



TREASURY METALS

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

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) of the financial condition and results of operations of Treasury Metals Inc. (“Treasury Metals” or the “Company”) should be read in conjunction with the Company’s unaudited financial statements for the three months ended March 31, 2012, including the related notes thereto. These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). This MD&A is presented as of May 10, 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 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 included an updated Mineral Resource Estimate consisting 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 km². In addition, the Company owns a 3.0% Net Smelter Royalty on the Cerro Colorado gold mining operation in Sonora State,



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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

Technical progress at the Company's Goliath Gold Project, as well as recognition of Treasury Metals as an emerging gold producer, commenced in early 2011 and has continued into the first quarter of 2012. 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 on June 9, 2011.
- The appointment of Mr. Norman Bush as Vice President - Goliath Gold Project in December 2011. 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 in November 2011 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 El Penon mine in northern Chile and he was directly responsible for building Aquiline's Navidad project into one of the world's 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.



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- Mr. Greg Ferron, as Vice President of Corporate Development, since January 2011, 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 2011, 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).



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- 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 km² 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.



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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.treasuremetals.com>.

OPERATING ACTIVITIES

The Goliath Gold Project

In January 2011, the Company added a second drilling rig on its Goliath Gold Project as part of its 20,000 metre diamond drilling program initiated in December 2010, designed to increase and upgrade the current resource estimate from largely inferred category to the measured and indicated categories.

Based on the success of the program, a third drilling rig was added in April 2011 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 in 2011 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



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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.

In January 2012, the Company commenced a 20,000 metre core drilling program designed to test a number of high-priority targets identified on the greater than 49 km² 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. The program's fully funded 20,000 metres represents the minimum drill program budgeted for 2012 and may be expanded depending on the tenor of results. A complete schedule of all drilling results can be seen on the Company's website at www.treasuremetals.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.



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

Resources were defined using a block cut-off grade of 0.3 g/tonne Au for surface resources (<150 metres deep) and 1.5 g/tonne Au for underground resources (>150 metres deep). Surface plus underground Indicated Resources total 9.14 million tonnes with an average grade of 2.6 g/tonne Au and 10.4 g/tonne Ag for 760,000 ounces gold and 3,070,000 ounces silver for a total of 810,000 gold equivalent ounces. Surface plus underground Inferred Resources total 15.9 million tonnes with an average grade of 1.7 g/tonne Au and 3.9 g/tonne Ag for 870,000 ounces gold and 1,990,000 ounces silver for a total of 900,000 gold equivalent ounces. The Main Zone and C Zone contained the majority of resources from both categories and are the primary targets for underground mining. A summary of mineral resources by resource category is as follows:

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

Mineral Resource Estimate Parameters and Assumptions:

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



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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 km² 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”.

2012 Exploration Program

The Company has commenced a 20,000 metre core drilling program designed to test a number of high-priority targets identified on the greater than 49 km² 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. The program’s fully funded 20,000 metres represents the minimum drill program budgeted for 2012 and may be expanded depending on the tenor of results.

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.



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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.



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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 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.

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 was \$237,917 in Q1 2012 as compared with \$166,300 in Q1 2011 and \$850,955 in the year 2011 as compared with \$647,232 in 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.



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- A number of important pre-development activities will be implemented in 2012. The Company is working towards an Advanced Exploration Permit and expects to receive this before the end of 2012. The Company also plans to finalize a PEA Update during the year and will start the preparation of a Feasibility Study. Appropriate staffing and consultant resources have been determined, negotiated and arranged. In addition, the Company continue to move ahead EBS and advanced stage metallurgy. A number of other active engineering programs include hydrogeology, geotechnical and geochemical.
- 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 March 31, 2012, interim condensed 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.

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10
	\$	\$	\$	\$	\$	\$	\$	\$
Royalty Revenue	237,917	197,170	253,912	230,573	169,300	178,745	109,052	197,299
Gain (loss) on sale of investments	0	10,100	37,303	0	87,673	(266,914)	(42,252)	0
Expenses	521,401	1,970,156	361,071	411,347	420,471	980,288	249,757	245,349
Write-down of Mineral Properties	0	0	0	0	0	4,001,141	0	0
Write-down of Investments	0	0	0	0	0	528,934	0	0
Net loss	(283,484)	(1,445,548)	(69,856)	(180,774)	(192,546)	(4,512,532)	(182,957)	(48,050)
Net (loss) per share (basic and diluted)\$	(0.00)	(0.04)	0.00	0.00	0.00	(0.12)	(0.01)	0.00
Other comprehensive income (loss)	(320,958)	(421,663)	353,499	(388,854)	35,153	1,975,259	239,566	(428,177)
Total comprehensive income (loss)	(604,442)	(1,867,211)	283,643	(569,628)	(157,393)	(2,537,273)	56,609	(476,227)
Mineral properties and deferred costs	43,644,903	42,326,840	41,806,784	39,667,890	36,479,080	34,770,050	38,460,353	38,259,248
Total current liabilities	2,015,585	1,815,444	1,361,268	2,226,607	735,856	580,013	662,112	532,414
Total assets	48,701,488	48,951,583	48,051,044	48,535,458	45,868,012	40,992,012	40,357,114	40,062,538



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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 and \$528,934 write-down for 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 March 31, 2012

The net loss for the three-month period ended March 31, 2012 was \$283,484 (2011 - \$192,546). The variance is explained as follows:

- Net revenue of Q1 2012 is \$16,056 lower than Q1 2011 because 2011 included a gain of \$87,673 from the sale of shares of Goldgroup. This variance was partially offset by the \$71,617 higher royalty income in 2012 mainly due to increased production.
- Administrative, office and shareholders services expenses of \$339,164 in Q1 2012 (2011-\$230,680) are higher mainly due to \$53,187 of increased investor relation expenses largely for promotional travel to Europe, registering in the 2012 Global Mining Conferences in UK and Hong Kong, \$33,065 of strategy meeting expenses, \$17,300 of higher administrative expenses due to increased use of the services provided by Laramide, and \$18,005 of geologists training in a technical software acquired by the Company in 2012. These increased expenses were partially offset by \$23,998 lower listing and filing fees paid to the TSX and to \$9,067 lower PDAC expenses in Q1 2012.
- Salary and benefits of \$109,153 in 2012 (2011 - \$96,307) is higher due to \$49,184 WSIB charges which were not applicable in the previous year, partially offset by \$36,339 lower payroll expenses in Q1 2012 reflecting the additional expenses incurred in 2011 during the transitional period of the new Corporate management Team.
- In Q1 2011 there was \$13,983 of stock option compensation expense; there is no such expense in the same period of the year 2012 because all the options were vested at the end of 2011.



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- Amortization charge in Q1 2012 is \$13,964 compared to \$7,045 in the same period of 2011, due to the higher balance of property and equipment during the year 2012.

The higher expenses were offset by \$10,066 reduction of professional fees in Q1 2012 due to 2011 including an audit expense of \$7,400 for the review of the IFRS implementation, and \$30,000 of geologists recruiting fees paid, partially offset by \$18,500 higher accounting services charged by Laramide in 2012.

FINANCING

2012

During the period ended March 31, 2012, the Company raised \$162,200 from the issuance of 479,750 shares through the exercise of options and warrants.

2011

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

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

LIQUIDITY

As at March 31, 2012, the Company had a working capital position of \$1,730,183 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 March 31, 2012 of \$1,590,126 as compared to \$1,911,084 at December 31, 2011. The market value of these investments on May 4, 2012 is \$1,251,649.

Accounts receivable have decreased mainly because the royalties were fully collected at the end of the period, meanwhile in 2011 there was a \$64,877 royalty receivable; also, in 2011 there was a net receivable from Laramide of \$27,660 versus a payable of \$84,959 in 2012; such decreases are partially offset by the \$61,058 higher HST receivable due to the higher exploration activity in the Q1 2012 versus Q4 2011.

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

The Company holds the NSR on the production from the Cerro Colorado gold mine. Based on current gold prices, the Company estimates that the NSR will generate approximately \$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



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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 March 31, 2012. The funds were used to explore and advance Treasury Metals' gold projects located in the Kenora Mining District of Northwestern Ontario. The Company paid Cormark a cash commission equal to 6% of the gross proceeds of the Offering and issued Cormark compensation options ("Compensation Options") equal to 6% of the aggregate number of Flow-Through Shares subscribed. Each Compensation Option entitles the holder thereof to purchase 1 common share of the Company at a price of \$1.60 (subject to adjustment) until March 22, 2013.

On May 18, 2011, the Company signed an agreement to purchase the Pico Machay project for a consideration totalling US\$38 million plus closing costs to be settled by paying US\$21 million, of which up to US\$10.5 million could be through the issuance of a promissory note due March 31, 2012, 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 March 31, 2012. The Company paid the Agents a cash commission equal to 6% of the gross proceeds of the Offering and issued the Agents Compensation Options equal to 3% of the aggregate number of Flow-Through Shares subscribed for under the offering. Each Compensation Option entitles the holders thereof to purchase 1 common share of the Company at a price of \$1.15 (subject to adjustment) until December 6, 2013.

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.



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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 (\$232,620) and its credit and interest rate risks are minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

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

Investments during the year 2011 have positively affected the Company's results of operations since there has been a net gain on their sale in that year. The Company sells its investments to access funds to settle its obligations as they arise. There have not been investment sales in Q1 2012.

DISCLOSURE OF OUTSTANDING SHARE DATA

SHARE CAPITAL

The following table sets forth information concerning the outstanding securities of the Company as at March 31, 2012:

Common Shares of no par value	Number
Shares	53,026,144
Warrants	2,601,733
Options	2,647,132

See Note 10 to the March 31, 2012 interim condensed financial statements for more detailed disclosure of outstanding share data.

OFF-BALANCE SHEET TRANSACTIONS

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

CONTINGENCIES AND COMMITMENT

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

- Under the 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.



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- 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 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 of which \$1.2 million have been spent at March 31, 2012.
- By a contract for drilling services, the Company has guaranteed the drilling contractor a minimum number of metres drilling at an overall cost of approximately \$2 million of which \$0.5 million have been spent at March 31, 2012. The services are provided in the Goliath Gold Project, East Thunder Lake - Dryden, Ontario

SUBSEQUENT EVENTS

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

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

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

RELATED PARTY TRANSACTIONS

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

i) Treasury Metals was charged \$532 for the period ended March 31, 2012 (2011 - \$25,583) 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 March 31, 2012 there is an amount of \$532 (December 31, 2011- none) with respect to these services.

ii) At March 31, 2012, there is a \$84,959 net account payable to Laramide Resources Ltd., a company having a director, Marc Henderson, and an officer, Dennis Gibson, in common with Treasury Metals (December 31, 2011 – receivable of \$27,660). During the period ended March 31, 2012, the Company was charged \$123,422



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(2011 - \$84,411) for office space rent, financial, investor relations, and administrative services and other expenditures paid by Laramide on behalf of the Company.

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

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

DIVIDENDS

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

FINANCIAL INSTRUMENTS

The current bank accounts, accounts receivable and accounts payable are non-interest bearing. The majority of cash and cash equivalents are held in short-term investments bearing interest up to 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, 2012, which is filed on SEDAR and is herein incorporated by reference. These risks are updated each quarter when new events or changes in the jurisdictions where the Company operates necessitate new risk analysis.

OTHER INFORMATION

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



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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 March 31, 2012 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the design of the Company's internal controls over financial reporting as of March 31, 2012 pursuant to the requirements of



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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 March 31, 2012 that have materially affected, or are reasonably likely to materially affect the Company's Internal Control over Financial Reporting.

Martin Walter
President & Chief Executive Officer
May 10, 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.