



# TREASURY METALS

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INCORPORATED

## ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2011

DATED: MARCH 30, 2012

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## **1. PRELIMINARY INFORMATION**

### **1.1 Date of Information**

All information in this annual information form (“AIF”) is as at December 31, 2011, unless otherwise indicated.

### **1.2 Forward-Looking Statements**

Certain statements contained in this AIF and the documents incorporated by reference herein that are not historical facts constitute “forward-looking statements”, including but not limited to those statements with respect to the estimation of mineral resources and the plans and objectives of Treasury Metals Inc. (the “Company” or “Treasury Metals”). Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will” be taken, occur or be achieved.

Forward-looking statements involve known or unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from those projected by such forward-looking statements. Such factors include, among others, the actual results of current exploration activities, access to capital and future prices of precious and base metals and those factors discussed in item 4.2 “Risk Factors” of this AIF.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this AIF based on the opinions and estimates of management, and, except as may be required by applicable securities laws, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that the forward-looking statements contained in this AIF and the documents incorporated by reference herein will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **1.3 Currency**

The Canadian dollar is the reporting currency and currency of measurement of the Company. All monetary amounts are expressed in Canadian dollars unless otherwise indicated.

## **2. CORPORATE STRUCTURE**

### **2.1 Name and Incorporation**

The Company was incorporated under the name Divine Lake Exploration Inc. by Articles of Incorporation dated December 31, 1997 under the *Business Corporations Act* (Ontario). The articles of the Company were amended on November 13, 2007 to change the name of the Company to Treasury

Metals Inc. and on March 20, 2008 to remove certain restrictions on the transfer of the Common Shares (“Common Shares”) of the Company.

The registered and head office of the Company is located at The Exchange Tower, 130 King Street West, Suite 3680, Box 99, Toronto, Ontario M5X 1B1.

The Company is a reporting issuer in Ontario and British Columbia. Treasury Metals’ Common Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “TML”.

## **2.2 Intercorporate Relationships**

The Company has no subsidiaries.

## **3. GENERAL DEVELOPMENT OF THE BUSINESS**

### **3.1 Three Year History**

#### Fiscal Year ended December 31, 2009

The 2009 exploration program consisted of a combination of surface exploration and diamond drilling programs.

On May 22, 2009 the Company completed a non-brokered private placement offering of 4,267,500 units at a price of \$0.20 per unit for gross proceeds of \$853,500. Each unit consisted of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant entitled the holder to purchase one Common Share at an exercise price of \$0.30 per Common Share for a period of 18 months. Pursuant to an acceleration provision in the warrants, the Company accelerated the expiry date of the warrants to April 28, 2010. The Company paid \$3,000 and issued 200,000 Common Shares to certain parties with respect to finder’s fees and services provided to the Company in connection of the offering.

In addition, as required under the terms of the purchase agreement dated September 24, 2007 (as amended, the “Purchase Agreement”) among the Company, Corona Gold Corporation (“Corona”) and Teck Cominco Limited (“Teck”), pursuant to which the Company acquired the Thunder Lake Gold property, which now forms part of the Company’s Goliath Gold Project and is referred to as the “Goliath Gold Project” or the “Deposit”, the Company issued 509,233 Common Shares to Corona and 115,596 Common Shares to Teck for no additional consideration. In accordance with the Purchase Agreement, until such time as the Company has received aggregate proceeds from the issuance of additional Common Shares of \$1,494,504, Corona and Teck are entitled to receive, for no additional consideration, that number of Common Shares sufficient for each of Corona and Teck to maintain its respective percentage interest in the Common Shares of 10% and 2.27% before giving effect to any shares purchased by Corona or Teck for cash.

Since the acquisition of the Goliath Gold Project, the Company has acquired and/or staked 20 new mining claims and one new patent. The Goliath Gold Project now consists of 134 contiguous unpatented mining claims (234 units) and 17 patented land parcels covering approximately 5,328 hectares. In addition to covering about 4.5 km of prospective strike along trend west and east from the Deposit, the Goliath Gold Project also includes numerous areas that show potential to host additional gold mineralization.

The Goliath Gold Project contains more than 1.0 million estimated ounces of gold, comprised of 113,000 indicated ounces and 890,000 inferred ounces, using a cut-off grade of 2.0 g/t Au. See “Mineral Projects”.

Drilling of the Deposit has intersected the Main Zone over a strike length of 1,700 metres and a thickness of 5 to 30 metres (average width of 7.6 metres) and historic drilling confirmed that anomalous gold mineralization extends over a minimum strike length of 3,500 metres, west and northeast of the deposit.

On June 18, 2009, the Company amended the terms of 912,750 outstanding warrants of the Company and the related warrant indenture to reduce the exercise price of the Warrants from \$2.75 per share to \$0.60 per share (the “Warrant Re-pricing”).

The warrants were issued pursuant to a warrant indenture dated as of March 24, 2008, between the Company and Equity Transfer & Trust Company as part of a brokered private placement financing that closed in March 2008. Of the 912,750 Warrants, 87,500 Warrants are held by insiders of the Company.

On October 6, 2009, the Company initiated a second round of diamond drilling on its 100% controlled Goliath Gold Project, located about 20 kilometres east of Dryden, Ontario, Canada. The diamond drilling program included a minimum of 4,500 metres concentrated on shallow targets in the western and northeastern extensions of the Deposit and included some deeper drilling in these two areas and within the current mineral resource itself. Previous diamond drilling by Teck and Corona intercepted anomalous (greater than or equal to 100 ppb Au) and higher grade gold concentrations within an alteration corridor that stretches about 650 metres to the west and 3,000 metres to the northeast of the Deposit.

On December 21, 2009, the Company completed a non-brokered private placement of 2,222,222 Common Shares issued as “flow-through shares” at a price of \$0.45 per Common Share for gross proceeds of \$1,000,000. The net proceeds of the flow-through financing were used to continue exploring and developing the Goliath Gold Project.

The Company entered into an option agreement dated December 11, 2009 with Edward Henry Brisson to acquire a 100% undivided interest in certain mining rights located in the District of Kenora, Ontario. Under the terms of the agreement, the Company is to make option payments totalling \$100,000 and issue Common Shares equal to \$100,000 based on the market price of the date of issue. These payments are required as follows \$25,000 and \$25,000 worth of Common Shares on or before the effective date, \$20,000 and \$25,000 worth of Common Shares on or before the first anniversary of the effective date, \$20,000 and \$25,000 worth of Common Shares on or before the second anniversary of the effective date and \$35,000 and \$25,000 worth of Common Shares on or before the third anniversary of the effective date. As at December 31, 2009, the Company had paid \$25,000 and issued 59,524 Common Shares of the Company with a market value of \$25,000. As at December 31, 2010, the Company had paid \$45,000 and issued 59,524 Common Shares. On January 11, 2011, the Company issued a further 26,041 Common Shares of the Company having a market value of \$25,000.

#### Fiscal Year ended December 31, 2010

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:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL09-81           | 60.5            | 62.0          | 1.50                | 19.34           | Main Zone       |
| TL09-83           | 16.5            | 22.5          | 6.00                | 5.86            | Main Zone       |
| TL09-84           | 67.5            | 74.0          | 6.50                | 17.80           | Main Zone       |
| TL09-86           | 130.4           | 131.5         | 1.10                | 9.29            | Main Zone       |

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:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL10-87           | 508.0           | 509.0         | 1.00                | 13.85           | Main Zone       |
| TL10-88           | 477.0           | 478.0         | 1.00                | 20.03           | Main Zone       |
| TL10-90           | 501.5           | 502.5         | 1.00                | 8.36            | Main Zone       |
| TL10-92           | 733.05          | 733.55        | 0.50                | 16.12           | Main Zone       |
| TL10-98           | 274.5           | 285.0         | 10.5                | 7.47            | Main Zone       |
| TL10-100          | 300.00          | 315.0         | 15.00               | 5.74            | Main Zone       |
| TL10-102          | 352.50          | 358.5         | 6.00                | 3.38            | Main Zone       |
| TL10-108          | 185.00          | 185.0         | 1.00                | 43.44           | Main Zone       |

On April 28, 2010, the Company received financing of \$640,125 through the exercise of 2,133,750 warrants upon the exercise of outstanding warrants at a price of \$0.30 per common share.

On 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 Resources Inc. from April 2006 to December 2009 and also currently serves as CFO for Laramide Resources Ltd. from April 2006.

On 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.

On July 13, 2010, the Company completed a National Instrument 43-101 (“NI 43-101”) compliant Preliminary Economic Assessment (the “PEA”) by independent consultant ACA Howe International Limited (“Howe”) on the Goliath Gold Project, which validates the Deposit and the Company’s exploration efforts to date. This initial analysis of the project 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 (the “Resource Estimate”), 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.

On 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 in British Columbia.

In December 2010, the Company completed a non-brokered private placement (the “Offering”) of 1,161,930 units (the “Flow-Through Units”) of the Company at a price of \$0.70 per Flow-Through Unit and 4,845,536 units (the “Units”) of the Company at a price of \$0.55 per Unit, for aggregate gross proceeds of \$3,478,395. The net proceeds of the Offering are to be used to continue exploring and developing the Company’s Goliath Gold Project and for general corporate purposes. Each Flow-Through Unit consists of one Common Share issued on a flow-through basis and one-half of one Common Share purchase warrant (a “Flow-Through Warrant”). Each whole Flow-Through Warrant entitles the holder to purchase one Common Share on a non-flow-through basis at an exercise price of \$1.00 for a period of 18 months from the closing date of the Offering, subject to acceleration in certain circumstances. Each Unit consists of one Common Share and one-half of one Common Share purchase warrant (a “Warrant”). Each whole Warrant entitles the holder to purchase one additional Common Share at an exercise price of \$0.70 per Warrant Share for a period of 18 months from the closing date of the Offering, subject to acceleration in certain circumstances.

On December 6, 2010, the Company appointed Mr. Martin Walter as Chief Executive Officer (“CEO”). Dr. Scott Jobin-Bevans, 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 Resources Inc., 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.

On 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 was 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.

Fiscal Year ended December 31, 2011

On January 6, 2011, the Company announced the hiring of Andrew Cheatle (B.Sc. (Hons),P.Geo.) as Vice President Exploration.

On January 18, 2011, the Company announced the hiring of Greg Ferron as Vice President, Investor Relations and Corporate Development.

On January 21, 2011, the Company recommenced its 20,000 metre diamond drill program initiated in December 2010. In addition, the Company provided an update on the EBS. It announced the completion of the preliminary fall surveys for vegetation, surface water and fauna.

On January 31, 2011, the Company added an additional drill rig to its Goliath Gold Project as part of its 20,000 metre diamond drilling program initiated in December 2010. The additional drill is to expedite the infill drilling program and to test highly prospective exploration targets on the greater than 45 km<sup>2</sup> Goliath Gold Project. Both drill rigs are positioned within the eastern portion of the Goliath Gold deposit.

On February 23, 2011, the Company reported the results of the first six drill holes (2,036 metres) from its current 20,000 metre diamond drilling campaign at the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b>  |
|-------------------|-----------------|---------------|---------------------|-----------------|------------------|
| TL10-117          | 349.69          | 350.69        | 2.00                | 4.78            | Main Zone        |
| TL10-118          | 86.00           | 88.48         | 2.48                | 5.67            | Main Zone        |
| TL11-119          | 196.00          | 199.00        | 3.00                | 1.51            | Main Zone        |
| TL11-120          | 224.00          | 230.00        | 6.00                | 11.43           | Main Zone        |
| TL11-121          | 265.00          | 270.00        | 5.00                | 9.85            | Main Zone        |
| <i>and</i>        | 282.00          | 286.00        | 4.00                | 2.83            | Main Zone        |
| <i>and</i>        | 352.00          | 352.00        | 1.00                | 10.31           | Footwall C- Zone |
| TL11-122          | 272.00          | 279.00        | 7.00                | 7.65            | Main Zone        |

On March 16, 2011, reported additional drill results from its current 20,000 metre diamond drilling campaign at the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-123          | 297.00          | 301.00        | 4.00                | 2.73            | Main Zone       |
| TL11-124b         | 330.00          | 335.00        | 5.00                | 7.26            | Main Zone       |
| TL11-125          | 376.15          | 377.15        | 1.00                | 26.58           | Main Zone       |
| TL11-126          | 373.00          | 382.40        | 9.40                | 7.00            | Main Zone       |
| <i>including</i>  | 374.58          | 379.58        | 5.00                | 11.84           | Main Zone       |

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.

On March 28, 2011, the Company reported additional drill results from its current 20,000 metre diamond drilling campaign at the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-128          | 373.50          | 376.50        | 3.00                | 2.16            | Main Zone       |
| TL11-129          | 351.00          | 364.00        | 13.00               | 2.73            | Main Zone       |
| <i>including</i>  | 358.50          | 361.50        | 3.00                | 6.88            | Main Zone       |
| TL11-130          | 335.00          | 342.00        | 7.00                | 14.87           | Main Zone       |
| TL11-131          | 388.90          | 390.40        | 1.50                | 9.19            | Main Zone       |
| TL11-132          | 198.00          | 203.11        | 5.11                | 23.22           | Main Zone       |
| TL11-133          | 337.00          | 339.00        | 2.00                | 1.36            | Main Zone       |

On April 4, 2011, the Company announced that it had begun initial metallurgical test work at its Goliath Gold Project. Composite samples consisting of whole main zone intersections of half core taken from seven diamond drill holes with a degree of geographic diversity over the deposit were submitted to G & T Laboratories Services Ltd. in Kamloops, B.C. Treasury Metals retained the services of Mr. John Wells to act as a Metallurgical Consultant on the Goliath Gold Project.

On April 11, 2011, the Company acquired the surface rights to 40 acres of land that covers a portion of the eastern extension of the Goliath Gold deposit. These newly acquired lands enable the Company to drill prospective targets on the eastern extension of the deposit that have not in the past been drilled by Treasury Metals. This is in an adjacent area and up-plunge of where previously announced high-grade gold mineralization (e.g. 23.22 g/t Au over 5.11m) was intersected by the Company (see press releases February 23, 2011, March 16, 2011 and March 28, 2011 for full results).

On April 12, 2011, the Company reported additional drill results from its current 20,000 metre diamond drilling campaign to upgrade Mineral Resources at the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-134          | 260.46          | 273.38        | 12.92               | 2.50            | Main Zone       |
| <i>including</i>  | 270.38          | 272.38        | 2.00                | 7.78            | Main Zone       |
| TL11-135          | 314.90          | 331.50        | 16.60               | 32.73           | Main Zone       |
| <i>including</i>  | 323.25          | 328.50        | 5.25                | 78.86           | Main Zone       |
| TL11-136          | 261.55          | 264.96        | 3.41                | 5.32            | Main Zone       |
| <i>and</i>        | 273.00          | 275.00        | 2.00                | 3.92            | Main Zone       |

On April 27, 2011, the Company added a third drilling rig to its Goliath Gold Project and expanded the 20,000 metre diamond drilling program to 30,000 metres.

On April 28, 2011, the Company reported additional drill results from its current 30,000 metre diamond drilling campaign at the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-137          | 263.00          | 267.00        | 4.00                | 2.75            | Main Zone       |
| TL11-138          | 302.35          | 313.00        | 10.65               | 1.63            | Main Zone       |
| <i>including</i>  | 305.45          | 309.00        | 3.55                | 2.16            |                 |
| TL11-139          | 330.00          | 337.75        | 7.75                | 2.85            | Main Zone       |
| <i>including</i>  | 330.00          | 334.00        | 4.00                | 4.48            |                 |
| TL11-140          | 296.00          | 298.00        | 2.00                | 4.82            | Main Zone       |
| <i>and</i>        | 307.50          | 320.85        | 13.35               | 4.24            | Main Zone       |
| <i>including</i>  | 307.50          | 316.50        | 9.00                | 5.88            |                 |
| TL11-141          | 359.36          | 368.00        | 8.64                | 6.43            | Main Zone       |

On May 11, 2011, Dr. Scott Jobin-Bevans stepped down as President and as a Director of the Board. Martin Walter, the current Chief Executive Officer (“CEO”) who joined the Company in December 2010, assumed the expanded role of President and CEO. Dr. Jobin-Bevans continues to be involved with the Goliath Gold Project as a consultant working with the Company’s management team on the development and expansion of the project.

On May 18, 2011, the Company reported additional drill results from its current 30,000 metre diamond drilling campaign at the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-142          | 246.00          | 251.20        | 5.20                | 4.67            | Main Zone       |
| TL11-144          | 413.50          | 414.00        | 0.50                | 2.67            | Main Zone       |
| TL11-145          | 377.00          | 380.00        | 3.00                | 1.94            | Main Zone       |
| TL11-146          | 462.87          | 466.37        | 3.50                | 3.47            | Main Zone       |
| TL11-147          | 251.00          | 253.50        | 2.50                | 10.11           | Main Zone       |
| TL11-152          | 236.00          | 247.50        | 11.50               | 9.09            | Main Zone       |
| <i>including</i>  | 238.00          | 242.67        | 4.67                | 18.51           |                 |

On May 18, 2011, the Company announced it had agreed to purchase 100% of the Pico Machay Gold Project from Pan American Silver Corp., through the acquisition of certain subsidiaries owned by Pan American. Treasury Metals was to pay a total of US\$21 million in cash and issue 11.5 million common shares to Pan American in consideration for Pico Machay. Treasury Metals and Pan American entered into a Definitive Agreement dated May 18, 2011 (the “Agreement”) relating to the acquisition.

On June 17, 2011, the Company announced the results of a metallurgical testwork program completed at G&T Metallurgical Services Ltd. (“G&T”) in Kamloops, B.C. The metallurgical test results have demonstrated exceptional gold recoveries from the Goliath Gold Project in northwestern Ontario. The 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 is identified as the best metallurgical flow-sheet for the Goliath Gold Project.

On June 9, 2011, the Company reported additional drill results from its current 30,000 metre diamond drilling campaign at the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-149          | 79.50           | 85.30         | 5.80                | 0.89            | Main Zone       |
| TL11-150          | 161.00          | 163.50        | 2.50                | 1.95            | Main Zone       |
| TL11-151          | 182.82          | 188.00        | 5.18                | 3.00            | Main Zone       |
| <i>and</i>        | 217.47          | 218.63        | 1.16                | 5.37            | Main Zone       |
| TL11-153          | 142.00          | 146.80        | 4.80                | 2.68            | Main Zone       |
| TL11-154          | 218.79          | 222.85        | 4.06                | 2.48            | Main Zone       |
| TL11-156          | 323.00          | 327.00        | 4.00                | 2.22            | Main Zone       |
| TL11-157          | 346.80          | 347.80        | 1.00                | 6.74            | Main Zone       |
| TL11-158          | 434.00          | 436.00        | 2.00                | 4.50            | Main Zone       |
| TL11-159          | 364.04          | 365.54        | 1.50                | 2.77            | Main Zone       |
| TL11-160          | 247.92          | 248.92        | 1.00                | 13.22           | Main Zone       |
| TL11-161          | 369.21          | 386.93        | 17.72               | 3.49            | Main Zone       |
| <i>including</i>  | 371.90          | 373.90        | 2.00                | 6.29            | Main Zone       |
| <i>including</i>  | 380.90          | 385.93        | 5.03                | 7.58            | Main Zone       |
| TL11-162          | 303.40          | 304.90        | 1.50                | 7.95            | Main Zone       |
| TL11-163          | 463.54          | 467.23        | 3.69                | 1.99            | Main Zone       |
| TL11-164          | 405.00          | 408.00        | 3.00                | 7.54            | Main Zone       |

On June 13, 2011, at the annual general meeting of shareholders of the Company, five directors were re-elected to hold office for the next year. Those directors are Marc Henderson, Douglas Bache, William Fisher, Blaise Yerly and Peter Walker. The two new board members elected at the meeting were Martin Walter and Harry Burgess.

On July 5, 2011, the Company reported initial drilling results from the western target at the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-164          | 405.0           | 409.0         | 4.0                 | 18.9            | Main Zone       |
| TL11-165          | 117.0           | 121.2         | 4.2                 | 1.5             | Main Zone-West  |
| TL11-167          | 175.6           | 177.4         | 1.8                 | 6.7             | Main Zone-West  |
| TL11-168          | 213.9           | 215.9         | 2.0                 | 3.5             | Main Zone-West  |
| TL11-169          | 407.7           | 410.1         | 2.4                 | 13.2            | Main Zone       |
| TL11-170          | 492.1           | 495.4         | 3.3                 | 4.3             | Main Zone       |

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-171          | 150.4           | 152.4         | 2.0                 | 5.6             | Main Zone-West  |
| TL11-172          | 353.1           | 355.6         | 2.5                 | 4.0             | Main Zone       |
| TL11-173          | 280.3           | 283.7         | 3.4                 | 16.0            | Main Zone-West  |
| TL11-174          | 485.9           | 491.5         | 5.6                 | 1.2             | Main Zone       |

On July 20, 2012, the Company reported two drilling rigs turning on-site. Given the encouraging results to date, Treasury Metals expanded the 30,000 metres drilling program to 40,000 metres.

On July 27, 2012, the Company completed 1,236 kilometres of magnetic and heliborne electromagnetic surveys over both its Goliath Gold Project and its Goldcliff Gold Project in northwestern Ontario. The surveys provide Treasury Metals with additional geological information which, when interpreted, will be used to generate future exploration targets.

On July 29, 2011, the Company announced Treasury Metals and Pan American Silver Corp. (“Pan American”) agreed to amend certain terms of the previously announced proposed acquisition by the Company of the Pico Machay Gold Project in Peru. In particular, the parties agreed to amend the terms of Definitive Agreement dated May 18, 2011 to extend the closing date of the transaction to August 31, 2011. In addition, Pan American granted the Company the option to satisfy up to US\$10.5 million of the US\$21 million cash portion of the purchase price through the issuance of a secured promissory note (the “Note”) to Pan American due December 31, 2011, subject to the right of the Company to pre-pay at any time.

On August 5, 2011, the Company 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 designed to raise gross proceeds of \$16 million. The net proceeds from the Offering were to be used to fund the Company’s previously announced acquisition of the Pico Machay Gold Project (“Pico Machay”) from Pan American Silver Corp., for exploration and development activities at Pico Machay and for general corporate purposes. Cormark and Canaccord Genuity Corp. acted as co-lead agents for the Offering. Final pricing and determination of the number of Shares to be sold pursuant to the Offering were to occur immediately prior to the filing of the final short form prospectus in respect of the Offering.

On August 26, 2011, the Company reported high-grade results at depth in the Eastern Zone and in the developing Western Target at the Goliath Gold Project, with cumulative drilling in the campaign approaching 50,000 metres – up from an initially announced 20,000 metres.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-186A         | 411.4           | 421.7         | 10.3                | 1.2             | Main Zone       |
| <i>including</i>  | 415.4           | 419.1         | 3.7                 | 2.2             |                 |
| TL11-189          | 242.9           | 244.9         | 2.0                 | 2.3             | West Zone       |
| TL11-191          | 348.5           | 351.8         | 3.3                 | 2.4             | Main Zone       |
| TL11-192          | 330.3           | 331.3         | 1.0                 | 3.6             | West Zone       |
| TL11-193          | 282.1           | 292.6         | 10.5                | 2.9             | Main Zone       |
| <i>including</i>  | 286.1           | 288.7         | 2.6                 | 8.2             |                 |
| TL11-194A         | 549.6           | 563.1         | 13.5                | 2.3             | Main Zone       |
| <i>including</i>  | 549.6           | 553.2         | 3.6                 | 4.4             |                 |

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-196          | 349.7           | 355.5         | 5.8                 | 2.0             | West Zone       |
| TL11-198          | 464.4           | 467.6         | 3.2                 | 2.3             | Main Zone       |
| TL11-199          | 528.0           | 534.4         | 6.4                 | 8.1             | Main Zone       |
| <i>including</i>  | 528.0           | 532.4         | 4.4                 | 11.6            |                 |
| TL11-200          | 279.7           | 293.1         | 13.4                | 3.1             | West Zone       |
| <i>including</i>  | 279.7           | 284.4         | 3.7                 | 6.2             |                 |

On August 30, 2011, the Company reported an additional significant drilling result from the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b> |
|-------------------|-----------------|---------------|---------------------|-----------------|-----------------|
| TL11-204A         | 223.5           | 229.5         | 6.0                 | 22.3            | Western Zone    |

On August 31, 2011, the Company announced that the Company and Pan American agreed to extend the closing date of the proposed acquisition of the Pico Machay Gold Project until September 21, 2011.

On October 4, 2011, the Company reported drilling results from the Goliath Gold Project.

Significant gold intersections include:

| <b>Drill Hole</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Au (g/t)</b> | <b>Comments</b>     |
|-------------------|-----------------|---------------|---------------------|-----------------|---------------------|
| TL11-202          | 125.6           | 128.6         | 3.0                 | 1.4             | Main Zone - West    |
| TL11-203          | 375.2           | 378.2         | 3.0                 | 2.5             | Main Zone - Central |
| TL11-205          | 488.6           | 493.6         | 5.0                 | 3.4             | Main Zone - Central |
| TL11-207          | 519.3           | 525.0         | 5.7                 | 6.2             | Main Zone - Central |
| TL11-210          | 310.0           | 311.0         | 1.0                 | 5.44            | Main Zone - Central |
| <i>and</i>        | 407.7           | 411.1         | 3.4                 | 2.4             | C Zone              |
| TL11-212          | 206.0           | 212.0         | 6.0                 | 1.8             | Main Zone - Central |
| <i>and</i>        | 230.4           | 232.2         | 2.8                 | 2.4             | C Zone              |
| TL11-213          | 230.1           | 235.6         | 5.5                 | 8.7             | Main Zone - Central |
| TL11-215          | 158.0           | 163.6         | 5.6                 | 1.1             | Main Zone - Central |
| TL11-216          | 321.5           | 330.0         | 8.5                 | 1.6             | Main Zone - Central |
| <i>and</i>        | 336.0           | 342.0         | 6.0                 | 2.0             | Main Zone - Central |

On October 26, 2011, the Company reported further drilling results from the Goliath Gold Project.

Significant gold intersections include:

| Drill Hole | From (m) | To (m) | Interval (m) | Au (g/t) | Comments            |
|------------|----------|--------|--------------|----------|---------------------|
| TL11-218   | 379.0    | 382.3  | 3.3          | 4.4      | Main Zone - Central |
| TL11-220   | 345.6    | 349.6  | 4.0          | 8.8      | Main Zone - Western |
| <i>and</i> | 388.0    | 393.8  | 5.8          | 5.1      | C-Zone              |
| <i>and</i> | 413.5    | 417.0  | 3.5          | 14.9     | C-Zone              |
| TL11-223   | 426.8    | 431.0  | 4.2          | 13.1     | Main Zone - Central |
| TL11-226   | 423.0    | 426.3  | 3.3          | 9.8      | Main Zone - Central |
| TL11-228   | 481.6    | 484.5  | 2.9          | 2.5      | Main Zone - Central |

On November 7, 2011, the Company announced it will not be completing the previously announced acquisition of the Pico Machay Gold Project in Peru from Pan American on the terms previously negotiated. As a result, the Company would not be proceeding with the public offering of Common Shares announced on August 5, 2011.

On November 9, 2011, the Company announced an updated National Instrument 43-101 Resource Estimate (“the 2011 Resource Estimate”) on its 100% owned Goliath Gold Project. The Resource Estimate was completed by independent consultant A.C.A. Howe International Limited (“ACA Howe” or “Howe”) of Toronto. This 2011 Resource Estimate is an update to the NI 43-101 Resource Estimate previously released in July 2010 and includes results from a database representing an additional 60,000 metres totaling 134 new drill holes. The 2011 Resource Estimate takes into account two in-fill focused drilling programs: 12,000 metres completed in 2010 and 48,000 metres in 2011.

The 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.

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. For the full details of the 2011 Resource Estimate, see “Mineral Projects.”

On December 6, 2011, the Company closed a brokered private placement, led by Cormark and Canaccord Genuity Corp. and included Raymond James Ltd. The offering consisted of 3,521,073 flow-through Common Shares at a price of \$1.15 per flow-through Common Share, for aggregate gross proceeds of approximately \$4.0 million.

On December 14, 2011, the Company made two senior management appointments within the development and exploration teams to assist the ongoing advancement of the Goliath Gold Project. The appointments include Mr. Norman Bush as Vice President – Goliath Gold Project and Mr. John Chulick to oversee the exploration team.

## **4. GENERAL DESCRIPTION OF THE BUSINESS**

### **4.1 General Overview**

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 in the Americas.

The Company's flagship asset is the Goliath Gold Project, an advanced stage, high-grade gold deposit near Dryden, Ontario. In addition, Treasury Metals has a satellite project in Ontario, 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. (See "Mineral Projects").

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.

Recent highlights include:

#### ***Management and Board of Directors***

- The appointment of Mr. Martin Walter as the CEO of the Company in December 2010. He is the former Executive Vice President of Aquiline Resources Inc. ("Aquiline") and co-founder and Director of Crown Point Ventures Ltd. On May 11, 2011, Mr. Walter assumed the expanded role of President and CEO of Treasury Metals following the resignation by Dr. Scott Jobin-Bevans as President and as a Director of the Board. Mr. Walter was also elected to the Board of Directors of the Company.
- The appointment of Mr. Norman Bush as Vice President - Goliath Gold Project. Mr. Bush will oversee the project development team with short-term priorities focused on permitting, engineering activities, safety and environmental management systems with the goal of moving the project through the feasibility stage. Mr. Bush is a former Vice President at Domtar LLC and Weyerhaeuser, and General Manager at MacMillan Bloedel Ltd. An engineer with more than 25 years in executive positions across North America, he has extensive government and public affairs experience. He has led teams that completed major capital projects including extensive upgrades and additions to Domtar's world-class pulp mill located in Dryden. Mr. Bush will be based out of the exploration office in Dryden and joins an expanding team of engineers and environmental staff.
- Mr. John Chulick, the former Vice President of Exploration at Aquiline, was appointed to oversee the exploration team. Mr. Chulick is an experienced mining exploration geologist with more than 25 years of experience, primarily with precious metal companies including senior level roles with Aquiline and Meridian Gold Inc. ("Meridian"). His previous management experience includes directing surface and underground exploration at Meridian's EI Penon mine in northern Chile and he was directly responsible for building Aquiline's Navidad project into one of the world'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 Cheate, the former Vice President of Exploration, who resigned in November 2011 to assume a President and CEO position within a junior mining company.

- Mr. Greg Ferron, as Vice President of Corporate Development, joined from the Toronto Stock Exchange where he was the Head of Global Mining, Business Development and a Senior Listings Manager of the TSX.
- Mr. Dennis Gibson, B.Comm, CGA, as Chief Financial Officer of the Company since July 1, 2010. He has also been the Chief Financial Officer of Laramide Resources Ltd. since 2006. Mr. Gibson is the former Chief Financial Officer of Aquiline Resources Inc. (2006-2009), and previously was the Vice President, Chief Financial Officer and Corporate Secretary of Vector Intermediaries Inc., a TSX-V company.
- The election of Mr. Harry Burgess to the Board of Directors of the Company in June 2011. Mr. Burgess is founder and former Vice President of Micon International Limited, a mining consulting practice. Mr. Burgess is an experienced engineer and brings international mine building experience to Treasury Metals. In addition, he sits on the board of several TSX and TSX-V listed companies.

### *Financings*

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

- On March 22, 2011, the Company raised \$5,000,000 at \$1.60 per Common Share.
- On December 6, 2011, the Company raised a further \$4,049,234 at \$1.15 per Common Share.
- On August 5, 2011, the Company announced that it had filed a preliminary short form prospectus with the securities regulatory authorities in the Provinces of Ontario, British Columbia, Alberta, Manitoba, and Saskatchewan, in connection with a best efforts offering of common shares of the Company (the "Offering") designed to raise gross proceeds of \$16 million. The net proceeds from the Offering would be used to fund the acquisition of the Pico Machay Project from Pan American Silver Corp., for exploration and development activities at the Pico Machay Gold Project in Peru and for general corporate purposes. On November 7, 2011 the Company announced it would not be completing the previously announced acquisition of the Pico Machay Gold Project in Peru from Pan American Silver on the terms previously negotiated. As a result, the Company did not proceed with the public offering of Common Shares announced on August 5, 2011.

### *Operations*

- In December 2010, the Company commenced a diamond drilling program of 20,000 metres at the Goliath Gold Project aimed at upgrading a significant portion of the current resource and extending the resource. The diamond drilling program was expanded to 30,000 metres on April 27, 2011 and subsequently increased to 50,000 metres in July 2011. This program was primarily focused on in-fill and expansion drilling within the resource area. The Company reported a number of high-grade intersections throughout the period (see press releases and Company's website for further details).
- The Company completed initial metallurgical test-work at the Goliath Gold Project. The test-work program was conducted at G&T Metallurgical Services Ltd. The metallurgical test results have demonstrated exceptional gold recoveries from the Goliath Gold Project. The tested sample is categorized as being non-refractory and free milling, yielding a gold recovery of 96 to 97%. A simple gravity recovery circuit plus cyanide leach of the gravity tailings was identified as the best metallurgical flow-sheet for the Goliath Gold Project.



- The Company commenced and completed 1,236 kilometres of magnetic and airborne 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.
- 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 Mineral Resources of more than 200%.

### *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.

## **4.2 Risk Factors**

The Company faces numerous exploration, development and operating risks.

Although the Company's activities are directed towards the development of mineral deposits, its activities also include the exploration for and development of mineral deposits.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

To date, the Company is considered to be a development stage company and has not recorded any revenues from its activities nor has the Company commenced commercial production on any of its properties. There can be no assurance that the Company will commence commercial production, generate any revenues or that the assumed levels of expenses will prove to be accurate.

The development of the Company's properties will require the commitment of substantial resources to

complete exploration programs and to bring the properties into commercial production. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control.

If mineral resource estimates are not accurate, production may be less than estimated which would adversely affect the Company's financial condition and result of operations.

Mineral resource estimates are imprecise and depend on geological analysis based partly on statistical inferences drawn from drilling, and assumptions about operating costs and metal prices, all of which may prove unreliable. The Company cannot be certain that the resource estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals if commercial production is commenced. Future production could differ dramatically from such estimates for the following reasons: mineralization or formations at the properties could be different from those predicted by drilling, sampling and similar examinations; declines in the market price of gold may render the mining of some or all of the resources uneconomic; and the grade of ore may vary significantly from time to time and the Company cannot give any assurances that any particular quantity of metal will be recovered from the resources.

The occurrence of any of these events may cause the Company to adjust the resource estimates or change its mining plans, which could negatively affect the Company's financial condition and results of operation.

The Company's exploration and development properties may not be successful and are highly speculative in nature.

Exploration for gold is highly speculative in nature. The Company's exploration activities involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and the availability of exploration capital. The Company cannot give any assurance that its current or future exploration efforts will result in the discovery of a mineral reserve or new or additional mineral resources, the expansion of current resources or the conversion of mineral resources to mineral reserves.

As well, mineral deposits, even though discovered, may be insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by additional factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and other factors, which may make a mineral deposit unprofitable to exploit.

The Company's mineral properties are in the exploration stage and are without known bodies of mineral reserves, although a mineral resource has been established on the Goliath Gold Project. Development of such projects will only follow upon obtaining satisfactory exploration results and the completion of feasibility or other economic studies.

The risks and hazards associated with mining and processing may increase costs and reduce profitability in the future.

Mining and processing operations involve many risks and hazards, including among others: environmental hazards; mining and industrial accidents; metallurgical and other processing problems; unusual and unexpected rock formations; flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature; mechanical equipment and facility performance problems; and unavailability of materials, equipment and personnel. These risks may result in: damage to, or destruction of, the Company's properties or production facilities; personal injury or death;

environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and legal liability.

The Company cannot be certain that its insurance will cover the risks associated with mining or that it will be able to obtain or maintain insurance to cover these risks at affordable premiums. The Company might also become subject to liability for pollution or other hazards against which it cannot insure or against which the Company may elect not to insure because of premium costs or other reasons. Losses from such events may increase costs and decrease profitability.

The Company may experience higher costs and lower revenues than estimated due to unexpected problems and delays.

New mining operations often experience unexpected problems during the development and start-up phases and such problems can result in substantial delays in reaching commercial production. Delays in construction or reaching commercial production in connection with the Company's development of its mines would increase its operating costs and delay revenue growth.

Future exploration at the Company's projects or elsewhere may not result in increased mineral resources.

The Company intends to upgrade and expand its existing resource base by surface and underground drilling in the immediate vicinity of the presently defined mineral resources. Mineral exploration involves significant risks over a substantial period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Even if the Company discovers a valuable deposit of minerals, it may be several years before production is possible and during that time it may become economically unfeasible to produce those minerals. There is no assurance that current or future exploration programs will result in any new economically viable mining operations or yield new resources to replace and expand current resources.

The Company's vulnerability to changes in metal prices may cause its share price to be volatile and may affect the Company's operations and financial results.

If the Company commences production, the profitability of the Company's operations will be dependent upon the market price of mineral commodities. Metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. In addition to adversely affecting the Company's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The Company is subject to extensive environmental legislation and the costs of complying with these regulations may be significant. Changes in environmental legislation could increase the costs of complying with applicable regulations and reduce levels of production.

All phases of the Company's operations are subject to environmental regulation. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations.

Environmental legislation relating to land, air and water affects nearly all aspects of the Company's

operations. This legislation requires the Company to obtain various operating licenses and also imposes standards and controls on activities relating to exploration, development and production. The cost of obtaining operating licenses and abiding by standards and controls on its activities may be significant. Further, if the Company fails to obtain or maintain such operating licenses or breaches such standards or controls imposed on its activities, it may not be able to continue its operations in its usual manner, or at all, or the Company may be subject to fines or other claims for remediation which may have a material adverse impact on its operations or financial results. While the Company is unaware of any existing material environmental liabilities, it cannot guarantee that no such liabilities currently exist or will occur in the future.

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of further protecting human health and the environment. Some of the issues currently under review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company anticipates capital expenditures and operating expenses will increase as a result of compliance with the introduction of new and more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is in material compliance with existing environmental legislation, it cannot give assurances that it will at all future times be in compliance with all federal and state environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.

Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and but are not granted, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Compliance with current and future government regulations may cause the Company to incur significant costs and slow its growth.

The Company's activities are subject to extensive laws and regulations governing matters relating to occupational health, labour standards, prospecting, exploration, production, exports and taxes. Compliance with these and other laws and regulations could require the Company to make significant capital outlays which may slow its growth by diverting its financial resources. The enactment of new adverse regulations or regulatory requirements or more stringent enforcement of current regulations or regulatory requirements may increase costs, which could have an adverse effect on the Company. The Company cannot give assurances that it will be able to adapt to these regulatory developments on a timely or cost effective basis. Violations of these regulations and regulatory requirements could lead to substantial fines, penalties or other sanctions.

The Company is required to obtain and renew governmental permits and licences in order to conduct mining operations, which is often a costly and time-consuming process.

In the ordinary course of business, the Company will be required to obtain and renew governmental permits and licenses for the operation and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Company's efforts to obtain and renew permits and licenses are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licensing authority. The Company may not be able to obtain or renew permits and licenses that are necessary to its operations or the cost to obtain or renew permits and licenses may exceed what the Company expects. Any unexpected delays or costs

associated with the permitting and licensing process could delay the development or impede the operation of the Company's projects which could adversely affect the Company's revenues and future growth.

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing.

Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure.

Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

There is no guarantee that title to any of the Company's mineral properties will not be challenged or disputed or that the term of the Company's mineral rights can be extended or renewed.

Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. While the Company intends to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that the Company will be successful in extending or renewing mineral rights on or prior to expiration of their term.

If the Company loses key personnel or is unable to attract and retain additional personnel, the Company's mining operations and prospects could be harmed.

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations may be affected.

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself.

Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

### ***Aboriginal Rights and Consultation Issues***

Aboriginal rights may be claimed with respect to Crown properties or other types of tenure with respect to

which mining rights have been conferred. The government has been notified by several Aboriginal groups that they assert the area comprising the Company's property to be within their traditional territories and accordingly, they assert the right to be consulted by government prior to the issuance of any approvals or permits and to discuss whether any disruption of traditional activities can be avoided or mitigated. These processes may affect the ability of the Company to pursue exploration, development and mining at its properties. The legal basis of such claims is a matter of considerable legal complexity and the impact of the assertion of such land claims cannot be predicted with any degree of certainty at this time. No assurance can be given that the Company's operations will not be delayed or hindered by any potential claims. In addition, no assurance can be given that any recognition of Aboriginal rights whether by way of a negotiated settlement or by judicial pronouncement would not delay or even prevent the Company's exploration, development or mining activities. Managing these issues is an integral part of exploration, development and mining in Canada, and the Company is committed to managing these issues effectively.

### ***Shares Reserved For Future Issuance***

As at the close of business on December 31, 2011, the Company had the following outstanding warrants:

| <b>Date of Expiry</b> | <b>Type</b> | <b>No. of Warrants</b> | <b>Exercise Price \$</b> |
|-----------------------|-------------|------------------------|--------------------------|
| June 2, 2012          | Warrants    | 443,465                | \$1.00                   |
| June 2, 2012          | Warrants    | 2,203,018              | \$0.70                   |
| <b>Total</b>          |             | <b>2,646,483</b>       | <b>\$0.76</b>            |

The Company also had 3,082,132 options outstanding with an average weighted exercise price of \$0.55.

Options and warrants are likely to be exercised when the market price of the Company's Common Shares exceeds the exercise price of such options or warrants. The exercise price of such options or warrants and the subsequent resale of such Common Shares in the public market could adversely affect the prevailing market price and the Company's ability to raise equity capital in the future at a time and price when it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional Common Shares and the Company may grant additional share purchase warrants and stock options. Any share issuances from the Company's treasury will result in immediate dilution to existing shareholders.

## **5. MINERAL PROJECTS**

None of the Company's properties are at or near production. The principal mineral assets of the Company as at the date of this AIF consist of (i) the Goliath Gold Project; (ii) the Lara Project; and (iii) the Goldcliff Project; all as further described below. The Company's primary focus is the exploration and development of the Goliath Gold Project.

Treasury Metals' exploration programs and pertinent disclosure of a scientific nature in this Annual Information Form were prepared and/or designed and carried out under the overall supervision of Andrew Cheatle, P.Geol., Treasury Metals' Vice president Exploration, who served as the Qualified Person as defined by National Instrument 43-101 until November 2011 and thereafter by John Chulick who currently serves as the Qualified Person as defined by National Instrument 43-101. Mr. Chulick has reviewed and approved this Annual Information Form.

## **5.1 Goliath Gold Project**

In 2010, the Company received the NI 43-101 mineral resource estimate and technical report entitled *Technical Report and Preliminary Economic Assessment on the Goliath Gold Project, Kenora Mining Division, Northwestern Ontario, Canada*, dated effective July 9, 2010 (the “Goliath Gold Technical Report”). The Goliath Gold Technical Report was prepared in accordance with NI 43-101 by Doug Roy, Ian D. Trinder, Patrick Hannon and Edward Thornton all of ACA Howe. Each of Doug Roy, Ian D. Trinder, Patrick Hannon and Edward Thornton is a Qualified Person as such term is defined in NI 43-101 and each is independent of the Company.

In 2011, the Company provided an updated National Instrument 43-101 resource estimate on its 100% owned Goliath Gold Project entitled *Technical Report And Mineral Resource Update On The Goliath Gold Project, Kenora Mining Division, Northwestern, Ontario, Canada* dated effective Nov. 9, 2011. Technical information related to the 2011 Resource Estimate has been reviewed and approved by Doug Roy, M.A.Sc., P.Eng., an Associate Mining Engineer with ACA Howe, and who is an independent Qualified Person as defined by NI 43-101, with the ability and authority to verify the authenticity and validity of this data.

The 2011 Resource Estimate is an update to the NI 43-101 Resource Estimate previously released in July 2010, 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 focused drilling programs: 12,000 metres completed in 2010 and 48,000 metres in 2011.

### **Goliath Report Summary**

The Goliath Gold Project now consists of 137 contiguous unpatented mining claims (254 units; 4,064 ha) and 19 patented land parcels (817 ha), totalling approximately 4,881 ha (~48 km<sup>2</sup>) and covering portions of Hartman and Zealand townships. All claims are currently active and in good standing with MNDMF.

The Goliath Gold Project comprises two historic properties which are now consolidated under the common name Goliath Gold Project: the larger Thunder Lake Property, purchased from Teck and Corona 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 Goliath Gold 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%.

For the purposes of the disclosure required under section 5.4 of Form 51-102F2 – Annual Information Form, the Executive Summary from both the 2011 updated National Instrument 43-101 Resource Estimate and the 2010 Goliath Gold Technical Report are reproduced below, and the Company incorporates by reference in this Annual Information Form the disclosure contained in the 2011 updated National Instrument 43-101 Resource Estimate and the 2010 Goliath Gold Technical Report. The full Resource Estimate and Goliath Gold Technical Report can be viewed on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Executive Summary of the 2011 Resource Estimate**

#### **1.1 Property Location Access and Description**

The Goliath Gold Project, located in northwestern Ontario, lies about 125 kilometres east of the City of Kenora, 20 kilometres east of the City of Dryden, and 325 kilometres northwest of the port City of Thunder Bay, in the Kenora Mining Division, Ontario, Canada.

The Goliath Project consists of 137 contiguous unpatented mining claims (254 units – 4,064 hectares), 17 patented land parcels (763.9 hectares) and a private land parcel (101 hectares) as detailed in Appendix A. The total area of the claim group is approximately 4,929 hectares (approximately 49 km<sup>2</sup>) covering portions of Hartman and Zealand townships east of the City of Dryden. Treasury holds the Project 100%, subject to certain underlying royalties and payment obligations remaining on 13 of the 17 patented land parcels. Treasury's 2008 drilling was confined to unpatented claims 1106348 and 1106347, and patented claims 21609, 34461 and 4822. Treasury's 2009 drilling was confined to unpatented claim 1106348 and patented claims 41215 and SV200. Treasury's 2010 and 2011 drilling was confined to unpatented claims 1106348 and 1106347, and patented claims 15395, 41215, 21553, 4822 and SV200. All claims are currently active and in good standing with Ontario's Ministry of Northern Development, Mines and Forestry ("MNDFM").

## **1.2 Property History**

There is only limited documentation of exploration activity conducted on the Project area prior to 1989. Previous exploration in the area was either regional in nature or focused mainly on the western portion of the Property. Reconnaissance investigation by Teck Exploration Ltd. (now Teck Resources Limited) geologists in 1989 identified a poorly exposed, broad area of weak mineralisation and anomalous gold extending through parts of Lots 3 through 8 of Concession IV of Zealand Township. The discovery hole (TL-001) on the Main Zone of the Thunder Lake Deposit was drilled in October, 1990, intersecting multiple horizons of gold mineralisation with intersections of 1.5 g/tonne Au over 22.2 metres, 0.9 g/tonne Au over 11.6 metres and 17.5 g/tonne Au over 2.6 metres (Page, 1995). Land acquisition, field surveys, drilling and underground bulk sampling were completed by Teck Resources Limited ("Teck") and its various partners between late 1989 and 1998; the Thunder Lake project was put on hold in 1999. Total diamond drilling on the Thunder Lake Property from 1990 to 1998 amounted to approximately 78,461.20 metres in 293 drill holes.

In 1998, as part of the underground sampling program, 4 bulk samples from the Main Zone (No. 1 and No. 2 shoots) totalling 2,375 tonnes and grading >3.0 g/tonne Au were collected from the underground workings (Page et al., 1999b). The original bulk sample of 2,375 tonnes had an estimated overall grade of 9.07 g/tonne Au or 692 ounces of contained gold (Page et al., 1999b). Metallurgical results obtained on a composite sample of 24 kg from the No. 1 Shoot indicated that cyanidation achieved the best recoveries for gold at 98.7% (Corona, 2001; Hogg, 2002). Gravity and flotation resulted in recoveries of 97.3% Au and gravity alone recovered 69.1% Au (Corona, 2001; Hogg, 2002). Final gold recovery was calculated at 96.85% and silver recoveries were approximately 38% (Corona, 2001).

By 1999, surface and underground exploration and sampling led to the outlining of the Thunder Lake Deposit and the reporting of a historical Inferred Mineral Resource (non-compliant with NI 43-101) containing 2.974 million tonnes grading 6.47 g/tonne Au, using a cut-off of 3.0 g/tonne Au and a minimum thickness of 3.0 m (CAMH, 2007; Gray and Donkersloot, 1999). Howe considers all of the historical resource estimates to be non-compliant with National Instrument 43-101 standards and as such they should not be relied upon.

## **1.3 Geological Setting**

The Goliath Project is located within the Wabigoon Subprovince of the Archaean Superior Province, northwestern, Ontario and is situated north of the Wabigoon Fault. Much of the Project area is underlain by the Thunder Lake Assemblage, an upper greenschist to lower amphibolite metamorphic grade volcanogenic-sedimentary complex of felsic metavolcanic rocks and clastic metasedimentary rocks (Beakhouse 2000). The assemblage comprises quartz-porphyritic felsic to intermediate metavolcanic rocks represented by biotite gneiss, mica schist, quartz-porphyritic mica schist, a variety of



metasedimentary rocks and minor amphibolites. Compositional layering in metasedimentary rocks strikes  $\sim 70^\circ$  to  $90^\circ$  and dips from  $70^\circ$  to  $80^\circ$  south-southeast. The Thunder River Mafic Metavolcanic rocks underlie the south part of the Property. The mafic rocks are generally massive flows but are pillowed locally and include amphibolite and mafic dykes, which are characterised as chlorite schists. Some rocks have been described as ultramafic in character (Hogg, 2002).

#### 1.4 Mineralisation

The main zones of mineralisation (Thunder Lake Deposit) project to surface approximately 250-300 metres north of Norman Road. The Main Zone, Footwall Zone (B, C and D subzones), and Hangingwall Zone (H and H1 subzones) of the Thunder Lake Deposit strike approximately east-west, varying between  $090^\circ$  and  $072^\circ$ , with dips that are consistently  $72^\circ$ - $78^\circ$  toward the south or southeast. The main area of gold, silver and sulphide mineralisation and alteration occurs up to a maximum drill-tested depth of  $\sim 805$  metres (TL135) below the surface, over a strike-length of approximately 2,300 metres within the current defined resource area. The historic drilling of Teck and its various partners confirmed that anomalous gold mineralisation extends over a strike length of at least 3,500 metres (Corona, 1998) and work by Treasury has shown this anomalous gold mineralisation and alteration to extend over a strike length of +5,000 metres.

The mineralised zones are tabular composite units defined on the basis of anomalous to strongly elevated gold concentrations, increased sulphide content and distinctive altered rock units and are concordant to the local stratigraphic units. Stratigraphically, gold mineralisation is contained in an approximately 100 to 150 metre wide central zone composed of intensely altered felsic metavolcanic rocks (quartz-sericite and biotite-muscovite schist) with minor metasedimentary rocks. Overlying hangingwall rocks consist of altered felsic metavolcanic rocks (sericite schist, biotite-muscovite schist and metasedimentary rocks), with the footwall comprising metasedimentary rocks with minor porphyries, felsic gneiss and schist. Gold within the central unit is concentrated in a pyritic alteration zone, consisting of quartz-sericite schist (MSS), quartz-eye gneiss and quartz-feldspar gneiss (Corona, 2001).

The Treasury drilling programs primarily targeted the Main Zone, but the Hangingwall Zone was intersected as was the Footwall Zone by deeper drill holes. Drilling has intersected the Main Zone over a strike length of approximately 2,300 metres and a thickness of 5 to 30 metres. The Main Zone is composed of well-defined pyritic quartz-sericite schist (MSS) separated by less-altered biotite-feldspar schist (BMS). Sulphide mineralisation and local visible gold (VG) occurs mainly within the leucocratic bands, but occasionally it is localized in the melanocratic bands enriched with biotite and chlorite. The sulphide content of the mineralised zone is generally 3-5% but locally is up to 15%. Highest gold and silver values are associated with very strong pervasive quartz-sericite alteration. It appears that gold content does not directly correlate with pyrite content, but generally an increase in the gold and silver correlates with an increase in the pyrite and more specifically, the sphalerite content. An increase in chalcopyrite and galena content has a lower correlation to an increase in gold values. Low grade Au-Ag mineralisation is pervasive in the Main Zone, Hangingwall Zone and in the Footwall Zone, whereas high-grade gold mineralisation ( $>3$  g/tonne) is concentrated in several steeply dipping, steep west-plunging shoots with relatively short strike-lengths (up to 50 metres) and considerable down-plunge continuity. These higher-grade shoots are separated by rock containing lower grade gold mineralisation.

The high-grade shoots are interpreted to be the result of tight folding of the mineralised horizon (gold concentrated in fold noses) and appear to occur at regular intervals (Corona, 1998). Very rare flakes of aquamarine green mica (fuchsite: Cr muscovite) occur in the strongly altered sericite alteration with high-grade gold. Usually, mineralised intervals are narrow (up to 0.5 metres) zones enriched with 3-10% visible sulphides (pyrite, sphalerite, galena, chalcopyrite  $\pm$  arsenopyrite,  $\pm$  dark grey needles of stibnite) within a wider quartz-sericite or biotite-feldspar sections with fine-grained disseminated pyrite located in the foliation planes.

## 1.5 Exploration

Prior to Treasury's 2008 exploration program, no exploration work had been completed on the Thunder Lake Property (Thunder Lake East and West) or the Laramide Property since 1999 and 1994, respectively (Sills, 2007). Treasury's 2008 exploration program comprised a property wide airborne magnetic survey, ground IP and geological surveys over the Thunder Lake deposit area, trenching and diamond drilling totalling 13,203.6 metres. Treasury's 2009 exploration program comprised reconnaissance prospecting, outcrop channel sampling and diamond drilling totalling 4,612.6 metres. Treasury's 2010 exploration program comprised reconnaissance prospecting, trenching and diamond drilling totalling 10,228 metres. Treasury's 2011 exploration program comprised diamond drilling totalling 49,926.5 metres.

## 1.6 Mineral Resource Estimate

During September-November, 2011, ACA Howe International Limited ("Howe") carried out a resource estimate for the Goliath deposit using historical drilling and current drilling. The resource estimate includes holes up to Hole TL11228, drilled during 2011. The mineral resource estimate was prepared by Doug Roy, M.A.Sc., P.Eng., Associate Mining Engineer with Howe.

Mineralised zones were outlined to enforce geological control during block modelling. The interpretations that ACA Howe (2008 and 2010) made during the previous mineral resource estimates were modified slightly in consideration of the current drilling.

A main zone, two hanging wall zones, and three footwall zones were outlined. Higher grade shoots were observed in the main zone. Therefore, the main zone was broken down into two domains - a higher grade and lower grade domain. The average grade for the higher grade domain was 2.0 g/tonne, while the average grade for the lower grade domain was less than half that value at 0.9 g/tonne.

A number of samples (267) were assayed using both fire assay and pulp metallics. The correlation between the two methods was fairly good with a correlation coefficient of 0.9. Meaning, fire assay tended to give slightly higher grades than pulp metallics. For conservatism, the pulp metallics result was used over the fire assay result.

Because there were relatively few higher grade samples and no indication, from the cumulative normal probability curve, of the presence of outliers, it was felt that an arbitrary top-cut was not necessary. No top-cut was applied because, in the author's opinion, a top-cut would not affect the global estimate.

Variography was carried out on regularised gold assays, with the following results for the main zone:

| Direction                                     | Azimuth | Plunge    | Data                  | Model Type  | Model Range (m) | Nugget [Ln(g/tonne)] <sup>2</sup> | Partial Sill [Ln(g/tonne)] <sup>2</sup> | Fit       |
|---|---------|-----------|-----------------------|-------------|-----------------|-----------------------------------|---|-----------|
| Normal to Plane of Mineralisation (Down-hole) | 200     | -10 (Up)  | 1.5 metre Regularised | Exponential | 5               | 0.15                              | 1.61                                    | Very Good |
| Down-Trend                                    | 200     | 80 (Down) | 1.5 metre Regularised | Exponential | 35              | 0.15                              | 1.61                                    | Very Good |
| Along Strike                                  | 290     | 0         | 1.5 metre Regularised | Exponential | 5               | 0.15                              | 1.61                                    | Poor      |

Variography was also carried out for silver, which could be a byproduct of gold production. The semi-variogram range was 55 metres. Considering relative metal prices and relative expected processing recovery values, one gram of gold was equal to 57 grams of silver.

Based on 46 samples from the mineralised zones, the average specific gravity (“SG”) was calculated as 2.75.

Ordinary block kriging was used for estimating block grades. The grade estimation process was carried out separately for each of the zones. Also, for the Main Zone, the higher grade domain was estimated separately from the lower grade domain.

The grade estimation process was carried out in five “runs” in which the ellipse (really a sphere) radius increased with run. This limited the effect of far-away samples, even when the maximum number of samples had not been reached, when closer samples were available.

Resource parameters were chosen based on a combination of variography results and the author’s judgement. All blocks that were within the outlined mineralised zones were considered to be (at least) Inferred. Geological continuity has been well established for much of the Main Zone and parts of the C Zone. The other zones are less predictable and should stay entirely in the Inferred category, at least until more work indicates otherwise.

Indicated Resources were outlined graphically in the Main Zone on longitudinal sections within areas where the intercept spacing was approximately 35 metres or less in two dimensions. For the C-Zone, the maximum spacing (in two dimensions) for Indicated resources was 25 metres.

Resources were defined using a block cut-off grade of 0.3 g/tonne for surface resources (less than 150 metres deep) and 1.5 g/tonne for underground resources.

Non-diluted Indicated Mineral Resources (Surface plus Underground), located within the Main Zone and C-Zone, totalled 9.1 million tonnes with an average gold grade of 2.6 g/tonne and an average silver grade of 10.4 g/tonne, for 810,000 ounces of gold and gold equivalent.

Non-diluted Inferred Mineral Resources (Surface plus Underground), from all zones, totalled 15.9 million tonnes with an average gold grade of 1.7 g/tonne and an average silver grade of 3.9 g/tonne, for 900,000 ounces of gold and gold equivalent.

| Category                         | Surface or Underground | Cut-Off Grade (g/tonne) | Tonnes            | Gold Grade (g/tonne) | Silver Grade (g/tonne) | Gold Ounces    | Silver Ounces    | Gold Equivalent Ounces (of Silver) | Ounces Gold Plus Gold Equivalent |
|----------------------------------|------------------------|-------------------------|-------------------|----------------------|------------------------|----------------|------------------|------------------------------------|----------------------------------|
| Indicated                        | Surface                | 0.30                    | 6,002,000         | 1.8                  | 7.1                    | 326,000        | 1,257,000        | 22,000                             | 348,000                          |
| Indicated                        | Underground            | 1.50                    | 3,136,000         | 4.3                  | 18.0                   | 433,000        | 1,812,000        | 32,000                             | 465,000                          |
| <b>Total Indicated (Rounded)</b> |                        |                         | <b>9,140,000</b>  | <b>2.6</b>           | <b>10.4</b>            | <b>760,000</b> | <b>3,070,000</b> | <b>54,000</b>                      | <b>810,000</b>                   |
| Inferred                         | Surface                | 0.30                    | 11,093,000        | 1.0                  | 3.3                    | 352,000        | 1,184,000        | 21,000                             | 374,000                          |
| Inferred                         | Underground            | 1.50                    | 4,789,000         | 3.3                  | 5.2                    | 514,000        | 807,000          | 14,000                             | 528,000                          |
| <b>Total Inferred (Rounded)</b>  |                        |                         | <b>15,900,000</b> | <b>1.7</b>           | <b>3.9</b>             | <b>870,000</b> | <b>1,990,000</b> | <b>35,000</b>                      | <b>900,000</b>                   |

Notes for Resource Estimate:

1. Cut-off grade for mineralised zone interpretation was 0.5 g/tonne.
2. Block cut-off grade for surface resources (less than 150 metres deep) was 0.3 g/tonne.
3. Block cut-off grade for underground resources (more than 150 metres deep) was 1.5 g/tonne.
4. Gold price was \$US 1500 per troy ounce.
5. Zones extended up to 150 metres down-dip from last intercept. Along strike, zones extended halfway to the next cross-section.
6. Minimum width was 2 metres.
7. Non-diluted.
8. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
9. Resource estimate prepared by Doug Roy, M.A.Sc., P.Eng.
10. A specific gravity (bulk density) value of 2.75 was applied to all blocks (based on 194 samples).
11. Non-cut. Top-cut analysis of sample data suggested no top cut was needed because of the absence of high-grade outliers.
12. 1 ounce gold = 57 ounces silver. Silver equivalency parameters: Metallurgical recovery: Gold 95%, Silver 72%; Price: Gold \$1500 per ounce, Silver \$35 per ounce.

The results of block kriging were cross-validated against a nearest-neighbour estimate. Though the global declustered mean was slightly higher than the kriged average block grade, the author was satisfied with the cross-validation results.

A comparison was made with the previous mineral resource estimate that ACA Howe carried out in 2010. The additional drilling caused a shift of some mineral resources that were in the Inferred category into the Indicated category. The net result was an increase in grade and gold content (by 490,000 ounces) for the Indicated category and a decrease in grade and gold content (by 60,000 ounces) for the Inferred category.

The major causes behind the overall net increase in tonnes and metal content were:

- the significant number of new holes and
- the drop in block cut-off grades.

This report quotes estimates for mineral resources only. There are no mineral reserves prepared or reported in this technical report.

## **1.7 Environmental and Permitting Status**

Treasury has commissioned Environmental Base Line Studies using the services of Klohn Crippen Berger (“KCB”). Studies were initiated in the Fall of 2010 and have continued to the date of this report. 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.

## **1.8 Conclusions and Recommendations**

In Howe’s opinion, Treasury should continue work to advance the Project, by gathering information and undertaking studies with the view to eventually undertaking a Pre-Feasibility Study.

To proceed with the assessment of the potential development of the Project, Howe recommends surface and underground bulk sampling, and pilot plant testing. The overall objective of the work would be to determine mining and processing parameters to the preliminary feasibility level of accuracy (plus or minus 15-20%). Should the preliminary feasibility be positive, mineral reserves can be identified.

The grand total budgetary cost for this work, including a preliminary feasibility study, is estimated to be \$3.2 million.

## **Executive Summary of the 2010 Goliath Gold Technical Report**

### **1.1 Property Location Access and Description**

The Goliath Gold Project, located in northwestern Ontario, lies about 125 kilometres east of the City of Kenora, 20 kilometres east of the City of Dryden, and 325 kilometres northwest of the port City of Thunder Bay, in the Kenora Mining Division, Ontario, Canada.

The Goliath Gold Project consists of 134 contiguous unpatented mining claims (234 units – 3744 hectares) and 17 patented land parcels (764 hectares). The total area of the claim group is approximately 4,508 hectares (45 km<sup>2</sup>) covering portions of Hartman and Zealand townships east of the City of Dryden.

Treasury holds the Project 100%, subject to certain underlying royalties and payment obligations remaining on 15 of the 17 patented parcels. Treasury's 2008 drilling was confined to unpatented claims 1106348 and 1106347, and patented claims 21609, 34461 and 4822. Treasury's 2009 drilling was confined to unpatented claim 1106348 and patented claims 41215 and SV200. All claims are currently active and in good standing with Ontario's Ministry of Northern Development, Mines and Forestry ("MNDMF").

## **1.2 Property History**

There is only limited documentation of exploration activity conducted on the Goliath Gold Project area prior to 1989. Previous exploration in the area was either regional in nature or focused mainly on the western portion of the Goliath Gold Property. Reconnaissance investigation by Teck geologists in 1989 identified a poorly exposed, broad area of weak mineralisation and anomalous gold extending through parts of Lots 3 through 8 of Concession IV of Zealand Township. The discovery hole (TL-001) on the Main Zone of the Deposit was drilled in October, 1990, intersecting multiple horizons of gold mineralisation with intersections of 1.5 g/tonne Au over 22.2 metres, 0.9 g/tonne Au over 11.6 metres and 17.5 g/tonne Au over 2.6 metres (Page, 1995). Land acquisition, field surveys, drilling and underground bulk sampling were completed by Teck and its various partners between late 1989 and 1998; the Thunder Lake project was put on hold in 1999. Total diamond drilling on the Goliath Gold Property from 1990 to 1998 amounted to approximately 78,461.20 metre in 293 holes.

In 1998, as part of the underground sampling program, 4 bulk samples from the Main Zone (No.1 and No.2 shoots) totalling 2,375 tonnes and grading >3.0 g/tonne Au were collected from the underground workings (Page et al., 1999b). The original bulk sample of 2,375 tonnes had an estimated overall grade of 9.07 g/tonne Au or 692 ounces of contained gold (Page et al., 1999b). Metallurgical results obtained on a composite sample of 24 kg from the No. 1 Shoot indicated that cyanidation achieved the best recoveries for gold at 98.7% (Corona, 2001; Hogg, 2002). Gravity and flotation resulted in recoveries of 97.3% Au and gravity alone recovered 69.1% Au (Corona, 2001; Hogg, 2002). Final gold recovery was calculated at 96.85% and silver recoveries were approximately 38% (Corona, 2001).

By 1999, surface and underground exploration and sampling led to the outlining of the Deposit and the reporting of a historical Inferred Mineral resource (non-compliant with NI 43-101) containing 2.974 million tonnes grading 6.47 g/tonne Au, using a cut-off of 3.0 g/tonne Au and a minimum thickness of 3.0 m (CAMH, 2007; Gray and Donkersloot, 1999). Howe considers all of the historical resource estimates to be non-compliant with National Instrument 43-101 standards and as such they should not be relied upon.

## **1.3 Geological Setting**

The Goliath Gold Project is located within the Wabigoon Subprovince of the Archaean Superior Province, northwestern, Ontario and is situated north of the Wabigoon Fault. Much of the Project area is underlain by the Thunder Lake Assemblage, an upper greenschist to lower amphibolites metamorphic grade volcanogenic-sedimentary complex of felsic metavolcanic rocks and clastic metasedimentary rocks (Beakhouse, 2000). The assemblage comprises quartz-porphyrific felsic to intermediate metavolcanic rocks represented by biotite gneiss, mica schist, quartz-porphyrific mica schist, a variety of metasedimentary rocks and minor amphibolites. Compositional layering in metasedimentary rocks strikes ~70° to 90° and dips from 70° to 80° south-southeast. The Thunder River Mafic Metavolcanic rocks underlie the south part of the Property. The mafic rocks are generally massive flows but are pillowed locally and include amphibolites and mafic dykes, which are characterised as chlorite schists. Some rocks have been described as ultramafic in character. (Hogg, 2002).

## 1.4 Mineralisation

The main zones of mineralisation (Deposit) project to surface approximately 250-300 metres north of Norman Road. The Main Zone, Footwall Zone (B,C, and D subzones), and Hangingwall Zone (H and H1 subzones) of the Deposit strike approximately east-west, varying between 090° and 072°, with dips that are consistently 72°-78° toward the south or southeast. The main area of gold, silver and sulphide mineralisation and alteration occurs up to a maximum drill-tested depth of ~805 metres (TL135) below the surface, over a strike length of approximately 2,300 metres within the current defined resource area. The historic drilling of Teck and its various partners confirmed that anomalous gold mineralisation extends over a strike length of at least 3,500 metres (Corona, 1998) and work by Treasury Metals has shown this anomalous gold mineralisation and alteration to extend over a strike length of +5,000 metres.

The mineralised zones are tabular composite units defined on the basis of anomalous to strongly elevated gold concentrations, increased sulphide content and distinctive altered rock units and are concordant to the local stratigraphic units. Stratigraphically, gold mineralisation is contained in an approximately 100 to 150 metre wide central zone composed of intensely altered felsic metavolcanic rocks (quartz-sericite and biotite-muscovite schist) with minor metasedimentary rocks. Overlying hangingwall rocks consists of altered felsic metavolcanic rocks (sericite schist, biotite-muscovite schist and metasedimentary rocks), with the footwall comprising metasedimentary rocks with minor porphyries, felsic gneiss and schist. Gold within the central unit is concentrated in a pyrite alteration zone, consisting of quartz-sericite schist (MSS), quartz-eye gneiss and quartz-feldspar gneiss (Corona, 2001).

The Treasury Metals 2008 and 2009 drilling programs primarily targeted the Main Zone, but the Hangingwall Zone was intersected as well as the Footwall Zone by deeper drill holes. Drilling has intersected the Main Zone over a strike length of approximately 2,300 metres and a thickness of 5 to 30 metres. The Main Zone is comprised of well-defined pyritic quartz-sericite schist (MSS) separated by less-altered biotite-feldspar schist (BMS). Sulphide mineralisation and local visible gold (VG) occurs mainly within the leucocratic bands, but occasionally it is localized in the melanocratic bands enriched with biotite and chlorite. The sulphide content of the mineralised zone is generally 3-5% but locally is up to 15%. Highest gold and silver values are associated with very strong pervasive quartz-sericite alteration. It appears that gold content does not directly correlate with pyrite content, but generally an increase in the gold and silver correlates with an increase in the pyrite and more specifically, the sphalerite content. An increase in chalcopyrite and galena content has a lower correlation to an increase in gold values. Low grade Au-Ag mineralisation is pervasive in the Main Zone, Hangingwall Zone and Footwall Zone, whereas high-grade gold mineralisation (>3 g/tonne) is concentrated in several steeply dipping, steep west-plunging shoots with relatively short strike-lengths (up to 50 metres) and considerable down-plunge continuity. These higher-grade shoots are separated by rock containing lower grade gold mineralisation.

The high-grade shoots are interpreted to be the result of tight folding of the mineralised horizon (gold concentrated in fold noses) and appear to occur at regular intervals (Corona, 1998). Very rare flakes of aquamarine green mica (fuchsite: Cr muscovite) occur in the strongly altered sericite alteration with high-grade gold. Usually, mineralised intervals are narrow (up to 0.5 metres) zones enriched with 3-10% visible sulphides (pyrite, sphalerite, galena, chalcopyrite ± arsenopyrite, ± dark grey needles of stibnite) within a wider quartz-sericite or biotite-feldspar sections with fine-grained disseminated pyrite located in the foliation planes.

## 1.5 Exploration

Prior to Treasury Metals' 2008 exploration program, no exploration work had been completed on the Goliath Gold or the Laramide Property since 1999 and 1994, respectively (Sills, 2007). Treasury Metals' 2008 exploration program comprised a property wide airborne magnetic survey, ground IP and geological

surveys over the Deposit area, trenching and diamond drilling totalling 13,203.6 metres. Treasury Metals' 2009 exploration program comprised reconnaissance prospecting, outcrop channel sampling and diamond drilling totalling 4,612.6 metres.

### **1.6 Mineral Resource and Reserve Estimate**

During March to May, 2010 Howe carried out a mineral resource estimate update (the "Resource Estimate") for the Deposit using historical drilling and current drilling. This Resource Estimate includes up to drill hole TL0986, drilled during 2009. This Resource Estimate was prepared by Doug Roy, M.A.Sc., P.Eng., Associate Mining Engineer with Howe. Micromine resource modelling software (Version 11.0.4) was used to facilitate the resource estimating process.

A revised drilling database was received from Treasury Metals on January 26, 2010. New data for 41 additional holes (TL0846-TL0986) with an aggregate length of 7,599 metres was incorporated into the existing digital database. Treasury also supplied revised, differential GPS ("DGPS") collar coordinates that were imported to the digital database. All of the newer holes were drilled west of the underground workings.

Mineralised zones were outlined to enforce geological control during block modelling. A cut-off grade of 0.5 g/tonne Au was used with a minimum horizontal width of two metres. Zones were extended halfway to the next, under-mineralised cross-section and down-dip by a maximum of 150 metres beyond the last intercept.

Interpretations were accomplished by plotting and interpreting hard-copy cross- and longitudinal sections. Those interpretations were digitised and zone intercepts were tagged. To refine that interpretation, the intercept intervals were manually adjusted within the assay file.

Variography was carried out for regularised samples from the Main Zone (1.5 metre composites). Spherical models provided a reasonable fit to the raw data. Attempts were made to calculate directional semi-variograms for the Main Zone. The results were unsatisfactory.

No top-cut was applied because, in the author's opinion, a top-cut would not affect the global estimate.

The specific gravity was 2.78. Treasury determined this average value using 30 samples with a grade of 0.1 g/tonne Au or greater from eight holes from the 2008 diamond drilling program (TL0801-TL0808).

Block models were created that were constrained by the mineralised zone wireframes. The block size is 5x5x5 metres, with two sub-blocks in the east and elevation (strike and dip, respectively) dimensions for a "geological resolution" of 2.5 metres. There are five sub-blocks in the north dimension (the thickness dimension) for a "geological resolution" of 1.0 metre.

Inverse distance weighting, using a power of two is considered an acceptable method for estimating block grades in this deposit.

All blocks within the outlined mineralised zones were included in the Inferred Mineral Resource category. Indicated Resources were outlined graphically on longitudinal sections within areas where the intercept spacing was approximately 25-30 metres or less (slightly shorter than the intercept variogram range of 40 metres).

Resources were defined using a block cut-off grade of 0.5 g/tonne Au for surface resources (<100 metres deep) and 2.0 g/tonne Au for underground resources (>100 metres deep).

Surface plus Underground Indicated Resources total 3.4 million tonnes with an average gold grade of 2.5 g/tonne, for 270,000 ounces. Surface plus Underground Inferred Resources total 10.6 million tonnes with an average gold grade of 2.7 g/tonne, for 930,000 ounces. The Main Zone contains the majority of the resources from both categories.

| Zone                | Cut-off Grade (g/tonne) | Tonnes Above Cut-off | Average Gold Grade (g/tonne) | Ounces  | Average Silver Grade (g/tonne) | Average Copper Grade (g/tonne) | Average Lead Grade (g/tonne) | Average Zinc Grade (g/tonne) |
|---------------------|-------------------------|----------------------|------------------------------|---------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| <u>Indicated</u>    |                         |                      |                              |         |                                |                                |                              |                              |
| Surface             | 0.5                     | 2,900,000            | 1.9                          | 180,000 | 5.4                            | 86                             | 820                          | 1,700                        |
| Underground         | 2.0                     | 490,000              | 5.7                          | 90,000  | 13.8                           | 100                            | 710                          | 1,500                        |
| Subtotal, Indicated |                         | 3,400,000            | 2.5                          | 270,000 | 6.6                            | 88                             | 800                          | 1,670                        |
| <u>Inferred</u>     |                         |                      |                              |         |                                |                                |                              |                              |
| Surface             | 0.5                     | 5,400,000            | 1.1                          | 190,000 | 2.5                            | 72                             | 360                          | 880                          |
| Underground         | 2.0                     | 5,200,000            | 4.4                          | 740,000 | 14.7                           | 90                             | 630                          | 1,220                        |
| Subtotal, Inferred  |                         | 10,600,000           | 2.7                          | 930,000 | 8.5                            | 81                             | 490                          | 1,050                        |

Notes:

1. Cut-off grade for mineralised 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.
8. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
9. Resource estimate prepared by Doug Roy, M.A.Sc., P.Eng.
10. A specific gravity (bulk density) value of 2.78 was applied to all blocks (based on 30 samples).
11. 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.

No mineral reserves were identified because in the author's opinion, the level of mineral processing work that has been completed thus far does not meet the requirements set out by the CIM's definitions for mineral reserves, which states that the study must contain *adequate* information regarding those factors.

Howe is not aware of any known environmental, permitting, legal, title, taxation, socio-political, marketing, or other issues that may materially affect this Resource Estimate.

### 1.7 Proposed Mining Operations

As proposed, mining will initially be by surface methods with a target production rate of 1,500 tonnes per day using standard methods of drilling, blasting, and excavating using excavators and truck haulage. This equipment would be leased.

Proposed development for underground mining will commence in Year 1 with production commencing in Year 3. Access will be via a decline with the portal located near the bottom the first small pit to be mined. In Year 3, the surface production rate would drop to 750 tonnes per day, equal to the underground



production rate for a combined production rate of 1,500 tonnes per day. Sublevel, long-hole stoping with delayed backfill is recommended as the primary underground mining method.

Optimisation of surface pits was carried out. The dilution and mining recovery<sup>1</sup> values are speculative at this point, but 15% and 95%, respectively, are typical values for this type of deposit.

The base case optimised pit contains 2.2 million non-diluted tonnes of mill feed with an average non-diluted grade of 2.2 g/tonne. The stripping ratio is 7.2:1 and the life of the pit is seven years at the base case production rate of 1,500 tonnes per day with the open pit contributing approximately 50% of the total production.

|                             | Pit 1     | Pit 2     | Pit 3     | Total      |
|-----------------------------|-----------|-----------|-----------|------------|
| Non-Diluted Tonnes          | 100,000   | 1,200,000 | 900,000   | 2,200,000  |
| Non-Diluted Grade (g/tonne) | 2.8       | 2.4       | 1.9       | 2.2        |
| Diluted Tonnes              | 120,000   | 1,400,000 | 1,000,000 | 2,500,000  |
| Diluted Grade (g/tonne)     | 2.5       | 2.2       | 1.8       | 2.1        |
| Waste Tonnes                | 2,000,000 | 8,900,000 | 5,000,000 | 15,900,000 |
| Stripping Ratio             | 20:1      | 7.4:1     | 5.6:1     | 7.2:1      |
| Years Production            | 3/12      | 2 8/12    | 1 11/12   | 4 10/12    |

Notes:

1. Dilution = 15%

Benches and haul roads have been added to the base case optimum pit for a practical, “de-optimised” pit design.

Underground mining is modelled over 6½ years during Years 3-9 inclusive, with development beginning in Year 1. Over the life of the underground mine, 1.75 million tonnes will be mined with an average head grade of 4.3 g/tonne.

The author recommends that other scenarios be explored. For example, an “underground mining only” option using the existing decline should be explored, among others.

### 1.8 Proposed Mineral Processing

An underground bulk sample was extracted in 1998 on behalf of Teck and limited preliminary test work was carried out. Howe notes that the head grade of the composite sample was 25 g/tonne – nearly an order of magnitude greater than the average expected head grade of surface and underground sources, therefore the sample cannot be considered representative of the overall deposit. It is Howe’s opinion that because only one test was carried out on a non-representative sample, the historic Teck metallurgical test work is of limited value. Further test work is therefore recommended.

A conceptual mill flowsheet is proposed. Gravity separation, followed by flotation has been selected as the recovery method over gravity/cyanidation because of (a) lower capital costs and (b) similar, if not lower operating costs.

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<sup>1</sup> Some ore, especially near the contacts, is invariably left behind.

## 1.9 Income Model

The base case gold price used for mine design and economic modelling is \$US 850 per ounce. Sensitivity analyses have been carried out to evaluate the economics at lower and higher gold prices.

Initial and life-of-mine capital costs are estimated to be \$38 and \$59 million, respectively, or \$70 million for a 2,000 tonne per day production rate. Surface mine equipment are to be lease, and therefore do not contribute to that amount.

The following results were obtained:

|   | 1500 tpd, \$850/oz | 1750 tpd, \$850/oz | 2000 tpd, \$850/oz |
|---|--------------------|--------------------|--------------------|
| Capital Cost                                    | \$58,700,000       | \$64,100,000       | \$69,700,000       |
| Revenue <sup>1</sup>                            | \$42,000,000       | \$49,000,000       | \$56,100,000       |
| <i>Per Surface Tonne</i>                        | \$54               | \$54               | \$54               |
| <i>Per Underground Tonne</i>                    | \$106              | \$106              | \$106              |
| <i>Per Processed Tonne</i>                      | \$80               | \$80               | \$80               |
| Direct Operating Cost <sup>1</sup>              | \$26,400,000       | \$30,100,000       | \$34,100,000       |
| <i>Per Surface Tonne</i>                        | \$38               | \$38               | \$40               |
| <i>Per Underground Tonne</i>                    | \$63               | \$60               | \$57               |
| <i>Per Processed Tonne</i>                      | \$50               | \$49               | \$49               |
| Overhead <sup>1</sup>                           | \$2,200,000        | \$2,200,000        | \$2,200,000        |
| Per tonne                                       | \$4                | \$4                | \$3                |
| Gross Margin <sup>1</sup>                       | \$13,300,000       | \$16,700,000       | \$19,700,000       |
| <i>Per Surface Tonne</i>                        | \$12               | \$12               | \$11               |
| <i>Per Underground Tonne</i>                    | \$39               | \$42               | \$46               |
| <i>Per Processed Tonne</i>                      | \$25               | \$27               | \$28               |
| NPV <sub>0%</sub> (Cumulative After-Tax Profit) | \$42,900,000       | \$45,400,000       | \$47,300,000       |
| NPV <sub>5.0%</sub>                             | \$23,000,000       | \$26,000,000       | \$28,100,000       |
| NPV <sub>7.5%</sub>                             | \$15,700,000       | \$18,700,000       | \$20,700,000       |
| NPV <sub>10.0%</sub>                            | \$9,700,000        | \$12,600,000       | \$14,500,000       |
| Internal Rate of Return (IRR)                   | 15%                | 17%                | 18%                |
| Mine Life (Years)                               | 8                  | 7                  | 6                  |

### Notes:

1. Results for Year 3 – the year when underground production begins.

A sensitivity analysis indicates that the economics are most sensitive to changes in revenue factors such as gold price, grade and exchange rate. Economics are less sensitive to changes in operating costs and capital costs.

## 1.10 Environmental and Permitting Status

Treasury Metals has not yet initiated any environmental or advanced exploration/mine permitting processes at the Goliath Gold Project. Howe engaged Conestoga-Rovers & Associates (CRA) to undertake a Mine Permitting Scoping Study to identify permitting constraints and provide a proposed approach and costing for permitting of the Project.

Permitting constraints were identified through a review of public domain information and documentation of previous studies conducted in the area and provided by Howe. CRA compiled information relative to each constraint to determine the degree to which each of the constraints could impact on the potential development.

The following constraint categories were identified relative to the Goliath Gold Project:

1. *Bio-Physical*
2. *Archaeological and Heritage Resources*
3. *Aboriginal Peoples*
4. *Local Residents*
5. *Present and Future Land Use & Zoning*
6. *Concurrent Developments*
7. *Public Consultation*

The following table summarizes the constraint categories, the Goliath Gold Project phases to which each constraint will pertain and the relative degree of concern (importance) each constraint will have in the permitting process.

Permitting Constraints Summary

| <b>Constraint</b>                     | <b>Project Phases</b> | <b>Relative Concern</b> |
|---------------------------------------|-----------------------|-------------------------|
| Biophysical                           | All                   | Moderate - High         |
| Archaeological and Heritage Resources | All                   | Moderate                |
| Aboriginal Communities                | EBS, PC, PM, O        | Moderate – High         |
| Local Residents                       | All                   | Moderate – High         |
| Present Land Use Zoning               | PC, PM                | Moderate – High         |
| Proposed Land Use Zoning              | PC, PM, O             | Low                     |
| Other Proposed Developments           | PC, PM, D, O          | Low                     |
| Public Consultation                   | All                   | Moderate - High         |

Project Phases:     D – Mine Development                                     PC – Public Consultation  
                                    E – Exploration     PM – Permitting  
                                    EBS – Environmental Baseline Studies                                     All – All above  
                                    O – Mine Operation

Based on the available information and their permitting experience, CRA allocates a budget estimate of \$750,000 to \$900,000 for the EBS, Public Consultation and Permitting phases of the project.

### 1.11 Conclusions and Recommendations

Howe has reviewed the Goliath Gold Project at the level of a Preliminary Economic Assessment. Surface and underground mining is planned for the deposit. A mining schedule and economic model has been developed for the operation. Howe concludes that under base case assumptions (1,500 tonnes per day, \$US 850 gold), the Project has **potential economic viability**. Results indicate that the base case operation would be profitable with a base case net present value (5% discount rate) of \$23 million and an internal rate of return of 15%. A one to one exchange rate for the Canadian:US Dollar was used.

At the base case production rate and \$US 1200 gold, the approximate gold price at the time of this report, the NPV is \$91 million and the IRR is 43%.

In Howe's opinion, Treasury should continue work to advance the Goliath Gold Project, by gathering information and undertaking studies with the view to eventually undertaking a Pre-Feasibility Study.

To proceed with the assessment of the potential development of the Goliath Gold Project, Howe recommends:

1. Infill drilling to upgrade Inferred Resources to Indicated Resources, and to generate material for metallurgical testing. For Indicated Resources drill hole centres should be a minimum of 25-30 metres apart.
2. Collection of geotechnical information including overburden characteristics, detailed discontinuity measurements, rock strengths and hydrogeology.
3. Additional gravity, flotation and cyanidation mineral processing test work should be carried out and optimised to confirm recoveries used in the economic model. A 200-300 kg sample should be collected from the Main Zone with an average grade of 5-8 g/t Au.
4. The economic model should be optimised by investigating purchase of a used mill instead of constructing a new one.
5. Other mining scenarios should be explored. For example, an "underground mining only" option using the existing decline should be explored, among others.
6. Initiation of environmental baseline studies.

## **5.2 Lara Polymetallic Project**

The Lara Polymetallic Project (the "Lara 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 Company inherited the Lara Project in early 2008, as part of the spin-out from Laramide and since then had been seeking a purchaser or joint venture partner for this non-core project. As of December 31<sup>st</sup>, 2011 the Company had spent approximately \$186,000 on the Lara Project.

On February 22, 2010, 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 Lara 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 the Lara 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.

## **5.3 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 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 royalty 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.

The Goldcliff Project represents a new gold discovery in the Kenora Mining 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 Project 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.

The Goldcliff Project 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 Project. 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 Project in 2012 through a program of trenching, additional field exploration, mapping and diamond drilling of identified targets.

## **6. DIVIDENDS**

No dividends on the Common Shares have been paid to date. The Company anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the board of directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

## 7. DESCRIPTION OF SHARE STRUCTURE

### *Authorized Share Capital*

The Company is authorized to issue an unlimited number of Common Shares of which 53,026,144 Common Shares are issued and outstanding as at the date of this AIF. In addition, 6,633,233 Common Shares are reserved for issuance upon the exercise of 2,601,733 Common Share purchase warrants and 2,647,132 options of the Company.

### *Common Shares*

Holders of Common Shares are entitled to dividends if, as and when declared by the directors, to one vote per share at meetings of shareholders and to receive the remaining property of the Company upon dissolution.

## 8. MARKET FOR SECURITIES

### *Trading Price and Volume*

The Common Shares are listed and posted for trading on the Toronto Stock Exchange under the trading symbol "TML". The table below sets forth the high and low trading prices and volume for Common Shares traded through the TSX on a monthly basis for the period commencing on January 1, 2011 and ending on December 31, 2011.

|                | Price Range and Trading Volume |      |           |
|----------------|--------------------------------|------|-----------|
|                | High                           | Low  | Volume    |
| January 2011   | 1.49                           | 1.01 | 2,973,534 |
| February 2011  | 1.65                           | 1.20 | 1,662,418 |
| March 2011     | 1.67                           | 1.15 | 2,207,658 |
| April 2011     | 1.80                           | 1.38 | 2,236,466 |
| May 2011       | 1.54                           | 1.26 | 1,685,102 |
| June 2011      | 1.51                           | 1.15 | 1,185,029 |
| July 2011      | 1.28                           | 1.07 | 1,251,904 |
| August 2011    | 1.24                           | 1.02 | 2,509,707 |
| September 2011 | 1.20                           | 0.84 | 1,157,715 |
| October 2011   | 1.12                           | 0.79 | 990,880   |
| November 2011  | 1.18                           | 0.86 | 1,224,652 |
| December 2011  | 1.17                           | 0.82 | 1,063,850 |

## 9. ESCROWED SECURITIES

No securities of the Company are subject to escrow as at the date hereof.

## 10. DIRECTORS AND OFFICERS

### *Name, Occupation and Security Holding*

The following table and the notes thereto set out the name, municipality and country of residence of each director and executive officer of the Company; their current position and office with the Company; their respective principal occupation during the five preceding years; the date on which they were first elected or appointed as a director or officer of the Company:

| <b>Name and Municipality of Residence</b>     | <b>Position with the Company</b> | <b>Director or Officer Since</b> | <b>Principal Occupation during the five preceding years<sup>(3)(4)</sup></b>  | <b>Securities Beneficially Owned, Controlled or Directed<sup>(1)</sup></b> |
|---|----------------------------------|----------------------------------|---|--|
| Marc Henderson<br>Toronto, Ontario,<br>Canada | Chairman and<br>Director         | August 2007                      | Mr. Henderson is a director of the Company and non-executive Chairman of the board of directors and has been a director since August 2007. Mr. Henderson currently serves as the President, Chief Executive Officer and a director of Laramide and has held this position since May 1995. He was previously (until December 2009) President and CEO of Aquiline Resources Inc. until the sale of that company to Pan American Silver. Mr. Henderson is also an independent director and Chairman of the Audit Committee of Lydian International Ltd., and he is a director of Javelina Resources Ltd. | 2,999,148  |

| Name and Municipality of Residence                           | Position with the Company | Director or Officer Since | Principal Occupation during the five preceding years <sup>(3)(4)</sup>   | Securities Beneficially Owned, Controlled or Directed <sup>(1)</sup> |
|--|---------------------------|---------------------------|--|--|
| William Fisher <sup>(2)(3)</sup><br>Toronto, Ontario, Canada | Director                  | February 2008             | Mr. Fisher is a director of the Company and has held this position since February 2008. Mr. Fisher is currently Chief Executive Officer and a director of Karmin Exploration Inc. and has been Chief Executive Officer since August 2001, and a director since 1995. In May 2008, Mr. Fisher became a director of PC Gold (TSX listed) and in November 2008 he became a director of Rockwell Diamonds (TSX and JSE listed). He also acted as Chief Executive Officer and director of GlobeStar Mining Corporation from August 2001 to February 2008, when he resigned from both positions. Mr. Fisher was also Chairman of the board of directors and a director of Aurelian Resources Inc. which was sold to Kinross in September 2008. | 112,500  |
| Blaise Yerly <sup>(2)</sup><br>Corseaux, Switzerland         | Director                  | February 2008             | Mr. Yerly is a director of the Company and has held this position since February 2008. Mr. Yerly was Chairman and Director of the board of directors of Aquiline Resources Inc. from 1998 until it was sold to Pan American Silver Corp. in December 2009. Mr. Yerly is a director of Javelina Resources Ltd., and also serves as Director on the Board of several privately held companies.   | 951,150  |



| Name and Municipality of Residence                       | Position with the Company | Director or Officer Since | Principal Occupation during the five preceding years <sup>(3)(4)</sup>  | Securities Beneficially Owned, Controlled or Directed <sup>(1)</sup> |
|--|---------------------------|---------------------------|---|--|
| Doug Bache <sup>(2)</sup><br>Burlington, Ontario, Canada | Director                  | August 2009               | Mr. Bache is a director of the Company and Chairman of the Audit Committee and has held these positions since August 2009. Mr. Bache is President of Maxum Capital Markets Inc., a private merchant bank that offers corporate finance and strategy advisory services primarily to mining companies. He was president of Valencia Ventures Inc. from April 2006 to June 2008 and was a director of Aberdeen International Inc. from January 2006 until September 2008. Mr. Bache was also Treasurer of North American Palladium Ltd. from August 2003 to December 2005. | 120,000  |
| Peter Walker <sup>(3)</sup><br>Toronto, Ontario, Canada  | Director                  | February 2008             | Mr. Walker is a director of the Company and has held this position since February 2008. Mr. Walker is currently self-employed as a consultant. From July 1993 to March 2005, Mr. Walker was Chairman, director, President and Chief Executive Officer of Corona.  | 517,759  |

| Name and Municipality of Residence            | Position with the Company                          | Director or Officer Since                               | Principal Occupation during the five preceding years <sup>(3)(4)</sup>  | Securities Beneficially Owned, Controlled or Directed <sup>(1)</sup> |
|---|--|---|---|--|
| Harry Burgess<br>Oakville, Ontario,<br>Canada | Director   | June 2011   | Mr. Burgess is a Senior Associate Mining Engineer of Micon International Limited, a mining consulting practice.. Mr. Burgess sits on the board of several publicly listed companies. He holds degrees in mechanical and mining engineering and has 40 years' experience in the mining industry. He has been engaged in consulting since 1980. His prior operating experience includes senior positions in the copper industry of Zambia and gold mining in South Africa. Mr. Burgess was on the board of Absolut Resources Corp. from September 2004 until its amalgamation with Aquiline Resources Inc. in April 2008 and then was on the Aquiline Resources Inc. board from April 2008 until December 2009. | 10,000   |
| Martin Walter<br>Toronto, Ontario,<br>Canada  | Director and President and Chief Executive Officer | Officer since December 2010<br>Director since June 2011 | Mr. Walter is the Chief Executive Officer of the Company since 2010, as well as President, and Mr. Walter sits on the Board of Directors. Mr. Walter currently serves as director of Crown Point Ventures and has held this position since 2006. He was previously (until December 2009) Executive Vice President of Aquiline Resources Inc. until the sale of that company to Pan American Silver.   | 1,320,000  |
| Greg Ferron<br>Toronto, Ontario,<br>Canada    | Vice President Corporate Development               | January 17, 2011  | Vice President of Treasury Metals since 2011, prior thereto Head of Global Mining, Business Development and Senior Listings Manager of Toronto Stock Exchange and TSX-V.  | 69,100   |

| Name and Municipality of Residence            | Position with the Company | Director or Officer Since | Principal Occupation during the five preceding years <sup>(3)(4)</sup>   | Securities Beneficially Owned, Controlled or Directed <sup>(1)</sup> |
|---|---------------------------|---------------------------|--|--|
| Dennis Gibson<br>Oakville, Ontario,<br>Canada | Chief Financial Officer   | July 1, 2010              | Mr. Gibson is the Chief Financial Officer of the Company since July 1, 2010. He is the CFO of Laramide Resources Ltd. since 2006, prior thereto Vice-President, Chief Financial Officer and Corporate Secretary of Vector Intermediaries Inc.; former Chief Financial Officer of Aquiline Resources Inc. (2006-2009); Current CFO of Javelina Resources Ltd. | 116,357  |

*Notes:*

- (1) *The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective nominees individually.*
- (2) *Member of the Company's audit committee.*
- (3) *Member of the Company's compensation committee.*
- (4) *Based on information provided by the individuals.*

As a group, the directors and executive officers of the Company beneficially own, control or direct, or exercise control or direction, directly or indirectly, over 6,216,014 Common Shares representing approximately 11.8% of the Company's total issued and outstanding Common Shares.

***Cease Trade Orders or Bankruptcies***

To the Company's knowledge, except as disclosed below, none of the directors or executive officers:

- (a) is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director or chief executive officer or chief financial officer of any company that:
  - (i) was the subject of an order (as defined in Form 51-102F5 of National Instrument 51-102 - *Continuous Disclosure Obligations*) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer, or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer, or chief financial officer.

Mr. Walter, President and Chief Executive Officer of Treasury Metals Inc., was a senior officer and director of Sierra Minerals Inc. ("Sierra") when a management cease trade order was made on April 4, 2007 by the Ontario Securities Commission ("OSC") and on April 15, 2007 by the British Columbia Securities Commission ("BCSC") as a result of the failure of Sierra to file and deliver to shareholders its

annual financial statements for the year ended December 31, 2006 and its first quarter interim financial statements for the period ended March 31, 2007. These management cease trade orders were subsequently revoked on June 28, 2007 by the OSC and on June 29, 2007 by the BCSC following the filing of the financial statements as required.

Mr. Gibson, Chief Financial Officer of Treasury Metals Inc., was the CFO of Vector Intermediaries, Inc., a TSX-Venture traded company. Vector Intermediaries Inc. was subject to a Cease Trade Order by the Alberta Securities Commission dated June 20, 2003. The Cease Trade Order was imposed for failure to file audited financial statements for the year ended December 31, 2002 and unaudited financial statements for the period ended March 31, 2003. Following the imposition of the Cease Trade Order, Vector Intermediaries Inc. was sold in receivership, and its securities were de-listed from the TSX-Venture.

### ***Bankruptcies***

To the Company's knowledge, none of the directors, executive officers or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is at the date hereof, or has been within 10 years before the date of this AIF, a director or executive officer of any company that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### ***Penalties or Sanctions***

To the Company's knowledge, no existing director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

### ***Conflict of Interest***

Certain of the directors of the Company also serve as directors of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

## 11. AUDIT COMMITTEE INFORMATION

Multilateral Instrument 52-110 - Audit Committees (“MI 52-110”) requires the Company to disclose annually in its Annual Information Form certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth below.

### 11.1 Audit Committee

The Company’s Audit Committee is directly responsible for overseeing the work of the auditors and must pre-approve all non-audit services, be satisfied that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. The Audit Committee has not yet formally adopted a written charter, but intends to do so in compliance with MI 52-110. The full text of the proposed charter of the Company’s Audit Committee is attached hereto as Appendix “A”.

### 11.2 Composition of the Audit Committee

The current members of the Audit Committee are Messrs. Fisher, Bache and Yerly. All the members of the audit committee are considered to be “independent” and “financially literate” as defined in Multilateral Instrument 52-110 – *Audit Committees*.

The following table describes the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

| Name of Member           | Relevant Experience and Qualifications  |
|--------------------------|---|
| William Fisher           | Mr. Fisher is a professional geologist with over 25 years of experience in the mining industry and has served as a director of several public companies. Mr. Fisher has been on the Audit Committee for PC Gold Inc. for 3 years.   |
| Doug Bache<br>(Chairman) | Mr. Bache holds a B. Math and Business Administration degree from the University of Waterloo. Mr. Bache has been involved in financing mining companies and has held financial management, senior officer and director positions with both major and junior mining companies (including Audit Committee memberships) for over 20 years. |
| Blaise Yerly             | Mr. Yerly holds a business school diploma. He has acted as Managing Director, Minosucra LLC (formerly Triumph International Trading Ltd.) from 1998 to present.   |

### 11.3 Pre-Approval Policies and Procedures

In the event that the Company wishes to retain the services of the Company’s external auditors for any non-audit services, prior approval of the Audit Committee must be obtained.

## 11.4 Audit Fees

The following table provides detail in respect of audit, audit related, tax and other fees paid by the Company to the external auditors for professional services:

|   | <b>Audit Fees<sup>(1)</sup></b> | <b>Audit-Related Fees<sup>(2)</sup></b> | <b>Tax Fees<sup>(3)</sup></b> | <b>All Other Fees<sup>(4)</sup></b> |
|---|---------------------------------|---|-------------------------------|-------------------------------------|
| <b>Year ended<br/>December 31, 2010</b> | \$39,325                        | Nil                                     | \$4,000                       | Nil                                 |
| <b>Year ended<br/>December 31, 2011</b> | \$37,035                        | \$29,870                                | \$5,350                       | Nil                                 |

Notes:

- (1) *The aggregate audit fees billed.*
- (2) *The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audits or reviewing the Company's financial statements including prospectus filings, and are not included under "Audit Fees".*
- (3) *The aggregate fees billed for services related to tax compliance, tax advice and tax planning. The services performed for the fees paid under this category may briefly be described as tax return preparation fees.*
- (4) *The aggregate fees billed for services other than those reported above. The services performed for the fees paid under this category may briefly be described as flow-through accounting services.*

## 12. LEGAL PROCEEDINGS

Management is not aware of any current or contemplated material legal proceedings to which the Company is a party or which any of its property is the subject.

## 13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or principal shareholder of the Company, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in any proposed transaction that has materially affected or will materially affect the Company.

## 14. TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Equity Transfer & Trust Company at its Toronto office located at Suite 400, 200 University Avenue, Toronto, Ontario M5H 4H1.

## 15. MATERIAL CONTRACTS

There are no contracts that may be considered material to the Company, other than contracts entered into in the ordinary course of business, that have been entered into by the Company in the past fiscal year or that have been entered into by the Company in a previous fiscal year and are still in effect.

## 16. INTEREST OF EXPERTS

The Goliath Gold Technical Report was prepared by Doug Roy, Ian D. Trinder, Patrick Hannon and Edward Thornton of ACA Howe, all of whom are independent consulting geologists and engineers,

independent of the Company, and have no interest in the Goliath Gold Property. Neither ACA Howe nor the authors of the Goliath Technical Report own beneficially, directly or indirectly, more than 1%, respectively, of any class of securities of the Company.

The auditors of the Company are Collins Barrow LLP, Chartered Accountants, Toronto, Ontario and are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## **17. ADDITIONAL INFORMATION**

Additional information relating to the Company filed under its continuous disclosure obligations is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the management information circular of the Company for its most recent meetings of shareholders that involved the election of directors. Additional financial information is provided in the financial statements of the Company and management's discussion and analysis for its most recently completed financial year.

## APPENDIX "A"

### TREASURY METALS INC.

#### Charter of the Audit Committee of the Board of Directors

##### OVERALL PURPOSE AND OBJECTIVE

The audit committee (the "Committee") will assist the directors (the "Directors") of Treasury Metals Inc. (the "Company") in fulfilling their responsibilities under applicable legal and regulatory requirements. To the extent considered appropriate by the Committee or as required by applicable legal or regulatory requirements, the Committee will review the financial accounting and reporting process of the Company, the system of internal controls and management of the financial risks of the Company and the audit process of the financial information of the Company. In fulfilling its responsibilities, the Committee should maintain an effective working relationship with the Directors, management of the Company and the external auditor of the Company, as well as monitor the independence of the external auditor.

##### AUTHORITY

1. The audit committee shall have the authority to:
  - (a) engage independent counsel and other advisors as the Committee determines necessary to carry out its duties;
  - (b) set and pay the compensation for any advisors employed by the Committee;
  - (c) communicate directly with the internal and external auditor of the Company and require that the external auditor of the Company report directly to the Committee; and
  - (d) seek any information considered appropriate by the Committee from any employee of the Company.
2. The Committee shall have unrestricted and unfettered access to all personnel and documents of the Company and shall be provided with the resources reasonably necessary to fulfill its responsibilities.

##### MEMBERSHIP AND ORGANIZATION

3. The Committee will be composed of at least three members. The members of the Committee shall be appointed by the Directors to serve one-year terms and shall be permitted to serve an unlimited number of consecutive terms. Every member of the Committee must be a Director who is independent and financially literate to the extent required by (and subject to the exemptions and other provisions set out in) applicable laws, rules and regulations, and stock exchange requirements ("Applicable Laws"). In this Charter, the terms "independent" and "financially literate" have the meaning ascribed to such terms by Applicable Laws, and include the meanings given to similar terms by Applicable Laws, including in the case of the term "independent" the



terms “outside” and “unrelated” to the extent such latter terms are applicable under Applicable Laws.

4. The chairman of the Committee will be appointed by the Committee from time to time and must have such accounting or related financial management expertise as the Directors may determine in their business judgment.
5. The secretary of the Committee will be the Secretary of the Company or such other person as is chosen by the Committee.
6. The Committee may invite such persons to meetings of the Committee as the Committee considers appropriate, except to the extent exclusion of certain persons is required pursuant to this Charter or Applicable Laws.
7. The Committee may invite the external auditor of the Company to be present at any meeting of the Committee and to comment on any financial statements, or on any of the financial aspects, of the Company.
8. The Committee will meet as considered appropriate or desirable by the Committee. Any member of the Committee or the external auditor of the Company may call a meeting of the Committee at any time upon 48 hours prior written notice.
9. All decisions of the Committee shall be by simple majority and the chairman of the Committee shall not have a deciding or casting vote.
10. Minutes shall be kept in respect of the proceedings of all meetings of the Committee.
11. No business shall be transacted by the Committee except at a meeting of the members thereof at which a majority of the members thereof is present.
12. The Committee may transact its business by a resolution in writing signed by all the members of the Committee in lieu of a meeting of the Committee.

## **ROLES AND RESPONSIBILITIES**

1. To the extent considered appropriate or desirable or required by applicable legal or regulatory requirements, the Committee shall recommend to the Directors:
  - (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report on the annual financial statements of the Company or performing other audit, review or attest services for the Company, and
  - (b) the compensation to be paid to the external auditor of the Company;
  - (c) review the proposed audit scope and approach of the external auditor of the Company and ensure no unjustifiable restriction or limitations have been placed on the scope of the proposed audit;
  - (d) meet separately and periodically with the management of the Company, the external auditor of the Company and the internal auditor (or other personnel responsible for the internal audit function of the Company) of the Company to discuss any matters that the Committee, the external auditor of the Company or the internal auditor of the Company, respectively, believes should be discussed privately;
  - (e) be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report on the annual financial statements of the Company or performing other audit, review or attest services for the Company,

including the resolution of disagreements between management of the Company and the external auditor of the Company regarding any financial reporting matter and review the performance of the external auditor of the Company;

- (f) review judgmental areas, for example those involving a valuation of the assets and liabilities and other commitments and contingencies of the Company;
- (g) review audit issues related to the material associated and affiliated entities of the Company that may have a significant impact on the equity investment therein of the Company;
- (h) meet with management and the external auditor of the Company to review the annual financial statements of the Company and the results of the audit thereof;
- (i) review and determine if internal control recommendations made by the external auditor of the Company have been implemented by management of the Company;
- (j) pre-approve all non-audit services to be provided to the Company or any subsidiary entities thereof by the external auditor of the Company and, to the extent considered appropriate: (i) adopt specific policies and procedures in accordance with Applicable Laws for the engagement of such non-audit services; and/or (ii) delegate to one or more independent members of the Committee the authority to pre-approve all non-audit services to be provided to the Company or any subsidiary entities thereof by the external auditor of the Company provided that the other members of the Committee are informed of each such non-audit service;
- (k) consider the qualification and independence of the external auditor of the Company, including reviewing the range of services provided by the external auditor of the Company in the context of all consulting services obtained by the Company;
- (l) consider the fairness of the interim financial statements and financial disclosure of the Company and review with management of the Company whether,
  - (i) actual financial results for the interim period varied significantly from budgeted or projected results,
  - (ii) generally accepted accounting principles have been consistently applied,
  - (iii) there are any actual or proposed changes in accounting or financial reporting practices of the Company, and
  - (iv) there are any significant or unusual events or transactions which require disclosure and, if so, consider the adequacy of that disclosure;
- (m) review the financial statements of the Company, management's discussion and analysis and any annual and interim earnings press releases of the Company before the Company

publicly discloses such information and discusses these documents with the external auditor and with management of the Company, as appropriate;

- (n) review and be satisfied that adequate procedures are in place for the review of the public disclosure of the Company of financial information extracted or derived from the financial statements of the Company, other than the public disclosure referred to in paragraph 4(l) above, and periodically assess the adequacy of those procedures;
- (o) establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
  - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters relating to the Company;
- (p) review and approve the hiring policies of the Company regarding partners, employees and former partners and employees of the present and any former external auditor of the Company;
- (q) review the areas of greatest financial risk to the Company and whether management of the Company is managing these risks effectively;
- (r) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and consider their impact on the financial statements of the Company;
- (s) review any legal matters which could significantly impact the financial statements of the Company as reported on by counsel and meet with counsel to the Company whenever deemed appropriate;
- (t) institute special investigations and, if appropriate, hire special counsel or experts to assist in such special investigations;
- (u) at least annually, obtain and review a report prepared by the external auditor of the Company describing: the firm's quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, in respect of one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company;
- (v) review with the external auditor of the Company any audit problems or difficulties and management's response to such problems or difficulties;

- (w) discuss the Company's earnings press releases, as well as financial information and earning guidance provided to analysts and rating agencies, if applicable; and
- (x) review this charter and recommend changes to this charter to the directors from time to time.

#### **COMMUNICATION WITH DIRECTORS**

1. The Committee shall produce and provide the Directors with a written summary of all actions taken at each Committee meeting or by written resolution.
2. The Committee shall produce and provide the Directors with all reports or other information required to be prepared under Applicable Laws.

## APPENDIX “B”

### TREASURY METALS INC.

#### 1. GLOSSARY OF TECHNICAL TERMS

In this Annual Information Form:

|                                   |  |
|-----------------------------------|--|
| <b>Ag</b>                         | means silver;  |
| <b>As</b>                         | means arsenic;   |
| <b>Au</b>                         | means gold;  |
| <b>Bi</b>                         | means bismuth;   |
| <b>Cu</b>                         | means copper;  |
| <b>Feasibility Study</b>          | means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of realistically assumed mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Preliminary Feasibility Study; |
| <b>g/t</b>                        | means grams per tonne;   |
| <b>Hg</b>                         | means mercury;   |
| <b>Indicated Mineral Resource</b> | means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonable assumed;   |
| <b>Inferred Mineral Resources</b> | means that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited  |

information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;

**lb** means pound;

**m** means metre;

**Mo** means molybdenum;

**Measured Mineral Resource** means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity;

**Mineral Reserves** means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. Mineral Reserves are those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. The term 'Mineral Reserve' need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received;

**Mineral Resource** means a concentration or occurrence of base and precious metals, natural solid inorganic material, or natural solid fossilized organic material including coal and diamonds in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. The term Mineral Resource covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which Mineral Reserves may subsequently be defined by the consideration and application of

|  |  |
|--|--|
|  | technical, economic, legal, environmental, socio-economic and governmental factors. The phrase 'reasonable prospects for economic extraction' implies a judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability;  |
| <b>NI 43-101</b>                       | means Canadian Securities Administrators' National Instrument 43-101, Standards of Disclosure for Mineral Projects;  |
| <b>ounce</b>                           | means troy ounce;  |
| <b>Preliminary Economic Assessment</b> | means the study entitled "Technical Report and Preliminary Economic Assessment on the Goliath Gold Project Kenora Mining Division Northwestern Ontario, Canada for Treasury Metals Incorporated" dated July 9, 2010 and prepared by Douglas Roy, M.A.Sc., P.Eng., Patrick Hannon, M.A.Sc., P.Eng., Edward Thornton, P.Eng. and Ian Trinder, M.Sc., P.Geo. of ACA Howe International Limited, which includes an economic analysis of the potential viability of a Mineral Resource;   |
| <b>Preliminary Feasibility Study</b>   | means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve; |
| <b>Proven Mineral Reserve</b>          | means the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. Such study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified;   |
| <b>Pb</b>                              | means lead;  |
| <b>Qualified Person</b>                | means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; has experience relevant to the subject matter of the mineral project and the technical report; and is a member or licensee in good standing of a professional association;   |
| <b>Sb</b>                              | means antimony;  |

|              |   |
|--------------|---|
| <b>ton</b>   | means 2,000 pounds;                           |
| <b>tonne</b> | means metric tonne, equaling 1,000 kilograms; |
| <b>tpd</b>   | means tonnes per day; and                     |
| <b>Zn</b>    | means zinc.                                   |



