections have been undertaken on the mineral rights files (one of which was requested by Talon). The DNPM has passed this case over to the Federal Police in Brasilia and then on to their counterparts in Belem, who are presently reviewing the alleged irregularities.

In light of these allegations of possible irregularities in the original title related to licence 024, Talon successfully acquired two additional areas of mineral rights, over the mineralised area and its extensions at São Jorge, referred to as concessions 275 and 058.

Talon acquired the minerals rights related to exploration concession 275 from Tapajós Mineração. This concession, with 9,000ha, is 100% superimposed over license 024 and includes the current existing gold resource on the project, including the Wilton pit.

Talon also acquired from Centaurus, the minerals rights of the exploration concession 058, which covers an area of 5.11ha. This concession is 100% superimposed over license 024 to the west of the Wilton Pit.

Both applications for mineral rights (275 and 058) are currently under review by the DNPM. In August, 2006, Talon received a formal notification from DNPM informing Talon that in the event of DNPM confirming the existence of irregularities in the original title to licence 024, that licence will be nullified, and that concessions 275 and 058 will prevail and Talons rights to São Jorge will be secured through the exploration licences 275 and 058, which include the current resource and its extensions. Coffey has confirmed that these two licenses comprehensively cover the current resource.

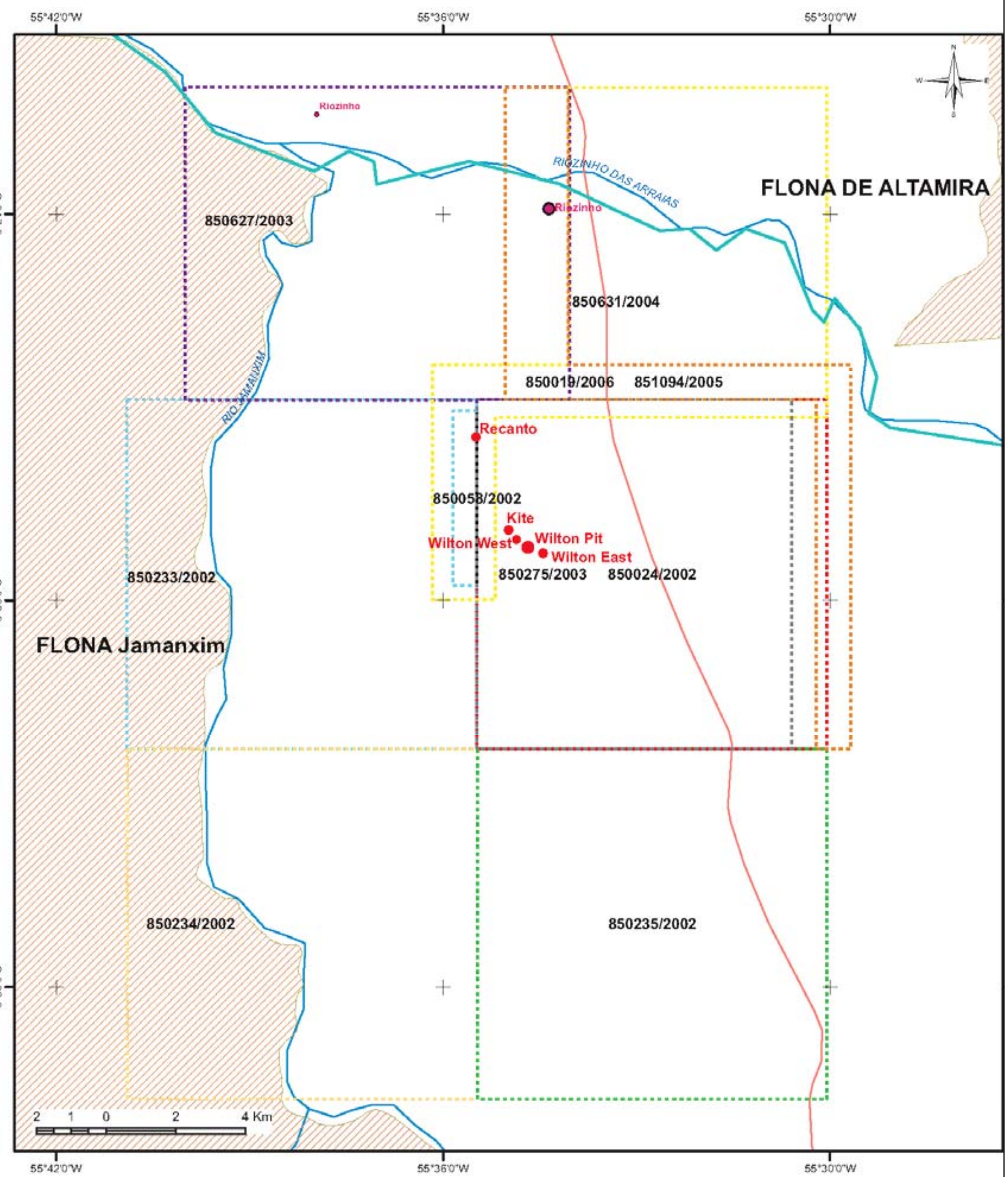
Details of Talon total gold concession holdings in the Sao Jorge region are found in Table 4.4_1 and Figure 4.4_1.

Table 4.4_1

Summary of Talon Concession Status in the São Jorge Region

Concession Type	Concession No.	Concession Name	Holder	Area (Ha)	Comments
Exploration	850.024/02	024	Brazilian Resources	10,000.00	In dispute. Application for renewal of the License submitted to DNPM
Exploration	850.233/02	233	BrazMin	9,661.10	Expires 18th September 2008. Application for renewal of the License submitted to DNPM
Exploration	850.234/02	234	BrazMin	10,000.00	Expires 18th September 2008. Application for renewal of the License submitted to DNPM
Exploration	850.235/02	235	BrazMin	10,000.00	Expires 18th September 2008. Application for renewal of the License submitted to DNPM
Exploration	850.627/03	627	Brazilian Resources	9,853.76	Expires 18th September 2008. Application for renewal of the License submitted to DNPM
Exploration	850.058/02	058	Brazilian Resources	5.11	Under application. Concession acquired by Talon
Exploration	850.275/03	275	Tapajós Mineração	9,000.00	Under application. Concession acquired by Talon
Exploration	850.094/05	094	Brazilian Resources	3,416.10	Under application
Exploration	850.631/04	631	BrazMin	8,493.50	Under application
Exploration	850.019/06	019	Brazilian Resources	3,416.10	Under application
Total				**73,845.67**	

Figure 4.4_1
License Location



DNPM	STATUS	TITULAR HOLDER	ÁREA (Ha)
850024/02	ALVARÁ	BRM	10000,00
850058/02	PEDIDO DE PESQUISA	BRM	5,11
850233/02	ALVARÁ	Brazmin	9661,10
850234/02	ALVARÁ	Brazmin	10000,00
850235/02	ALVARÁ	Brazmin	10000,00
850275/03	PEDIDO DE PESQUISA	Tapajós	9000,00
850627/03	ALVARÁ	BRM	9853,76
850631/04	PEDIDO DE PESQUISA	Brazmin	8493,50
851094/05	PEDIDO DE PESQUISA	BRM	3416,10
850019/06	PEDIDO DE PESQUISA	BRM	3416,10
850044/06	PEDIDO DE PESQUISA	BRM	10000,00

LAND STATUS
TALON METALS CORP.
SÃO JORGE PROJECT
1:150.000

4.5 Royalties and Agreements

Based on information supplied to Coffey Mining by Talon's lawyers FFA Legal & Support Mine Companies, of Rio de Janeiro, Talon has complied with all its contractual obligations in respects to the original owners of the licenses (see Section 6.2 regarding Ownership History) to date including Centaurus, Alexandre Fonseca, Tapajós/Pedro Pacheco, and Jaguar. The following payments and agreements listed below are the remaining contractual obligations to be completed by Talon:

- Three payments of US$75,000 each and one payment of US$275,000 for license 024 is to be made to Alexandre Fonseca for the purchase of this license, but these payments will be suspended if license number 024 is found to be void.
- License 275 (originally owned by Tapajós Mineração Ltda) will require a premium of 1% of the proven mineable reserves as demonstrated by a feasibility study relating to the São Jorge area (no reserves have been defined yet) and Exploration licence 627 includes a 2% NSR, to which Talon can purchase 1.5% of this NSR for U$500,000.

Talon has the following Landowner Agreements in the São Jorge area:

- Talon has the obligation to pay R$5,000 per month to Mrs. Laudaete (the current landowner of the property on which the Wilson Pit is located), with an option to buy the land for US$750,000.
- Talon has an agreement with Mr. Geraldo Evangelista, owner of Keila farm, where the Kite mineralized zone is located. The agreement obligates Talon to pay R$1,0 per month during the period of September to December 2007 and R$2,0 during the period of January to June 2008. The agreement was extended for the period of July 2008 to October 2008.

4.6 Environmental Liabilities

Talon has completed and filed at the Secretaria Estadual de Meio Ambiente - SEMA a Environment Control Report ("Relatório de Controle Ambiental- RCA") to request the extension of an Environmental License for the Exploration License 024. This license was previously obtained on May 26, 2006 and was valid until May 25, 2007.

A new request has been submitted and is under review by SEMA. Talon expects to extend the environmental license 024 for one additional year, starting on the effective date that it will be approved by SEMA.

4.7 Permitting

No additional permits are required at the current stage of exploration.

5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 Project Access

Access to the São Jorge Gold Project from the city of Itaituba, is via 320km of un-paved roads on highways BR 163, and secondary roads from the village of Riozinho, located 9km by road northeast of the property (Figure 4.3.1).

Itaituba is a well established city with good port facilities on the Tapajós River, and a capacity for large freight aircraft. Itaituba is located on the Transamazon highway, and is approximately 1,000km west of Marabá, which is 1,500km from Brasília via the Belem-Brasília highway. Itaituba can be reached by scheduled jet aircraft from Manaus and Belem, where international connections are available. The area can also be reached by small airplanes by a one hour flight from Itaituba using the un-paved airstrip at Riozinho village.

5.2 Physiography and Climate

The climate is tropical with an annual rainfall of around 2,000mm and seasonal variations with a drier period between July and November and a wetter period between December and May. The average annual temperature is approximately 27.5ºC with minimal month to month variations.

The topography is gently rolling with elevations of 300m to 400m above mean sea level. Vegetation varies from tropical rainforest, with the project area located within farmland.

5.3 Local Infrastructure and Services

São Jorge is an exploration camp comprising of a house for main staff lodging with phone and an internet connection via satellite. A core shed has been constructed to house all the drillcore from the project. A 3km electric power line connected to a regional power line from the locality of Novo Progress is in place but currently requires permitting, therefore all electricity is supplied by diesel generators.

The village of Riozinho is located 9km from the exploration camp. This village is the source of all workers used in the exploration programs.

A small open pit and 2 small leach pads remain from the previous garimpo operation that was in place in early 2000.

The local economy consists mainly of cattle ranches.

6 HISTORY

6.1 Ownership History

See Section 6.2 below.

6.2 Exploration History

The exploration history for the São Jorge property is summarised in Table 6.2_1 below.

Table 6.2_1

Exploration Property History

Date	Entity	Work Program	Significant Results
Before 1990	Informal miners during Tapajós Gold Rush	Alluvial and saprolite Garimpo mining	Some gold production (not reported)
1993 - 1995	RTDM	Mapping, soil sampling, trenching, auger and diamond drilling (26 holes for 4350.3m)	
1997 - 1998	RTDM	Scoping study and diamond drilling with 16 drillholes	First mineral resource estimation by RTDM (non-compliant with NI 43-101 guidelines)
1998	Altoro	Negotiated property with RTDM but didn't advance with the option due to a merger with Solitario Resources	
2001 - 2005	Tapajós Mineração Ltda	Garimpo open pit mining operation	Production of gold by heap leaching (final production not reported); final pit 400m long, 80m wide and 20 to 30m deep
2005	Talon (previously named BrazMin)	Phase I diamond drilling program of 48 drillholes for 10,104m.	Defined a envelope of a vein and stockwork zone of 700m strike extent
2006	Talon	Phase II diamond drilling program of 34 drillholes for 7,952m and airborne and ground geophysics	New targets and extensions from Wilton Zone defined to the west – 'Kite zone" and east "Wilton East zone". First NI 43-101-compliant mineral resource estimation.
2007	Talon	Extension of regional soil sampling grid	Anomalous gold values along 600m on one line

Gold is reported to have been first discovered in the Tapajos region in the 18th century. Significant production has been recorded since the end of the 1970's and beginning of the 1980's, when the BR 163 (Cuiaba - Santarém road) was opened. A gold rush started in the Tapajos region with thousands of garimpeiros entering the region that was until then totally isolated. Production from the region apparently peaked between 1983 and 1989, with as many as 300,000 garimpeiros reportedly extracting somewhere between 500,000 oz and 1M oz per year, predominantly based on alluvial gold. Up until 1993, production was officially estimated at 7M oz, but real production is unknown. Production has since declined, reaching an average of 160,000 oz of gold per year in the late 1990's.

São Jorge is located in the eastern part of the so called "Tapajos Gold District". São Jorge garimpo mining reportedly commenced in the 1970's. There are no published records to support the timing or amount of production. The exploration of the São Jorge area was initiated by Rio Tinto Desenvolvimento Minerais Ltda ("RTDM"), a subsidiary of Rio Tinto Plc Mineral Group, in 1993. At that time the São Jorge garimpeiro workings (Wilton Pit), was approximately 30m in diameter. Following sampling in this small open pit, RTDM applied for four exploration licences in order to acquire the bedrock mining rights. Additionally they negotiated an agreement with the landowner Wilton Amorim, which enabled them to initiate exploration on the property.

The RTDM exploration program involved a 300m line spacing airborne magnetic survey, 200m by 200m soil sampling grid around the São Jorge garimpo workings, 202 auger holes totalling 1,868m (drilled on a 50m by 20m grid with infill 8m by 8m), trenching with channel sampling (total of 1,071 samples collected in 16 trenches), detailed geological mapping to define the geological and structural framework, and 26 diamond drillholes for a total of 4,350.3m.

In 1997, as part of a scoping study, RTDM estimated a non-compliant Ni 43-101 mineral resource for the São Jorge Property, and completed an additional 16 diamond drillhole program to test conclusions of the scoping study (see Section 6.3 below).

In March 1998, Altoro Gold Corp. (Altoro) negotiated an agreement on the property with RTDM and reviewed all data by check sampling of drillholes and surface sampling at the garimpeiro pit. However, due to a merger with Solitario Resources Corporation, no further work was completed on the property. In early 2003, RTDM relinquished the four São Jorge exploration licenses.

One of the licences, (No. 850.024/02), was immediately acquired by a private individual and subsequently optioned to Centaurus Mineração e Participacoes Ltda. ("Centaurus"). No exploration work was undertaken by Centaurus.

From 2001 to 2005, garimpeiro operations were undertaken by Tapajós Mineração Ltda (TML). These operations included small heap leach pads using cyanide solutions to recover gold. Production by TML is reported at 15,000t of ore per month grading 0.3 to 0.7g/t of gold. Harron (2004) reported an estimated production of "approximately 1,500 oz of gold per year."

After garimpeiro operations ceased on the property, a pit of approximately 400m long, 80m wide and 20 to 30m deep had been excavated over the Wilton Pit area.

On July 16, 2004 Talon acquired from Centaurus a 100% interest in the São Jorge exploration licenses and in April 2005 entered into an agreement with Jaguar Resources Limited acquiring a 100% interest in the three adjacent claims.

6.3 Resource History

In 1997, RTDM reported a saprolite resource of 3.2Mt at a grade of 1.31g/t gold and a fresh rock resource of 33Mt at a grade of 1.49g/t gold. This historical resource estimate was classified as "potential resources" and did not comply with current NI 43-101 guidelines. Coffey Mining has not reviewed this resource estimate and methodology as only the reference of the results has been located in historical technical reports, and it has been superseded by subsequent resource estimates.

In 2006, SRK Consulting Inc (SRK) completed a NI 43-101 compliant mineral resource estimation, using a 0.5g/t gold cutoff grade to 100m vertical depth giving an indicated resource of 5Mt at 1.19g/t gold and an inferred resource of 0.03Mt at 1.02g/t gold.

6.4 Production History

Harron (2004) reported a non-official garimpo production for São Jorge of approximately 1,500oz of gold per year between 2001 and 2005. No official records are available for the Garimpo operation that existed at São Jorge.

7 GEOLOGICAL SETTING

7.1 Regional Geology

The São Jorge Gold Project is located within the Tapajós District (Figure 7.1_1) situated in the south-central portion of the Amazon Craton. The Amazon craton became tectonically stable at the end of the Late Proterozoic period. The Craton is generally divided into the Guyana Shield north of the Amazon River and the Brazil Shield south of the Amazon River. The provinces have a northwest trend across the shields. The Brazil Shield has, as its nucleus, the Archean granitoid - greenstone terranes of the Carajás-Imataca Province in the east. The structural provinces become younger towards the west and are dominantly granitic rocks of Paleoproterozoic age. There is a general agreement that in this region, initial oblique collision tectonism was associated with crustal shortening linked to subduction and or accretion of magmatic arcs and early continental nucleation.

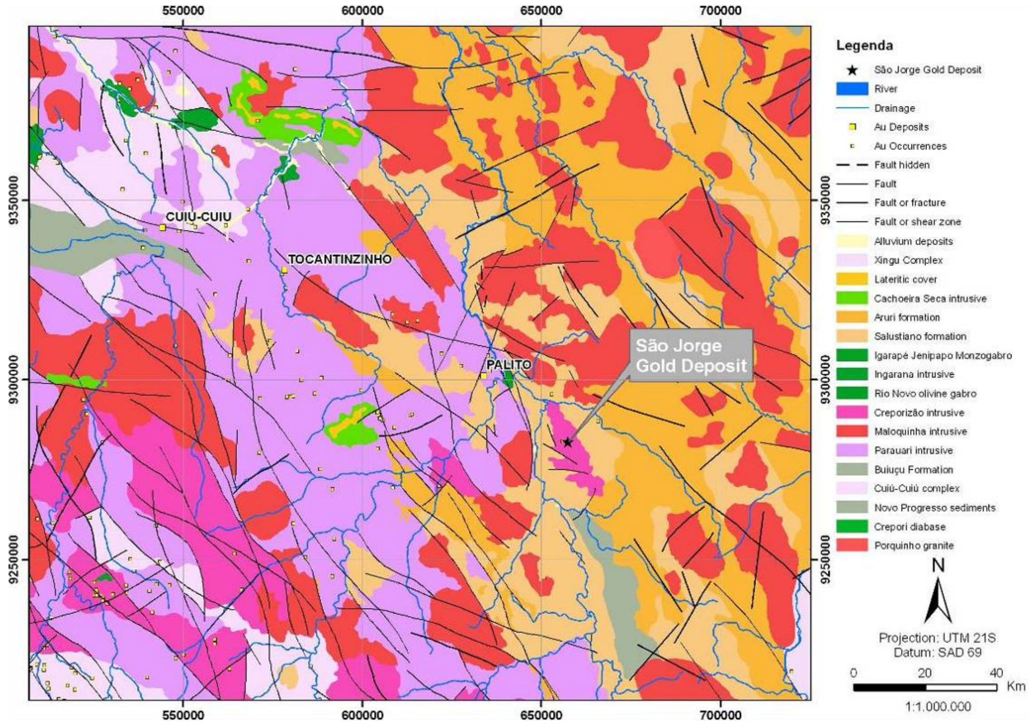
The main units that forms the basement of the Tapajós Gold Province are the Paleoproterozoic Cuiú-Cuiú Metamorphic Suite (2.0 to 2.4Ga old), and the Jacareacanga Metamorphic Suite, also of possible Paleoproterozoic age (>2.1Ga). The Cuiú-Cuiú Suite comprises gneisses, migmatites, granitoid rocks and amphibolites. The Jacareacanga Suite comprises a supra-crustal sedimentary-volcanic sequence, which has been deformed and metamorphosed to greenschist facies. Both Suites are intruded by granitoids of the Parauari Intrusive Suite consisting of a monzodiorite dated at 1.9 to 2.0Ga. These form the basement of the extensive felsic to intermediate volcanic rocks of the Iriri Group, dated at 1.87 to 1.89Ga, including co-magmatic and anorogenic plutons of the Maloquinha Suite with intrusive events dated at 1.8 to 1.9Ga. The Iriri- Maloquinha igneous event is associated with a strong extensional period. Regional structural analysis in the Tapajós area has identified important lineaments that trend mainly northwest to southeast with a less well defined transverse east to west set.

The primary gold mineralization in the Tapajos region is related to:

- Lode like mesothermal orogenic gold deposits, in the context of quartz veins in shear zones with local hydrothermal alteration in the context of the basement rocks, and
- Stockwork and disseminated gold with a more pervasive hydrothermal alteration in the context of the granitic and volcanic rocks, similar to porphyry and epithermal styles of mineralization.

The São Jorge gold deposit is related to the east extension of the regional 450km long northwest-southeast Cuiú-Cuiú - Tocantinzinho lineament which also hosts several important gold deposits including the Palito mine, Tocantinzinho deposit and Cuiú-Cuiú, Bom Jardim and Batalha gold prospects (Figure 7.1_1).

Figure 7.1_1
Regional Geology Map



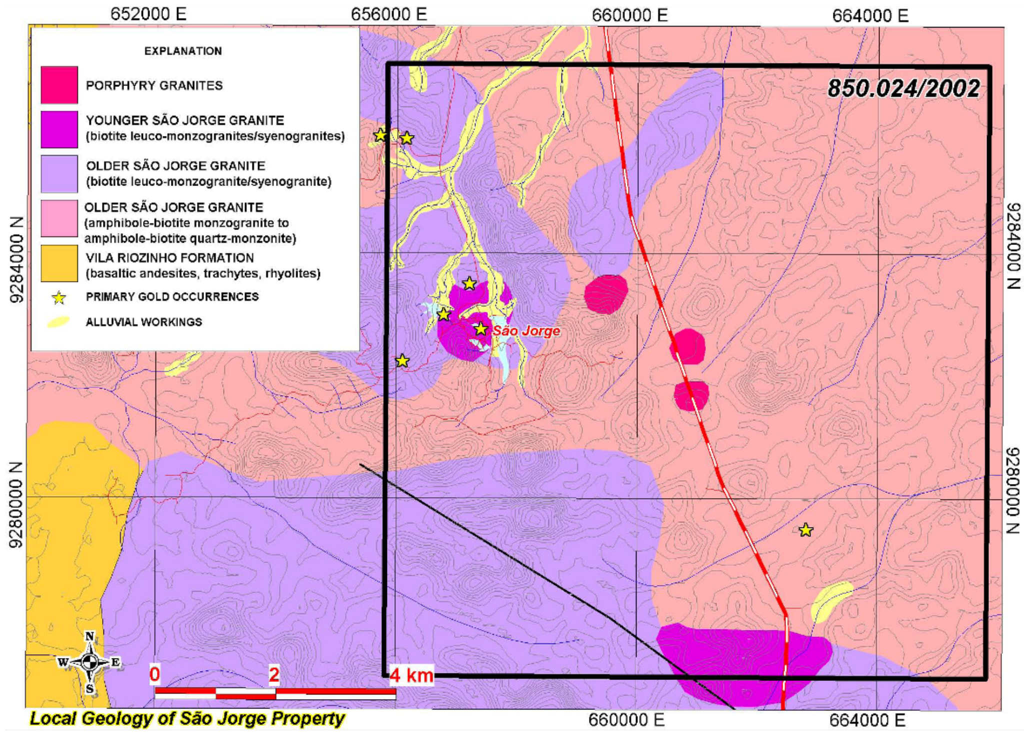
7.2 Project Geology

The São Jorge property is covered by a granitoid pluton dominantly composed of an amphibole-biotite monzogranite (Figure 7.2_1). In the past, this pluton was interpreted to comprise one granitoid series, however geological research completed by the Federal University of Pará (UFPA) indicates that the pluton is heterogeneous and is comprised of two main granitoid series including:

- Older São Jorge granite - massive granites and granite porphyries composed of amphibolite, biotite monzogranite to quartzmonzogranite rocks and biotite leuco-monzogranites to syenogranite rocks, massive, displaying only local, non-penetrative foliation;
- Younger São Jorge granite - massive granites composed of biotite leuco-monzogranite and syenogranites occurring as circular shaped bodies, with locally brecciated foliation indicating brittle-ductile deformation as in the vicinity of gold mineralization.

The São Jorge granites frequently include 5 to 10cm long, oval-shaped mafic enclaves. They also display local rapakivi texture characterized by sparse crystals of K-feldspar mantled by plagioclase.

Figure 7.2_1
Project Scale Surface Geology



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 (Figure 7.2_1). This unit is generally massive, grey to pink in colour with a porphyritic granular texture. The São Jorge intrusion trends 290º and is sub-parallel to the strike of the regional Cuiú-Cuiú - Tocantinzinho shear zone. This structural trend is also reflected in the regional magnetic survey carried out by RTDM.

Mapping of the Wilton Pit has identified two prominent fracture systems at 270º to 290º and a subordinate system of northwest to northeast anatomising veins. The pattern of fracture-vein systems observed is consistent with a sinistral displacement within a transpressional ductile-brittle deformation event.

Figure 7.2_2 shows a schematic interpretation of the main structural controls of the São Jorge Mineralization.

Figure 7.2_3 shows a photo from the São Jorge open pit (taken in 2003) showing a central sulphide-quartz vein (boundary shown with white lines) with later fracturing in the northwest (black lines) and northeast (red lines) directions forming part of a stockwork with irregular granite hydrothermal alteration (leached and reddish zones).

Figure 7.2_2
Structural Control of São Jorge Mineralization

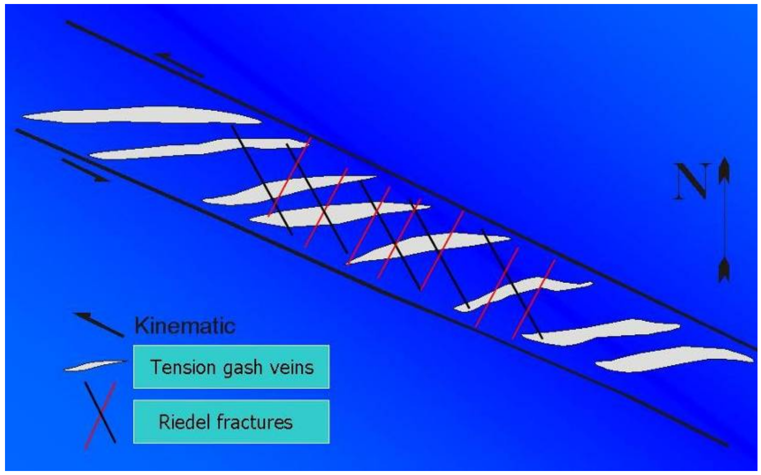
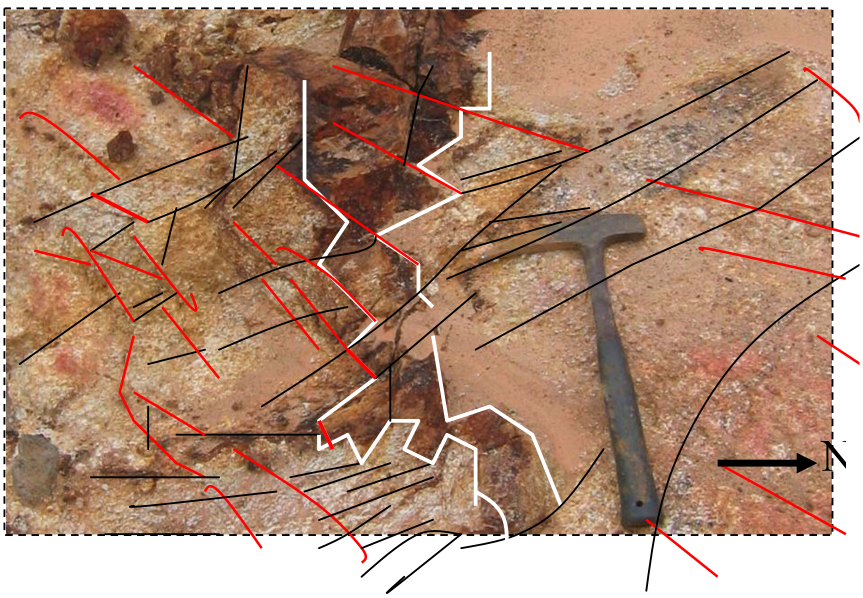


Figure 7.2_3
Open Pit Outcropping Mineralization



8 DEPOSIT TYPES

The São Jorge mineral deposit is a post-tectonic granite intrusion related gold deposit. The origin of gold mineralization is thought to be related to late stage volatile enriched intrusive phases controlled by extensional tectonics in the context of a regional lineament.

Analogous deposits associated with granitic intrusives in the Amazonia craton are the multi-million ounce Omai gold deposit in Guyana (Goldfarb et al 2001) and the Tocantinzinho gold deposit owned by Brazauro Resources Corporation located approximately 80km northwest from the São Jorge property along the same regional lineament (Figure 7.2_1).

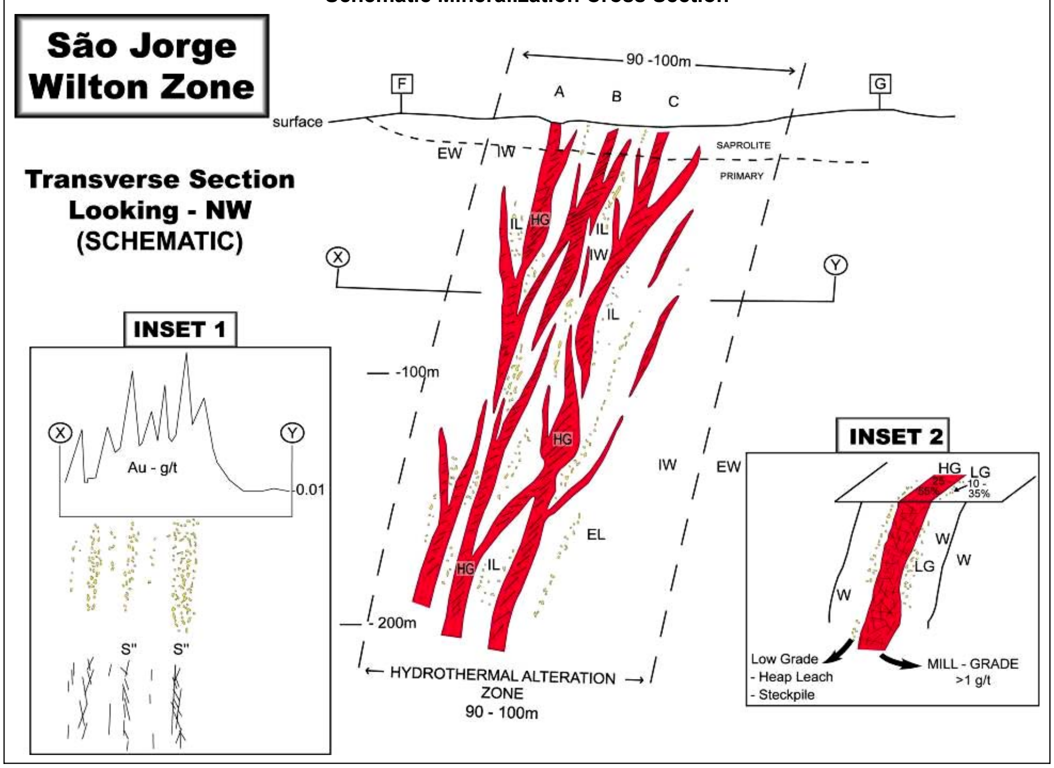
9 MINERALIZATION

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. In a longitudinal section view, it is possible to define a main continuously mineralized zone between coordinates 657,100E and 657,550E that coincide with the open pit excavation from the garimpo operation.

The main trend is 290º with an almost vertical dip. The main zone is defined by a fairly sharp but irregular contact between unaltered monzo-granite rocks to the southwest and a more gradational transition from altered to unaltered rocks to the northeast. Talon has identified minor altered splays of mineralization outside of the hanging wall and footwall contacts, with an average width ranging from 2m to less than 1m. These splays are discontinuous but have been traced for up to 400 - 500m along strike.

A schematic cross section across the deposit is presented in Figure 9_1.

Figure 9_1
Schematic Mineralization Cross Section



Three superimposed types of hydrothermal alteration have been recognized within the deposit:

- Weak Alteration. Dark pink to red colour, with hematite staining in feldspars and groundmass, infrequent fine (1-2mm) fractures with fine grained fractures of pyrite infill with grey colour margins, weak development of a K-feldspar-sericite-carbonate-alteration assemblage.
- Moderate Alteration. White-grey colour, increasing frequency of fractures up to 2 - 3mm in width and occasional quartz veins up to 4m wide, intense development of quartz sericite alteration, obliteration of igneous textures, quartz flooding and destruction of feldspars.
- Strong Alteration. Discrete quartz veinlets (1 to 2cm wide), associated with coarse pyrite grains and clusters that cut zones of intense quartz flooding, veins sets generally at 45 - 50º and sub-parallel to the core axis, zones of intense pink albitization termed "aplitic dyke".

The relation between fracturing and alteration observed in drill core indicate a multi - stage fracturing and alteration process. There is a strong association of gold mineralization with pyrite and minor chalcopyrite. In general, we can observe that more continuous mineralized zones and higher grades are associated with increasing alteration, higher percentages of sulphides and higher fracture density.

The main mineralized zones can be observed on surface and followed up in drill core to 200m depth with a clearly vertical to sub-vertical attitude. The mineralization is still open at depth.

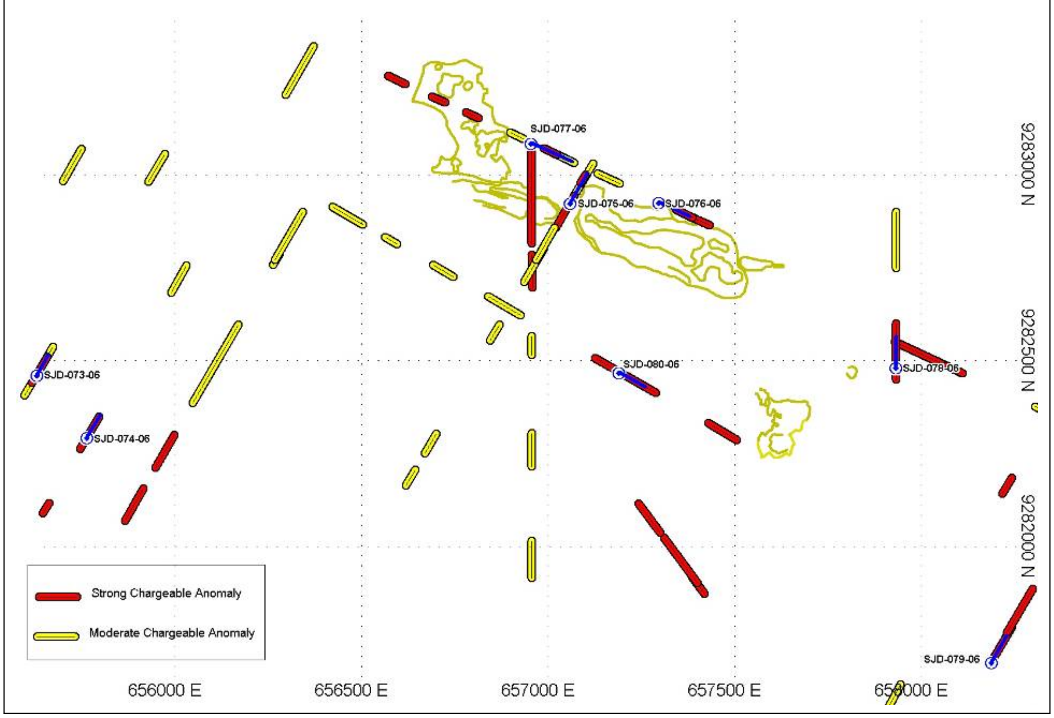
The geological data indicates a structurally controlled bulk-tonnage gold-bearing sheeted quartz vein stockwork hosted in partially and irregularly altered granitic rocks. Progressive secondary enrichment of gold in laterite and saprolite is a common feature in tropical weathering zones. The majority of the gold bearing laterite has been removed by the previous garimpo operation.

10 EXPLORATION

Talon (operating under Brazmin) commissioned MPH Consulting Limited ("MPH") to review and rebuild the RTDM geophysical database comprised of processed IP data. In a memo dated March 2004, MPH identified 3 conductors at São Jorge in the vicinity of the Wilton Pit and the Wilton West Areas. The strongest conductor (Zone 1) corresponds to the mineralization associated with the Wilton Pit and extending along a northwest-southeast trend from 656,600mE to 6,568,300mE. MPH also identified a conductor (Zone 2) that appears to trend west from Zone 1 at 656,800mE, and a conductor south of and sub-parallel to Zone 1 (Zone 3).

In July 2006, an airborne magnetic and radiometric survey was carried out by Fugro with a total of 2,284 line kilometres completed (with line spacing between 100 to 400m). The preliminary interpretation identified major northwest-southeast trends. At the same time, a 28.55 line kilometre ground IP and 33.26 line kilometre ground magnetometer survey was completed covering the Wilton Pit (Figure 10.1_1).

Figure 10.1_1
São Jorge IP Survey Interpretation



At the beginning of 2007 Talon surface exploration continued with the extension of the regional soil sampling program, comprising 1,881 samples and focused on several west-northwest trending structural trends sub-parallel to the Wilton Zone.

11 DRILLING

Diamond drilling has been completed at the São Jorge Gold Project, as summarized in Table 9_1 below.

Table 11_1
Summary Drilling Statistics for São Jorge Gold Project

Item	Number of Drillholes	Metres Drilled
Rio Tinto Desenvolvimento Mineral – RTDM (FSJ01- FSJ10)	10 DDH	1,700
Rio Tinto Desenvolvimento Mineral – RTDM (FSJ11- FSJ26)	16 DDH	2,690
Talon Phase I (SJD01- SJD 48)	48 DDH	10,104
Talon Phase II (SJD 49- SJD 82)	34 DDH	7,952
Total	**108 DDH**	**22,446**

Data collection can be subdivided into two distinct periods: The first period relates to data collected by RTDM. The second period relates to data collected under work programs managed by Talon. As such, further comments are directly attributed to each company.

Data collection methods applied by Talon have been reviewed by Coffey Mining and, as such, have been directly assessed. Drilling completed by RTDM was undertaken prior to Coffey Mining involvement so no detailed review has been undertaken.

11.1.1 RTD Drilling

Diamond drilling undertaken by RTDM was comprised of an initial phase of 10 drillholes comprising FSJ-01 to FSJ-10 for a total of about 1,700m with the deepest drillhole penetrating 150m below surface. These holes were inclined at 50º to 55º. All core drilled was BQ (36.5mm) diameter. The second phase of drilling by RTDM comprised 16 drillholes (FSJ-11 to FSJ-26) for a total of approximately 2,690m. Drillholes were drilled with a 50º to 55º inclination with a north or south azimuth. Five drillholes were drilled at an azimuth ranging from 020º degrees to 035º degrees, approximately perpendicular to the deposit strike. Core drilled during this campaign was HQ (63.5mm) and NQ (47.6mm) in diameter. Details of RTDM drilling procedures were reviewed by Harron (2006). Down hole surveys were not completed for RTDM holes and possible deviation may have occurred but verification of this deviation is not possible.

11.1.2 Talon Drilling

In 2005 Talon completed a Phase I diamond drilling program with a total of 10,104m from 48 drillholes completed, mainly targeting the Wilton Zone.

From May to September 2006, Talon conducted a Phase II drilling program with a total of 34 drillholes completed for 7,952m. From this phase, 8 drillholes for 2,302m targeted an in-fill programme at the Wilton pit, and another 5,650m tested prospective targets. Two new extensions, the “Kite zone” located northwest, and the “Wilton East zone’, located east of the pit, were defined.

Drilling was contracted to Geoserv Pesquisas Geologicas SA of Rio de Janeiro, a subsidiary of Boart Longyear. Drilling equipment used on the project included two Diakore and one Longyear 38 drilling rigs. Overburden, laterite and saprolite rock was drilled using HQ core equipment. Unweathered rock was drilled with NQ diameter core.

The majority of drillholes over the Wilton Pit area were drilled with a north or south azimuth and inclined about 55º. Talon drilled 5 vertical drillholes and some drillholes with northeast and southwest orientations to test for sub-horizontal and oblique structures in the deposit.

The Talon drilling procedures include:

- Storage of all core in wooden core boxes at drill site;
- Twice daily collection of core from drill site;
- Storage of core in secure corrugated metal and wood core shed;
- Run markers with metal tags indicating drilled depth;
- Measurement and recording of core recovery for each drilling run;
- Photography of core before splitting;
- Measurement of RQD, and magnetic susceptibility for part of the drillholes;
- Detailed logging of alteration, lithology, structures and sulphides.

Collar coordinates are based on the UTM coordinate SAD69, UTM zone 21S. Talon holes were surveyed by the drilling contractor using a Sperry Sun multi shot tool and later a reflex single shot tool. Initially holes were surveyed at 3m intervals and then with a better knowledge of drillhole deviations, variably from 40 to 90m intervals. Several holes were oriented using the downhole “spear” technique. Drill collar coordinates are recorded using a differential GPS system by Terra Engineering based in Novo Progresso, Pará state.

11.1.3 Bulk Density Determinations

Talon has taken a total of 108 core samples for bulk density determinations from weathered and fresh rock. Specific gravity determinations were also completed by SGS - Geosol using sample pulps and a pycnometer apparatus.

Bulk Density measurements for saprolite rock were measured by Talon at the São Jorge project site using the following procedure:

- Dry core sample weighed on electronic scale to determine mass of dry core (M_{core});
- Initial volume (V_i) of water in pan of water determined;
- Core is carefully covered in thin plastic wrap and immersed in water pan of water; Volume of water plus core measured (V_m);
- Density of core determined by the difference of volumes divided by the mass of core, $SG=[V_m-V_i]/M_{core}$.

The results of these determinations vary from 1.72 to 2.20 grams per cubic centimetre. Coffey Mining noted that the use of the thin plastic wrap on the core inspected was not an effective practice as it created a number of false voids, resulting in incorrect volumes. The use of paraffin wax is a more effective technique.

The bulk density used in the resource estimation is summarized in the following table.

Table 11.1.3_1
Bulk Density for São Jorge Gold Project

Material	Density g/cm^3
Oxide	1.59
Fresh	2.69

11.2 Drilling Results and Quality

Core recovery data for RTDM holes was not available for review. Harron (2006) indicates that RTDM drilling had an overall core recovery greater than 95% with the exception of the transition from saprolite to fresh rock.

Talon drillhole core recovery averaged 99% with a minimum recovery of 68% for one drilling run. Coffey Mining inspected 4 representative drillholes and noted that all had excellent recovery.

Significant drill results have not been individually reported as this is a resource estimate and would involve an extensive table that is summarised in the resource section of this report. Generally drilling was orientated to enable perpendicular intercepts of the main trend of mineralisation but once again the three dimensional modelling has ensured that this is accounted for.

Coffey Mining considers the drilling procedures to be of an acceptable industry standard.

12 SAMPLING METHOD AND APPROACH

Talon geologists supervised all core sampling undertaken. Core samples were taken normally between 0.5m and 1.5m intervals based on the geological logging.

Sampling was selective on what the geologist perceived to be mineralized core. A number of internal intervals were noted by Coffey Mining to have not been sampled with surrounding samples returning mineralized results.

Coffey Mining recommends that the practice of irregular sample intervals and not sampling particular units should not be continued. The gold mineralization in São Jorge is very subtle with no clearly defined visible geological controls and as such a regular 1m sample interval for all the drillcore is recommended.

13 SAMPLE PREPARATION, ANALYSES AND SECURITY

13.1 Sample Security

Core is stored in a locked and secure core shed. After logging, core samples are marked for splitting and sampling by Talon geologists. Core sample intervals are measured and collected by Talon technical staff. Each core sample is placed in a doubled plastic bag and with two sample tags. Each bag is closed with a uniquely numbered plastic seal that is tamper proof. Seal numbers, sample numbers and sample intervals are recorded by Talon. Sample bags are collected for shipping in rice bags with each rice bag closed with a numbered plastic seal. Samples are stored in the Talon site office until transported by truck to the preparation laboratories in Parauapebas and Itaituba both in Pará state. The referred laboratories are 800km and 320km, respectively by road from São Jorge. After samples are received by the lab, seal numbers and sample numbers are reported to Talon for confirmation.

Coffey Mining considers the core sampling security to be above current industry best practice.

13.2 Sample Preparation and Analysis

The sample preparation and analysis of core samples completed by RTDM were discussed by Harron, 2004. The same methodology is used by Talon.

Sample preparation and analysis of core samples taken by Talon were performed by SGS Lakefield-Geosol Ltda. ("Geosol"), an ISO 9000-2001 certified laboratory. Sample preparation procedures completed by the Geosol preparation laboratories based in Parauapebas and Itaituba are:

- Drying and weighing of whole sample;
- Crushing of sample to -2mm;
- Sample homogenization and splitting to a 1kg sub-sample;
- Pulverization to 95% passing -150 mesh;
- Splitting of pulverized material to 50 gram pulp.

Sample pulps are air freighted to the Geosol analytical laboratory in Belo Horizonte, Minas Gerais State Brazil. Sample pulps are analyzed for gold using a lead flux fire assay technique with an atomic absorption finish. Selected samples are subsequently sent for silver, lead, zinc analysis by ICP spectrometry using a multi-acid digestion technique. Abnormally high assays are re-analyzed by the laboratory. The detection limit of gold assays was 5ppb Au. Coarse rejects from the Parauapebas and Itaituba laboratories are sent to the São Jorge exploration office and stored in the core shed. Fifty gram pulp rejects are also stored in the Talon offices in Rio de Janeiro.

13.3 Adequacy of Procedures

The current analytical method is appropriate; although Coffey Mining considers that pulverising of the full sample (not 1kg) to -200 mesh (not -150 mesh) is a more acceptable practice for gold samples. Sufficient quality control data exists to allow thorough review of the analytical performance of samples taken by Talon.

Quality control data from the RTDM period is not available for analysis as it has not been located.

The sampling methods, chain of custody procedures, and analytical techniques are all considered appropriate and are compatible with accepted industry standards although the sample preparation of gold should be reviewed in light of the QAQC analysis in the following section.

14 DATA VERIFICATION

14.1 Geological Database

Coffey Mining validated the Talon database using the Gemcom Surpac Software System Database Audit tool with no inconsistencies noted.

A comparison of hardcopy assay and geological logging versus the digital database was performed on a total of 10% of the Talon drillholes. No errors were identified with the original log and the digital database.

14.2 QAQC

14.2.1 RTDM

Coffey Mining has not been able to verify this QAQC data as it has not been located.

14.2.2 Talon

Talon has set in place a QAQC programme that included the submission of blanks, field duplicates, standards and pulp duplicates with ALS (Umpire assays).

This quality control data of drilling used in the resource estimation has been assessed statistically using a number of comparative analyses for each dataset. The objectives of these analyses was to determine relative precision and accuracy levels between various sets of assay pairs and the quantum of relative error. The results of the statistical analyses are presented as summary plots, which include the following:

- *Thompson and Howarth Plot,* showing the mean relative percentage error of grouped assay pairs across the entire grade range, used to visualize precision levels by comparing against given control lines.
- *Rank % HARD Plot*, which ranks all assay pairs in terms of precision levels measured as half of the absolute relative difference from the mean of the assay pairs (% HARD), used to visualize relative precision levels and to determine the percentage of the assay pairs population occurring at a certain precision level.
- *Mean vs % HARD Plot*, used as another way of illustrating relative precision levels by showing the range of % HARD over the grade range.
- *Mean vs %HRD Plot* is similar to the above, but the sign is retained, thus allowing negative or positive differences to be computed. This plot gives an overall impression of precision and also shows whether or not there is significant bias between the assay pairs by illustrating the mean percent half relative difference between the assay pairs (mean % HRD).
- *Correlation Plot* is a simple plot of the value of assay 1 against assay 2. This plot allows an overall visualisation of precision and bias over selected grade ranges. Correlation coefficients are also used.

- *Quantile-Quantile (Q-Q) Plot* is a means where the marginal distributions of two datasets can be compared. Similar distributions should be noted if the data is unbiased.
- *Standard Control Plot* shows the assay results of a particular reference standard over time. The results can be compared to the expected value, and the ±10% precision lines are also plotted, providing a good indication of both precision and accuracy over time.

Au Standards

Talon utilized a total of 13 Au standards (inserted by the SGS- Geosol sample preparation laboratory at a rate of 1 in every 20 samples). The standards were supplied by the SGS-Geosol Parauapebas and Itaituba sample preparation laboratories.. The standards supplied and inserted by SGS-Geosol are a combination of internal and commercial standards. As the SGS made standards may not be as reliable as commercially available certified standards, and do not represent external control (as SGS-Geosol know the expected result of these standards).

All standards were analysed using the Coffey Mining's QC Assure statistical software, with an example of the summary figures produced below in Figure 14.2.2_1.

In general the standard assay result indicated acceptable accuracy was being achieved, with the majority of standards falling within 90% of the Standard Tolerance Values (Table 14.2.2_1). The minor outliers identified are potentially associated with sample submission errors (mixing of samples).

Blanks

Coffey Mining performed an analysis on blanks data provided by Talon. The blank material was sourced by Talon from unmineralized São Jorge Granites collected at one specific site at the project and submitted at a frequency of about five percent.

There are results for blanks up to 300ppb with the majority of the blank samples returning results <10ppb Au. The following causes are possible for the minor outliers:

- The blank material used had variable gold values (This is the most likely cause as the blank material was sourced from a local granite source);
- There is contamination in the sample preparation stage;
- There is sampling handling errors either in the field or at the laboratory.

Overall the blank data is within acceptable limits. The results are presented in Figure 14.2.2_2 below.

Table 14.2.2_1

Standards Utilized by Talon

Submitted Blanks and Standards

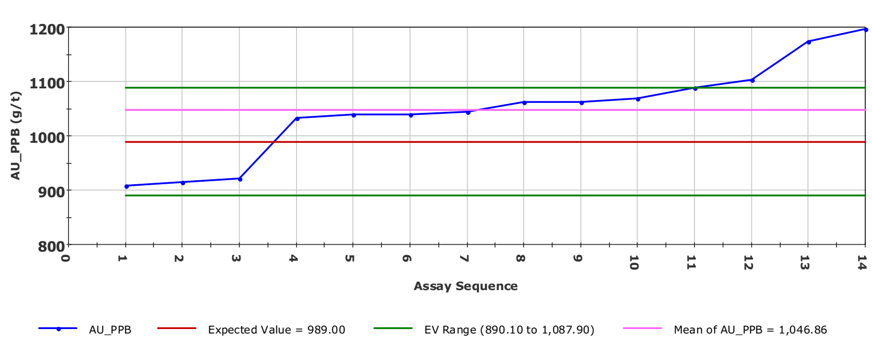
Standard Name	Expected Value (EV) (ppb)	+/-10% (EV) (ppb)	Date range	No of Analyses	Minimum (ppb)	Maximum (ppb)	Mean (ppb)	% Within +/- 10 of EV	% RSD (from EV)	% Bias (from EV)
Talon Submitted Blanks										
*Sample Blank	5	0.0 to 50	2005 - 2008	353	1	319	7	96	NA	NA
SGS Geosol Submitted Standards										
SG14	989	890 to 1088	2005 - 2008	14	908	1197	1046	71	7.96	5.85
AUSK-2	3663	3297 to 4030	2005 - 2008	34	3596	5820	3753	97	9.73	2.44
AUOE-2	615	554 to 676	2005 - 2008	39	578	635	613	100	2.62	-0.28
OXA26	79	71 to 86	2005 - 2008	3	72	82	76	100	5.49	-3.38
SH13	1315	1183 to 1446	2005 - 2008	23	1111	1356	1246	83	4.62	-5.2
OXH37	1286	1157 to 1414	2005 - 2008	5	1236	1279	1255	100	1.24	-2.36
OXN33	7378	6640 to 8115	2005 - 2008	17	678	7752	7038	94	22.9	-4.6
OREAS 7PB	2770	2493 to 3047	2005 - 2008	5	2577	2829	2709	100	3.98	-2.19
OREAS 10PB	7150	6435 to 7865	2005 - 2008	4	6956	7303	7129	100	2.43	-0.29
OREAS 18PB	3630	3267 to 3993	2005 - 2008	9	3335	3760	3473	100	4.85	-4.32
SP17	18125	16312 to 19937	2005 - 2008	20	17611	18856	18232	100	2.19	0.6
GS-P5	525	472 to 577	2005 - 2008	16	504	543	523	100	2.61	-0.35
GS-1PS	1580	1422 to 1738	2005 - 2008	6	1478	1646	1559	100	3.17	-1.34

Figure 14.2.2_1
Standard SG14

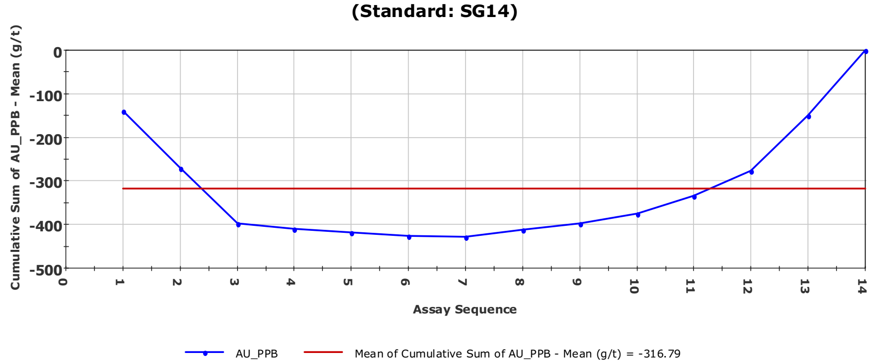
Summary
(Standard: SG14)

Standard:	SG14		No of Analyses:	14
Element:	Au		Minimum:	908.00
Units:	ppb		Maximum:	1,197.00
Detection Limit:	5		Mean:	1,046.86
Expected Value (EV):	989.00		Std Deviation:	83.35
E.V. Range:	890.10 to 1,087.90		% in Tolerance	71.43 %
			% Bias	5.85 %
			% RSD	7.96 %

Standard Control Plot
(Standard: SG14)



Cumulative Deviation from Assay Mean
(Standard: SG14)



Cumulative Deviation from Expected Value
(Standard: SG14)

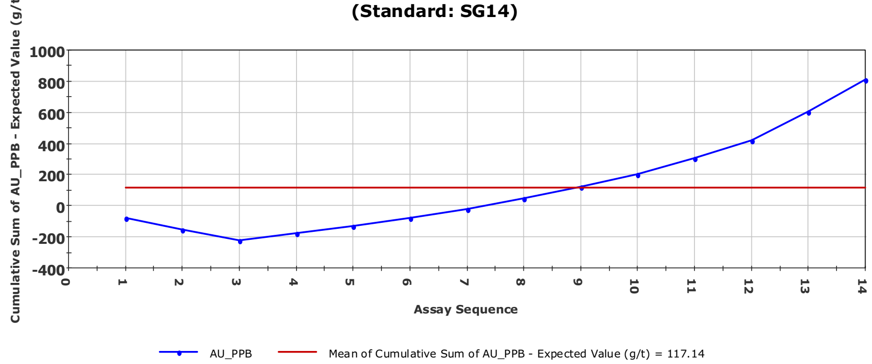


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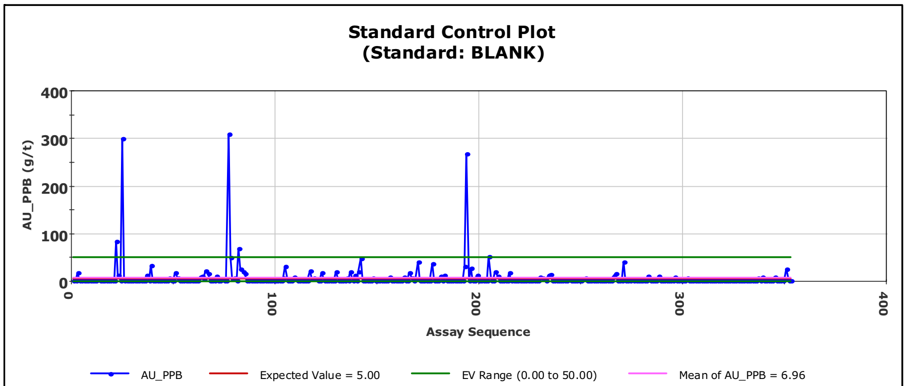
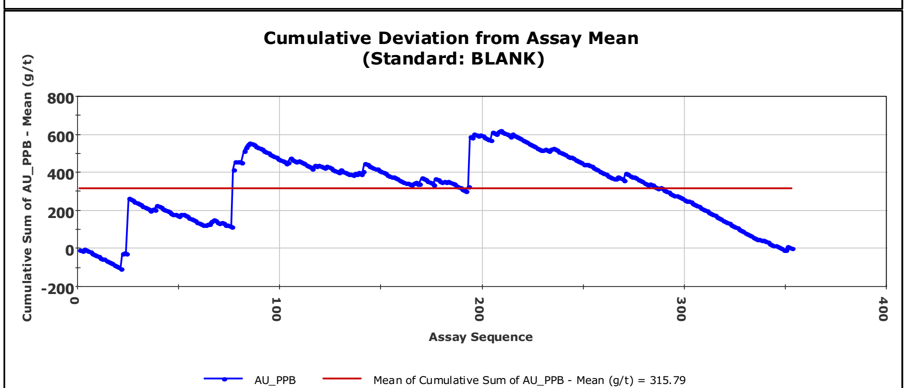
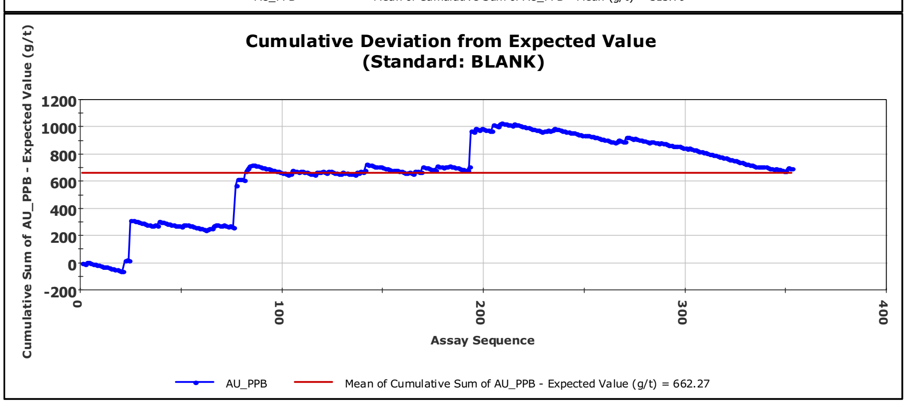
Figure 14.2.2_2
Blanks

Summary
(Standard: BLANK)

Standard:	BLANK	No of Analyses:	353
Element:	Au	Minimum:	1.00
Units:	ppb	Maximum:	310.00
Detection Limit:	5	Mean:	6.96
Expected Value (EV):	5.00	Std Deviation:	28.20
E.V. Range:	0.00 to 50.00	% in Tolerance	98.30 %
		% Bias	39.15 %
		% RSD	405.33 %







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Field Duplicates

Talon completed field duplicate assaying ¼ of the NQ sized core at a frequency of 5% (1 in 20 samples). The procedure was to split the NQ sized core in half then ¼ the half core. Coffey Mining considers this practice to not be representative as it does not represent the normal ½ NQ core submitted and creates a bias in the sample size submitted. The results are presented in Figure 14.2.2_3 below.

Based in the analysis, Coffey Mining can conclude:

- A poor precision of 59.76% of the data are within 30% HARD.
- No apparent bias exists represented by both samples returning a similar mean value.
- In summary the analysis of the 1/4 sized core has poor precision with no apparent bias present. It is clear that for this ¼ NQ size of sample (which doesn't represent the ½ NQ size taken) that there is a significant nugget effect resulting in low precision results.

Umpire Assays

50 pulp samples from the initial SGS – Geosol pulverised material were submitted to ALS - Chemex for analysis by Fire Assay with an AAS finish. Coffey Mining reviewed the Au data (Figures 14.2.2_4) and found a moderate precision of 67.86% of the data within 10% HARD.

Plotted gold grades show a significant dispersion of gold assays about the linear trend with wider dispersion at higher gold grades. This dispersion is attributed to a nugget effect or significant variations of gold with each core sample or poor sample preparation. Higher dispersion at higher grades should be noted. Means of both data sets are equivalent.

No grindability data was available to check that the samples have been pulverized to the -150 mesh quoted by SGS (Coffey Mining recommend -200 mesh for gold samples). A cause of this poor precision could be due to inadequate pulverization of the initial sample prior to analysis.

14.2.3 Data Quality Summary

The standards data has shown a high accuracy has been returned by the SGS Geosol laboratory although it should be noted that SGS supplied the standards to Talon.

The field duplicate data determined by the analysis of the ¼ NQ core returned relatively poor precision suggesting a significant nugget effect although not changing the actual mean of the samples. It also suggests that the sample size is too small. This ¼ sized core is considered by Coffey Mining to not be a suitable practice in that it does not represent the ½ NQ core normally analysed and has the potential to introduce a sample size bias.

Figure 14.2.2_3
Field Duplicate Data (¼ NQ sized Core)

Field Duplicates 1/4 Core (All Data)

	Original_Au_ppm	Dup_Au_PPM	Units			Result
No. Pairs:	164	164			Pearson CC:	0.83
Minimum:	0.05	0.05	g/t		Spearman CC:	0.74
Maximum:	19.67	13.25	g/t		Mean HARD:	29.22
Mean:	1.26	1.30	g/t		Median HARD:	23.26
Median	0.50	0.51	g/t			
Std. Deviation:	2.22	2.14	g/t		Mean HRD:	1.28
Coefficient of Variation:	1.76	1.65			Median HRD	2.06

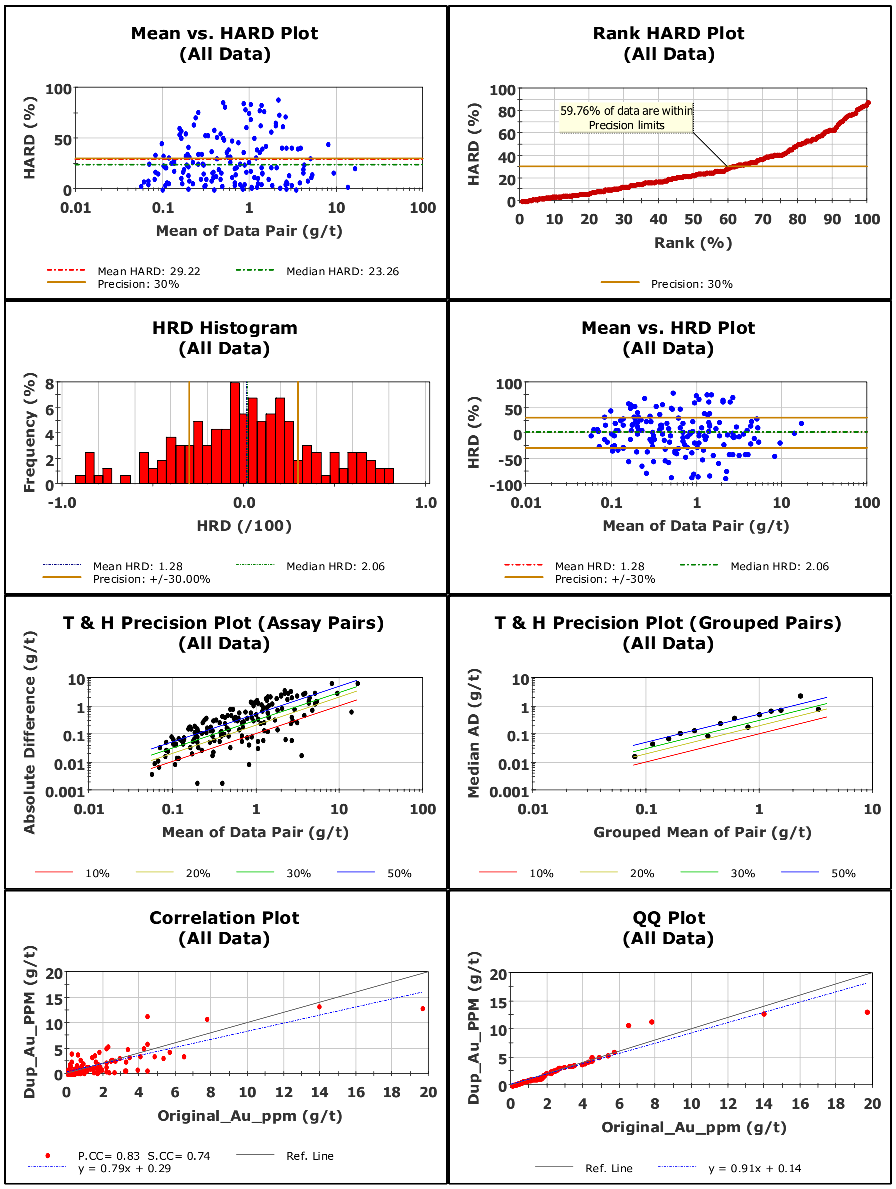

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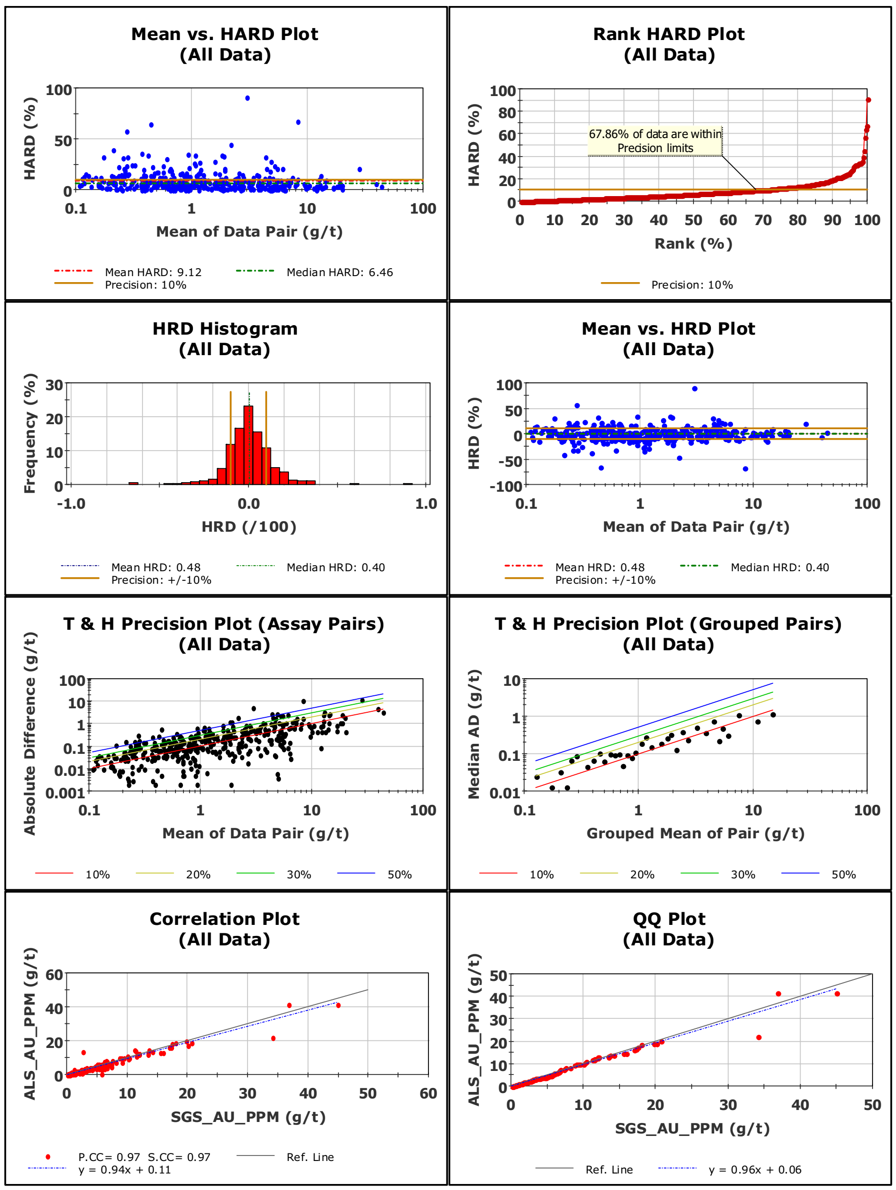
Figure 14.2.2_4
Umpire Assays SGS Geosol versus ALS - Chemex

Umpire ALS v SGS
(All Data)

	SGS_AU_PPM	ALS_AU_PPM	Units			Result
No. Pairs:	392	392			Pearson CC:	0.97
Minimum:	0.10	0.10	g/t		Spearman CC:	0.97
Maximum:	44.95	41.60	g/t		Mean HARD:	9.12
Mean:	2.88	2.82	g/t		Median HARD:	6.46
Median	0.98	1.12	g/t			
Std. Deviation:	4.80	4.64	g/t		Mean HRD:	0.48
Coefficient of Variation:	1.67	1.65			Median HRD	0.40



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The laboratory pulp and respay duplicates (as completed by SGS – Geosol) has not been captured by Talon into the digital database and has not been reviewed.

The umpire samples, although returning a similar mean as the field duplicates, also had a relatively poor precision suggesting that there is a problem with the sample size or sample preparation (or both). A number of factors could contribute to this, with the main issue being the style of mineralization with a relatively high nugget affect associated with the style of mineralization. The sample preparation practice (pulverising 1kg to -150 mesh) could potentially contribute to the poor precision. A more accepted practice for gold sample preparation involves a larger sample (ie the entire ½ NQ core) being pulverised to -200 mesh.

15 ADJACENT PROPERTIES

There are no adjacent or nearby concessions to those of Talon although the São Jorge gold deposit is related to the east extension of the regional 450km long northwest-southeast Cuiú-Cuiú - Tocantinzinho lineament which also hosts several important gold deposits including the Palito mine, Tocantinzinho deposit and Cuiú-Cuiú, Bom Jardim and Batalha gold prospects.

16 MINERAL PROCESSING AND METALLURGICAL TESTING

Harron (2006) has discussed previous metallurgical work on the project. Beneficiation tests were undertaken by Metais Especais Consultoria Ltd and results in general obtained a commercially acceptable recovery (up to 89.6%) with conventional gravity, floatation and cyanidation processes.

In 2006, Talon commissioned SGS Lakefield Research Limited ("SGS") to undertake metallurgical tests. Testwork was performed on three carefully composed drill core samples from the São Jorge gold project, of high, medium and low grade samples. The gold head grades of samples SJ MET-01, SJ MET-02 and SJ MET-03 were 6.5g/t, 1.8g/t and 0.6g/t Au respectively.

SGS performed a comprehensive mineralogical and analytical approach of sample SJ MET-01, including fire assay, heavy liquid separation, super-panning, ore microscopy, and electron microprobe. Results showed that the gold was present mainly as native gold with the content ranging from 74.6% to 95.5%. In terms of liberation, gold occurred as liberated particles, particles associated with pyrite and particles associated with non-sulphides. The grain size ranged from 1µm to 212µm, with the majority of grains below 50µm.

The gold balance shows that liberated gold accounted for approximately 17% of the head grade, with the majority of gold grains being less than 50µm in size. Approximately 62% and 13% of the gold was associated with pyrite and pyrite/non-sulphide binaries, respectively. This gold can be recovered by flotation, followed by cyanidation. Gold attached to pyrite can be recovered by direct cyanidation. To extract gold locked in pyrite, however, finer grinding will be required.

The Bond ball mill work index of a composite of the three samples was determined to be 16.8 (metric) in a test using a 150 mesh closing screen.

The recovery of gold by gravity separation ranged from 33% to 43%. Gold extraction from the gravity separation tailing by CIL ranged from 97% from the highest grade sample to 86% from the lowest grade sample resulting in overall gold recoveries by gravity separation and CIL of 98% (SJ MET-01) to 91% (SJ MET-03). The cyanide consumption was low at 0.1 to 0.3kg/t NaCN. The recovery of gold from the gravity separation tailing by flotation ranged from 98% to 94%.

The three São Jorge samples responded well to the conventional gold recovery processes tested.

17 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

17.1 Mineral Resource

17.1.1 Introduction

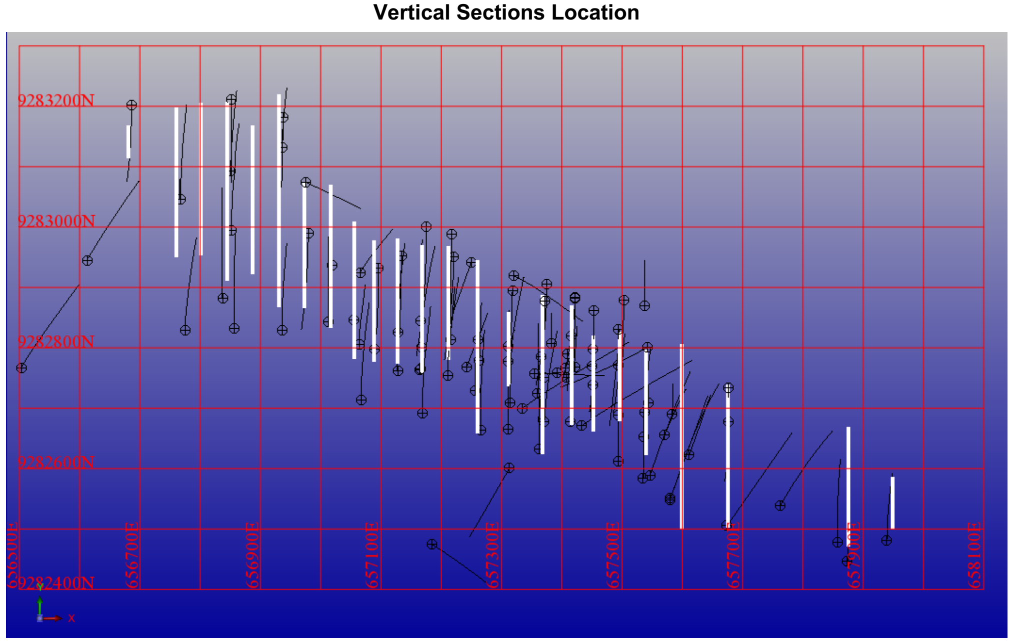
Coffey Mining has estimated the Mineral Resource for the São Jorge Gold Project as at 4th September 2008. All grade estimation was completed using Multiple Indicator Kriging ('MIK') for gold. This estimation approach was considered appropriate based on review of a number of factors, including the quantity and spacing of available data, the interpreted controls on mineralization, and the style of mineralization. The estimation was constrained with mineralization interpretations.

17.1.2 Geological Modeling

Based on grade information and geological observations, oxidation and mineralized high grade domain boundaries have been interpreted using N-S oriented vertical sections and wireframes modelled to constrain the resource estimation for the São Jorge deposit.

Interpretation and digitising of all constraining boundaries has been undertaken on cross sections orientated at 180º (drill line orientation). The interpretation was completed using 24 vertical sections using this direction. The Figure 17.1.2_1 shows the vertical sections location. The resultant digitised boundaries have been used to construct wireframe surfaces or solids defining the three-dimensional geometry of each interpreted feature. The interpretation and wireframe models have been developed using the Gemcom Surpac mine planning software package.

Figure 17.1.2_1
Vertical Sections Location



For the purpose of resource estimation, one high grade mineralized domain was interpreted and was modelled on a lower cutoff grade of 0.3g/t Au. The domain is listed below and depicted in Figure 17.1.2_2 and Figure 17.1.2_3. As the mineralization is very diffuse, internal waste intervals were accepted within the mineralized domain. The non-sampled intervals were defined as 0.01g/t Au for the estimation process.

An oxidation domain was defined based on the contact of the "top of fresh rock" with the fresh rock codes defined in the geological description table of the database. This domain was built using an intersection between the mineralized high grade domain and the weathering DTM created using the contacts points. The Figure 17.1.2_4 shows the oxidation 3D solid.

To define the entire mineralization domain, a low grade wireframe was modeled on a low grade cutoff of 0.1g/t Au. Figure 17.1.2_5 depicts the low grade domain 3D wireframe.

Figure 15.1.2_2
Mineralized High Grade Domain

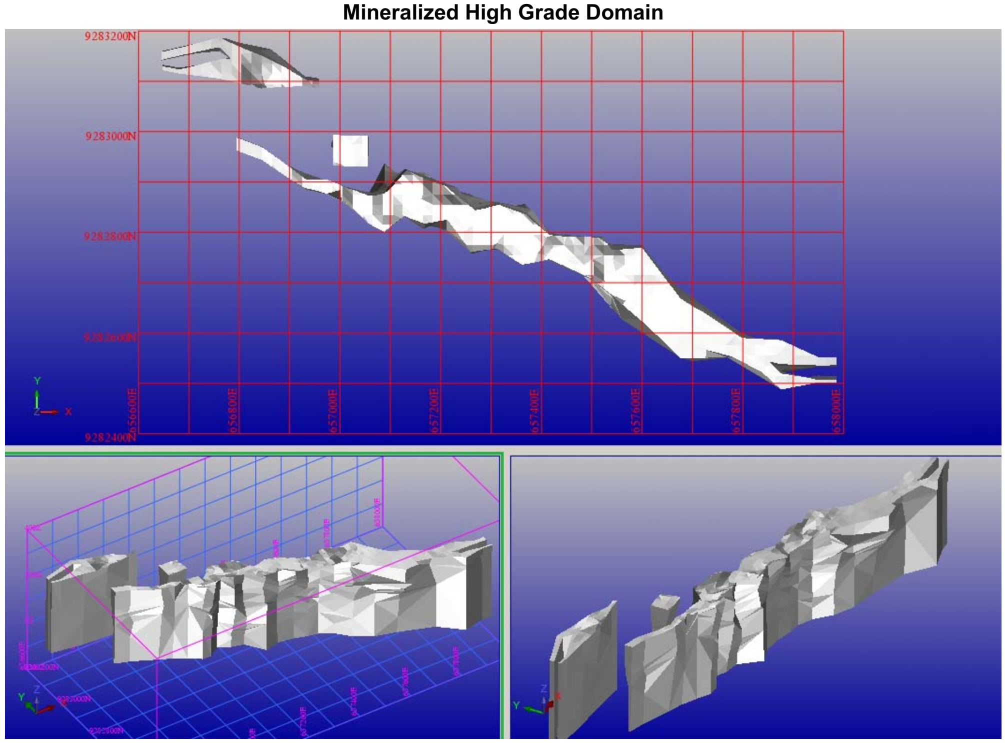


Figure 17.1.2_3
Vertical Section 657368E showing the Mineralized High Grade Domain and the Oxidation Domain

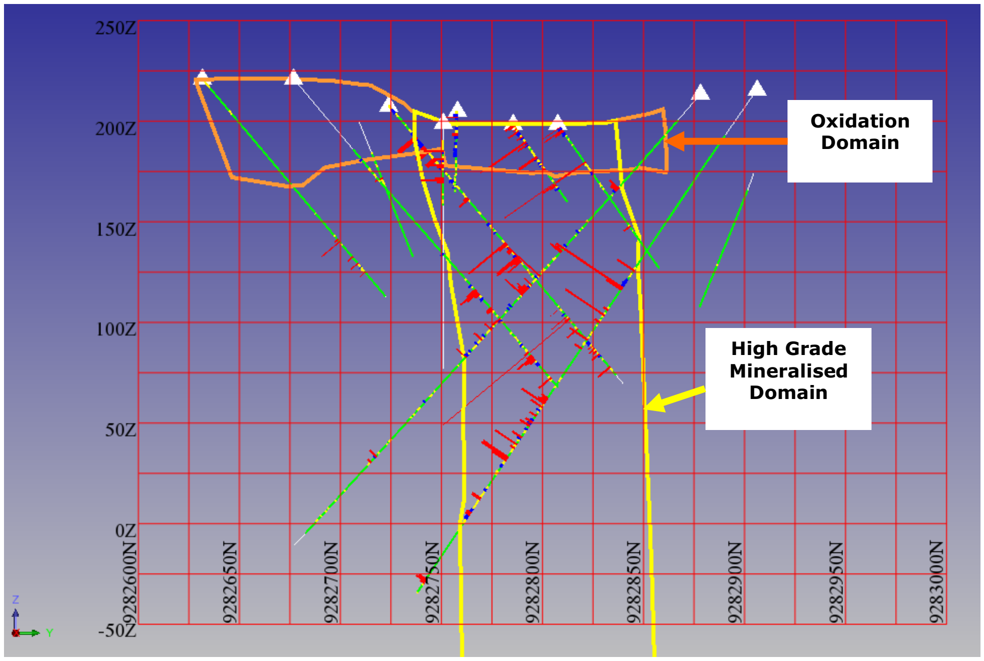


Figure 17.1.2_4
Oxidation Domain

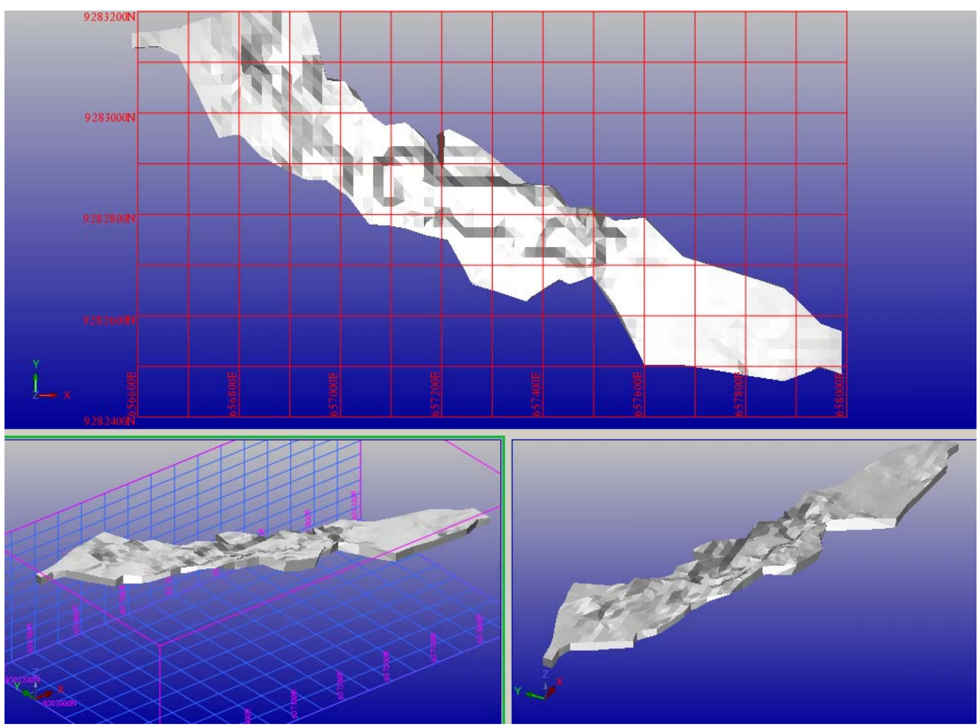
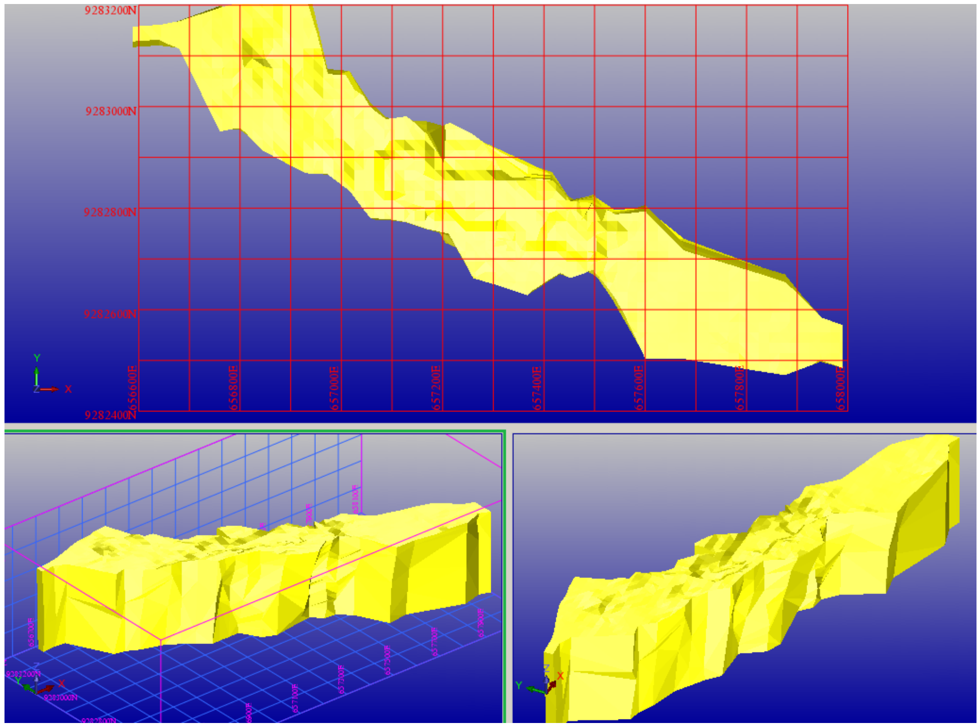


Figure 17.1.2_5
Low Grade Domain



All the vertical sections have been interpreted to the -100m level. The volume of each domain is presented at the Table 15.1.2_1 below.

Table 17.1.2_1

Domains Wireframes Volumes

Domain	**Volume (m^3)**
Oxidation domain	8,367,264
Fresh rock low grade domain	47,285,587
Fresh rock high grade domain	25,146,460
Total	**80,799,311**

17.1.3 Block Model Development

A three-dimensional block model was constructed for the São Jorge deposit, covering all the interpreted mineralization zones and including suitable additional waste material to allow later pit optimisation studies. The block model has been developed using Vulcan Mine planning software.

A parent block size of 40mE x 20mN x 5mRL has been used for all materials with sub-blocking to 10mE x 5mN x 2.5mRL to allow adequate volume resolution. The attributes coded into the block models included mineralization, grade and weathering. A visual review of the wireframe solids and the block model indicates robust flagging of the block model. Bulk density has been coded to the block model based on the defined density values listed in Section 11.1.3_1.

The Table 17.1.3_1 below shows the summary of the block model created.

Table 17.1.3_1
Block Model Summary

	Y	X	Z
Minimum Coordinates	9,282,400	656,500	-115
Maximum Coordinates	9,283,300	658,100	270
User Block Size	40	20	5
Min. Block Size	10	5	2.5
Rotation	0	0	0

17.1.4 Statistical Analysis

The drillhole database was composited to a 3m down-hole composite interval, recording the geological model. The 3m composites were used for all statistical, geostatistical and grade estimation studies. The decision to use 3m composites was based on the targeted mining approach which is to be conventional open pit methods.

Statistical analysis of the composite datasets was completed grouped by the 3 domains. Element included in the composite database is Au. Descriptive statistics are presented in Table 17.1.4_1.

Table 17.1.4_1
Summary Statistics – 3m Composites

		Au (g/t)
Saprolite Domain	Count	443
	Minimum	0.01
	Maximum	8.15
	Mean	0.34
	Std. Dev.	0.79
	CV	2.34
Fresh Rock High Grade Domain	Count	2,616
	Minimum	0.01
	Maximum	28.74
	Mean	0.66
	Std. Dev.	1.42
	CV	2.15
Fresh Rock Low Grade Domain	Count	1,912
	Minimum	0.01
	Maximum	7.61
	Mean	0.1
	Std. Dev.	0.1
	CV	3.46

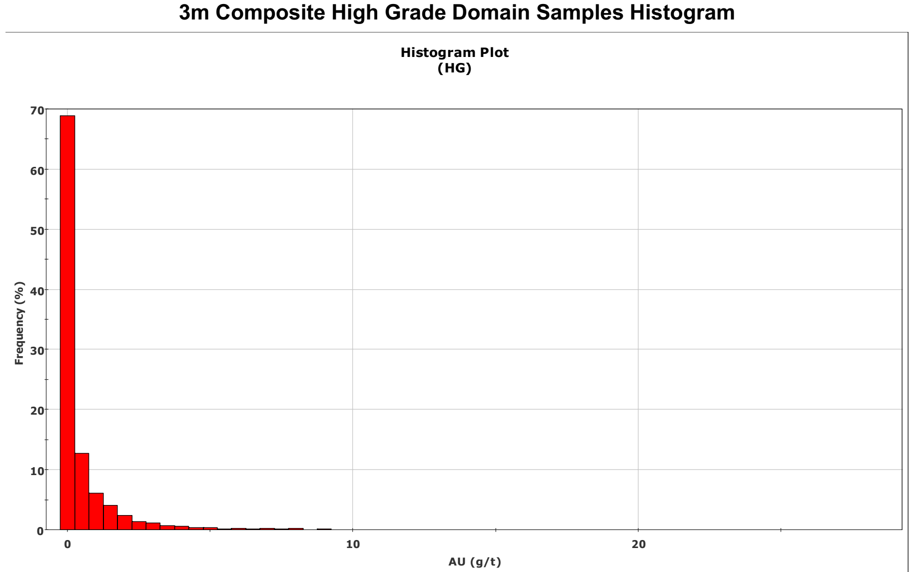
Indicator classes have been defined for the high grade mineralized domain only. The conditional statistics for the high grade mineralized domain to be estimated by Multiple Indicator Kriging are listed in Table 17.1.4_2.

Table 17.1.4_2
São Jorge Gold Deposit
Indicator Class Means

Class	Mean Grade	Class Prob	Cuml Prob
0.1	0.029	40.252	40.252
0.2	0.145	11.697	51.95
0.3	0.247	6.995	58.945
0.4	0.351	5.581	64.526
0.5	0.448	4.396	68.922
0.6	0.547	3.479	72.401
0.75	0.67	3.899	76.3
0.85	0.801	2.217	78.517
1	0.922	3.096	81.613
1.2	1.095	3.211	84.824
1.5	1.333	2.905	87.729
2	1.72	4.014	91.743
2.5	2.198	2.408	94.151
3.5	2.978	2.446	96.598
5	4.139	1.644	98.242
10	6.876	1.491	99.732
-	16.404	0.268	100

Figure 17.1.4_1 shows the histogram of the 3m composite high grade mineralized domain samples.

Figure 17.1.4_1
3m Composite High Grade Domain Samples Histogram



17.1.5 Variography

Introduction

Variography is used to describe the spatial variability or correlation of an attribute (gold, silver etc). The spatial variability is traditionally measured by means of a variogram, which is generated by determining the averaged squared difference of data points at a nominated distance (h), or lag (Srivastava and Isaacs, 1989). The averaged squared difference (variogram or $\gamma(h)$) for each lag distance is plotted on a bivariate plot, where the X-axis is the lag distance and the Y-axis represents the average squared differences ($\gamma(h)$) for the nominated lag distance.

Several types of variogram calculations are employed to determine the directions of the continuity of the mineralization:

- Traditional variograms are calculated from the raw assay values.
- Log-transformed variography involves a logarithmic transformation of the assay data.
- Gaussian variograms are based on the results after declustering and a transformation to a Normal distribution.
- Pairwise-relative variograms attempt to 'normalise' the variogram by dividing the variogram value for each pair by their squared mean value.
- Correlograms are 'standardized' by the variance calculated from the sample values that contribute to each lag.

Fan variography involves the graphical representation of spatial trends by calculating a range of variograms in a selected plane and contouring the variogram values. The result is a contour map of the grade continuity within the domain.

The variography was calculated and modelled in the mining planning software, Gemcom Surpac Software. The rotations are tabulated as input into Gemcom Surpac Software (geological convention), with X representing the bearing, Y representing dip and Z representing plunge. Dip and dip direction of major, semi-major and minor axes of continuity are also referred to in the text.

São Jorge Variography

Grade and indicator variography was generated to enable grade estimation via MIK and change of support analysis to be completed. Five indicator thresholds (Table 17.1.5_1) were investigated for the high grade mineralized domain. Interpreted anisotropy directions correspond well with the modelled geology and overall geometry of the interpreted domain.

Table 17.1.5_1
São Jorge Deposit
High Grade Mineralized Domain Variogram Models

	Nugget (C0)	Rotation			Structure 1				Structure 2			
		Z	Y’	Z’’	Sill 1 (C1)	Range (m)			Sill 2 (C2)	Range (m)		
						Major	Semi Major	Minor		Major	Semi Major	Minor
Au g/t	0.42	115	90	0	0.35	20	20	14	0.23	90	90	25
0.2	0.43	115	90	0	0.33	15	15	15	0.24	120	120	25
0.5	0.45	115	90	0	0.32	14	14	14	0.23	110	110	25
0.75	0.47	115	90	0	0.31	13	13	13	0.22	100	100	20
1	0.5	115	90	0	0.29	11	11	11	0.21	95	95	17
2	0.53	115	90	0	0.28	9	9	9	0.19	85	85	15

17.1.6 Grade Estimation

Resource estimation for the São Jorge mineralization was completed using MIK within the oxidation and high grade mineralized domain. Ordinary Kriging, Inverse Distance Squared and Nearest Neighbour estimates were also completed within these domains to allow comparison with and validation of the post processed etype mean.

Grade estimation was carried out using the Vulcan implementation of the GSLIB kriging algorithms. Calculation of selective mining unit estimates was undertaken using the Coffey Mining developed applications.

The MIK technique is implemented by completing a series of Ordinary Kriging ("OK") estimates of binary transformed data. A composite sample, which is equal to or above a nominated cutoff or threshold, is assigned a value of 1, with those below the nominated indicator threshold being assigned a value of 0. The indicator estimates, with a range between 0 and 1, represent the probability the point will exceed the indicator cutoff grade. The probability of the points exceeding a cutoff can also be considered broadly equivalent to the proportion of a nominated block that will exceed the nominated cutoff grade.

The estimation of a complete series of indicator cutoffs allows the reconstitution of the local histogram or conditional cumulative distribution function (ccdf) for the estimated point. Based on the ccdf, local or block properties, such as the block mean and proportion (tonnes) above or below a nominated cutoff grade can be investigated.

<u>Post MIK Processing - E-Type Estimates</u>

The E-type estimate provides an estimate for the grade of the total block or bulk-mining scenario. This is achieved by discretising the calculated ccdf for each block into a nominated number of intervals and interpolating between the given points with a selected function (e.g.: the linear, power or hyperbolic model) or by applying intra-class mean grades. The sum of all these weighted interpolated points or mean grades enables an average whole block grade to be determined.

The following example shows the determination of an E-Type estimate for a block containing three indicator cutoff grades.

The indicator cutoffs and associated probabilities calculated are:

Table 17.1.6_1
Indicator Cutoff Grades

Indicator	Cutoff Grade Aug/t	Indicator Probability (cumulative)
minimum grade *	0	0.00 **
indicator 1	1	0.40
indicator 2	2	0.65
indicator 3	3	0.85
maximum grade *	4	1.00 **

Note : * Cutoff grades determined by the user
** Indicator probability is assumed at the minimum and maximum cutoff

The whole block grade can now be determined in this block with the following parameters used for the purposes of the interpolation:

- Number of discretisation intervals: 4.
- Linear extrapolation between all points (median grade between nominated cutoffs).

The worked example is then calculated with the following steps:

- Interval 1 (0-1g/t Au) median grade x probability/proportion attributed to the interval (0.5g/t Au x 0.40 = 0.200).
- Interval 2 (1 - 2g/t Au) median grade x proportion (1.5g/t Au x 0.25 = 0.375).
- Interval 3 (2 - 3g/t Au) median grade x proportion (2.5g/t Au x 0.20 = 0.500).
- Interval 4 (3 - 4g/t Au) median grade x proportion (3.5g/t Au x 0.15 = 0.525).
- Calculate total grade average all calculated intervals ((0.2+0.375+0.500+0.525)/1) = 1.60g/t Au.

It is also possible from this example to calculate the proportion and grade above a nominated cutoff (e.g. 2g/t - at sample support or complete selectivity). The following steps would be undertaken to calculate the tonnes and grade at sample selectivity using a 2g/t cutoff:

- Interval 3 (2 - 3g/t Au) median grade x proportion (2.5g/t Au x 0.20 = 0.500).
- Interval 4 (3 - 4g/t Au) median grade x proportion (3.5g/t Au x 0.15 = 0.525).
- Calculate total grade average all calculated intervals ((0.500+0.525)/0.35) = 2.93g/t Au with 0.35% of the block above the cutoff.

The effect of using a non-linear model to interpolate between cutoffs is to shift the grade weighting associated with that cutoff away from the median. For São Jorge, the intra-class means based on the cut composite data have been used to reconstitute the ccdf and produce block statistics.

It is noted, however, that the calculation of the E-type estimate and complete selectivity often does not allow mine planning to the level of selectivity which is proposed for production. To achieve an estimate which reflects the levels of mining selectivity envisaged, a selective mining unit (“SMU”) correction is often applied to the calculated ccdf.

Support Correction (Selective Mining Unit Estimation)

A range of techniques are known to produce a support correction and therefore allow for selective mining unit emulation. The common features of the support correction are:

- Maintenance of the mean grade of the histogram (E-type mean).
- Adjustment of the histogram variance by a variance adjustment factor (f).

The variance adjustment factor, used to reduce the histogram or ccdf variance, can be calculated using the variogram model. The variance adjustment factor is often modified to account for the likely grade control approach or 'information effect'.

In simplest terms, the variance adjustment factor takes into account the known relationship derived from the dispersion variance:

Total variance = variance of samples within blocks + variance between blocks.

The variance adjustment factor is calculated as the ratio of the variance between the blocks and the variance of the samples within the blocks, with a small ratio (e.g. 0.10) indicating a large adjustment of the ccdf variance and large ratio (e.g. 0.80) representing a small shift in the ccdf.

Two simple support corrections that are available include the Affine and Indirect Lognormal correction, which are both based on the permanence of distribution. The discrete gaussian model is often applied to global change of support studies and has been generated on the composite data set as a comparison. The indirect lognormal correction was applied to the São Jorge MIK grade estimates.

<u>Indirect Lognormal Correction</u>

The indirect lognormal correction can be implemented by adjusting the quantiles (indicator cutoffs) of the ccdf with the variance adjustment factor so that the adjusted ccdf represents the statistical characteristics of the block volume of interest.

This is implemented with the following formula:

$$q' = a \times q^b$$

q = quantile of distribution.

q' = quantile of the variance-reduced distribution.

where the coefficients a and b, are given by the following formula:

$$a = \sqrt{\frac{m}{f \cdot CV^2 + 1}} \left[\frac{\sqrt{CV^2 + 1}}{M} \right]$$

$$b = \sqrt{\frac{\ln(f \cdot CV^2 + 1)}{\ln(CV^2 + 1)}}$$

m	=	mean of distribution.
f	=	variance adjustment factor .
CV	=	coefficient of variation.

At the completion of the quantile adjustments, grades and tonnages (probabilities are then considered a pseudo tonnage proportion of the blocks) at a nominated cutoff grade can be calculated using the methodology described above (E-type).

17.1.7 Multiple Indicator Kriging Parameters

MIK estimates were completed for relevant domains using the indicator variogram models (Section 15.1.5), and a set of ancillary parameters controlling the source and selection of composite data. The sample search parameters were defined based on the variography and the data spacing. A total of 16 indicator thresholds were estimated for Zone high grade mineralised domain (see Table 17.1.4_2).

The sample search parameters are provided in Table 17.1.7_1. Soft boundaries were used in all estimation passes. The specific effect of this is to allow samples lying within the high grade domain to be used for the estimation of the saprolite domain and vice versa. In addition samples lying within the low grade domain were used for the estimation of the saprolite domain and vice versa. This strategy allows adequate estimation in areas where the estimation domains are adjacent to each other which might otherwise remain unestimated in any given estimation pass due to a lack of available composites in the search neighbourhood.. A three-pass estimation strategy was applied to each domain, applying progressively expanded and less restrictive sample searches to successive estimation passes, and only considering blocks not previously assigned an estimate.

Table 17.1.7_1
Multiple Indicator Kriging Sample Search Parameters

Zone	Estimation Pass	Rotation			Search Distance			Min. No. of Comp.	Max. No. of Comp.	Max. No. of Comp. per Hole
		X	Y	Z	X	Y	Z			
High Grade	1	115	0	90	80	80	40	16	32	6
	2	115	0	90	80	80	40	12	32	6
	3	115	0	90	240	240	80	6	32	6
Low Grade	1	115	0	90	80	80	40	16	32	6
	2	115	0	90	80	80	40	12	32	6
	3	115	0	90	240	240	80	6	32	6
Oxide	1	115	0	90	80	80	40	16	32	6
	2	115	0	90	80	80	40	12	32	6
	3	115	0	90	240	240	80	6	32	6

All relevant statistical information was recorded to enable validation and review of the MIK estimates. The recorded information included:

- Number of samples used per block estimate.
- Average distance to samples per block estimate.
- Estimation flag to determine in which estimation pass a block was estimated.
- Number of drillholes from which composite data were used to complete the block estimate.
- Conditional variances for the block.

The MIK estimates were reviewed visually and statistically prior to being accepted. The review included the following activities:

- Comparison of the E-type estimate versus the mean of the composite dataset, including weighting where appropriate to account for data clustering.
- Visual checks of cross sections, long sections, and plans.

Alternative estimates were also completed to test the sensitivity of the reported model to the selected MIK interpolation parameters. An insignificant amount of variation in overall grade was noted in the alternate estimations.

Applying the modelled variography, variance adjustment factors were calculated to emulate a 10mE x 10mN x 2.5mRL selective mining unit ("SMU") via the indirect lognormal change of support. The intra-class composite mean grades were used in calculating the whole block and SMU grades. The change of support study also included the calculation of the theoretical global change of support via the discrete gaussian change of support model.

An 'information effect' factor is commonly applied to the originally derived panel-to-block variance ratios to determine the final variance adjustment ratio. The goal of incorporating information effect is to calculate results taking into account that mining takes place based on grade control information. There will still be a quantifiable error associated with this data and it is this error we want to incorporate. This is achieved in practice by running a test kriging estimation of an SMU using grade control data (the results required to incorporate this option in the change of support do not depend on the assay data so the grade control data can be hypothetical). The incorporation of the information effect is commonly found to be negligible, however can have a significant effect in some cases. In this case, the information effect factor has been applied and has been found to have had a minor effect of reducing mean grades.

17.1.8 Resource Reporting

The grade estimates for all Domains have been classified as Indicated and Inferred in accordance with NI 43-101 guidelines based on the confidence levels of the key criteria that were considered during the resource estimation. Key criteria are tabulated below.

A summary of the estimated resources for the São Jorge deposit is provided in Tables 17.1.8_2 to 17.1.8_4 below. The resource was classified to the -60mRL. Material below -60mRL was considered too far from data and shows atypical grade distribution as a result and remains unclassified.

Table 17.1.8_1
São Jorge Project
Confidence Levels of Key Categorisation Criteria

Items	Discussion	Confidence
Drilling Techniques	Diamond drilling is Industry standard approach.	High
Logging	Standard nomenclature and apparent high quality.	High
Drill Sample Recovery	Very good recovery recorded.	High
Sub-sampling Techniques & Sample Preparation	Selective sampling is potentially undervaluing the un-sampled material. Metre by metre sampling is a more accepted practice.	Moderate
Quality of Assay Data	Available data shows no bias although precision is not high possibly due to either sample preparation methodology or sample size.	Moderate
Verification of Sampling and Assaying	Umpire samples taken although results returned low to moderate precision.	Moderate
Location of Sampling Points	Survey of all collars with downhole survey for Talon Drilling. No downhole survey for historical drilling.	Moderate
Data Density and Distribution	Approximately 40m x 50m spaced drilling which is somewhat sparse given the generally poor continuity of grade that is evident.	Moderate
Audits or Reviews	Coffey Mining is unaware of external reviews.	N/A
Database Integrity	No Material errors identified.	High
Geological Interpretation	The broad mineralisation constraints are subject to a large amount of uncertainty concerning mineralisation trends as a reflection of drilling density and geological complexity. Closer spaced drilling recommended to solve this issue.	Moderate-Low
Estimation and Modelling Techniques	Multiple Indicator Kriging.	High
Cutoff Grades	Lower Cutoff Grade of 0.3g/t Au applied for defined the high grade mineralised zone.	High
Mining Factors or Assumptions	10mE by 10mN by 2.5mRL SMU.	High

Table 17.1.8_2

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
	0.5	**8.334**	**1.3**	**343**
	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
	0.5	**12.576**	**1.1**	**458**
	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

Table 17.1.8_3

São Jorge Deposit

Grade Tonnage Report – Oxide
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	0.741	1.1	26
	0.5	**0.555**	**1.3**	**24**
	0.7	0.450	1.5	22
	0.8	0.400	1.6	20
	0.9	0.350	1.7	19
	1.0	0.314	1.8	18
	1.1	0.278	1.9	17
	1.2	0.241	2.0	15
Inferred Mineral Resource	0.3	0.504	0.6	10
	0.5	**0.243**	**0.9**	**7**
	0.7	0.130	1.2	5
	0.8	0.103	1.3	4
	0.9	0.084	1.3	4
	1.0	0.067	1.5	3
	1.1	0.053	1.6	3
	1.2	0.042	1.7	2

Table 17.1.8_4 São Jorge Deposit Grade Tonnage Report – Fresh 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	10.624	1.0	352
	0.5	**7.779**	**1.3**	**319**
	0.7	5.782	1.5	282
	0.8	5.054	1.6	264
	0.9	4.442	1.7	247
	1.0	3.893	1.8	231
	1.1	3.405	2.0	214
	1.2	2.958	2.1	198
Inferred Mineral Resource	0.3	20.169	0.8	547
	0.5	**12.333**	**1.1**	**451**
	0.7	7.731	1.5	365
	0.8	6.438	1.6	334
	0.9	5.381	1.8	305
	1.0	4.404	1.9	275
	1.1	3.617	2.1	249
	1.2	3.075	2.3	228

17.2 Mineral Reserve Estimation

No mineral reserves have been estimated for the São Jorge Gold Project.

18 OTHER RELEVANT DATA AND INFORMATION

Coffey Mining is not aware of other relevant data pertaining to the São Jorge project.

19 INTERPRETATION AND CONCLUSIONS

The São Jorge Project has been comprehensively drilled along the main identified Wilton Pit area. Additional drilling by Talon has identified a number of smaller resource extensions both along strike and down-dip although no obvious resource extensions have been observed by Coffey Mining. The grade associated with the current resource is relatively low and deeper drilling has only indicated smaller areas of higher grade mineralization.

The current estimated resource has been defined for the style of mineralization although Coffey Mining considers that the focus should return to finding new additional resources rather than increasing the current resource classification which would involve infill drilling.

Overall, Coffey Mining concludes that there are no fatal flaws in the current resource data. The pertinent observations and interpretations which have been developed in producing this report are detailed in the sections above.

20 RECOMMENDATIONS

Drilling and studies completed to date have defined an Inferred and Indicated Mineral resource at São Jorge. The data collected is considered to be of moderate quality and suitable for resource estimation.

Further scope exists to improve the geological and resource estimation confidence in the regions currently defined as an Inferred Resource along with extensional drilling along the general corridor of defined mineralization although Coffey Mining makes the following specific recommendations:

- To undertake sampling on 1m intervals of the unsampled drillcore, prioritising the unsampled material within the main mineralized corridor.
- To undertake a structural interpretation of the regional airborne magnetic and radiometric survey completed by Fugro to obtain a stronger control of the regional structural controls of the São Jorge mineralization to assist in new drill target generation.
- To undertake some sieve testwork on a range of the pulp material to identify the underlying cause of the poor precision of the field duplicate and umpire assays.
- To undertake a scoping study (or basic preliminary pit optimisations) prior to undertaking any additional infill and down-dip drilling.

Talon has also provided Coffey Mining with an ongoing exploration and evaluation budget, summarised in Table 20_1 below.

Table 20_1
São Jorge Project
Proposed Exploration Expenditure

Activity	**Total (US$)**
Sampling of un-sampled drillcore	$ 20,000
Structural interpretation of airborne geophysics	$ 30,000
Soil Geochemistry - Auger	$ 30,000
Diamond drilling	$ 300,000
Assaying	$ 85,000
Geology	$ 40,000
Preliminary Pit Optimisation and scoping study	$ 50,000
Travel and accommodation	$ 50,000
Field supervision and support	$ 150,000
Administration	$ 70,000
Sub-total	**$ 825,000**

The proposed expenditure of US$825,000 in Year 1 is considered to be consistent with the potential of the São Jorge Project and is adequate to cover the costs of the proposed programs.

21 REFERENCES

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22 DATE AND SIGNATURE PAGE

The "qualified persons" (within the meaning of NI43-101) for the purposes of this report are Beau Nicholls, Bernardo Horta Cerqueira Viana and Mario Conrado Reinhardt, each of whom is an employee of Coffey Mining. The effective date of this report is 4 September; 2008.

[signed]

Beau Nicholls B.Sc Geol. MAIG
Geology Manager - Brazil
Coffey Mining Pty Ltd.

Signed on the 16th October 2008

[signed]

Bernardo Horta Cerqueira Viana B.Sc Geol. MAIG
Resource Manager - Brazil
Coffey Mining Pty Ltd.

Signed on the 16th October 2008

[signed]

Mario Conrado Reinhardt B.Sc Geol. MAIG
Technical Manager - Brazil
Coffey Mining Pty Ltd.

Signed on the 16th October 2008

23 CERTIFICATES OF QUALIFIED PERSONS

Coffey Mining Pty Ltd.

Certificate of Qualified Person

I, Beau Nicholls, do hereby certify that:

1. I have been employed since 2000 as a Consulting Geologist with the firm of Coffey Mining Pty. Ltd. of 1162 Hay Street, West Perth, Australia, 6005. My residential address is number 10A Weston Street, Carlisle Western Australia.
2. I am a practising geologist with 14 years of Mining and Exploration geological experience. I have worked in Australia, Eastern Europe, West Africa and currently Brazil. I am a member of the Australian Institute of Geoscientists ("MAIG").
3. I am a graduate of Western Australian School of Mines – Kalgoorlie and hold a Bachelor of Science Degree in Mineral Exploration and Mining Geology (1994).
4. I have practiced my profession continuously since 1995.
5. I am a "qualified person" as that term is defined in National Instrument 43-101 (Standards of Disclosure for Mineral Projects) (the "Instrument").
6. I have visited the Sao Jorge Gold Project between the 11th and 13th of July 2008.
7. I am responsible for sections 1 to 3, 9 to 16 and 19 to 24 of the technical report dated 4th September 2008 and titled "Talon Metals Corp.: Sao Jorge Gold Project, Para State, Brazil, National Instrument 43-101 Second Technical Report" (the "Report").
8. I am independent of Talon Metals Corp. pursuant to section 1.4 of the Instrument.
9. I have read the Instrument and Form 43-101F1 (the "Form") and the Report has been prepared in compliance with the Instrument and the Form.
10. I do not have nor do I expect to receive a direct or indirect interest in the Sao Jorge Gold Project of Talon Metals Corp. and I do not beneficially own, directly or indirectly, any securities of Talon Metals Corp. or any associate or affiliate of such company.
11. I have not had any prior involvement with the Sao Jorge Gold Project of Talon Metals Corp.
12. As of the date of this certificate, to the best of my knowledge, information and belief, the Report contains all scientific and technical information that is required to be disclosed to make the Report not misleading.

Dated at Perth, Western Australia, on 4 September, 2008

[signed]

Beau Nicholls BSc(Geology) MAIG
Geology Manager - Brazil

Coffey Mining Pty Ltd.

Certificate of Qualified Person

I, Bernardo Horta de Cerqueira Viana, do hereby certify that:

1. I have been employed since 2002 as a Consulting Geologist with the firm of Geoexplore Consultoria e Servicos Ltda, of Av Afonso Pena, 3924, Conjunto 207, Mangabeiras- CEP 30.130-009. My residential address is number 39 Santa Helena Street, Belo Horizonte, MG - Brazil.
2. I am a practising geologist with 6 years of Mining and Exploration geological experience. I have worked in Brazil. I am a member of the Australian Institute of Geoscientists ("MAIG").
3. I am a graduate of Federal University of Minas Gerais – Belo Horizonte and hold a Bachelor of Science Degree in Geology (2002).
4. I have practiced my profession continuously since 2002.
5. I am a "qualified person" as that term is defined in National Instrument 43-101 (Standards of Disclosure for Mineral Projects) (the "Instrument").
6. I am responsibility for sections 17 and 18 of the technical report dated 4th September 2008 and titled "Talon Metals Corp.: Sao Jorge Gold Project, Para State, Brazil, National Instrument 43-101 Second Technical Report" (the "Report").
7. I am independent of Talon Metals Corp. pursuant to section 1.4 of the Instrument.
8. I have read the Instrument and Form 43-101F1 (the "Form") and the Report has been prepared in compliance with the Instrument and the Form.
9. I do not have nor do I expect to receive a direct or indirect interest in the Sao Jorge Gold Project of Talon Metals Corp., and I do not beneficially own, directly or indirectly, any securities of Talon Metals Corp. or any associate or affiliate of such company.
10. I have not had any prior involvement with the Sao Jorge Gold Project of Talon Metals Corp.
11. As of the date of this certificate, to the best of my knowledge, information and belief, the Report contains all scientific and technical information that is required to be disclosed to make the Report not misleading.

Dated at Perth, Western Australia, on 4 September, 2008

[signed]

Bernardo Horta Cerqueira Viana BSc(Geology) MAIG
Resources Manager - Brazil

Coffey Mining Pty Ltd.

Certificate of Qualified Person

I, Mario Conrado Reinardt, do hereby certify that:

1. I have been employed since 1994 as a Consulting Engineer with the firm of Geoexplore Consultoria e Servicos Ltda, of Av Afonso Pena, 3924, Conjunto 207, Mangabeiras- CEP 30.130-009. My residential address is number 71, Av Sagarana, Retiro do Chalé, Brumadinho, MG - Brazil.
2. I am a practicing Geologist with 28 years of Mining experience. I am a member of the Australian Institute of Geoscientists ("MAIG").
3. I am a graduate of Federal University of Bahia, Salvador, Brazil and hold a Bachelor of Science Degree in Geology (1979) and Master of Science in Economic Geology (1988).
4. I have practiced my profession continuously since 1979.
5. I am a "qualified person" as that term is defined in National Instrument 43-101 (Standards of Disclosure for Mineral Projects) (the "Instrument").
6. I have visited the Sao Jorge Gold Project between the 11^{th} and 13^{th} of July 2008.
7. I am responsible for sections 4 to 8 of the technical report dated 4th September 2008 and titled "Talon Metals Corp.: Sao Jorge Gold Project, Para State, Brazil, National Instrument 43-101 Second Technical Report" (the "Report").
8. I am independent of Talon Metals Corp. pursuant to section 1.4 of the Instrument.
9. I have read the Instrument and Form 43-101F1 (the "Form") and the Study has been prepared in compliance with the Instrument and the Form.
10. I do not have nor do I expect to receive a direct or indirect interest in the Sao Jorge Gold Project of Talon Metals Corp., and I do not beneficially own, directly or indirectly, any securities of Talon Metals Corp. or any associate or affiliate of such company.
11. I have not had any prior involvement with the Sao Jorge Gold Project of Talon Metals Corp.
12. As of the date of this certificate, to the best of my knowledge, information and belief, the Report contains all scientific and technical information that is required to be disclosed to make the Report not misleading.

Dated in Belo Horizonte, Brazil, on 4 September, 2008

[signed]

Mario Conrado Reinhardt BSc(Geology) MAIG
Technical Director - Brazil

24 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES

There is no additional information to include under this section.