TREASURY METALS

INCORPORATED

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTHS ENDED
DECEMBER 31, 2012

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Treasury Metals Inc. ("Treasury Metals" or the "Company") should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2012, including the related notes thereto. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A is presented as of March 21, 2013. Unless otherwise noted, the currency used is Canadian dollars. This MD&A contains "forward-looking" statements that are subject to risk factors set out in a cautionary note contained herein.

Treasury Metals is a gold exploration and development stage company focused on its 100% owned Goliath Gold Project located in the Kenora Mining District in Northwestern Ontario. The Goliath Gold Project is an advanced stage, high-grade gold deposit based two kilometres from the Trans-Canada Highway, situated near the community of Wabigoon and 20 km east of the city of Dryden, within the Eagle-Wabigoon-Manitou greenstone belt. The district is home to a number of other major gold deposits.

Prior to the acquisition and consolidation of the project by Treasury Metals, the previous owners and operators included Teck Resources Limited ("Teck"), Corona Gold Corporation ("Corona") and Laramide Resources Ltd. ("Laramide") Treasury Metals is the gold vehicle managed by the former Aquiline Resources Inc. ("Aquiline") executive team. The Company has a growth-oriented strategy focused solely on expanding its gold resources and project portfolio within the Americas. Treasury Metals is listed on the Toronto Stock Exchange under the trading symbol (TSX: TML).

MINERAL EXPLORATION PROPERTIES

Goliath Gold Project

The Goliath Gold Project ("Goliath" or "the Project") is located in the Kenora Mining Division in northwestern Ontario, about 20 km east of the City of Dryden and 325 km northwest of the port city of Thunder Bay, Ontario, Canada. Goliath Project consists of approximately 5,000 hectares (approximately 50 km^2 total) and covering portions of Hartman and Zealand townships. The Project is comprised of two historic properties, which are now consolidated under the common name Goliath Gold Project: the larger Goliath Gold Project, purchased from Teck Resources and Corona Gold Corp., and the Laramide Property, transferred to the Company from Laramide. The Goliath Gold Project has been expanded from its original size through the staking of mining claims, land purchases and option agreements. The Project is held 100% by the Company, subject to certain underlying royalties and payment obligations on certain patented land parcels, currently totalling about $103,500 per year.

Goldcliff Project

The Goldcliff Project ("Goldcliff") represents a new gold discovery in the Kenora Gold District and is located approximately 40 km south-southeast of Dryden, Ontario; it is situated within the Boyer Lake Area of the Kenora Mining District. Goldcliff is accessible via Provincial Highway #502. The Goldcliff Project area comprises four optioned unpatented mining claims and 37 contiguous unpatented mining claims staked by Treasury Metals. Goldcliff totals 442 units and covers approximately 7,072 hectares.

Goldcliff lies within the Eagle-Wabigoon-Manitou Lakes greenstone belt located in the Superior Province of the Canadian Shield. Current government mapping shows the Property as comprising mainly mafic volcanic and related intrusive rocks, cut locally by quartz-feldspar porphyry dykes. There is local strong carbonatization of both mafic volcanic rocks and quartz-feldspar porphyry. Prospecting, trenching and sampling have proven both rock types to be gold-bearing.

Lara Polymetallic Project

The Lara Polymetallic Project, located in the southern region of Vancouver Island, lies about 75 km north of Victoria, 15 km northwest of Duncan and about 12 km west of the Village of Chemainus, Victoria Mining Division, British Columbia, Canada. The Lara Property comprises 74 mineral claims covering approximately 8,684 hectares (~87 km^2).

Net Smelter Royalty, Cerro Colorado Gold Mine

The Company owns a 3.0% Net Smelter Royalty ("NSR") on the Cerro Colorado gold mining operation in Sonora State, Mexico operated by Goldgroup Mining Inc. Cerro Colorado is a small-scale gold (silver) mine that produces gold from its heap leach operation. The operation produced around 20,000 ounces per year from 2010 to 2012. The agreement contemplated that Treasury Metals would receive a 2.0% sliding production royalty when gold prices are below US$350 per ounce and a 2.5% sliding production royalty when prices are above US$350 per ounce. Once cumulative production exceeded 100,000 ounces gold, as it did in 2010, the royalty rate escalated to 3.0%.

PROJECT HIGHLIGHTS

- November 2011, updated National Instrument 43-101 Resource Estimate ("NI 43-101") on the Goliath Gold Project: Indicated mineral resource of 810,000 ounces and Inferred mineral resource of 900,000 ounces of gold and gold equivalent ounces of silver.

- July 2012, Preliminary Economic Assessment ("PEA"). Highlights include:
    - 10+ year combined open pit and underground mine life with processing throughput averaging 2,500 tonnes per day
    - Avg. annual production of 80,000 oz gold equivalent, with a LOM head grade of 3.05 g/tonne;
    - Average operating cash cost of $698 per equivalent gold ounce;

- Life of Mine pre-tax net present value of $199.0, internal rate of return of 39.3% and a payback of 2.2 years;
- capital payback period is 1.5 years with a Gold spot price of $1,599;
- Initial capital expenditure of $92 million incl. 20% contingency;
- Estimated gold processing recoveries of 95%.

- A Project Description ("PD") for the Goliath Gold Project has been submitted to and accepted by the Canadian Environmental Assessment Agency ("CEAA"). The Company's PD initiated the official permitting and approvals process for mine development. Subsequent to the PD filing, the Company received both the CEAA determination to have the Goliath Gold project subject to an Environmental Assessment ("EA") and the draft Environmental Impact Statement ("EIS") guidelines.

- A new high grade intersection was made in the second drill hole of an initial 9 hole drilling program at the Goldcliff Project, located approximately 40 kilometres south of the flagship Goliath Gold Project. The Discovery hole GC 12-03 was the second hole drilled at the Ange Zone and has a best weighted average intercept of 4 metres at 332 g/t gold.

- Since late 2010, a total of 70,592 metres have been drilled at the Goliath Gold Project.

OPERATING ACTIVITIES

Goliath Gold Project

2012 Exploration Program

In January 2012, the Company commenced a 20,000 metre core drilling program designed to test a number of high-priority targets identified on the approximately 50 km^2 project outside of the current mineral resource area. Initially, the program focused on the west end of the property to test a number of geophysical anomalies as well as to test down-dip projections from relatively shallow gold mineralization intercepted during previous drilling campaigns. The program also drilled along strike of the defined resource area, to the northeast, where historical drilling by Teck indicates prospective high-grade gold mineralization. The northeast strike extension of the resource shows promise for the discovery of multiple new high-grade structures and the potential to add additional ounces to the overall resource. Both of these areas have had little or no drilling by Treasury Metals. The program was designed using historical Teck data and additional geological information interpreted by the Company's airborne survey completed in July 2011. The Company reported the first phase of results from the 2012 program on July 9, 2012. The 1st Phase exploration program to date has (1) encountered both high grade and low grade Au values in a new lithologic sequence in the Northeast, several kilometres from the present resource. It is worth mentioning that there is approximately 11.5 km of strike length along the prospective auriferous horizon beginning at the end of the eastern resource area and continuing to the far Northeast corner of the property block; (2) indicated the possibility of additional open pit grade material to the west of the current proposed open pit; and (3) the C Zone is of relatively constant thickness with typical plus cut-off grade values along the eastern end of the resource; it is shown projecting towards the newly acquired property towards the northeast. Drilling results can be seen on the Company's website at www.treasurymetals.com. The Company plans to continue testing the high-grade shoot(s) to depth and towards the East, over the recently acquired property. In addition, the Company continues to develop a strong target pipeline through assessment of historical sampling, drilling, fieldwork and geological interpretation.

On October 29, 2012, the Company recommenced its 2012 drilling program at the Goliath Gold Project. The focus of the 2012 Q4 exploration program was infill and expansion drilling in the central and western portion of the current resource area, designed to increase the resource size and upgrade Inferred resources into the Indicated category. In addition, the program also included drilling of a number of prospective targets on a newly acquired property that is adjacent to the current deposit and the new mineralized shoot identified in previous 2012 drilling. The final component of the program tested a select number of prospective targets along the eastern margin of the current resource area where recent drilling has demonstrated attractive high-grade intercepts in a horizon interpreted to lie in the footwall to the C Zone. The program commenced on the central west portion of the resource area. In news releases of December 11, 2012, and January 29, February 28 and March 18, 2013, the Company reported the results of this drilling which led to the discovery of multiple new mineralized areas which are coming together to form several ore shoots within the Project's sparsely drilled C Zone which is located approximately 30 to 50 metres behind the Project's Main Zone of mineralization. Drilling results can be seen on the Company's website at www.treasurymetals.com.

2011 Exploration Program

In January 2011, the Company added a second drilling rig on its Goliath Gold Project as part of its 20,000 metre diamond drilling program initiated in December 2010, designed to increase and upgrade the current resource estimate from largely inferred category to the Measured and Indicated categories. Based on the success of the program, a third drilling rig was added in April 2011, in order to expand and accelerate the diamond drilling and the program was expanded from 20,000 to 30,000 metres. The third drilling rig followed up on hole TL09-84 (5.00 m @ 22.75 g/t), located approximately one kilometre west of the current diamond drilling program. Historical drilling by Teck, Corona and Treasury Metals identified promising targets towards the western extent of the mineral resource. This historical work had predominantly been shallow (less than 100 metres below surface) and identified one of these potential higher grade targets. Treasury Metals believes the deeper extent of this zone now warrants drilling.

In late June 2011, the Company reverted to two drilling rigs and increased the size of the program to 50,000 metres. One drill worked on the eastern target, where Treasury Metals had been intersecting significant results. The second rig tested the western and other higher grade shoots where mineralization had been observed in historical drilling, and eventually was moved to drill exploration targets one kilometre east and along strike from the mineral resource. This drilling campaign finished in mid-September 2011, during which approximately 50,000 metres had been drilled in a total of 143 holes. An updated resource calculation was announced in November 2011 and is detailed in the section below titled "2011 Resource Estimate".

The Company commenced initial metallurgical test work earlier in 2011 with G&T, which followed up on the historical work performed by Teck Exploration Ltd. in 1998. The G&T Metallurgical Services Ltd. ("G&T") program tested a composite of 30 half-core samples taken from the Goliath Gold Project that were crushed to -6 mesh and mixed together to provide one composite for testwork. The test program was set up to investigate two flowsheets, namely whole ore cyanidation, and flotation (with gravity included in both). Based on this work, G&T reported that the ore is non-refractory and free milling, with a gold recovery of 96 to 97% using gravity and cyanidation. Test KM2906-01, at a p80 grind of 105 microns, for example, yielded 71% of the gold to the Knelson concentrate. The overall gold recovery did not appear to be very sensitive to either primary grind sizing or target sodium cyanide concentration in the ranges tested. On the basis of this testing, about 96% of the feed gold can be recovered at a primary grind sizing of 105 microns, K80 and target NaCN concentration of 500 ppm.

In July 2011, the Company announced that it had commenced and completed 1,236 kilometres of magnetic and heliborne electromagnetic surveys over its Goliath and Goldcliff Gold Projects in northwestern Ontario. The surveys provided Treasury Metals with additional geological information which, when interpreted, was used to generate future exploration targets on both properties.

Exploration Potential

The Company has an ongoing extension and infill drilling program designed to augment the 2011 Resource Estimate that was completed in November 2011. The program has focused on pursuing strike extensions of previously identified mineralization as well as following potential new ore shoots down dip. Most recently the program has concentrated on delineating the C Zone mineralization, now largely in the inferred category, both within and to the east of the proposed open pit boundary. Initial results were demonstrated in the Company’s 2012 exploration program where modest grade, but substantial widths, were identified in the C Zone.

There is also potential for additional open pit resources towards the west, where several hundred metres of Hangingwall and Main Zone mineralization have largely been tested only on a wide-spaced drilling pattern to date.

Though this was not the focus of the present PEA, there is also the potential to expand the underground exploitable resources of the Goliath Gold deposit by means of eventual deep drilling, or by an exploration program carried out from UG drill stations.

The Company also has an active exploration program to test additional targets projected along over 11 km of strike extension, principally to the northeast and east of the Goliath Gold deposit, in its 50 km^2 property block. Significant gold values intercepted in previous drilling campaigns, as well as re-interpreted airborne EM and aeromag geophysics, are being used to guide the present drilling program. The objective of this program is to locate satellite open-pitable mineralization along strike from the main resource, or in the best case, to locate a significant new ore deposit.

Environmental, Permitting And Development Activities

A number of exploration and development programs are ongoing for the further advancement of the Goliath Gold Project. These include:

- The Company's ongoing Environmental Baseline Studies, initiated in the fall of 2010, support the permitting process. Environmental studies to date suggest that "no fatal flaws" are indicated for Goliath Gold Project.

- A Project Description ("PD") for the Goliath Gold Project was submitted to and subsequently accepted by the Canadian Environmental Assessment Agency ("CEAA"). The Company's PD initiated the official permitting and approvals process for mine development. This milestone marks a significant advancement in the development of the Goliath Gold Project and officially began the legislated period for the completion of the Environmental Assessment ("EA") by CEAA, which included 45 days to determine whether an EA is required, and a period of 365 days to complete the EA. CEAA used the PD to develop Guidelines that Treasury Metals will follow to create an Environmental Impact Statement ("EIS"), which is required under the government's permitting process.

Pursuant to the Canadian Environmental Assessment Act, 2012, the PD outlines the proposed Project development plan and will provide the appropriate agencies and authorities a greater understanding of the project. The scope of the Project includes initially an open pit followed by a combination of both open pit and underground mining methods over 10 to 12 years of mine life. Processing will be done using a 2,500 tonne/day C.I.L. plant. Any associated infrastructure needed to successfully develop and operate the project is described within the document. The PD also outlines the results of more than two years of Treasury Metals environmental baseline studies, anticipated socioeconomic and environmental impacts, as well as consultations and communications to date with local, provincial and federal government agencies, First Nations, the Métis Nation of Ontario and the general public.

Subsequent to the PD filing, the Company received both the CEAA determination to have the Goliath Gold project subject to an EA and the draft EIS guidelines. On February 21, 2013, the Company received guidelines for the preparation of an EIS pursuant to the CEAA, 2012.

- Working with the Company's engineering team, the independent consultant G&T Metallurgical Services Ltd. is providing oversight of the final advanced stage metallurgical test work. This testing will determine a detailed flow sheet for a gravity and C.I.L. process, including SAG and Ball Mill sizing, optimal grind size and process water balances was completed in September 2012.

<u>July 2012 Preliminary Economic Assessment</u>

The Company announced in July 2012, the results of a National Instrument 43-101 Preliminary Economic Assessment ("PEA" or the "Study") on its 100% owned Goliath Gold Project ("Goliath" or the "Project"). The PEA was compiled by the Company's engineering team and by independent consultant A.C.A. Howe International Limited ("ACA Howe"). The PEA is an update to the July 2010 PEA and it incorporates the most recent resource report.

The results demonstrate low initial capital requirements with underground ("UG") development expenditures being funded by cash flow from open pit operations during the initial three years. The PEA is based on 51% of the gold ounces outlined in the NI 43-101 Mineral Resource Estimate released on November 9th, 2011.

Highlights of the Economic Assessment include:

- 10+ year combined open pit and underground mine life with processing throughput averaging 2,500 tonnes per day ("tpd");
- Avg. annual production of 80,000 oz Au Eq. with a LOM head grade of 3.05 g/tonne (Au Eq.);
- Average operating cash cost of $698 per equivalent gold ounce;
- At US$1,375 per ounce (base case – 3 year trailing average gold), the Life of Mine pre-tax net present value (NPV) of $199.0 million based on a 5% discount rate, internal rate of return (IRR) of 39.3% and a payback of 2.2 years, payback impacted as a result of funding UG development costs;
- At a Au spot price of $1,599, capital payback period is 1.5 years;
- Initial capital expenditure (based on new equipment) of $92 million incl. 20% contingency;
- Estimated gold processing recoveries of 95%.

The following table provides a comparison between the 2012 PEA and the 2010 PEA:

	2012 PEA	**2010 PEA**
Gold production (oz)	835,000	388,000
Tonnes processed	9,039,000	4,270,000
Average head grade (g/t)	3.0	3.0
Production rate	2,500	1,500
Stripping ratio	9.3:1	7.2:1
Mine life (yrs)	10.3	8.5
Cash costs ($/oz)	698	510
Initial capex ($mm)	93	59
Base case gold price	1,375	850
After-tax NPV (5%)	144	23
Processing type	Gravity/CIL	Gravity/Flotation

The PEA has confirmed Management's targets for the Project. On a very conservative basis it defined a profitable open pit mine allowing for rapid recovery of all of the initial capital costs while generating good margins and free cash flow for development of the underground operation.

Project Description (PEA)

The main zones of mineralization of the Goliath Gold Deposit consist of the Main Zone, Footwall Zones and Hangingwall Zones. Mineralized zones strike approximately east-west and dip 70-80 degrees to the south-southeast. The focus of exploration activities on the main area of the mineralization thus far has been concentrated on the current defined resource area, which extends to a depth of approximately 600 m below the surface, over a strike-length of approximately 2,300 m.

The staged mining operation would have a five-year open pit that will feed 2,500 tpd (875,000 tpa) to the carbon-in-leach (C.I.L.) process plant. Mining would feed a life of mine average head grade of 3.05 g/tonne (Au Eq) to the plant. Estimated 70% recovery rates by gravity and estimated to be 95% total gold recovery would be achieved by low leach times, both of which may reduce capital costs and lower operating costs.

Goliath Gold Project Base Case Metrics and Financial Model (PEA)

The following table presents a list of the Project parameters and assumptions derived from the PEA and financial model. All amounts are in Canadian Dollars except the realized gold and silver price, which is quoted in US dollars. All grade and oz. values are quoted as gold equivalent ounces, with 1 oz Au = 50.9 oz Ag, calculated by base case metal prices as listed in the following table.

Project Parameters	**Unit**	**Amount**
Gold Resources		
Gold and Silver Production – Resources Mined	Oz	835,000 and 2,703,000
Gold Price – Optimized Pit Model	US $/Oz	$1,175
Cut-off Grade – Open Pit and Underground	Au g/tonne	0.45 and 2.5
Average Mill Feed Gold Grade (Au Equivalent)	Au (g/tonne)	3.05
Operating Metrics		
Total Tonnes Ore Produced	Tonnes	9,039,000
Open Pit Ore Production Rate	tpd/tpa	2,500 tonne/day or 875,000/yr
Total Strip Ratio	Waste:Ore	9.3:1
Gold and Silver Recovery (Processing)	%	95% and 70%
Average Gold Production (Au Equivalent)	Oz/year	80,000
Mine life	years	10.3 years
Financial Metrics		
Realized Gold and Silver Price (Base Case)	US$/Oz	$1,375 and $27
Total Initial Capital Expenditures	C$M	$92.5
Total Sustaining Capital (Including U/G)	C$M	$128.0
Cash Operating Cost	C$/Oz	$698
Mining Costs – Open Pit and UG	$/tonne	Open pit $3.01 and UG $60
Milling Costs and G & A costs	$/tonne	$15.81 and $2.05
Average NSR	%	0.7%
Exchange Rate	C$	C$1.02:US$1.00

A.C.A. Howe concludes that under base case assumptions of 2,500 tpd production and US$1,375 per ounce gold, and assuming 100% equity financing, the Project has potential economic viability with a pre-tax Internal Rate of Return ("IRR") of 39.3%, a 5% discounted Net Present Value ("NPV") of $199.0 million and an estimated payback period of 2.2 years.

The following table summarizes the base case compared to near spot metal process of US$1,599 per ounce of gold:

Gold Price (US$/oz)	NPV (5%) (CDN$M)	NPV (10%) (CDN$M)	IRR	Payback from Production
Pre-tax Base Case - $1,375*	**$199.0**	**$119.9**	**39.3%**	**2.2**
After-tax Base Case - $1,375**	$144.3	$83.5	32.4%	2.8
Pre-tax Near Spot - $1,599***	$306.6	$193.3	53.5	1.5

**The 10% Ontario Mining Tax is only included in the pre-tax calculations.*
*** The effective tax rate used was 31%.*
****Near Spot price is provided for informational purposes only.*

Cautionary statement required by NI 43-101 (PEA)

According to the cautionary statement required by NI 43-101, it should be noted that this assessment is preliminary in nature as it includes inferred mineral resource that cannot be categorized as reserves at this time and as such there is no certainty that the preliminary assessment and economics will be realized. The full Study is available at the Company's website and on Sedar (www.sedar.com).

Proposed Mining Plan (PEA)

The staged approach to mining would begin by the extraction of an open pit with three distinct pit bottoms with an average undiluted grade of 2.80 g/tonne (Au Eq). By selectively mining higher grade material, a consistent head grade of 3.3 g/tonne (Au Eq) can be fed to the mill throughout the 5 year open pit mine life, while the remainder of ore above the 0.45 g/tonne (Au Eq) cut-off would be stored in a 1.8 million tonne low-grade stockpile. Excavating the distinct pits in sequence will also allow for the backfilling of completed pits as mining progresses.

A portal would be established outside of the pit limits and UG development would commence year one, being wholly completed using incoming cash flows. Production from the longhole open stoping operations would begin in year three, and would benefit from the construction of a backfill plant which would allow higher mining recoveries and lower dilution rates. UG material would continue to be blended with the low-grade stock until the stockpile's eventual exhaustion in year 10, at which point the UG operations would continue until the end of mine life.

Metallurgy and Processing (PEA)

Plant operations would use a jaw crusher and associated SAG and Ball mills to process 2,500 tpd of mill feed that would report to a gravity circuit followed by a C.I.L. process. All metallurgical testing to date – which includes Teck Resources previous 2,375 tonne bulk sample and the most recent 420 kg representative sample – has shown extremely positive results for this proposed circuit. Recoveries are estimated to be 95% with up to 70% coming from gravity and very low leach times of 8-12 hours.

Upside Potential:

- The stripping ratios in the center and west pits are approximately 5.5:1, with the east pit running 15:1. The Company believes adding ounces in the C Zone eastern part of the resource will lead to a significantly lower stripping ratio in the eastern pit (see press release dated July 9, 2012). There is also an opportunity of small ore lenses in the hanging wall side that could be sent to low grade stockpile or mill that could also reduce the overall stripping ratio.

- Availability of used equipment on the market has potential to significantly reduce capital costs. For example, used Open Pit, UG equipment, and used cone crushers could be sourced and would replace more expensive and long lead time SAG Mill expenses used in the Study.

- Presently the UG development costs in the Study are based on contractor rates for certain equipment and personnel. With the purchase of equipment and use of company personnel, the overall UG development cost could be significantly reduced in the sustaining capital section.

<u>2011 Resource Estimate</u>

In November 2011, the Company provided an updated National Instrument 43-101 Resource Estimate on the Goliath Gold Project. The 2011 Resource Estimate was completed by independent consultant A.C.A. Howe International Limited ("A.C.A. Howe") of Toronto. The 2011 Resource Estimate is an update to the NI 43-101 Resource Estimate previously released in July 2010 (the "2010 Resource Estimate"), and includes results from a database representing an additional 60,000 metres totalling 134 new drill holes. The 2011 Resource Estimate takes into account two in-fill and expansion focused drilling programs: 12,000 metres completed in 2010 and 48,000 metres in 2011.

2011 Resource Estimate Highlights Include:

- Indicated mineral resource of 810,000 ounces of gold and gold equivalent ounces of silver including both potential surface mineable plus underground, an increase of more than 200% from the 2010 Resource Estimate.
- Inferred mineral resource of 900,000 ounces of gold and gold equivalent ounces of silver including both potential surface mineable plus underground.

The 2011 Resource Estimate, which uses a combination of historical and current drilling results, includes 134 additional holes up to drill hole TL11-228, primarily consisting of in-fill drilling in late 2010 and throughout 2011. The 2011 Resource Estimate does not incorporate potential metal credits from by-product metals of lead, zinc and copper.

Resources were defined using a block cut-off grade of 0.3 g/tonne Au for surface resources (<150 metres deep) and 1.5 g/tonne Au for underground resources (>150 metres deep). Surface plus underground Indicated Resources total 9.14 million tonnes with an average grade of 2.6 g/tonne Au and 10.4 g/tonne Ag for 760,000 ounces gold and 3,070,000 ounces silver for a total of 810,000 gold equivalent ounces. Surface plus underground Inferred

Resources total 15.9 million tonnes with an average grade of 1.7 g/tonne Au and 3.9 g/tonne Ag for 870,000 ounces gold and 1,990,000 ounces silver for a total of 900,000 gold equivalent ounces. The Main Zone and C Zone contained the majority of resources from both categories and are the primary targets for underground mining. A summary of mineral resources by resource category is as follows:

Category	Block Cut-off Grade (g/tonne)	Tonnes Above Cut-off	Average Gold Grade (g/tonne)	Contained Au (ounces)	Average Ag Grade (g/tonne)	Contained Ag (ounces)	Silver Equivalent Ounces of Au	Total Au Equivalent Ounces (Au+Ag)
Indicated								
Surface	0.3	6,002,000	1.8	326,000	7.1	1,257,000	22,000	348,000
Underground	1.5	3,136,000	4.3	433,000	18.0	1,812,000	32,000	465,000
Subtotal, Indicated (Rounded)		**9,140,000**	2.6	**760,000**	10.4	3,070,000	**54,000**	**810,000**
Inferred								
Surface	0.3	11,093,000	1.0	352,000	3.3	1,184,000	21,000	374,000
Underground	1.5	4,789,000	3.3	514,000	5.2	807,000	14,000	528,000
Subtotal, Inferred (Rounded)		**15,900,000**	1.7	**870,000**	3.9	1,990,000	**35,000**	**900,000**

Mineral Resource Estimate Parameters and Assumptions:

1. Cut-off grade for mineralised zone interpretation was 0.5 g/tonne.
2. Block cut-off grade for surface resources (less than 150 metres deep) was 0.3 g/tonne.
3. Block cut-off grade for underground resources (more than 150 metres deep) was 1.5 g/tonne.
4. Gold price was $US 1,500 per troy ounce.
5. Zones extended up to 150 metres down-dip from last intercept. Along strike, zones extended halfway to the next cross-section.
6. Minimum width was 2 metres.
7. Non-diluted.
8. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
9. Resource estimate prepared by Doug Roy, M.A.Sc., P.Eng.
10. A specific gravity (bulk density) value of 2.75 was applied to all blocks (based on 30 samples).
11. Non-cut. Top-cut analysis of sample data suggested no top cut was needed because of the absence of high-grade outliers.
12. Silver equivalency parameters: Metallurgical recovery: Gold 95%, Silver 72%; Price: Gold $1,500, Silver $35. I.E.: 1 ounce gold = 57 ounces silver.
13. Totals have been rounded to show the correct number of significant digits, reflecting the accuracy of the estimate.

Plans for 2013

The Company's plans for 2013 have been and are focused on the following:

- On October 29, 2012, the Company recommenced its 2012 drilling program, which continued into 2013, with its focus on infill and expansion drilling in current resource area including both the Main zone and C Zone, designed to increase the resource size and upgrade Inferred resources into the Indicated category. In addition, the program will also include drilling of a number of prospective targets on a newly acquired property that is adjacent to the current deposit and the new mineralized shoot identified in previous 2012 drill results. The final component of the program will test a select number of prospective targets along the eastern margin of the current resource area where recent drilling has demonstrated attractive high-grade intercepts in a horizon interpreted to lie in the footwall to the C Zone.

- Treasury has also recently commenced a drilling program at its 100% owned Goldcliff Project, located approximately 40 kilometres south-southeast of the City of Dryden, Northwestern Ontario in the Kenora Mining District. The new exploration program at Goldcliff has been designed to test a number of drill targets.

- A number of pre-development activities have been identified and completed and/or implemented during 2012 and continued into 2013. The Company finalized a PEA update in July and has started the preparation of additional more advanced studies on the project. Appropriate staffing and consultant resources have been determined, negotiated and arranged. In addition, the Company continues to move ahead Environmental Baseline Studies and advanced stage metallurgy. A number of other active engineering programs include hydrogeology, geotechnical and geochemical. The Company is also in the process of obtaining estimates for the completion of a feasibility study to include mine design, resource update, mill, infrastructure design, and the tailings storage facility.

- A Project Description for the Goliath Gold Project was submitted to and subsequently accepted by the CEAA. The Company's PD initiated the official permitting and approvals process for mine development. The scope of the Project includes initially an open pit followed by a combination of both open pit and underground mining methods over 10 to 12 years of mine life. Processing will be done using a 2,500 tonne/day C.I.L. plant. Any associated infrastructure needed to successfully develop and operate the project is described within the document. The PD also outlines the results of more than two years of Treasury Metals environmental baseline studies, anticipated socioeconomic and environmental impacts, as well as consultations and communications to date with local, provincial and federal government agencies, First Nations, the Métis Nation of Ontario and the general public.

  Subsequent to the PD filing, on February 21, 2013, the Company received guidelines for the preparation of an EIS pursuant to the CEAA, 2012.

- The Company will also continue to pursue property consolidations and land acquisitions in the immediate area of the Goliath Gold Project.

The Company will provide more detailed development and operational updates throughout the year.

Goldcliff Project

In June 2010, the Company acquired the right to earn a 100% interest in four unpatented mining claims in the District of Kenora (S. Johnson-Barkauskas Mineral Property Agreement). Under the terms of the Agreement, the Company is to make option payments totalling $90,500 and issue 80,000 common shares of the Company over a three-year period. These payments are required as follows: $8,500 and 20,000 common shares paid on signing of the agreement (paid), $12,000 and 20,000 common shares on or before June 23, 2011 (paid), $20,000 and 20,000 common shares on or before June 23, 2012 (paid), and $50,000 and 20,000 common shares on or before June 23,

2013. The four unpatented mining claims, totalling 12 units and 192 hectares, are subject to a 2% NSR of which 1% can be purchased by the Company for $750,000.

In addition, the Company acquired through staking, 100% ownership in 37 unpatented mining claims that are contiguous with the four optioned mining claims. Some of the staked claims are subject to a one-kilometre area of interest and a 1% NSR (purchasable 100% by the Company for $750,000) as they relate to each of the four optioned claims.

Treasury has recently commenced a drilling program at its 100% owned Goldcliff Project, located approximately 40 kilometres south-southeast of the City of Dryden, Northwestern Ontario in the Kenora Mining District. The new exploration program at Goldcliff has been designed to test a number of drill targets.

Lara Polymetallic Project

The Company inherited the Lara Project in early 2008, as part of the spin-out transaction from Laramide Resources Ltd. The Company, as a gold focused exploration and development company, does not consider this project to be a high priority in terms of its overall corporate strategy. Based on current market conditions, the geological fieldwork planned on the property in 2012 have been put on hold. The Company would consider seeking a purchaser or joint venture partner for this non-core project.

Net Smelter Royalty, Cerro Colorado Gold Mine

The Company's NSR revenue was $878,943 for the year 2012 as compared with $850,955 in the year 2011. The royalty funds a portion of corporate overhead costs.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected financial data for Treasury Metals for each of the last eight quarters. The information set forth below should be read in conjunction with the December 31, 2012, financial statements and the related notes thereto, prepared by management in accordance with International Financial Reporting Standards. Detailed explanations of quarterly variances are included in each quarterly MD&A filed on SEDAR.

TREASURY METALS

INCORPORATED

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Dec-12	**Sep-12**	**Jun-12**	**Mar-12**	**Dec-11**	**Sep-11**	**Jun-11**	**Mar-11**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Royalty Revenue	177,376	193,595	270,055	237,917	197,170	253,912	230,573	169,300
Gain (loss) on sale of investments	0	0	5,731	0	10,100	37,303	0	87,673
Expenses	435,259	502,840	525,221	521,401	1,999,204	361,071	411,347	391,423
Income tax expense	137,400	0	825,000		-317,338	0	0	29,048
Net income (loss)	-395,283	-309,245	-1,074,435	-283,484	-1,474,596	-69,856	-180,774	-163,498
Net (loss) per share (basic and diluted)$	0.01	0.01	0.02	0.00	(0.04)	0.00	0.00	0.00
Other comprehensive income (loss)	-77,626	8,625	-836,234	-320,958	-421,663	353,499	-388,854	35,153
Total comprehensive income (loss)	-472,909	-300,620	-1,910,669	-604,442	-1,896,259	283,643	-569,628	-128,345
Mineral properties and deferred costs	48,428,792	46,751,406	45,946,037	43,644,903	42,326,840	41,806,784	39,667,890	36,479,080
Total current liabilities	2,233,375	2,552,815	2,388,266	2,015,585	1,815,444	1,361,268	2,226,607	735,856
Total assets	54,427,335	54,451,362	49,094,944	48,701,488	48,951,583	48,051,044	48,535,458	45,868,012

Royalty revenue variances are due to fluctuations in the Cerro Colorado gold revenue NSR due to changes in production and gold prices. In 2010 the NSR was increased from 2.5% up to 3% as the production threshold of 100,000 ounces was reached. The royalty decrease in Q3 and Q4 2012 is due to lower production originated by lower ore grade, a higher strip ratio and a lower recovery rate. Gain on sale of investments relates to realized results on the sales of shares from the investment portfolio.

Expense variances quarter to quarter are mainly due to the vesting cost of the various stock option issuances.
In Q4 2011, $1,664,006, including non-cash expenditures of $1,330,000, was charged to operations relating to the terminated acquisition of Pico Machay.

The quarterly variations in the Other Comprehensive Income result from the quarter end adjustment to market value of the investment portfolio.

The fluctuation in Total Assets from one quarter to the next is primarily a function of cash increases through the issuance of shares and the exercise of warrants and options, the valuation at fair market value of the long-term investments, and the use of cash for operating expenses.

FINANCIAL RESULTS OF OPERATIONS

Three months ended December 31, 2012 compared with three months ended December 31,2011

The net loss for the three-month period ended December 31, 2012 was $395,283 (2011 - $1,445,548). The variance is explained as follows:

- Other Expenses in Q4 2011 included $1,664,006 for the write off of the costs of the terminated purchase transaction of the Pico Machay project.
- In Q4 2012 there is a $41,082 reallocation to mineral properties of the amortization charged to expenses during the Q1 to Q3; in Q4 2011 there was $21,723 of amortization charged to expenses.

The lower expenses were offset by the following variances:

- There is $19,794 of lower royalty income in Q4 2012 mainly due to decreased production originated by lower grade ore and lower recovery rate. In addition, in Q4 2011 there was a $10,100 gain on sale of Goldgroup shares, there was no sale of shares in Q4 2012.

- Professional fees in Q4 2012 are $65,115 higher than 2011 mainly due to $19,021 of higher accounting and financial services provided by Laramide and $37,978 of higher legal fees regarding consulting on site community issues resolved during the year.

- In Q4 2012 there is $60,117 of stock-based compensation, in the same period of 2011 there were no unvested options.

- Administrative, office and shareholders services expenses of $262,456 in Q4 2012 (2011-$233,461) is higher mainly due to $12,485 higher rent and $14,810 higher administrative services provided by Laramide; there is also $54,055 of higher investor relation expenses mainly in business promotion, conferences and travel expenses of analysts to the mine site partially offset by $32,990 of lower listing and filing fees as Q4 2011 included the listing fees of a private placement done in that quarter, and $717 of exchange gain in Q4 2012 against an exchange loss of $10,072 in Q4 2011.

Twelve months ended December 31, 2012 compared with twelve months ended December 31, 2011

The net loss for the year ended December 31, 2012 was $2,062,447 (2011 - $1,888,724). The variance is explained as follows:

- $101,357 lower revenue in the year 2012 compared to 2011 mainly due to a $129,345 lower gain on sale of investments as 2011 included a large gain in the sale of the shares of Vaaldiam and 2012 includes only a small gain in the sale of the shares of Goldgroup. This was partially offset by $27,988 higher royalty income in the year due to the higher production and prices in 2012 at the Cerro Colorado Gold Mine.

- Recognition of $962,400 deferred income tax expense in 2012; in the year 2011 it was recognized a deferred tax recovery of $288,290.

- Professional fees of 2012 is $120,307 higher than 2011 mainly due to $95,307 higher professional services provided by Laramide and $42,825 higher legal fees mainly due to some site community issues, partially offset by $17,825 of lower audit fees due to the special works on IFRS implementation performed in 2011.

- Administrative, office and shareholders services expenses of $1,097,912 in 2012 (2011-$908,019), are higher mainly due to $89,348 of increased investor relation expenses for promotional travel of analysts to the mine site, travel and registering in the Global Mining Conferences in UK and Hong Kong, $56,273 and $56,239 of higher rent and administrative services, respectively, provided by Laramide, $35,927 of strategy meeting expenses incurred in 2012 against none in 2011 and $11,750 of higher foreign exchange loss in 2012. These increased expenses were partially offset by $68,515 lower listing, sustaining and filing fees paid to the TSX in 2012.

- In 2012 there is $325,644 of stock option compensation expense compared to $24,672 in 2011, due to higher vesting for the options issued in 2012.

- The higher expenses were offset by the 2011 charge of $1,664,006 related to the terminated purchase of the Pico Machay project, $85,730 lower salary and benefits expenses mainly due to the additional expenses, incurred in 2011 during the transitional period of the new corporate management team, partially offset by $15,874 of payroll liabilities for WSIB not incurred in 2011. Also, there is $39,760 of amortization expenses charged to operations in 2011compared to none in 2012 due to the reallocation to mineral properties of the amortization incurred in the year 2012.

FINANCINGS

2012

During the year ended December 31, 2012, the Company raised a net amount of $5,536,437 from the issuance of 2,000,000 common shares and 5,625,000 flow-through shares and $548,612 from the issuance of 1,031,768 shares through the exercise of options and warrants.

2011

During the year ended December 31, 2011, the Company raised $8,218,462 from the issuance of 6,646,073 flow-through shares through completion of two private placements and $577,725 from the issuance of 1,145,250 shares through the exercise of options and warrants.

See Note 10 of the audited financial statements for further details regarding the private placements.

LIQUIDITY

As at December 31, 2012, the Company has a working capital position of $1,482,962, excluding the non-cash unrenounced flow-through share premium liability. The Company has marketable investments in publicly traded companies not included in working capital and which have market value at December 31, 2012 of $646,874. The market value of these investments on February 15, 2013 is $595,125.

Accounts receivable and prepaid expenses have increased mainly because the sales tax receivable related to the previous quarter was not paid by the Government at the end of the Q4 and also the uncollected royalties includes 60 outstanding days against 30 days in the year 2011.

Notwithstanding success to date in acquiring equity financing on acceptable terms, there is no guarantee of obtaining future equity financings or on what terms any such equity capital may be available to the Company and as such, alternative funding programs are also being pursued by the Company.

The Company holds the NSR on the production from the Cerro Colorado gold mine. Based on current gold prices, the Company estimates that the NSR will generate approximately $900,000 in revenue during fiscal 2013. The Company also generates some cash from the sale of timber from several of its Ontario mineral properties. The Company must utilize its current cash reserves, income from the NSR, funds obtained from the exercise of warrants and options, if any, and other financing transactions to maintain the Company's capacity to meet working capital requirements, and ongoing discretionary and committed exploration programs, and to fund any further development activities.

On March 22, 2011, the Company closed a brokered private placement (the "Offering"), led by Cormark Securities Inc. ("Cormark") as agent. The Offering consisted of 3,125,000 flow-through common shares (the "Flow-Through Shares") of the Company at a price of $1.60 per Flow-Through Share, for aggregate gross proceeds of $5,000,000. The net proceeds of the financing will be used to incur eligible Canadian Exploration Expenses and flow-through mining expenditures, as defined under the Income Tax Act (Canada), that will be renounced in favour of the purchasers with an effective date of no later than December 31, 2012. The funds were used to explore and advance Treasury Metals' gold projects located in the Kenora Mining District of Northwestern Ontario. The Company paid Cormark a cash commission equal to 6% of the gross proceeds of the

Offering and issued Cormark compensation options ("Compensation Options") equal to 6% of the aggregate number of Flow-Through Shares subscribed. Each Compensation Option entitles the holder thereof to purchase 1 common share of the Company at a price of $1.60 (subject to adjustment) until March 22, 2013.

On May 18, 2011, the Company signed an agreement to purchase the Pico Machay project for a consideration totalling US$38 million plus closing costs to be settled by paying US$21 million, of which up to US$10.5 million could be through the issuance of a promissory note due December 31, 2012, and by issuing 11.5 common shares to the vendor, Pan American Silver. On November 7, 2011, the Company announced that it would not be completing the acquisition of the Pico Machay Gold Project on the terms previously negotiated. As a result, the Company did not proceed with the public offering of common shares announced in August 2011 and the costs associated to this transaction were charged to the statement of operations in the fourth quarter of 2011.

On December 6, 2011, the Company completed a brokered private placement, led by Cormark and Canaccord Genuity Corp. and including Raymond James Ltd. as agents ("the Agents"). The Offering consisted of 3,521,073 flow-through common shares of the Company at a price of $1.15 per Flow-Through Share, for aggregate gross proceeds of $4,049,234. The net proceeds of the financing will be used to incur eligible Canadian Exploration Expenses and flow-through mining expenditures in the gold projects located in the Kenora Mining District of northwestern Ontario, as defined under the Income Tax Act (Canada), that will be renounced in favour of the purchasers with an effective date of no later than December 31, 2012. The Company paid the Agents a cash commission equal to 6% of the gross proceeds of the Offering and issued the Agents Compensation Options equal to 3% of the aggregate number of Flow-Through Shares subscribed for under the offering. Each Compensation Option entitles the holders thereof to purchase 1 common share of the Company at a price of $1.15 (subject to adjustment) until December 6, 2013.

On September 21, 2012, the Company completed a brokered private placement (the "Offering") led by Cannacord Genuity Corp. ("Cannacord") as agent. The Offering consisted of 5,625,000 flow-through common shares (the "Flow-Through Shares") of the Company at a price of $0.80 per Flow-Through Share, and 2,000,000 units (the "Units") at a price of $0.75 per Unit, for aggregate gross proceeds of $4,500,000 and $1,500,000, respectively. Each Unit consists of one common share and one half of one common share purchase warrant of the Company exercisable at $1.00 per share, for a period of 24 months from the closing date. The net proceeds of the financing from Flow-Through Shares are to be used to incur eligible Canadian Exploration Expenses and flow-through mining expenditures in the gold projects located in the Kenora Mining District of northwestern Ontario, as defined under the Income Tax Act (Canada), that will be renounced in favour of the purchasers. The net proceeds of the financing from the Units will be used in exploration expenses and for general working capital purposes. The Company paid the brokers a cash commission equal to 6% of the gross proceeds of the Offering and issued compensation warrants ("Broker Warrants") equal to 6% of the aggregate number of Flow-Through Shares and Units subscribed for. Each Broker Warrant entitles the holder thereof to purchase 1 common share of the Company at a price of $0.80 for a period of 24 months from the closing date.

The Company's management believes it will be able to raise any required funds in the short-term. Management will monitor the current market situation and make prudent business decisions as they are required. See "Risk Factors".

The Company relies on external financing over and above the funds received from the NSR to generate sufficient operating capital.

On the date of this MD&A, the cash resources of the Company are held in cash with major Canadian financial institutions.

The Company continues to have minimal long-term debt ($216,307) and its credit and interest rate risks are minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

Accounts receivable and other assets are comprised mainly of sales tax receivables from the Government of Canada, advances to contractors, and prepaid insurance.

Investments during the years 2012 and 2011 have positively affected the Company's results of operations since there has been a net gain of $5,731 and $135,076, respectively, on their sale on those years. The Company sells its investments to access funds to settle its obligations as they arise. The remaining balance of Vaaldiam Mining Inc. shares were sold during the second quarter of 2012 generating $43,749 of cash inflow in that period.

DISCLOSURE OF OUTSTANDING SHARE DATA

Share Capital

The following table sets forth information concerning the outstanding securities of the Company at the date of this report:

Common Shares of no par value	**Number**
Shares	61,465,074
Warrants	1,457,500
Options	6,317,132

This information includes the 1,850,000 options disclosed in the subsequent events paragraph.
See Note 10 to the December 31, 2012 financial statements for more detailed disclosure of outstanding share data.

SUBSEQUENT EVENTS

On March 6, 2013 the Company granted a total of 1,850,000 options to officers, directors, employees and consultants. These options have an exercise price of $0.50, vest at a rate of 50% every six months after the date of grant and expire on March 6, 2016.

OFF-BALANCE SHEET TRANSACTIONS

During the period ended December 31, 2012 there were no off-balance sheet transactions. The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk.

CONTINGENCIES AND COMMITMENT

The Company has made the following commitments as of the date of this MD&A:

- Under the S. Johnson-Barkauskas mineral property agreement, the Company is required to pay $50,000 and 20,000 common shares on or before June 23, 2013 to acquire a 100% interest in the property, subject to a 2% NSR.
- Certain underlying royalties and payment obligations of $103,500 per year remain on 14 of the 19 patented land parcels.
- As part of the flow-through funding agreement dated on September 21, 2012, the Company is committed to spend approximately $4.5 million on Canadian exploration costs, of which it has already spent $1.5 million at December 31, 2012.

RELATED PARTY TRANSACTIONS

Certain corporate entities and consultants that are related to the Company’s officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other exploration related services to Treasury Metals.

i) Treasury Metals was charged $653 for the period ended December 31, 2012 (2011 - $61,742) by a company in which a former officer and director, Scott Jobin-Bevans, has an interest. This company provides technical and professional services. These charges are all included in mineral properties and related deferred costs. Included in accounts payable at December 31, 2012 there is an amount of $206 (December 31, 2011- nil) with respect to these services.

ii) At December 31, 2012, there is a $63,197 account payable to Laramide Resources Ltd., a company having a director, Marc Henderson, and an officer, Dennis Gibson, in common with Treasury Metals (December 31, 2011 – receivable of $27,660). During the period ended December 31, 2012, the Company was charged $511,551 (2011 - $271,106) for office space rent, financial, investor relations, and administrative services and other expenditures paid by Laramide on behalf of the Company.

iii) During the year 2012, $222 (2011 - $62,358) was charged by a law firm where Chris Irwin, a former officer of Treasury Metals, is an employee.

Transactions in (i), (ii), and (iii) were conducted in the normal course of operations and are measured at the exchange amounts.

DIVIDENDS

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

FINANCIAL INSTRUMENTS

The current bank accounts, accounts receivable and accounts payable are non-interest bearing. The majority of cash and cash equivalents are held in short-term investments bearing interest up to 1.2%.

The principal financial instruments affecting the Company's financial condition and results of operations is currently its cash, which it receives from interest and royalty payments, its investment portfolio and any financing transactions entered into by the Company. These sources of revenue are subject to various risks, including production risks with respect to the royalty payments and market risks with respect to the investment portfolio. The investment portfolio is managed by the Company.

RISKS AND UNCERTAINTIES

The Company's Risks and Uncertainties are disclosed in the Treasury Metals Inc.'s Annual Information Form as at December 31, 2012, which is filed on SEDAR and is herein incorporated by reference. These risks are updated each quarter when new events or changes in the jurisdictions where the Company operates necessitate new risk analysis.

OTHER INFORMATION

This discussion and analyses of the financial position and results of operation as at December 31, 2012 should be read in conjunction with the audited financial statements for the year ended December 31, 2012. Additional information can be accessed at the Company's website www.treasurymetals.com or through the Company's public filings at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with IFRS. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

TREASURY METALS

INCORPORATED

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed and evaluated the effectiveness of our disclosure controls and procedures and the internal controls on financial reporting and have concluded that, based on our evaluation, they are sufficiently effective as of December 31, 2012 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for certifying the design of the Company's internal control over financial reporting ("ICFR") as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" and CSA staff notice 52-316 – "Certification of Design of Internal Control over Financial Reporting". Our Internal Control over Financial Reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal Control over Financial Reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors;
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, Internal Control over Financial Reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the design of the Company's internal controls over financial reporting as of December 31, 2012 pursuant to the requirements of Multilateral Instrument 52-109. The Company has designed appropriate internal controls over financial reporting for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS except as noted herein.

There have been no changes in Internal Control over Financial Reporting during the period ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect the Company's Internal Control over Financial Reporting.

Martin Walter
President & Chief Executive Officer
March 21, 2013

Cautionary Note Regarding Forward-Looking Statements

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting', "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of the Company to fund the capital and operating expenses necessary to achieve the business objectives of the Company, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this management discussion and analysis are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.