TREASURY METALS

INCORPORATED

(An exploration stage company)

INTERIM CONDENSED FINANCIAL STATEMENTS

UNAUDITED

FOR THE THREE MONTHS ENDED

MARCH 31, 2012 AND 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed financial statements of Treasury Metals Inc. were prepared by management in accordance with International Financial Reporting Standards. The most significant of these standards have been set out in the note 2 of these interim condensed financial statements. Any applicable changes in accounting policies have also been disclosed in these financial statements. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities and for reviewing and approving the financial statements together with other financial information. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the period end financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate control over its financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at March 31, 2012.

CONCLUSION RELATING TO DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officers, of the effectiveness of the Company's disclosure controls and procedures as defined in the National Instrument 52-109. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at March 31, 2012.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

TREASURY METALS INC.
(An exploration stage company)
INTERIM CONDENSED BALANCE SHEETS - UNAUDITED
(EXPRESSED IN CANADIAN DOLLARS)

	March 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**$ 2,373,677**	$ 3,593,484
Accounts receivable and prepaid expenses (Note 5)	**308,719**	351,685
	2,682,396	3,945,169
Investments (Note 6)	**1,590,126**	1,911,084
Property and equipment (Note 7)	**784,063**	768,490
Mineral properties and related deferred costs (Note 8)	**43,644,903**	42,326,840
	$ 48,701,488	$ 48,951,583
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 834,671**	$ 719,933
Due to Laramide Resources Ltd. (Note 13)	**84,959**	-
Current portion of long-term debt (Note 9)	**32,583**	32,139
Unrenounced flow-through share premium	**1,063,372**	1,063,372
	2,015,585	1,815,444
Long-term debt (Note 9)	**232,620**	240,614
	2,248,205	2,056,058
Shareholders' Equity		
Capital stock (Note 10)	**55,298,729**	55,018,689
Contributed surplus	**2,393,069**	2,510,909
Deficit	**(10,949,226)**	(10,665,742)
Accumulated other comprehensive income (loss)	**(289,289)**	31,669
	46,453,283	46,895,525
	$ 48,701,488	$ 48,951,583

Commitments and Contractual Obligations (Note 15)
Subsequent Events (Note 16)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Doug Bache"*
Director

(Signed) *"Marc Henderson"*
Director

The accompanying notes are an integral part of these interim financial statements.

TREASURY METALS INC.
(An exploration stage company)
INTERIM CONDENSED STATEMENTS OF OPERATIONS - UNAUDITED
(EXPRESSED IN CANADIAN DOLLARS)

Three Months Ended March 31,	2012	2011
Revenues		
Royalty income, net (Note 8)	$ 237,917	$ 166,300
Gain on sale of investments	-	87,673
	237,917	253,973
Expenses		
Administrative, office and shareholder services	$ 339,164	$ 230,680
Professional fees	59,390	69,456
Salary and benefits	109,153	96,307
Stock-based compensation (Note 12)	-	13,983
Amortization	13,694	7,045
	521,401	417,471
Loss before income taxes	(283,484)	(163,498)
Income taxes	-	(29,048)
Net loss	$ (283,484)	$ (192,546)
Loss per share - basic and diluted	$ 0.00	$ 0.00
Weighted average number of shares outstanding	52,910,413	43,980,306

The accompanying notes are an integral part of these interim financial statements.

TREASURY METALS INC.

(An exploration stage company)

INTERIM CONDENSED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS) - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

Three Months Ended March 31,		**2012**		2011
Net loss	**$**	**(283,484)**	$	(192,546)
Other comprehensive income (loss)				
Unrealized gain (loss) on available for sale investments, net of taxes		**(320,958)**		122,826
Reclassification of realized gain on available for sale investments to income, net of taxes		**-**		(87,673)
		(320,958)		35,153
Comprehensive loss	**$**	**(604,442)**	$	(157,393)

The accompanying notes are an integral part of these interim financial statements.

TREASURY METALS INC.

(An exploration stage company)

INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2010	**43,667,806**	**$ 45,833,775**	**$ 2,549,736**	**$ (8,777,018)**	**$ 453,534**	**$ 40,060,027**
Flow through private placement-March	3,125,000	5,000,000	-	-	-	5,000,000
Commission on private placement non-cash	-	(183,481)	183,481	-	-	-
Share issue costs	-	(365,719)	-	-	-	(365,719)
Unrenounced flow-through shares premium	-	(500,000)	-	-	-	(500,000)
Fair value of issued options	-	-	13,983	-	-	13,983
Net loss for the period	-	-	-	(192,546)	-	(192,546)
Other comprehensive income	-	-	-	-	35,153	35,153
Balance, March 31, 2011	**46,792,806**	**$ 49,784,575**	**$ 2,747,200**	**$ (8,969,564)**	**$ 488,687**	**$ 44,050,898**
Flow through private placement-December	3,521,073	4,049,234	-	-	-	4,049,234
Proceeds from the exercise of warrants	357,250	291,325	-	-	-	291,325
Proceeds from the exercise of options	788,000	286,400	-	-	-	286,400
Options issued for commission on private placement	-	(48,073)	48,073	-	-	-
Share issue costs	-	(474,113)	-	-	-	(474,113)
Unrenounced flow-through shares premium	-	(563,372)	-	-	-	(563,372)
Fair value of contributed surplus transferred on exercise of warrants and options	-	295,053	(295,053)	-	-	-
Commission on private placement non-cash	16,472	9,060	-	-	-	9,060
Issued with respect to other expenses	1,000,000	1,330,000	-	-	-	1,330,000
Issued with respect to property allocations	70,793	58,600	-	-	-	58,600
Stock-based compensation	-	-	10,689	-	-	10,689
Net loss for the period	-	-	-	(1,696,178)	-	(1,696,178)
Other comprehensive loss	-	-	-	-	(457,018)	(457,018)
Balance, December 31, 2011	**52,546,394**	**$ 55,018,689**	**$ 2,510,909**	**$ (10,665,742)**	**$ 31,669**	**$ 46,895,525**
Proceeds from the exercise of warrants	44,750	31,700	-	-	-	31,700
Proceeds from the exercise of options	435,000	130,500	-	-	-	130,500
Fair value of contributed surplus transferred on exercise of warrants and options	-	117,840	(117,840)	-	-	-
Net loss for the period	-	-	-	(283,484)	-	(283,484)
Other comprehensive loss	-	-	-	-	(320,958)	(320,958)
Balance, March 31, 2012	**53,026,144**	**$ 55,298,729**	**$ 2,393,069**	**$ (10,949,226)**	**$ (289,289)**	**$ 46,453,283**

The accompanying notes are an integral part of these interim financial statements.

TREASURY METALS INC.

(An exploration stage company)
INTERIM CONDENSED STATEMENTS OF CASH FLOWS - UNAUDITED
(EXPRESSED IN CANADIAN DOLLARS)

Three Months Ended March 31,	2012	2011
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net loss	$ (283,484)	$ (192,546)
Adjustments for:		
Gain on sale of investments	-	(87,673)
Deferred income tax recovery	-	29,048
Stock-based compensation	-	13,983
Amortization	13,694	7,045
	(269,790)	(230,143)
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	42,968	(338,196)
Accounts payable and accrued liabilities	114,737	272,838
	(112,085)	(295,501)
Financing Activities		
Private placement, net of issue costs	-	4,634,281
Warrants and options exercised	162,200	-
Due to Laramide Resources Ltd.	84,959	50,821
Proceeds from finance lease	-	39,965
Payments made on long-term debt	(7,550)	(7,542)
	239,609	4,717,525
Investing Activities		
Proceeds on sale of investments	-	301,168
Acquisition of property and equipment	(29,268)	(65,763)
Acquisition of mineral properties and related deferred costs	(1,318,063)	(1,709,030)
	(1,347,331)	(1,473,625)
Change in cash and cash equivalents	(1,219,807)	2,948,399
Cash and cash equivalents, beginning of the year	3,593,484	2,920,746
Cash and cash equivalents, end of the year	$ 2,373,677	$ 5,869,145

The accompanying notes are an integral part of these interim financial statements.

TREASURY METALS INC.

(An exploration stage company)
INTERIM CONDENSED STATEMENTS OF CASH FLOWS - UNAUDITED (Continued)
(EXPRESSED IN CANADIAN DOLLARS)

Three Months Ended March 31,	2012	2011
Supplementary cash flow information		
Changes in non cash investing activities:		
Options issued for commission on private placement	**$ -**	$ 183,481

The accompanying notes are an integral part of these interim financial statements.

1. NATURE OF OPERATIONS

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario. The mineral properties of Treasury Metals are all located in Canada and are in the exploration stage and, on the basis of information to date, do not yet have economically recoverable reserves. The recoverability of the amounts shown on the balance sheets for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario, Canada.

On May 10, 2012, the Board of Directors approved the interim condensed financial statements for the period ended March 31, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Company is following the same accounting policies and methods of computation in these interim condensed financial statements as it did in the audited financial statements for the year ended December 31, 2011.

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim condensed financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of Preparation

These interim financial statements are presented in Canadian dollars which is also the functional currency of the company.

The financial statements are prepared on the historical cost basis except for certain assets and financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Cash and Cash Equivalents

The “cash and cash equivalents” category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less or which are cashable without penalty.

Financial Instruments

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value, with any resultant gain or loss recognized in the statement of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments classified as being available for sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income, except for impairment losses and, in the case of monetary items such as securities denominated in foreign currency, which are recorded in foreign exchange gains and losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

The fair value of financial instruments classified as held for sale and available for sale is their quoted bid price at the balance sheet date.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.

Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest rate method.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Impairment losses for the different financial assets and liabilities are recognized as follows:

FVTPL financial assets: An impairment loss on a financial asset or financial liability classified as FVTPL is recognized in net income in the period in which it arises.

Available for sale financial assets: When a decline in the fair value of an available for sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Held to maturity securities: The recoverable amount of the Company's investments in held to maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). An impairment loss is recognized in net income and through the amortization process.

Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets at FVTPL.

Property and Equipment

i) Assets owned by the Company

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Useful life is reviewed at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent to initial recognition, the cost model is applied to property and equipment. The Company has elected not to apply the option provided by IFRS 1 regarding the re measurement, as at January 1, 2010, of its property and equipment at their fair value at that date.

Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

(ii) Leased assets

Assets financed by finance lease contracts, in terms of which the Company assumes substantially all the risks and rewards of ownership, are capitalized at the lower of the present value of future minimum lease payments and fair value and the related debt is recorded in "long-term debt". These assets are depreciated on a straight-line basis over their estimated useful life. Amortization expense on assets acquired under such leases are included in amortization expense.

iii) Subsequent costs

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

iv) Amortization

Amortization is charged to the statement of operations on a straight-line and declining balance basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives in the current and comparative periods are as follows:

Building	4% Declining balance
Furniture and equipment	20% Declining balance
Vehicles under finance lease	Straight line over five years
Other vehicles	Straight line over five years

Mineral Properties and Related Deferred Costs

The Company defers pre exploration, post exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. Capitalized expenditures include all the costs incurred in exploration and evaluation of potential mineral reserves and resources, such as exploratory drilling and sample testing and the costs of pre feasibility studies. Exploration expenditures are related to the initial search for deposits of minerals with economic value. Evaluation expenditures are related to the detailed economic assessments of identified deposits that are economically viable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

The Company continually reviews and evaluates the events or changes in the economic environment that indicates a risk of impairment of assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash generating unit ("CGU") level which is the smallest identifiable group of asset that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of an asset’s fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Provisions

A provision is recognized on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Deferred Taxes

Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

- Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.
- Current tax and deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Revenue

Royalty revenue consists of a 2% to 3% sliding production royalty ("NSR") on gold that is produced at the Cerro Colorado Gold Mine Project in Mexico. Revenue is recorded in the period the gold is sold. Other revenues are recognized at the time persuasive evidence of an agreement exists, amount is fixed and determinable, and collectibility is reasonably assured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company.

At the time of issuance of the flow-through shares, the Company applies the residual method to measure the sale of tax deduction to the shareholders and records such amount as "Unrenounced flow-through shares premium" on the balance sheet.

When the Company fulfills its obligation to pass on the tax deduction to the shareholders, the amount recorded as unrenounced flow-through shares premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

Share Based Payment

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from share based payment is transferred to capital stock when the options are exercised.

For equity settled transactions, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case the Company measures their value by reference to the fair value of the equity instruments granted.

Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to common share holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

Environment Rehabilitation Provision

The Company's activities could give rise to obligations for environmental rehabilitation which can include facilities dismantling, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are charged to the cost of the project. Provisions for rehabilitation are periodically adjusted by the Company, when applicable; such adjustments are recorded as a change in the value of the related mineral property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Issued but not yet Effective

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

IFRS 11 - Joint Arrangements establishes the principles for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method whereas for a joint operation the venture will be accounted for using the proportionate consolidation method.

IFRS 12 - Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 19 – Employee Benefits amends the existing standard to eliminate options to defer the recognition of gains and losses in defined benefit plans, requires remeasurement of a defined benefit plan's assets and liabilities to be presented in other comprehensive income and increases the disclosure.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 permits capitalization of stripping costs if all of the three criteria are met: probability of economic benefit, identifiability of ore body and measurability of stripping costs. IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities.

The IASB also amended the following standard which is effective as per the date identified.

IAS 1 - Presentation of Financial Statements was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment is effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted.

IFRS 9 - Financial Instruments addresses the classification and measurement of financial assets. The IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method to be used. The IASB has extended the effective date to January 1, 2015.

(EXPRESSED IN CANADIAN DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has not early adopted these standards, amendments and interpretations, however it is currently assessing the impact of their application in the financial statements of the Company.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Measurement of impairment in assets   In determining carrying values and impairment charges the Company looks at recoverable amounts, defined as the higher of value in use or fair value less cost to sell in the case of assets, and at objective evidence that identifies significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Share based payment and warrants   The Company utilizes the Black Scholes option pricing model to determine the fair values of the share based payments and warrants. The Company uses significant judgement in the evaluation of the input variables in the Black Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life, expected dividend yield and a quoted market price of the Company's shares on the Toronto Stock Exchange.

Deferred income taxes   In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	March 31, 2012	December 31, 2011
Cash	**$ 223,677**	$ 368,484
Cashable GIC	**2,150,000**	3,225,000
	$ 2,373,677	$ 3,593,484

(EXPRESSED IN CANADIAN DOLLARS)

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	March 31, 2012	December 31, 2011
Harmonized sales tax	**$ 145,488**	$ 75,656
Prepaid expenses and advances	**81,053**	136,557
Royalty receivable	**-**	64,877
Due from Laramide Resources Ltd. (Note 13)	**-**	41,038
Other receivable	**82,178**	33,557
	$ 308,719	$ 351,685

6. INVESTMENTS

The Company's investments are carried at market value and are comprised of the following:

	Number of Shares	**March 31, 2012**	**Number of Shares**	December 31, 2011
Vaaldiam Mining Inc. (Formerly Tiomin Resources Inc.)	**169,803**	**$ 20,376**	169,803	$ 13,584
Goldgroup Mining Inc. (Formerly Sierra Minerals Inc.)	**1,725,000**	**1,569,750**	1,725,000	1,897,500
		$1,590,126		$ 1,911,084

(EXPRESSED IN CANADIAN DOLLARS)

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles	**Total**
At December 31, 2011	$ 156,815	$ 482,066	$ 45,944	$ 125,107	$ 809,932
Additions	-	-	29,267	-	29,267
At March 31, 2012	$ 156,815	$ 482,066	$ 75,211	$ 125,107	$ 839,199
Accumulated amortization					
At December 31, 2011	$ -	$ (14,175)	$ (5,384)	$ (21,883)	$ (41,442)
Amortization for the period	-	(4,679)	(2,760)	(6,255)	(13,694)
At March 31, 2012	$ -	$ (18,854)	$ (8,144)	$ (28,138)	$ (55,136)
Net book value at March 31, 2012	**$ 156,815**	**$ 463,212**	**$ 67,067**	**$ 96,969**	**$ 784,063**

Cost	Land	Building	Furniture and equipment	Vehicles	**Total**
At January 1, 2011	$ 75,565	$ 226,695	$ -	$ 85,963	$ 388,223
Additions	81,250	255,371	45,944	39,144	421,709
At December 31, 2011	$ 156,815	$ 482,066	$ 45,944	$ 125,107	$ 809,932
Accumulated amortization					
At January 1, 2011	$ -	$ -	$ -	$ (1,683)	$ (1,683)
Amortization for the year	-	(14,175)	(5,384)	(20,200)	(39,759)
At December 31, 2011	$ -	$ (14,175)	$ (5,384)	$ (21,883)	$ (41,442)
Net book value at December 31, 2011	$ 156,815	$ 467,891	$ 40,560	$ 103,224	$ 768,490

(EXPRESSED IN CANADIAN DOLLARS)

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As of March 31, 2011 and December 31, 2010, accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance December 31, 2011	Net Additions	**Balance March 31, 2012**
Goliath Gold Project	$ 42,034,852	$ 1,173,171	**$ 43,208,023**
Lara Polymetallic Project - BC	185,969	39,871	**225,840**
Goldcliff Property	106,019	105,021	**211,040**
	$ 42,326,840	$ 1,318,063	**$ 43,644,903**

	Balance December 31, 2010	Net Additions	**Balance December 31, 2011**
Goliath Gold Project	$ 34,608,116	$ 7,426,736	$ 42,034,852
Lara Polymetallic Project - BC	100,000	85,969	185,969
Goldcliff Property	61,934	44,085	106,019
	$ 34,770,050	$ 7,556,790	$ 42,326,840

Goliath Gold Project

The Goliath Gold Project is located in the Kenora Mining Division in north-western Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

The Goliath Gold Project consists of 137 contiguous unpatented mining claims (254 units) and 19 patented land parcels. The total area of the project is approximately 4,881 hectares (~49 km^2) covering portions of Hartman and Zealand townships. The project comprises two historic properties which are now : the larger Thunder Lake Property, purchased from Teck Resources (“Teck”) and Corona Gold Corporation (“Corona”) and the Laramide Property, transferred to the Company from Laramide Resources Ltd. ("Laramide"). The project area has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 14 of the 19 patented land parcels totaling about $103,500 per year.

The Goliath Gold Project comprises three underlying properties: the Laramide Property, Thunder Lake Property and the Brisson Property.

Laramide Property, Ontario

In 2007, the Company acquired from Laramide a 100% interest in certain parcels of land, including surface and mineral rights totaling 411 acres in 3 patented land parcels, located in Zealand Township near Dryden, Ontario (collectively the “Laramide Property”). This interest is subject to a 2.0 - 2.5% NSR retained by the owners.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Thunder Lake Property, Ontario

In 2007, the Company and Laramide finalized and signed an agreement pursuant to which, Treasury Metals purchased 100% of Corona's and Teck's respective interests in the Thunder Lake West, Thunder Lake East and certain adjacent properties in and around Dryden, Ontario (collectively the "Thunder Lake Property").

Brisson Property, Ontario

In December 2009, the Company acquired a 100% interest in certain parcels of land in the District of Kenora. Under the terms of the agreement, the Company is to make option payments totaling $100,000 and issue common shares of the Company equal to $100,000 based on the market price of the date of issue. These payments are required as follows: $25,000 and $25,000 worth of common shares on or before December 11, 2009; $20,000 and $25,000 worth of common shares on or before December 11, 2010; $20,000 and $25,000 worth of common shares on or before December 11, 2011; and, $35,000 and $25,000 worth of common shares on or before December 11, 2012. As at March 31, 2012, the Company had paid $65,000 and issued 110,317 common shares of the Company with a market value of $75,000.

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide a 100% interest in and to the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project, of which a portion was formerly owned by Laramide, comprises 74 mineral claims covering approximately 8,684 hectares (~87 km^2).

The Company is committed to a 1.0% net smelter return NSR, held by Argus Metals Corp. (formerly Bluerock Resources Ltd) on 8 of the mineral claims, historically known as the Chemainus claims, located on Vancouver Island.

In 2010, only $5,173 was expended in this project and no significant expenditures in the early future were considered at that moment; in addition, at early 2011 the annual mining leases on a significant portion of the property were not renewed. As a consequence, the estimated non-recoverable costs associated with this project were written off in 2010. In the year 2011 the Company renewed the mining leases of the most significant areas of this property and, therefore, it now owns the mining rights on these properties.

Goldcliff Property

In June 2010, the Company acquired the right to earn a 100% interest in certain unpatented mining claims in the District of Kenora. Under the terms of the agreement, the Company is to make option payments totaling $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 on signing of the agreement, $12,000 and 20,000 common shares on or before June 23, 2011, $20,000 and 20,000 common shares on or before June 23, 2012 and $50,000 and 20,000 common shares on or before June 23, 2013. As per the agreement, at March 31, 2012, the Company had paid $20,500 and issued 40,000 common shares of the Company. The four unpatented mining claims totaling 12 units and 192 hectares are subject to a 2% NSR of which 1% can be purchased by the Company for $750,000.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

In addition to the property acquired through a property option agreement, the Company acquired through staking, 100% ownership in 37 unpatented mining claims. Some of the staked claims are subject to the one kilometre area of interest relating to each of the four optioned claims. All claims that fall within the one kilometre area of interest are subject to a 1% NSR, which can be purchased 100% by the Company for $750,000.

Cerro Colorado Gold Mine, Mexico

In 2007, the Company acquired from Laramide a sliding production royalty, net of withholding tax, based on gold prices and the aggregate production from a mine, less direct selling costs. On the first 100,000 ounces produced, Treasury Metals will receive a 2.0% sliding production royalty if gold prices are below US$350 per ounce and a 2.5% sliding production royalty if gold prices are above US$350 per ounce. Once cumulative production exceeds 100,000 ounces of gold, the royalty rate is 2.5% and escalates to 3.0% if gold prices are above US$350 per ounce.

During the year ended December 31, 2010 the 100,000 ounces of gold cumulative production target was reached and the royalty rate was increased to 3.0%.

(EXPRESSED IN CANADIAN DOLLARS)

9. LONG-TERM DEBT

The present value of the long-term debt at March 31, 2012 and December 31, 2011 is as follows:

	Current Portion	Long Term Portion	Total Debt March 31, 2012
Mortgage	$ 17,399	$ 162,527	$ 179,926
Finance lease payable	15,184	70,093	85,277
	$ 32,583	**$ 232,620**	**$ 265,203**

	Current Portion	Long Term Portion	Total Debt December 31, 2011
Mortgage	$ 17,133	$ 166,658	$ 183,791
Finance lease payable	15,006	73,956	88,962
	$ 32,139	$ 240,614	$ 272,753

(i) The mortgage is related to the land and building located on the Goliath Gold Project properties, purchased in November 2010 and consists of 120 monthly payments with annual interest rate of prime plus 3% expiring in October 2020.

	Total
2012	$ 13,268
2013	16,923
2014	18,043
2015	19,236
2016 and beyond	112,456
Total Mortgage	**$ 179,926**

The finance lease payable consists of 3 lease agreements for up to 48 monthly payments with annual interest rate of 3.9% and 5.6%, expiring up to August 2014. The details of the debt and the future payments for the leases until August 2014 is as follows:

	Total
Not more than one year	$ 18,994
More than one year and not later than three years	73,779
Total future minimum payments	**92,773**
Less: amount representing interest	(3,811)
Present value of finance lease payable as at March 31, 2012	**$ 88,962**

(EXPRESSED IN CANADIAN DOLLARS)

10. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance, January 1, 2010	**43,667,806**	**$ 45,833,775**
Flow through private placement-March	3,125,000	5,000,000
Commission on private placement non-cash	-	(183,481)
Share issue costs	-	(365,719)
Unrenounced flow-through shares premium	-	(500,000)
Balance, March 31, 2011	**46,792,806**	**$ 49,784,575**
Flow through private placement-December	3,521,073	4,049,234
Proceeds from the exercise of warrants	357,250	291,325
Proceeds from the exercise of options	788,000	286,400
Options issued for commission on private placement	-	(48,073)
Share issue costs	-	(474,113)
Unrenounced flow-through shares premium	-	(563,372)
Fair value of contributed surplus transferred on exercise of warrants and options	-	295,053
Commission on private placement non-cash	16,472	9,060
Issued with respect to other expenses	1,000,000	1,330,000
Issued with respect to property allocations (Note 8)	70,793	58,600
Balance, December 31, 2011	**52,546,394**	**$ 55,018,689**
Proceeds from the exercise of warrants	44,750	31,700
Proceeds from the exercise of options	435,000	130,500
Fair value of contributed surplus transferred on exercise of warrants and options	-	117,840
Balance, March 31, 2012	**53,026,144**	**$ 55,298,729**

10. CAPITAL STOCK (Continued)

Private Placements – 2011

On March 22, 2011, the Company completed 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 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 with an effective date of no later than December 31, 2011. 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 for. 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 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, 2011. 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.

Private Placement – 2010

On December 2, 2010 the Company completed a non-brokered private placement (the "Offering") of 1,161,930 units (the "Flow-Through Units") of the Company at a price of $0.70 per Flow-Through Unit and 4,845,536 units (the "Units") of the Company at a price of $0.55 per Unit, for aggregate gross proceeds of $3,478,396. The net proceeds of the offering are to be used to continue exploring and developing the Company's Goliath Gold Project and for general corporate purposes.

Each Flow-Through Unit consists of one common share of the Company issued on a flow-through basis and one-half of one common share purchase warrant (a "Flow-Through Warrant"). Each whole Flow-Through Warrant entitles the holder to purchase one common share of the Company on a non-flow-through basis at an exercise price of $1.00 for a period of 18 months from the closing date of the Offering. In the event that the common shares of the Company trade at a price per common share of $1.50 or greater for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Flow-Through Warrants by giving notice to the holders and, in such case, the Flow-Through Warrants will expire on the 30th business day after the date on which such notice is given by the Company.

10. CAPITAL STOCK (Continued)

Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.70 per Warrant Share for a period of 18 months from the closing date of the Offering. In the event that the common shares of the Company trade at a price per common share of $1.25 or greater for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders and, in such case, the Warrants will expire on the 30th business day after the date on which such notice is given by the Company.

A fair value of $610,843 was allocated to the warrants under the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 105.17%; a risk free interest rate of 1.68% and an expected life of 9 months. The Company paid finder's fees of $33,330 and issued 140,100 common shares at a market price of $0.55 per share to certain parties with respect to services provided to the Company in connection with the Offering.

Shares Issued with Respect to Property Allocations

Under the terms of the agreement to acquire the Thunder Lake Property, the Company is required to issue common shares of the Company to Corona and Teck to ensure that they maintain their ownership interests in the Company at 10% and 2.27% respectively, until such time that the Company has received $7.5 million in private placement financings. At March 31, 2012 the Company is obliged to issue 250,746 shares under this agreement, to fulfill its obligation on the December 2010 private placements. On the other hand, under the terms of the agreements to acquire the Brisson and Goldcliff properties (Note 8), in 2011 the Company has issued 25,000 and 20,000 common shares, respectively.

(EXPRESSED IN CANADIAN DOLLARS)

11. WARRANTS

The following table reflects the continuity of warrants:

	Number of Warrants - 2012	Number of Warrants - 2011	**Weighted Average Exercise Price-2012**	Weighted Average Exercise Price-2011
Balance, at beginning of year	**2,646,483**	3,003,733	**$ 0.75**	$ 0.76
Exercised	**(1,250)**	(137,500)	**$ 1.00**	$ 1.00
Exercised	**(43,500)**	(219,750)	**$ 0.70**	$ 0.70
Balance, at March 31, 2012 and December 31, 2011	**2,601,733**	2,646,483	**$ 0.75**	$ 0.75

The outstanding issued warrants at March 31, 2012 and December 31, 2011, is comprised as follows:

Expiry Date	**Type**	**Warrants at March 31, 2012**	Warrants at December 31, 2011	Exercise Price
June 2, 2012	Warrants	**442,215**	443,465	$ 1.00
June 2, 2012	Warrants	**2,159,518**	2,203,018	$ 0.70
		2,601,733	2,646,483	

12. STOCK-BASED COMPENSATION

On March 22, 2011, the Company granted to Cormark Securities Inc. ("Cormark") 187,500 compensation options (Note 10). The fair value of the service provided by Cormark is not reliably estimable as these services are traditionally transacted in part in options, making measurement of that service impractical. Each Compensation Option entitles Cormark to purchase 1 common share of the Company at a price of $1.60 until March 22, 2013. The fair value assigned of $183,481 was estimated using the Black-Scholes option pricing model with the following assumptions: share price $1.44, dividend yield 0%, expected volatility 134.52% based on historical trends, a risk free interest rate of 2.60%, and an expected life of 2 years.

On December 6, 2011, the Company granted to the Agents of a brokered private placement 105,632 compensation options (Note 10). The fair value of the service provided by the Agents is not reliably estimable as these services are traditionally transacted in part in options, making measurement of that service impractical. Each Compensation Option entitles the Agents to purchase 1 common share of the Company at a price of $1.15 until December 6, 2013. The fair value assigned of $27,228 was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.99, dividend yield 0%, expected volatility 78.68% based on historical trends, a risk free interest rate of 1.68%, and an expected life of 1 year.

(EXPRESSED IN CANADIAN DOLLARS)

12. STOCK-BASED COMPENSATION (Continued)

On August 12, 2010 the Company granted a total of 210,000 options to an officer and a consultant. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility 196.30%, a risk free interest rate of 2.60%, and an expected life of 2 years.These options vest at a rate of 50% every six months after the date of grant. As a result, the fair value of the options was estimated at $58,228 and will be recorded in the statement of operations over the periods the underlying options vest.

On December 13, 2010 the Company granted a total of 1,180,000 options to officers, directors and consultants. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility 191%, a risk free interest rate of 2.60%, and an expected life of 2.25 years.These options vest immediately at the date of issue. As a result, the fair value of the options was estimated at $744,727 and was recorded in the statement of operations for the year ended December 31, 2010.

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at March 31, 2012, the Company has 2,920,195 (December 31, 2011 – 2,480,720) options available for issuance under the plan.

The Company estimates expected life of options and expected volatility based on historical data, which may differs from actual outcomes.

Continuity of the unexercised options to purchase common shares at March 31, 2012 is as follows:

	Number of Stock Options 2012	Number of Stock Options 2011	**Weighted Average Exercise Price 2012**	Weighted Average Exercise Price 2011
Balance, at beginning of year	**3,082,132**	3,629,500	**$ 0.43**	$ 0.43
Compensation options (Note 10)	**-**	187,500	**$ -**	$ 1.60
Compensation options (Note 10)	**-**	105,632	**$ -**	$ 1.15
Exercised	**(435,000)**	(663,000)	**$ 0.30**	$ 0.30
Exercised	**-**	(125,000)	**$ -**	$ 0.70
Expired	**-**	(52,500)	**$ -**	$ 0.30
Balance, at March 31, 2012 and December 31, 2011	**2,647,132**	3,082,132	**$ 0.59**	$ 0.55

(EXPRESSED IN CANADIAN DOLLARS)

12. STOCK-BASED COMPENSATION (Continued)

For Stock options exercised during the period, the weighted average share price at the exercise date was $1.06 (year 2011 - $1.36).

The outstanding options at March 31, 2012, is comprised as follows:

Grant Date	Expiry Date	Number of Stock Options 2012	Number of Stock Options 2011	Exercise Price
June 23, 2009	June 23, 2014	**999,000**	1,374,000	$0.30
August 10, 2009	August 10, 2014	**150,000**	150,000	$0.30
August 12, 2010	August 12, 2015	**150,000**	210,000	$0.30
December 13, 2010	December 13, 2013	**1,055,000**	1,055,000	$0.70
March 22, 2011	March 22, 2013	**187,500**	187,500	$1.60
December 6, 2011	December 6, 2013	**105,632**	105,632	$1.15
		2,647,132	3,082,132	

The total of 2,647,132 options is fully vested and exercisable at March 31, 2012.

13. 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 $532 during the period ended March 31, 2012 (2011 - $25,583) by a company in which a former officer and director 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 March 31, 2012 is an amount of $532 (December 31, 2011 - $nil) with respect to these services.

ii) At March 31, 2012, there is a $84,959 net account payable to Laramide Resources Ltd., a company having a director and an officer in common with Treasury Metals, (December 31, 2011 – receivable of $27,660). During the period ended March 31, 2012 Laramide charged $123,422 (2011 - $84,411) for office space rent, administrative, financial, investor relations services and other expenditures paid by Laramide on behalf of the Company.

iii) During the period ended March 31, 2012, $nil (2011 - $26,779) was charged by a law firm where a former officer of Treasury Metals is an employee.

Transactions with related parties were conducted in the normal course of operations and are measured at the exchange amounts.

(EXPRESSED IN CANADIAN DOLLARS)

14. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer and directors of the Company.

The compensation payable to key management is shown below:

Three months ended March 31,		**2012**		2011
Salaries	**$**	**50,000**	$	118,750
Director fees		**29,250**		25,500
	$	**79,250**	$	144,250

Salaries of 2011 include the President and CEO and the former President and CEO during the transitional period.

15. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

At March 31, 2012 the Company has the following obligations:

- The Company is committed to spend approximately $4 million on Canadian exploration costs as part of its flow-through funding agreement dated on December 6, 2011 of which it has spent approximately $1.2 million at March 31, 2012.
- By a contract for drilling services, the Company has guaranteed the drilling contractor a minimum number of metres drilling at an overall cost of approximately $2 million of which $0.5 million has been spent at March 31, 2012. The services are provided in the Goliath Gold Project; East Thunder Lake - Dryden, Ontario.

16. SUBSEQUENT EVENTS

Granting of stock options

On April 12, 2012, the Company granted to officers, directors and consultants 2,040,000 options to purchase common shares of the Company at an exercise price of $1.30 per share. The options vest at a rate of 50% every six months, after the date of grant, and expire on October 12, 2014

Purchase agreement

On May 4, 2012, the company agreed to purchase the land and all surface, mining, timber, sand and gravel rights of a property contiguous to the Goliath Gold Project for a total price of $1.5 million. In connection with the agreement, the Company has paid $50,000 at the signing date and agreed to pay the balance on July 31, 2012, the closing date, as follows:

- $950,000 cash.
- A vendor take back mortgage for $500,000 bearing interest at an annual rate of 4%, repayable interest only quarterly and maturing on July 31, 2014.

17. FINANCIAL RISK FACTORS

Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and the capital stock, warrant, and option components of its shareholders equity.

At March 31, 2012, the Company has a working capital of $1,730,183 excluding the non-cash unrenounced flow-through share premium liability (December 31, 2011 - $3,193,097). Capital stock and contributed surplus total $57,691,798 (December 31, 2011 - $57,529,598). There are 2,647,132 options outstanding as at March 31, 2012 (December 31, 2011 - 3,082,132) with an average exercise price of $0.59 (December 31, 2011 - $0.55).

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended March 31, 2012. The Company is not subject to any externally imposed capital requirements.

Risk disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

Interest rate risk

The Company has no significant exposure to interest rate risk as the Company has fixed interest rate long-term debt.

Foreign currency risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary assets in such currency as of March 31, 2012 is US$182,096 (December 31, 2011 - $159,674) .

Credit risk

The Company has cash and cash equivalents balance of $2,373,677 (December 31, 2011 - $3,593,484). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

17. FINANCIAL RISK FACTORS (Continued)

Accounts receivable of $308,719 (December 31, 2011 - $351,685) are in good standing as of March 31, 2012. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is minimal.

Liquidity risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2012, the Company had a cash and cash equivalents balance of $2,373,677 (December 31, 2011 - $3,593,484) to settle current liabilities of $952,213, excluding the non-cash unrenounced flow-through share premium liability (December 31, 2011 - $752,072). All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

Sensitivity analysis

In managing currency risks the Company aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in foreign exchange would have an impact on earnings.

As at March 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period.

i) The Company is exposed to foreign currency risk on fluctuations of financial instruments that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net loss by $18,200.

ii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their March 31, 2012 fair market value positions, the net loss and/or comprehensive income would have varied by $159,013.

Fair value hierarchy

The Company has designated its cash and cash equivalents as FVTPL financial assets and investments as available for sale, which are measured at fair value. Fair value of investments are determined based on transaction value and are categorized as Level 1 measurement. Accounts receivable are measured at amortized cost which equals fair value.

Accounts payable and accrued liabilities, amounts due to Laramide Resources Ltd., and the long-term debt are considered as other financial liabilities, which are measured at amortized cost which also equals fair value.

As at March 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.