TREASURY METALS

INCORPORATED

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTHS ENDED
DECEMBER 31, 2010

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, 2010, including the related notes thereto. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). This MD&A is presented as of March 29, 2010. 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.

The Company is a Canadian-based mineral exploration and development company, with a growth-oriented strategy focused on expanding its gold resources, developing its Canadian mineral properties and potentially acquiring additional advanced gold projects.

The Company's flagship asset is the Goliath Gold Project, an advanced stage, high-grade gold deposit near Dryden, Ontario consisting of 270,000 indicated and 930,000 inferred ounces (NI-43-101 compliant). A positive 43-101 Preliminary Economic Study was completed on this project in the year and is detailed later in this report. In addition, Treasury Metals has a secondary project, the Goldcliff Project, that is located south of Dryden along the highly prospective Manitou Straits Fault and in the vicinity of the historic Goldrock mining camp (see section "Mineral Exploration Properties" for further details).

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

SIGNIFICANT DEVELOPMENTS OF 2010

2010 was a year of technical success at our Goliath Gold Project as well as recognition of Treasury Metals as an emerging gold producer. The Company took significant steps to advance its business and implemented a base for continued growth.

Significant Developments include:

- The appointment of Mr. Martin Walter as the Chief Executive Officer ("CEO") of the Company. A former Executive of Aquiline Resources Inc. ("Aquiline") and Director/Founder of Crown Point Ventures Ltd.

- Further strengthening the management team with the appointments of:
  - -Mr. Andrew Cheatle as Vice President of Exploration - joined from Goldcorp Inc.
  - -Mr. Greg Ferron as Vice President of Corporate Development – joined from TSX
  - -Mr. Dennis Gibson as Chief Financial Officer ("CFO"); formerly CFO of Aquiline

- Completed a series of private placement financings providing the necessary capital needed to carry out exploration and development programs at the Goliath Gold Project.

- Completion of a diamond drilling program at the Goliath Gold Project that reported multiple high-grade intersections.

- A Preliminary Economic Assessment ("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 an updated Mineral Resource Estimate ("Resource Estimate").

- Commenced an in-fill drilling program of 20,000 metres aimed at upgrading a significant portion of the current resource.

- Initiated the Environmental Baseline study on the Goliath Gold Project, a necessary step on the critical path toward production.

- Assembled the Goldcliff Project, a highly prospective property located about 40 kilometres south-southeast of Dryden, Ontario.

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

OPERATING ACTIVITIES

October 6, 2009, the Company initiated a diamond drilling program on the Goliath Gold Project. The program, planned for a minimum of 4,500 metres, was designed to concentrate on shallow targets in the western and northeastern extensions of the Goliath Gold Project.

December 15, 2009, the Company entered into an option agreement to acquire a 100% interest in the mining rights of certain patented lands located immediately west and contiguous to its 100% owned Goliath Gold Project. This added 800 metres of potential mineralization strike length to the western extension of the Project.

December 2009, the Company engaged A.C.A. Howe International Limited to complete a PEA to evaluate the economics of the deposit and consider various mining and processing scenarios to advance the Project toward feasibility.

December 22, 2009, the Company completed a non-brokered private placement of 2,222,222 common shares of the Company issued as "flow-through shares" at a price of $0.45 per common share for gross proceeds of $1,000,000.

Between the period of January 13 and February 20, 2010, the Company received further high-grade gold assay results from its 4,500 metre (31 drill holes) diamond drilling program that had commenced in 2009. The assay results confirmed gold mineralization along the extension of the Main Zone for over 650 metres west of the Project. Significant gold intersections from the 31 drill holes include:

- TL09-81: 19.34 g/t Au over 1.50 m (from 60.5 to 62.0 m)
- TL09-83: 5.86 g/t Au over 6.00 m (from 16.5 to 22.5 m)
- TL09-84: 17.80 g/t Au over 6.50 m (from 67.5 to 74.0 m)
- TL09-86: 9.29 g/t Au over 1.10 m (from 130.4 to 131.5 m)

February 16, 2010, the Company announced the start of a minimum 5,000 metre diamond drilling program on the Goliath Gold Project. This drill program was subsequently expanded to a 10,344 metre program.

Between the period of March 23 and June 23, 2010, the Company completed a 27 hole, 10,344 metre diamond drilling program, aimed at testing and delineating high-grade structures within the Main Zone of the current mineral resource; confirming geophysical targets being generated by surface and borehole induced-polarization surveys; in-fill drilling to begin upgrading resources; and, further testing of the Western Extension. Significant high-grade gold intersections included:

- TL10-87: 13.85 g/t Au over 1.00 m (from 508.0 to 509.0 m)
- TL10-88: 20.03 g/t Au over 1.00 m (from 477.0 to 478.0 m)
- TL10-90: 8.36 g/t Au over 1.00 m (from 501.5 to 502.5 m)
- TL10-92: 16.12 g/t Au over 0.50 m (from 733.05 to 733.55 m)
- TL10-98: 7.47 g/t Au over 10.5 m (from 274.5 to 285.0 m)
- TL10-100: 5.74 g/t Au over 15.00 m (from 300.00 to 315.00 m)
- TL10-102: 3.38 g/t Au over 6.00 m (from 352.50 to 358.50 m)
- TL10-108: 43.44 g/t Au over 1.00 m (from 185.00 to 185.00 m)

April 28, 2010, the Company received financing of $602,625 through the exercise of 2,008,750 warrants upon the exercise of outstanding warrants at a price of $0.30 per common share.

June 30, 2010, the Company appointed Mr. Dennis Gibson as Chief Financial Officer ("CFO"). Mr. Gibson holds a Bachelor of Commerce from Concordia University, is a Certified General Accountant and has held various senior financial positions for the past thirty years. Mr. Gibson served as CFO for Aquiline from April 2006 to December 2009 and also currently serves as CFO for Laramide from April 2006.

August 4, 2010, the Company's net smelter royalty in the Cerro Colorado Gold Mine increased to 3%, up from 2.5%, based on the achievement of cumulative production of 100,000 ounces gold at the mine.

July 13, 2010, the Company completed a National Instrument 43-101 compliant PEA by independent consultant A.C.A. Howe International Limited on the Goliath Gold Project which validates the project and the Company's exploration efforts to date. This initial analysis of the Project already indicates its economic potential and provides Treasury Metals with the parameters necessary to develop the Project and improve its economic profile.

The PEA included a Resource Estimate for the Project, based on diamond drilling completed as at December 2009. Surface resources were defined using a block cut-off grade of 0.5 g/t Au (resources <100 metres deep) and 2.0 g/t Au for underground resources (resources >100 metres deep). The Resource Estimate contains non-diluted underground Indicated Resources of 490,000 tonnes grading 5.7 g/t Au (90,000 ounces) and Inferred Resources of 5,200,000 tonnes grading 4.4 g/t Au (740,000 ounces) and surface Indicated Resources of 2,900,000 tonnes grading 1.9 g/t Au (180,000 ounces) and Inferred Resources of 5,400,000 tonnes grading 1.1 g/t Au (190,000 ounces).

In June 2010, the Company assembled the Goldcliff Project by acquiring, through a property option agreement, four unpatented mining claims (12 units) and through staking, 22 unpatented mining claims (248 units totalling 4,160 hectares). The Goldcliff Project, located about 40 kilometres south-southeast of Dryden, Ontario, represents a new discovery in the Kenora Gold District and contains several gold showings.

November 9, 2010, the Company retained Klohn Crippen Berger ("KCB") to produce comprehensive documentation of the existing environmental conditions at the Company's 100% owned Goliath Gold Project through an Environmental Baseline Study ("EBS"). Metallurgical test work was also commenced and samples have been collected and submitted for analysis at G&T Metallurgical Laboratories, BC, Canada.

December 2, 2010, the Company completed a non-brokered private placement of 1,161,930 flow-through units at a price of $0.70 per flow-through unit and 4,845,536 units of the Company at a price of $0.55 per unit. The aggregate net proceeds of $3,406,051 plus an additional $837,975 through the exercise of warrants and options are to be used to continue exploring and developing the Goliath Gold Project.

December 6, 2010, the Company appointed Mr. Martin Walter as Chief Executive Officer ("CEO"). Dr. Scott Jobin-Bevans, the former President and CEO, remained in the capacity of President and will continue to serve as a Director. Mr. Walter brings more than 15 years of operational and international mineral and mine development experience to the Company including at Aquiline, where he served as Executive Vice President and Director. Mr. Walter holds a degree in Geology from Ballarat University, Australia as well as an MBA from the University of Toronto.

December 8, 2010, the Company commenced a 20,000 metre diamond drilling program at the Goliath Gold Project. The bulk of the 20,000 metres will be aimed at upgrading a significant portion of the gold ounces within the current resource, from the Inferred category to the Indicated and Measured categories in order to begin a mine feasibility study on the project.

OUTLOOK/VISION

The Company's strategy is focused on expanding its gold resources, developing its Canadian mineral properties and potentially acquiring additional accretive advanced stage gold projects.

In 2010, the Company took significant steps to advance its business and implemented a base for further growth. This included the appointment of a new management team, the acquisition of additional properties in the Kenora Mining District and continued exploration success at the Goliath Gold Project. The Company believes that the Goliath Gold Project and Goldcliff Project each have excellent potential and will continue to focus on advancing these assets in 2011.

The objectives of the Company are to (i) increase and improve the confidence in the current mineral resources across the Goliath Gold Project and concurrently investigate the sensitivities to develop these resources towards a mine feasibility study; (ii) enhance its geological knowledge of the Goldcliff Project and develop targets on the property for future drilling programs; (iii) aggressively target, review and, if warranted, acquire and develop advanced gold assets in northwestern Ontario in order to augment and strengthen its current mineral property portfolio; and, (iv) target, review and, if desirable, acquire and develop advanced gold assets in other geopolitically stable regions of The Americas. Management remains optimistic about our ability to execute these objectives.

Subsequent to the year end, the Company closed a $5 million private placement on March 22, 2011 leaving the Company in a strong working capital position and with the ability to carry out exploration and development activities.

The Company continues to evaluate potential transactions with companies with accretive advanced gold projects located in the Americas. In addition, the Company will continue to evaluate its strategic options and may, if conditions are favorable, seek to raise additional funds through a private or public offering of securities or debt as required. See “Risk Factors”

MINERAL EXPLORATION PROPERTIES

The principal mineral assets of the Company as at the date of this MD&A consist of the Goliath Gold Project and the Goldcliff Project, all as further described below. The Company’s primary focus in the 12-month period ended December 31, 2010 is the exploration and development of the Goliath Gold Project.

Treasury Metals’ exploration programs and pertinent disclosure of a scientific nature in this MD&A were prepared and/or designed and carried out under the overall supervision of Scott Jobin-Bevans, Ph.D., P.Geo., Treasury Metals’ President, who served as the Qualified Person as defined by NI 43-101 until December 31st, 2010; Dr. Jobin-Bevans has reviewed and approved this MD&A.

GOLIATH GOLD PROJECT

<u>Location and Ownership</u>

The Goliath Gold Project is located in the Kenora Mining Division in northwestern Ontario, about 20 km east of the City of Dryden and 325 km northwest of the port city of Thunder Bay, Ontario, Canada. The Goliath consists of 137 contiguous unpatented mining claims (251 units; 4,016 ha) and 19 patented land parcels (881 ha), totalling approximately 4,897 hectares (~48 km^2 total) and covering portions of Hartman and Zealand townships. The Goliath comprises two historic properties, which are now consolidated under the common name Goliath Gold Project: the larger Thunder Lake Property, purchased from Teck Resources and Corona Gold Corp. and the Laramide Property, transferred to the Company from Laramide. The Goliath 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.

Exploration Activities 2010

The Goliath Gold Project (and its strike extensions to the west and northeast) were the focus of exploration activity through 2010. Highlights of the 2010 exploration program are as follows:

- Completed the first Preliminary Economic Assessment (Scoping Study) on the Thunder Lake gold deposit, which included an updated NI 43-101 compliant mineral resource estimate (see above).

- Completed a diamond drilling program totalling 12,152 metres in 33 holes, targeting deeper gold mineralization; confirmed vertical continuity of gold-bearing structures to +725 metres vertically.

- Completed borehole and surface induced-polarization geophysical surveys to characterize known mineralization within drill holes, test continuity between drill holes and to develop new targets from off-hole anomalies.

- Completed trenching activities on the Thunder Lake deposit exposing the Main Zone and through detailed structural mapping identified key controls on the gold mineralization. The Company's structural geologist believes that the best potential for highest gold concentrations is likely at or near the F1-F2 intersections and in areas where there is an increased density of F2 structures, resulting in the formation of high-grade shoots.

Drill results are available on the Company's website and press releases.

The Company's exploration activities and delivery of a positive Preliminary Economic Assessment by A.C.A. Howe identified targets for further exploration and upgrade of inferred mineral resources to indicated mineral resources, notably on the eastern extremities of the resource where a potential high grade shoot had been modeled. Consequently the Company's exploration activity in the fourth quarter of 2010 and into 2011 has been to upgrade and infill drill this target. Initial results have been encouraging and continue to demonstrate the existence of the high grade shoot, which remains open to the east and at depth.

To advance the project towards pre-feasibility status and potentially production the following key programs have been initiated:

Environmental Base Line Studies have been commissioned using the services of Klohn Crippen Berger ("KCB") from Fall 2010 to Fall 2011. These studies will examine the health of the ecosystem by studying ground and surface water quality, sediment quality, fisheries, terrestrial resources and soil quality. Completion of these studies and the development of the environmental baseline, along with ongoing community consultation and socio-economic studies, are key requirements for future government permitting of the Property leading to advanced exploration status with the Ontario Ministry of Northern Development and Mines.

Metallurgical test work has started and samples have been collected and submitted for analysis at G&T Metallurgical Laboratories, BC, Canada. The Company reasonably anticipates high gold recoveries (in excess of 90%), as was reported by Teck from their 2,375 tonne bulk sample taken in 1999.

2011 Exploration Program

The Company is currently completing a +20,000 metre drilling within the current Resource Estimate, aimed at upgrading a portion of the gold ounces from the Inferred category to the Indicated categories. To date, all the diamond drilling at the Goliath Project has been oriented to intersect the dominant F_1 structure at right angles, resulting in a bias against properly testing the F_2 structures. By re-orienting the drill, Treasury Metals believes there is excellent potential to improve the grade of the deposit and better understand the geometry of the high-grade structures. Once this phase of drilling is complete, the Company will be in a position to make a decision on moving towards feasibility and production.

The company plans to continue testing the high grade shoot(s) to depth and towards the east, over recently acquired property. In addition, the Company continues to develop a strong target pipeline through assessment of historical sampling, drilling, fieldwork and geological interpretation.

PRELIMINARY ECONOMIC ASSESSMENT, GOLIATH GOLD PROJECT

The Company announced the results of an NI 43-101 Preliminary Economic Assessment on its Goliath Gold Project. The PEA was completed by independent consultant A.C.A. Howe International Limited.

The PEA has validated the Project and the Company’s exploration efforts to date. This initial analysis of the gold deposit already indicates its economic potential and provides the Company with the parameters necessary to develop the Project and increase its economic profile.

Goliath Gold Project PEA Highlights

- A.C.A. Howe concludes that the Project has potential economic viability under base case assumptions.
- Surface and underground mining operations with stand-alone gravity/flotation milling complex.
- Initial scenario contemplates approximately 390,000 ounces Au recovered over 8½ years at a production rate of 1,500 tonnes per day; average annual recovery of 48,000 ounces Au.
- At US$850 per oz. (base case gold spot price): after-tax NPV@ 5% of $23 million and IRR of 15%.
- At US$1,200 per oz. (current gold spot price): after-tax NPV@ 5% of $91 million and IRR of 43%.

- Estimated initial capital expenditure of $38 million; Life of Mine capital expenditure of $59 million; and, payback period of 4 years at US$850 per ounce gold, or 2½ years at US$1,200 per ounce gold.

A.C.A. Howe concludes that Treasury Metals should continue to advance the Project towards a mine Pre-Feasibility, recommending:

- Infill drilling to upgrade Inferred Resources to Indicated Resources, aimed at increasing total gold ounces to be considered in future economic/production models.
- Collect material for further metallurgical test work to include gravity, flotation and cyanidation mineral processing, optimised to confirm recoveries used in the economic model.
- Collect geotechnical information to be used for surface and underground mine planning.
- Optimization of economic model by investigating purchase of a used mill instead of construction of new mill.
- Initiation of Environmental Baseline studies as soon as possible.

Based on the results of the PEA, the Company plans to further evaluate and develop the known gold resources on the Goliath Gold project. In addition to the recommendations outlined in the PEA, the Company will work to expand the surface and underground resources along strike to the west and northeast of the deposit where the Company has seen excellent historical high-grade intercepts. The Company will also continue to target the potential high-grade underground resources below 800 metres depth where recent drilling has shown excellent potential.

Economic Sensitivity

The base case considers the development of surface and underground mining operations on the Goliath Gold Project and a stand-alone gravity/flotation milling complex at the Goliath Gold Project. Howe concludes that under base case assumptions of 1,500 tonnes per day production and US$850 per ounce gold, and assuming 100% equity financing and an even exchange rate against the US Dollar, the Project has potential economic viability with an after-tax Internal Rate of Return (“IRR”) of 15%, a 5% discounted Net Present Value (“NPV”) of $23 million and an estimated payback period of four years.

The following table summarizes the results of the PEA, assuming a production rate of 1,500 tonnes per day:

Gold Price (US$/oz.)	NPV (0%)* (CDN$M)	NPV (5%) (CDN$M)	NPV (10%) (CDN$M)	IRR
$850	**$43**	**$23**	**$10**	**15%**
$1,000	$81	$52	$33	28%
$1,200	**$132**	**$91**	**$63**	**43%**
$1,400	$182	$129	$93	57%

* Equivalent to cumulative after-tax profit.

The PEA is an estimate of the economic viability of the Project and does not contemplate the full spectrum of engineering and regulatory factors, which would be required prior to making a production decision. All amounts are in Canadian dollars except the gold price, which is quoted in US dollars.

Mineral Resource Estimate – Updated (2010)

The PEA also includes an updated Mineral Resource Estimate ("Resource Estimate") for the Thunder Lake gold deposit, based on diamond drilling completed as at December 2009. This Resource Estimate does not take into account the results from the +10,000 metres completed in 2010 and does not incorporate potential metal credits from silver and by-product metals of lead, zinc and copper; these metals are also not included in the current PEA.

Resources were defined using a block cut-off grade of 0.5 g/t Au for surface resources (<100 metres deep) and 2.0 g/t Au for underground resources (>100 metres deep). Non-diluted surface plus underground Indicated Resources total 3.4 million tonnes with an average grade of 2.5 g/t Au, for 270,000 ounces. Non-diluted surface plus underground Inferred Resources total 10.6 million tonnes with an average grade of 2.7 g/t Au, for 930,000 ounces. The Main Zone contained the majority of resources from both categories and is the primary target for underground mining. A summary of mineral resources by resource category is as follows:

Category	Block Cut-off Grade (g/tonne Au)	Tonnes Above Cut-off	Average Au Grade (g/tonne)	Contained Au (ounces)
Indicated				
Surface	0.5	2,900,000	1.9	180,000
Underground	2.0	490,000	5.7	90,000
Subtotal, Indicated		**3,400,000**	**2.5**	**270,000**
Inferred				
Surface	0.5	5,400,000	1.1	190,000
Underground	2.0	5,200,000	4.4	740,000
Subtotal, Inferred		**10,600,000**	**2.7**	**930,000**

Notes:
1. Cut-off grade for mineralized zone interpretation was 0.5 g/tonne.
2. Block cut-off grade for surface resources (less than 100 metres deep) was 0.5 g/tonne.
3. Block cut-off grade for underground resources (more than 100 metres deep) was 2 g/tonne.
4. Gold price was US$850 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 resources.
8. Mineral resources that are not mineral reserves have not demonstrated economic viability.
9. A specific gravity (bulk density) value of 2.78 was applied to all blocks (based on 30 samples).
10. Un-cut. Top-cut analysis of sample data suggested no top cut was needed and removal of high grade outliers would not materially affect the global block model grade.

The updated Resource Estimate includes 41 additional holes up to drill hole TL09-86, drilled in late 2009 with results reported in early 2010. The Resource Estimate was prepared by Doug Roy, M.A.Sc., P.Eng., Associate Mining Engineer with Howe. Mr. Roy is a Qualified Person under NI 43-101.

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, $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 24 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 Project area comprises four optioned unpatented mining claims and 38 contiguous unpatented mining claims staked by Treasury Metals. The Goldcliff Project totals 403 units and covers approximately 6,448 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 the 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 significantly advance the Goldcliff Project in 2011 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 66 mineral claims covering approximately 6,602 hectares (~66 km2).

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. As of December 31, 2010 the Company had spent approximately $109,000 on the Project, largely related to holding costs.

On February 22nd, through an administration oversight, mineral claim due dates were overlooked and some claims expired. The Company took immediate action to remedy the oversight and regained a large portion 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 and has decided to write-off the non-recoverable costs associated with this Project. However, it still holds significant enough interest in the area to justify continuing to work towards the reconstruction of key portions of its previous holdings.

NET SMELTER ROYALTY, CERRO COLORADO GOLD MINE

The Cerro Colorado gold mining operation (now controlled by Goldgroup) is a small-scale gold (silver) producer that currently produces about 20,000 ounces of gold per year from its heap leach operation in Sonora State, Mexico. The company has estimated it will produce 21,000 to 30,000 ounces during 2010. The agreement contemplates that 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 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 the NSR increased from 2.5% to 3.0% based on the achievement of the first 100,000 ounces produced. As a result, the Company's net NSR revenue in this quarter was $178,745 as compared with $82,479 in 2009. The increase is the result of higher production, increased gold prices and the increased NSR

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, 2010, consolidated financial statements and the related notes thereto, prepared by management in accordance with Canadian generally accepted accounting principles. Detailed explanations of quarterly variances are included in each quarterly MD&A filed on SEDAR.

	Q4 Dec-10	Q3 Sep-10	Q2 Jun-10	Q1 Mar-10	Q4 Dec-09	Q3 Sep-09	Q2 Jun-09	Q1 Mar-09
	$	$	$	$	$	$	$	$
Royalty Revenue	178,745	109,052	197,299	162,136	82,479	132,604	104,595	113,349
Loss on sale of investments	266,914	42,252	0	0	244,937	0	0	0
Expenses	980,288	249,757	245,349	171,071	379,330	318,261	560,159	265,879
Write-down of Mineral Properties	4,001,141	0	0	0	0	0	0	0
Write-down of Investments	528,934	0	0	0	0	0	0	0
Net income (loss)	(4,512,532)	(182,957)	(48,050)	(8,935)	5,036	(185,657)	(455,564)	-(70,289)
Net (loss) per share (basic and diluted)$	(0.12)	(0.01)	0.00	0.00	0.00	(0.01)	0.00	0.00
Mineral properties and deferred costs	34,770,050	38,460,353	38,259,248	36,997,796	36,461,765	35,528,635	35,430,691	34,046,666
Total current liabilities	405,723	682,873	532,414	334,950	638,259	384,905	387,737	666,316
Total assets	40,992,012	40,357,114	40,062,538	39,752,222	39,621,224	37,804,578	37,252,298	36,562,468

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.

Losses on the sale of investments relate to realized net losses on the sales of shares from the investment portfolio.

Expense variances quarter to quarter are largely due to the vesting cost of the various stock option issuances.

Write-down of Mineral Properties in Q4 2010 included a permanent impairment loss of $4,001,141 regarding the Lara Mineral Property.

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

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 employment of cash in spending on mineral properties.

FINANCIAL RESULTS OF OPERATIONS

Three Months ended December 31, 2010

The net loss for the three-month period ended December 31, 2010 was $4,512,532 (2009 - $5,036 profit). The major variances are summarized as follows:

- Recognition in 2010 of a $4,001,141 loss for impairment of the Lara Project.

- Recognition in 2010 of a $528,934 loss for permanent impairment on the investment in the Vaaldiam Mining Inc. shares.

- Stock-based compensation charges on 2010 were $766,623 (2009 - $201,882). These charges are non-cash items and reflect the cost of stock options vested during the period.

- Administrative, office and shareholders services expenses of $140,052 in the 4th quarter 2010 (2009- $87,209) were higher mainly due to $33,000 of higher investor relations and shareholder services in 2010 resulting from the increased participation in mining conferences including $4,500 of sponsorships. Also, in 2010 there is $2,701 of interest expenses related to the mortgage and leasing of the property and vehicles acquired by the Company in 2010.

- The $282,000 realized loss on sale of shares of Vaaldiam Mining Inc offset by $15,000 gain from the sale of Goldgroup Mining Inc. shares in the last quarter of 2010 is higher than the $244,937 loss in the sale of Aquiline shares in the same period of 2009.

The higher expenses were partially offset by the following items:

- Recognition of $1,086,000 recovery of future income tax in 2010 which is higher than the $546,768 recovery recorded in the same period of 2009.

- Increase in the Company's NSR revenue, which in the 4th quarter 2010 was $178,745 as compared to $82,658 in 2009. The higher revenue is mainly the result of increased NSR and gold prices.

- Professional fees of $63,380 for the 4th quarter 2010 (2009 - $75,778) are lower mainly due to the reduction of the legal services in the period.

- Salary and benefits of $8,550 in the 4th quarter 2010 (2009 - $14,854) were lower due to a higher proportion of the President and CEO's time being spent on direct project initiatives as opposed to general corporate activities.

Twelve months ended December 31, 2010

The net loss for the twelve months ended December 31, 2010 was $4,752,474 compared to a loss of $706,483 for the same period in 2009. The main variances are summarized as follows:

- Recognition in 2010 of a $4,001,141 loss for impairment of the Lara Project.

- Recognition in 2010 of a $528,934 loss for permanent impairment on the investment in the Vaaldiam Mining Inc. shares.

- Stock-based compensation charges were $800,285 (2009 - $544,000). These charges are non-cash items and reflect the cost of stock options vested during the period.

- Administrative, office and shareholders services of $582,270 in 2010 have slightly increased compared to $560,329 in 2009 mainly due to $192,000 increase expenditures for marketing, shareholders information and an investor relations consultant, offset by the reversal in 2010 of over accrued Part XII.6 tax with respect to flow-through renunciation.

- Recognition of $1,086,000 recovery of future income tax in 2010 against $629,000 in 2009.

The higher expenses were partially offset by the following items:

- Salary and benefits of $37,410 in 2010 decreased from $99,053 for the same period in 2009 due mainly to Investor Relations salaries paid in 2009 which were not continued in 2010. In 2010 the investor relations function is done through an external consultant and the cost is included in Administrative, office and shareholder services expenses.

- Professional fees of $224,817 in 2010 compared to $320,191 are lower mainly due to payments in 2009 of $60,000 for financial advisory fees not repeated in 2010 and the reduction in legal services.

The Company spent $2,163,426 on mineral properties in the year ended December 31, 2010 as compared to $1,029,708 during 2009. The increase is a result of the Company meeting its flow-through obligations.

The market value of the Company's investments increased to $2,667,218 at December 31, 2010 compared to $1,750,105 at December 31, 2009.

FINANCING

2010

The company raised $3,406,051 through the issuance of 1,161,930 flow-through shares and 4,845,536 common shares during the year ended December 31, 2010 through completion of a private placement, compared to $1,790,499 in 2009. See Note 10 of the audited financial statements for further details regarding the private placements.

The company 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.

2009

The company raised $1,790,499 through the issuance of 2,222,222 flow-through shares and 4,267,500 common shares during the year ended December 31, 2009 through completion of private placements compared to $5,151,996 in 2008. See Note 7 of the financial statements for further details regarding the private placements.

The company raised $37,500 through the issuance of 125,000 common shares during the year ended December 31, 2009 through the exercise of warrants.

LIQUIDITY

As at December 31, 2010, the Company had a working capital position of $2,762,481. The Company has marketable investments in Exchange traded companies not included in working capital and which have market value at December 31, 2010 of $2,667,218 as compared to $1,750,105 at December 31, 2009. The market value of these investments on March 29, 2011 is $2,728,362.

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 $500,000 to $640,000 in revenue during fiscal 2011. 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. The Company anticipates that it will raise additional capital when and if the opportunity arises. See "Risk Factors".

On March 22, 2011, the Company announced that it has 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 are intended to be 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.

Company believes that it will be able to raise 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 ($237,972) 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, miscellaneous receivables and prepaid insurance.

Investments during the year have positively affected the Company's financial position since the market value of the Company's investments increased significantly from the start of 2010. The Company can sell the investments to access funds to settle its obligations as they arise.

OFF-BALANCE SHEET TRANSACTIONS

During the twelve-month period ended December 31, 2010, 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 COMMITMENTS

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

- To one officer of the Company for salary and professional fees payable;
- Under the Brisson mineral property agreement, the Company is required to pay $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, to acquire a 100% interest in the property.

- Under the Sherridon-Barkauskas mineral property agreement, the Company is required to pay $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, 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.

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 $402,173 for the year ended December 31, 2010 (2009 - $245,337) by a company in which an officer and director, Scott Jobin-Bevans, has an interest. This company provides technical and professional services. These charges are all included in mineral properties and related deferred costs. Included in accounts payable at December 31, 2010, there is an amount of $3,725 (December 31, 2009 - $40,599) with respect to these services.

ii) At December 31, 2010, $2,933 was due to Laramide Resources Ltd., a company having a director, Marc Henderson, in common with Treasury Metals (December 31, 2009 – $3,958). The amounts due to Laramide are the result of expenses paid by Laramide on behalf of Treasury Metals. Laramide charged $85,815 for the year ended December 31, 2010 (2009 - $Nil) for office space and services. Treasury Metals was charged $72,044 by the previous landlord for office space and services for the comparative period in 2009.

iii) During the year ended December 31, 2010, $68,586 (2009 - $80,124) was charged by a law firm where Chris Irwin, an officer of Treasury Metals, is an employee. Other officers charged, James Fairbairn, former CFO, charged $30,000 (2009 - $62,000) in professional fees. Of these amounts $39,403 (December 31, 2009 – $76,585) is in accounts payable at the end of the period.

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.

SIGNIFICANT ACCOUNTING POLICIES

Mineral Properties and Related Deferred Costs

The Company records its interest in mineral properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs will be amortized and depleted using the straight line method over the estimated economic life of the mine. The deferred costs would be written off if the property is sold or abandoned.

The amounts shown for mineral properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand and other highly liquid short-term investments, which may be settled on demand or within a maximum 90-day period from year end to maturity.

Loss Per Share

Loss per share is calculated based on the weighted average number of shares issued and outstanding during the year. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

Revenue Recognition

Royalty revenue consists of a 3% sliding production royalty ("NSR") on gold that is produced at the Cerro Colorado Gold Project in Mexico. Revenue is recorded in the period the gold is sold. Interest revenue is recognized when earned and gains (losses) on sale of investments are recognized on the transaction date.

Short-term Investments

Short-term investments are liquid investments in a chartered bank in Canada, with maturities greater than three months, but less than one year and are recorded at their cost, which approximates fair value.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates. Areas where management uses subjective judgment include, but are not limited to, recoverability of mineral properties and related deferred costs, future income taxes and the valuation of warrants and options. Management believes that these estimates are reasonable.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

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. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

The Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC146 under which the Company is required to recognize the future income tax liability upon filing renunciation documents with the tax authorities and to treat it as a cost of issuing the flow-through shares.

Other Stock-based Payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions at the measurement date, whichever is the more reliably measured.

Stock-based Compensation

The Company applies the fair-value based method to all stock options granted and warrants issued. Accordingly, compensation cost is measured at fair value at the date of grant and is expensed on a straight line basis over the vesting period, with the related credit included in contributed surplus. The applicable contributed surplus is transferred to share capital, if and when stock options are exercised. Any consideration paid on the exercise of stock options and warrants are credited to capital stock.

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table in Notes 11 and 12 of the audited financial statements summarizes the assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2010 and 2009.

Financial Instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities that are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets that are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

Treasury Metals follows the amendment to CICA Handbook Section 3862, financial instruments, which require disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
iii) Level 3: inputs for the asset or liability that are not based on observable market data.

Asset Retirement Obligations

The Company adopted CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

As at December 31, 2010 and 2009, the Company has not incurred or committed any asset retirement obligations.

Transaction Costs

The Company expenses transaction costs relating to its financial instruments.

Foreign Exchange

Monetary assets and liabilities have been translated at the exchange rate prevailing at the balance sheet dates. Income and expenses are translated at rates prevailing at the dates of the related transactions. Non-monetary assets, liabilities are translated at historic rates. Losses on foreign exchange for the year are included in the statements of operations.

IFRS Implementation

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (“IFRS”) will replace current Canadian GAAP for publicly accountable enterprises, including Treasury Metals, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, Treasury Metals will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011. Treasury Metals' 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

IFRS Transition Plan

Treasury Metals has 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 may be 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 to be made with respect to first-time adoption alternatives.
- Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.
- Design and implement 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, the Company has assessed what changes would be required to its accounting systems and business processes. The Company believes that the changes identified are 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 are trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company that will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

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

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

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 will result 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 will require a change in accounting policies, but to highlight the areas Treasury Metals has identified as having the most significant changes.

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 plans to retain its current 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. Therefore Treasury Metals believes that the adoption of IFRS will 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. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

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

3) Foreign Currency

IFRS requires that the functional currency of Treasury Metals and the factors considered to determine functional currency are somewhat different than current Canadian GAAP. Treasury Metals has determined its functional currency and the resulting impact on the January 1, 2010 opening balance sheet.

4) Share-based Payments

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

Treasury Metals has determined that changes to its accounting policies related to share-based payments would not result in a significant change to line items within its financial statements.

5) 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 will be changed to reflect these differences, however Treasury does not expect this change will have an immediate impact to the carrying value of its assets.

6) 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 will continue to value its Property and Equipment at cost.

7) Income Taxes

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

Treasury Metals does not expect any significant changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

8) Financial Instruments: Recognition and Measurement

IFRS requires different treatment of the exchange gain or loss on the valuation of available for sale investments denominated in foreign currencies.

Treasury Metals' accounting policies related to exchange gain or loss on the valuation of available for sale investments will be amended under IFRS to record the exchange gain or loss through the profit and loss statement rather than through Other Comprehensive Income/Loss.

The Company has identified resource requirements to implement appropriate IFRS financial reporting expertise at all levels of the business. Training of key finance and operational staff started in the second quarter of 2010 and has been completed.

Subsequent Disclosures

The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011 will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and Treasury's transition date IFRS statement of financial position (as at January 1, 2010).

Financial Instruments and other Instruments

Fair Value of Financial Assets and Liabilities

The Company's financial instruments comprise cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, and due to Treasury Metals.

The Company has designated its cash and cash equivalents as held-for-trading and investments as available for sale, which are measured at fair value. Fair value of investments is determined based on transaction value and is categorized as Level 1 measurement. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities and amounts due to Treasury Metals are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. Fair values of accounts receivable, accounts payable and accrued liabilities and amounts due to Treasury Metals are determined from transaction values that were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

As of December 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

The Company has made the following classifications:

Cash and cash equivalents
Accounts receivable and prepaid expenses
Investments
Accounts payable and accrued liabilities
Due to Laramide Resources Ltd.

Long-term debt
Other liabilities

Financial Instrument Risk Exposures

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from its financial instruments and that their fair values approximate their carrying value unless otherwise noted. Fluctuation in currency exchange rates, principally the Canadian/US dollar exchange rate and, to a lesser extent, other exchange rates, can impact the Company's earnings and cash flows. All of the sales related to the NSR are denominated in US dollar, whereas certain obligations and operating expenses are in denominated in Canadian dollar and Mexican peso.

Accounting policies to be implemented effective January 1, 2011

In October 2008, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling interests.*

Section 1582 replaces Section 1581 and establishes standards for the accounting of a business combination. It provides the Canadian equivalent to IFRS 3 – *Business Combinations.* The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace section 1600, *Consolidated Financial Statements.* Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Section 1602 establishes standards for accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - C*onsolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Early adoption of these sections is permitted, but requires that all three sections be adopted at the same time. The Company does not anticipate that the adoption of these new sections will have a material impact to its financial results.

Risks and Uncertainties

The Company's Risks and Uncertainties are disclosed in the Treasury Metals Inc.'s AIF of December 31, 2010, 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.

DISCLOSURE OF OUTSTANDING SHARE DATA

SHARE CAPITAL

The following table sets forth information concerning the outstanding securities of the Company as at December 31, 2010:

Common Shares of no par value	Number
Shares	43,667,806
Warrants	3,003,733
Options	3,629,500

See Note 10 to the audited December 31, 2010 financial statements for more detailed disclosure of outstanding share data.

OTHER INFORMATION

This MD&A of the financial position and results of operations as at December 31, 2010, should be read in conjunction with the audited financial statements for the year ended December 31, 2010. Additional information will be accessible at the Company's website www.treasurymetals.com or through the Company's public filings at www.sedar.com.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board. The financial statements were prepared by the Company's management in accordance with GAAP. 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.

The Company has designed appropriate internal controls over financial reporting ("ICFR") 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 GAAP.

The Company's ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following inter-related, non-discrete results:

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

Based on their assessment of ICFR, the Company's President and Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") have concluded that the Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP as at December 31, 2010.

There have been no changes in ICFR during the six-month period ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

The Certifying Officers have evaluated the effectiveness of the Company's disclosure controls and procedures ("DCP") and concluded that, based on their evaluation, the DCP were effective as of September 30, 2010 to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities laws, as required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation.

Due to the inherent limitations in all control systems, an evaluation of the DCP can only provide reasonable assurance over the effectiveness of controls. As a result, DCP are not expected to prevent and detect all misstatements due to error or fraud.

Martin Walter
Chief Executive Officer
March 29, 2011

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.