TREASURY METALS

INCORPORATED

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTHS ENDED
DECEMBER 31, 2011

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, 2011, 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 22, 2012. 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 2 km from the TransCanada highway and 20 km east of the city of Dryden, within the Eagle-Wabigoon-Manitou greenstone belt. The district is also home to a number of other major gold deposits.

Prior to the consolidation of the project and acquisition by Treasury Metals the previous owners and operators included Teck Resources Limited ("Teck"), Corona Gold Corporation ("Corona") and Laramide Resources Ltd. Treasury Metals is the new gold vehicle managed by the former Aquiline Resources 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).

In 2010, a positive National Instrument 43-101 Preliminary Economic Study ("PEA") was completed on the Goliath Gold Project and an updated resource consisted of 270,000 indicated and 930,000 inferred ounce resource based on the historical Teck and Treasury Metals drilling until the end of 2009. In 2011, the Company completed 50,000 metres of in-fill and expansion drilling within the resource area and moved ahead a number of important pre-development stage programs. On November 9, 2011, the Company completed and announced the results of an updated National Instrument 43-101 Resource Estimate which reports an indicated mineral resource of 810,000 ounces of gold and gold equivalent ounces of silver and an inferred mineral resource of 900,000 ounces of gold and gold equivalent ounces of silver (the "2011 Resource Estimate"). The NI 43-101 technical report for the 2011 Resource Estimate is available on Sedar and the Company's website.

Treasury Metals has a satellite Ontario gold project, the Goldcliff Project, which is located south of Dryden along the highly prospective Manitou Straits Fault and in the vicinity of the historic Goldrock mining camp. In British Columbia, located in the southern region of Vancouver Island about 73 km north of Victoria, the Company also owns the Lara Polymetallic Project consisting of approximately 66 km^2. In addition, the Company owns a 3.0% Net Smelter Royalty 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 royalty funds a portion of corporate overhead costs (see section "Mineral Exploration Properties" for further details).

The Company's board of directors and management team include seasoned mining industry executives, with proven track records in finding and developing high-quality assets and building shareholder value.

CORPORATE DEVELOPMENTS

A period of technical progress at the Company's Goliath Gold Project, as well as recognition of Treasury Metals as an emerging gold producer, occurred in 2011. The Company took significant steps to advance its business and implemented a solid base for continued growth.

Recent developments include:

Management and Board of Directors

- The appointment of Mr. Martin Walter as the Chief Executive Officer ("CEO") of the Company in December 2010. He is the former Executive Vice President of Aquiline Resources Inc. ("Aquiline") and co-founder and Director of Crown Point Ventures Ltd. On May 11, 2011, Mr. Walter assumed the expanded role of President and CEO of Treasury Metals following the resignation by Dr. Scott Jobin-Bevans as President and as a Director of the Board. Mr. Walter was also elected to the Board of Directors of the Company.

- The appointment of Mr. Norman Bush as Vice President - Goliath Gold Project. Mr. Bush will oversee the project development team with short-term priorities focused on permitting, engineering activities, safety and environmental management systems with the goal of moving the project through the feasibility stage. Mr. Bush is a former Vice President at Domtar LLC and Weyerhaeuser, and General Manager at MacMillan Bloedel Ltd. An engineer with more than 25 years in executive positions across North America, he has extensive government and public affairs experience. He has led teams that completed major capital projects including extensive upgrades and additions to Domtar's world-class pulp mill located in Dryden. Mr. Bush will be based out of the exploration office in Dryden and joins an expanding team of engineers and environmental staff.

- Mr. John Chulick, the former Vice President of Exploration at Aquiline, was appointed to oversee the exploration team. Mr. Chulick is an experienced mining exploration geologist with more than 25 years of experience, primarily with precious metal companies including senior level roles with Aquiline and Meridian Gold Inc. ("Meridian"). His previous management experience includes directing surface and underground exploration at Meridian's EI Penon mine in northern Chile and he was directly responsible for building Aquiline's Navidad project into one of the world largest silver deposits. Mr. Chulick is a registered geologist in the State of California, U.S. Mr. Chulick took on a number of the responsibilities previously performed by Andrew Cheatle, the former Vice President of Exploration, who resigned in November 2011 to assume a President and CEO position within a junior mining company.

- Mr. Greg Ferron, as Vice President of Corporate Development, joined from the Toronto Stock Exchange where he was the Head of Global Mining, Business Development and a Senior Listings Manager of the TSX.

- Mr. Dennis Gibson, B.Comm, CGA, as Chief Financial Officer of the Company since July 1, 2010. He has also been the Chief Financial Officer of Laramide Resources Ltd. since 2006. Mr. Gibson is the former Chief Financial Officer of Aquiline Resources Inc. (2006-2009), and previously was the Vice-President, Chief Financial Officer and Corporate Secretary of Vector Intermediaries Inc., a TSX-V company.

- The election of Mr. Harry Burgess to the Board of Directors of the Company in June 2011. Mr. Burgess is founder and former Vice-President of Micon International Limited, a mining consulting practice. Mr. Burgess is an experienced engineer and brings international mine building experience to Treasury Metals. In addition, he sits on the board of several TSX and TSX Venture listed companies.

Financings

During the year, the Company completed two private placement financings to provide the necessary capital needed to carry out exploration and development programs at the Goliath Gold Project:

- On March 22, 2011, the Company raised $5,000,000 at $1.60 per common share.

- On December 6, 2011, the Company raised a further $4,049,234 at $1.15 per common share.

- On August 5, 2011, the Company announced that it had filed a preliminary short form prospectus with the securities regulatory authorities in the Provinces of Ontario, British Columbia, Alberta, Manitoba, and Saskatchewan, in connection with a best efforts offering of common shares of the Company (the “Offering”) designed to raise gross proceeds of $16 million. The net proceeds from the Offering would be used to fund the acquisition of the Pico Machay Project from Pan American Silver Corp., for exploration and development activities at the Pico Machay Gold Project in Peru and for general corporate purposes. On November 7, 2011 the Company announced it would not be completing the previously announced acquisition of the Pico Machay Gold Project in Peru from Pan American Silver on the terms previously negotiated. As a result, the Company did not proceed with the public offering of common shares announced on August 5, 2011.

Operations

- In December 2010, the Company commenced a diamond drilling program of 20,000 metres at the Goliath Gold Project aimed at upgrading a significant portion of the current resource and extending the resource. The diamond drilling program was expanded to 30,000 metres on April 27, 2011 and subsequently increased to 50,000 metres in July 2011. This program was primarily focused on in-fill and expansion drilling within the resource area. The Company reported a number of high-grade intersections throughout the period (see press releases and Company’s website for further details).

- The Company completed initial metallurgical test-work at the Goliath Gold Project. The test-work program was conducted at G&T Metallurgical Services Ltd. The metallurgical test results have demonstrated exceptional gold recoveries from the Goliath Gold Project. The tested sample is categorized as being non-refractory and free milling, yielding a gold recovery of 96 to 97%. A simple gravity recovery circuit plus cyanide leach of the gravity tailings was identified as the best metallurgical flow-sheet for the Goliath Gold Project.

- The Company commenced and completed 1,236 kilometres of magnetic and heliborne electromagnetic surveys over its Goliath and Goldcliff Gold Projects in northwestern Ontario. The surveys will provide Treasury Metals with additional geological information which, when interpreted, will be used to generate future exploration targets on both properties.

- A PEA was completed in July 2010 by independent consultant A.C.A. Howe International Limited, validating the economic potential of the project. The PEA included a new Mineral Resource Estimate ("Resource Estimate") and a summary is provided in the MD&A of the Company for the year ended December 31, 2010.

- The Company initiated the Environmental Baseline Study (EBS) on the Goliath Gold Project, a necessary step on the critical path toward production and obtaining an Advanced Exploration Permit to reopen the existing portal and decline mined by Teck in 1998-99. Progress on the EBS is on track and to date no major issues have arisen from monthly water sampling, or from terrestrial, fauna, floral and soil studies.

- On November 9, 2011, the Company announced the results of the 2011 Resource Estimate, which reports an indicated mineral resource of 810,000 ounces of gold and gold equivalent ounces of silver and an inferred mineral resource of 900,000 ounces of gold and gold equivalent ounces of silver. This new 2011 Resource Estimate represents an increase in indicated resources of more than 200%.

- On January 25, 2012, the Company commenced a 20,000 metre core drilling program at the Goliath Gold Project. The new exploration program has been designed to test a number of high-priority targets identified on the greater than 49 km^2 project outside of the current mineral resource area. Initially, the program will focus 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 will also drill along strike of the current resource area, to the northeast, where historical drilling by Teck indicates prospective high-grade gold mineralization. The northeast strike extension of the current 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.

Acquisitions

- Continued to consolidate its land position at the Goliath Gold Project with the acquisition of additional surface rights to 40 acres of land that cover a portion of the eastern extension of the deposit.

- The Company announced on May 18, 2011 that it had agreed to purchase 100% of the Pico Machay Gold Project from Pan American Silver Corp. ("PAA") and on November 7, 2011 announced that it will not be completing the previously announced acquisition from PAA on the terms previously negotiated.

Additional information on the Company is available on Sedar at www.sedar.com or the Company's website at http://www.treasurymetals.com.

2011 OPERATING ACTIVITIES

The Goliath Gold Project

In January, 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, which is 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 at the Goliath Gold Project 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 1 km 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 has 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 this year with G&T, which followed up on the historical work performed by Teck Exploration Ltd. in 1998. The 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 will provide Treasury Metals with additional geological information which, when interpreted, will be used to generate future exploration targets on both properties.

Significant drill results announced in the period are:

Drill Hole	From(m)	To(m)	*Interval(m)	Au(g/t)	Comments
TL11-120	224.00	230.00	6.00	11.43	Main Zone
TL11-121	265.00	270.00	5.00	9.85	Main Zone
and	282.00	286.00	4.00	2.83	Main Zone
and	352.00	352.00	1.00	10.31	Footwall C- Zone
TL11-126	373.00	382.40	9.40	7.00	Main Zone
including	374.58	379.58	5.00	11.84	Main Zone
TL11-128	373.50	376.50	3.00	2.16	Main Zone
TL11-130	335.00	342.00	7.00	14.87	Main Zone
TL11-132	198.00	203.11	5.11	23.22	Main Zone
TL11-135	314.90	331.50	16.60	32.73	Main Zone
including	323.25	328.50	5.25	78.86	Main Zone
TL11-140	296.00	298.00	2.00	4.82	Main Zone
and	307.50	320.85	13.35	4.24	Main Zone
including	307.50	316.50	9.00	5.88	Main Zone
TL11-141	359.36	368.00	8.64	6.43	Main Zone
TL11-142	246.00	251.20	5.20	4.67	Main Zone
TL11-161	369.21	386.93	17.72	3.49	Main Zone
including	371.90	373.90	2.00	6.29	Main Zone
including	380.90	385.93	5.03	7.58	Main Zone
TL11-164	405.0	409.0	4.0	18.9	Main Zone
TL11-169	407.7	410.1	2.4	13.2	Main Zone
TL11-173	280.3	283.7	3.4	16.0	Main Zone-West
TL11-180	588.9	593.0	4.1	8.7	Main Zone
TL11-182	261.8	264.8	3.0	1.6	Main Zone-West
TL11-199	528.0	534.4	6.4	12.3	Main Zone
TL11-200	279.7	293.1	13.4	3.1	West Zone
including	279.7	284.4	3.7	6.2	West Zone
TL11-204A	223.5	229.5	6.0	22.3	Western Zone

Drill Hole	From(m)	To(m)	*Interval(m)	Au(g/t)	Comments
TL11-207	519.3	525.0	5.7	6.2	Main Zone - Central
TL11-220	345.6	349.6	4.0	8.8	Main Zone - Central
and	388.0	393.8	5.8	5.1	C-Zone
and	413.5	417.0	3.5	14.9	C-Zone
TL11-223	426.8	431.0	4.2	13.1	Main Zone - Central

*Intervals do not necessarily indicate true widths. All depths and assays rounded to one decimal place.

A complete schedule of all drilling results can be seen on the Company's website at www.treasurymetals.com.

2011 Resource Estimate

In November 2011, the Company provided an updated National Instrument 43-101 Resource Estimate on its 100% owned Goliath Gold Project located 20 kilometres east of Dryden, Ontario. The 2011 Resource Estimate was completed by independent consultant A.C.A. Howe International Limited ("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)	Containe d 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.

MINERAL EXPLORATION PROPERTIES

GOLIATH GOLD PROJECT

Location and Ownership

The Goliath Gold Project ("Goliath") 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. The Goliath Gold Project consists of 137 contiguous unpatented mining claims (254 units; 4,064 ha) and 19

patented land parcels (817 ha.), totalling approximately 4,881 hectares (approximately 49 km^2 total) and covering portions of Hartman and Zealand townships. The Goliath Gold Project comprises 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 14 of the 19 patented land parcels, currently totalling about $103,500 per year, and an option on one patented land parcel to earn in 100% as described for the Brisson Mineral Property under Contingencies and Commitments of this MD&A.

2011 Exploration Program

In September 2011, the Company completed a 50,000 metre drilling within the current resource, which was aimed at upgrading a portion of the gold ounces from the Inferred category to the Indicated categories. In November 2011, the Company announced an updated Resource Estimate that has been detailed above in the section titled "2011 Resource Estimate".

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.

GOLDCLIFF PROJECT

In June 2010, the Company acquired the right to earn a 100% interest in certain unpatented mining claims in the District of Kenora (Sherridon-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 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 to the 4 mining claims acquired through the property option agreement, the Company acquired through staking, 100% ownership in 37 unpatented mining claims that are contiguous with the 4 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.

Location and Ownership

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. The Goldcliff Project 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.

In May 2010, the Company completed due diligence sampling on Goldcliff. Six locations were visited from which a total of 13 grab samples were collected. Visible gold was found at one location, hosted by gossanous mafic volcanic rocks with ~2% pyrite and minor quartz veining. Other areas were underlain by felsic volcanic rocks with carbonate flooding and 2-3% sulphides; grab samples returned anomalous gold. Of note were several areas of stripping and blasting that contain sheared gossanous mafic volcanic rock with several percent sulphides and brecciated mafic volcanic rocks containing a prominent shear zone and several percent sulphides. Assay results from the 13 grab samples range from 11 ppb to 106,426 ppb Au with 5 of the 13 samples containing anomalous (>100 ppb Au) concentrations of gold. The sample with visible gold assayed 106.4 g/t Au.

Treasury Metals plans to advance the Goldcliff Gold Project in 2012, through a program of airborne geophysical surveys, trenching, additional field exploration mapping and diamond drilling of identified targets.

LARA POLYMETALLIC PROJECT

Location and Ownership

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).

The Company inherited the Lara Project in early 2008, as part of the spin-out from Laramide Resources Ltd. and since then had been seeking a purchaser or joint venture partner for this non-core project.

On February 22nd, 2011 through an administration oversight, mineral claim due dates were overlooked and some claims expired. The Company took immediate action to remedy the oversight and has regained a large portion (approx. 95%) of the original mineral claims. 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 but does plan to perform some geological fieldwork on the property in the first half of 2012.

NET SMELTER ROYALTY, CERRO COLORADO GOLD MINE

The Company owns a 3.0% Net Smelter Royalty 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 20,187 ounces during 2010 and Goldgroup's recent disclosures indicate that the mine produced 15,988 ounces in the first nine months of 2011 and projected that it will produce 20,000 ounces in both 2011 and in 2012. The agreement contemplates that Treasury Metals would receive a 2.0% sliding production royalty if gold prices are below US$350 per ounce and a 2.5% sliding production royalty if prices are above US$350 per ounce. Once cumulative production exceeds 100,000 ounces gold, the royalty rate is 2.5% and escalates to 3.0% if the gold price is above US$350 per ounce. During the year 2010 the NSR increased from 2.5% to 3.0% based on the achievement of the first 100,000 ounces produced. The Company's NSR revenue in the year 2011 was $850,955 as compared with $647,232 in 2010 and $197,170 for the fourth quarter of 2011 compared to $178,745 in the fourth quarter of 2010. The royalty funds a portion of corporate overhead costs.

PLANS FOR 2012

The Company's short-term plans for 2012 will be focused on the following:

- 2012 exploration activities outside the existing resource area were commenced in January and were summarized in a press release dated January 25, 2012.
- Additional exploration activities within the resource area such as infill and expansion drilling will be commenced in the first quarter.
- A number of important pre-development activities will be implemented in 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.

SELECTED QUARTERLY 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, 2011, audited 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.

	I F R S							
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10
	$	$	$	$	$	$	$	$
Royalty Revenue	197,170	253,912	230,573	169,300	178,745	109,052	197,299	162,136
Gain (loss) on sale of investments	10,100	37,303	0	87,673	(266,914)	(42,252)	0	0
Expenses	1,970,156	361,071	411,347	420,471	980,288	249,757	245,349	171,071
Write-down of Mineral Properties	0	0	0	0	4,001,141	0	0	0
Write-down of Investments	0	0	0	0	528,934	0	0	0
Net income (loss)	(1,445,548)	(69,856)	(180,774)	(192,546)	(4,512,532)	(182,957)	(48,050)	(203,379)
Net (loss) per share (basic and diluted)$	(0.04)	0.00	0.00	0.00	(0.12)	(0.01)	0.00	(0.01)
Other comprehensive income (loss)	(421,663)	353,499	(388,854)	35,153	1,975,259	239,566	(428,177)	226,867
Total comprehensive income (loss)	(1,867,211)	283,643	(569,628)	(157,393)	(2,537,273)	56,609	(476,227)	23,488
Mineral properties and deferred costs	42,326,840	41,806,784	39,667,890	36,479,080	34,770,050	38,460,353	38,259,248	36,997,796
Total current liabilities	1,815,444	1,361,268	2,226,607	735,856	580,013	662,112	532,414	334,950
Total assets	48,951,583	48,051,044	48,535,458	45,868,012	40,992,012	40,357,114	40,062,538	39,752,222

Royalty Revenue variances are due to fluctuations in the Cerro Colorado gold revenue NSR due to changes in production and gold prices. In July 2010 the NSR was increased from 2.5% up to 3% as the production threshold of 100,000 ounces was reached.

Gain (loss) 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. Q4 2010 included an impairment loss of $4,001,141 regarding the Lara Mineral Property.

Write-down of investments in Q4 2010 relates to the permanent impairment in the value of the investment in Vaaldiam Resources Inc.

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, 2011

The net loss for the three-month period ended December 31, 2011 was $1,445,548 (2010 - $4,597,038). The lower loss is explained as follows:

- Royalty income of $197,170 in the three-month period ended December 31, 2011 was $18,425 higher than the income of the same period of 2010 mainly due to the increase in the price of gold.
- In 2011 there was a gain of $10,100 from the sale of Goldgroup shares versus a loss of $266,914 in the same period of 2010, on the sale of shares of Vaaldiam Mining Inc.
- In Q4 2010 an impairment loss of $4,001,141 was recorded in respect of the Lara Polymetallic Project and $528,934 was recorded in respect to the Vaaldiam investments. No impairment was required to be recorded in 2011.
- In Q4 2010 there was $766,623 of stock option compensation expense; there was no such expense in the same period of the year 2011.

The improvement in financial results was partially offset by the following items:

- Administrative, office and shareholders services expenses of $249,929 in Q4 2011 (2010-$140,053) were higher mainly due to $34,417 of increased filing and listing expenses related to prospectus and private placements; $8,500 for a Capital Tax accrual in 2011 versus none in 2010; $10,071 of training expenses of two employees in a geology software in 2011 with none in 2010, and $10,450 higher sponsorship costs mainly to PDAC and local sporting activities around Dryden, all of which were partially offset by $25,186 of lower marketing expenses.
- There was $768,662 of lower deferred income tax recovery in the Q4 of the year 2011, in comparison with the same period of 2010.
- In Q4 2011, $1,664,006 was charged to expenses related to the terminated acquisition of Pico Machay, of which $1,330,000 was paid with shares issued by the Company.
- Amortization charges in Q4 2011 were $18,037 compared to $1,683 in the same period of 2010, due to the higher balance of property and equipment during the year 2011.

Twelve Months ended December 31, 2011

The net loss for the twelve-month period ended December 31, 2011 was $1,888,724 (2010 - $4,946,918). The major variances are summarized as follows:

- Royalty revenue increased by $203,723 mainly due to higher production and prices of gold in 2011
- $135,076 of gain in 2011 versus a loss of $309,166 in 2010, on sale of investments mainly due to the $282,000 loss on sale of Vaaldiam shares in 2010
- $775,613 lower stock-based compensation in 2011.

The improvement in financial results was partially offset by the following items:

- Administrative, office and shareholders services expenses of $908,019 in 2011 (2010-$582,270) were higher mainly due to a $83,171 reversal in 2010 of an over-accrual of part XII income tax expense; $35,869 of Capital Tax paid and accrued in 2011 and none recorded in 2010; $59,677 of higher Investor Relations expenses; $68,555 of additional listing and filing fees in 2011 regarding the private placements in the year and prospectus presentation in the third quarter of 2011, $32,609 of higher employee expenses mainly regarding to training and accommodation during visits to corporate offices, and $15,422 of higher interest expenses related to the mortgage on a Dryden field office property and the leasing of vehicles which were acquired at the end of the year 2010.

- Salary and benefits of $314,018 in 2011 (2010 - $37,410) were higher due to the implementation of an expanded corporate management team.
- In Q4 2011, $1,664,006 was charged to expenses related to the acquisition of Pico Machay, of which $1,330,000 was paid with shares issued by the Company.
- There was $603,266 of lower deferred income tax recovery in the year 2011, in comparison with 2010.

FINANCING

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.

2010

The Company raised $3,406,051 through the issuance of 1,161,930 flow-through shares and 4,845,536 common shares through completion of a private placement and raised $837,975 through the issuance of 2,696,583 common shares during the year ended December 31, 2010 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, 2011, the Company had a working capital position of $3,193,097 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, 2011 of $1,911,084 as compared to $2,667,218 at December 31, 2010. The market value of these investments on March 19, 2012 is $1,913,772.

The 2011 drilling program has resulted in the accounts receivables on the balance sheet at December 31, 2011 to be significantly increased over December 31, 2010 primarily due to some advances to contractors and harmonized sales tax paid on drilling invoices; similarly, accounts payables have increased due to the overall increase in spending. Accounts receivables have also increased because of an increase in royalty receivables because of the increase in royalties, and because of a non recurring receivable from Laramide Resources for expenditures paid on Laramide's behalf by the Company.

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 $750,000 to $900,000 in revenue during fiscal 2012. 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, 2011. 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 USD$38 million plus closing costs to be settled by paying USD$21 million, of which up to USD$10.5 million could be through the issuance of a promissory note due December 31, 2011, and by issuing 11.5 common shares to the vendor, Pan American Silver. On November 7, 2011, the Company announced that it will not be completing the acquisition of Absolut and 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, 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.

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 ($240,614) 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, royalties receivable and prepaid insurance.

Investments during the year have positively affected the Company's results of operations since there has been a net gain on their sale in 2011. The Company sells its investments to access funds to settle its obligations as they arise.

DISCLOSURE OF OUTSTANDING SHARE DATA

SHARE CAPITAL

The following table sets forth information concerning the outstanding securities of the Company as at December 31, 2011:

Common Shares of no par value	Number
Shares	52,546,394
Warrants	2,646,483
Options	3,082,132

See Note 10 to the audited December 31, 2011 financial statements for more detailed disclosure of outstanding share data.

OFF-BALANCE SHEET TRANSACTIONS

During the year ended December 31, 2011 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 Brisson mineral property agreement, the Company is required to pay $35,000 and $25,000 worth of common shares on or before December 11, 2012, to acquire a 100% interest in the property.
- Under the Sherridon-Barkauskas mineral property agreement, the Company is required to pay $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, 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 December 6, 2011, the Company is committed to spend approximately $4 million on Canadian exploration costs.

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 $61,742 for the period ended December 31, 2011 (2010 - $402,173) 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 the comparative year ended December 31, 2010, there is an amount of $3,725 with respect to these services.

ii) At December 31, 2011, there is a $27,660 net account receivable from Laramide Resources Ltd., a company having a director, Marc Henderson, and an officer Dennis Gibson, in common with Treasury Metals (December 31, 2010 – payable of $2,933). The receivable relates to expenditures paid by the Company on behalf of Laramide. During the year ended December 31, 2011, Laramide charged $271,106 (2010 - $85,815) for office space and financial, investor relations, and administrative services.

iii) During the year ended December 31, 2011, $64,559 (2010 - $68,586) was charged by a law firm where Chris Irwin, a former officer of Treasury Metals, is an employee. An officer, James Fairbairn, former CFO, charged $30,000 in professional fees in the comparative period of 2010. Of these amounts $39,403 is in accounts payable at December 31, 2010.

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 0.25%.

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 of March 31, 2011, 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.

IFRS IMPLEMENTATION

The Accounting Standards Board (AcSB) adopted IFRS as Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. As such, the Company is reporting its first annual financial statements in accordance with IFRS 1 First Time Adoption of International Financial Reporting Standards for the year ended December 31, 2011, with comparative figures for the year 2010. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010.

IFRS TRANSITION PLAN

Treasury Metals established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the critical transition components identified by Treasury Metals. All of these have been completed by the date of this report:

- Initial scoping and analysis of key areas for which accounting policies were impacted by the transition to IFRS.
- Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.
- Determination of changes to accounting policies and choices with respect to first-time adoption alternatives.
- Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.
- Design and implementation of new processes to maintain effective Disclosure Control & Procedures (DC&P) and internal control over financial reporting throughout the IFRS transition plan.
- Management and employee education and training.

IMPACT OF ADOPTING IFRS ON TREASURY METALS' BUSINESS

As part of its analysis of potential changes to significant accounting policies, Treasury Metals assessed what changes would be required to its accounting systems and business processes. Treasury Metals determined that the changes identified were minimal and the systems and processes can accommodate the necessary changes.

Treasury Metals has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

Treasury Metals' staff involved in the preparation of financial statements have been trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and Audit Committee were regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation of the key aspects of IFRS affecting Treasury Metals.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of Treasury Metals' opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

IMPACT OF ADOPTING IFRS ON TREASURY METALS' FINANCIAL STATEMENTS

The adoption of IFRS resulted in some changes to Treasury Metals' accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of Treasury Metals' evaluation of changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS required a change in accounting policies, but to highlight the areas Treasury Metals identified as having the most significant change.

1) Exploration and Evaluation Expenditures

IFRS currently allows an entity to elect to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

Treasury Metals retained its policy of deferring 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. Adoption of IFRS did not result in any significant change to the related line items within its financial statements.

2) Impairment of (Non-financial) Assets

IFRS, like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of deferred exploration and evaluation costs. The factors considered under IFRS are quite similar to Canadian GAAP, but there are some differences.

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Previous Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets were less than its carrying value.

Treasury Metals' accounting policies related to impairment of deferred exploration costs has been changed to reflect these differences, however Treasury determined this change does not have an immediate impact to the carrying value of its assets. Treasury has performed impairment assessments as at the Transition Date in accordance with IFRS.

3) *Share-based Payments*

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

Treasury has implemented the changes to its accounting policies relating to share-based payments and has determined that the changes did not result in a significant change to line items within its financial statements.

4) Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

Treasury Metals' accounting policies related to decommissioning liabilities have been changed to reflect these differences, and have determined that this change does not have an immediate impact to the carrying value of its assets.

5) Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP. Under IFRS, Treasury Metals has the option to value its property and equipment based on either a cost or a revaluation model. Treasury Metals will continue to value its Property and Equipment at cost.

6) Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of deferred income taxes based on a "probable" versus a "more likely than not" criteria.

Treasury Metals has determined that these requirements do not result in any significant changes to its accounting policies related to income taxes and does not result in a significant change to line items within its financial statements.

Note 2 and 18 of the financial statements for the year ending December 31, 2011 provide further details on our key Canadian GAAP to IFRS differences, our IFRS 1 First-Time Adoption of International Financial Reporting Standards optional exemption choices and our accounting policy decisions.

IFRS AND INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

We assessed the changes necessitated to maintain the integrity of internal control over financial reporting and disclosure controls and procedures. The extent of the impact on these controls was immaterial. We applied our existing control framework to the IFRS changeover process.

OTHER INFORMATION

This discussion and analyses of the financial position and results of operation as at December 31, 2011 should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011. 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.

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, 2011 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, 2011 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, 2011 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 22, 2012

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.