

Fellow Shareholders:

With market conditions changing dramatically in the retail space along with evolving US governmental policies, Talon International had to make modifications to its corporate strategy to adjust to the new environment. Our financial results for 2017 reflect increasingly challenging market conditions, but we remained committed to delivering value with our focus on targeted growth segments, maintaining our solid financial position and supporting our team of great people. The many important decisions that we have made reflect the way we keep our key stakeholders, especially our shareholders, at the center of everything we do.

In 2017, we made strategic investments in IT, marketing, product development, and patent-related activities in order to differentiate ourselves and be more market relevant. In IT, we embarked on the implementation of a NetSuite One World ERP System to replace our aging ERP and sub-systems. Having a more efficient and integrated system will improve our efficiency and productivity. Based on the current implementation plan, we anticipate launching the system by mid-2018. In marketing, we have started active campaigns on social media to target specific customer groups and publicize sponsored zipper events at LA Fashion Week and Fashion Institute of Design and Merchandising, to expose our brand to up and coming designers and fashionistas. We believe continuous investment in marketing is a must to keep our brand relevant and inform the public about our Company's product lines.

In product development, we invested in a sustainable product line -- oxo-biodegradable bags -- and a new zipper line called the Character Zip. Our sustainable product line will cater to the current "green" movement and our customers' desire to be more conscious about the environment. This initiative has garnered positive feedback from our customers and more brands are adopting our oxo-biodegradable bags. The Character Zip is our next generation zipper with a proprietary design that allows consumers to display brand loyalty. The traditional zipper pull is replaced with an intuitively engineered mechanism that is crafted in the shape of a character or other three-dimensional image. The Character Zip meets all strength and compliance requirements but functions differently than a standard zipper. This new concept allows kids to show off their favorite animated characters, fans to indulge their sports obsessions, designers to flaunt bling on a garment and corporations and colleges to display their logos. This groundbreaking product has great market potential for toy licensing, character licensing, sports marketing and creating awareness in general. We plan to launch the product in 2018.

Finally, we have been awarded patents on our stretch technology, relating to expandable and flexible shirt collars, continuous folded waistbands and collar stands, and abdominal support. We expect that these patents will be pivotal in protecting our inventions and generating future revenue from our Tekfit/Adjustec division. In addition, we have filed for a number of other patents (including Character Zip) as well as patent continuations. We firmly believe in innovating new products and processes as well as protecting our intellectual property.

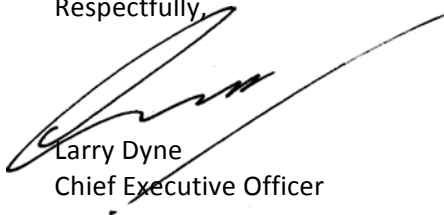
After a detailed analysis and thoughtful deliberation of the advantages and disadvantages of being an SEC reporting company, the Company's Board of Directors unanimously determined to voluntarily deregister our common stock and suspend our reporting obligations with the SEC. The Board considered many elements in reaching its decision, including: the substantial costs associated with being a public reporting company, the amount of time management spends on securities compliance, the nature and extent of trading in the Company's common stock, and the views of the Company's largest stockholders.

We believe that suspending our SEC reporting obligations will allow us to better direct our financial and management resources to support the long term growth of our business, including by focusing and developing our proprietary technologies, for the benefit of our stockholders.

We operate in an environment that is rapidly changing, with compressed lead-times and just-in-time ordering to capture the latest trends and fashion cycles. This requires continuous and ongoing improvements in our customer service and supply chain management and the way in which we approach our daily business. In 2017, we continued to collaborate with our customers and suppliers to reduce lead times and provided training to our employees to enhance their productivity.

In closing, I want to thank all of our employees whose creativity, hard work and customer dedication have made this year's achievements possible. I would also like to thank our shareholders for their continued support. Our strong connection with customers continues to be a key asset in an increasingly competitive marketplace. While the economy remains challenging, we are well prepared to meet our customers' changing needs, pursue continued growth and maximize shareholder value.

Respectfully,

A handwritten signature in black ink, appearing to read 'Larry Dyne', is written over a horizontal line. The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Larry Dyne
Chief Executive Officer