



## TREASURY METALS

INCORPORATED

### **MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2010**

This Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Treasury Metals Inc. ("Treasury Metals" or the "Company") should be read in conjunction with the Company's unaudited financial statements for the three and six month periods ended June 30, 2010 and audited financial statements for the years ended December 31, 2009 and 2008, including the related notes thereto. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A is presented as of August 12, 2010. Unless otherwise noted, the currency used is Canadian dollars. This MD&A contains "forward-looking" statements that are subject to risk factors set out in a cautionary note contained herein.

#### **Cautionary Note Regarding Forward Looking Statements**

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of the Company to fund the capital and operating expenses necessary to achieve the business objectives of the Company, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this management discussion and analysis are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.



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### COMPANY HIGHLIGHTS

- Received financing of \$618,374 through the exercise of 2,038,780 warrants and 117,500 options year-to-date.
- Completion by independent consultant A.C.A. Howe International Limited ("Howe") of a National Instrument 43-101 ("NI 43-101") compliant Preliminary Economic Assessment ("PEA") on the Goliath Gold Project which validates the Project and the Company's exploration efforts to date. This initial analysis of the Thunder Lake gold deposit already indicates its economic potential and provides Treasury Metals with the parameters necessary to develop the Project and increase its economic profile.
- The PEA includes an updated Mineral Resource Estimate ("Resource Estimate") for the Thunder Lake gold deposit, 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). Non-diluted surface plus underground Indicated Resources total 3.4 million tonnes with an average grade of 2.5 g/t Au, for 270,000 ounces Au. Non-diluted surface plus underground Inferred Resources total 10.6 million tonnes with an average grade of 2.7 g/t Au, for 930,000 ounces Au.

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

- TL10-87: 13.85 g/t Au over 1.00 m (from 508.0 to 509.0 m)
  - TL10-88: 20.03 g/t Au over 1.00 m (from 477.0 to 478.0 m)
  - TL10-90: 8.36 g/t Au over 1.00 m (from 501.5 to 502.5 m)
  - TL10-92: 16.12 g/t Au over 0.50 m (from 733.05 to 733.55 m)
  - TL10-98: 7.47 g/t Au over 10.5 m (from 274.5 to 285.0 m)
  - TL10-100: 5.74 g/t Au over 15.00 m (from 300.00 to 315.00 m)
  - TL10-102: 3.38 g/t Au over 6.00 m (from 352.50 to 358.50 m)
  - TL10-108: 43.44 g/t Au over 1.00 m (from 185.00 to 185.00 m)
- 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. Initial due diligence sampling by the Company identified visible gold in a grab sample that assayed 106.43 g/t Au.



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### 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. Treasury Metals was created as a spin-off company of Laramide Resources Ltd. ("Laramide").

The Company's flagship asset is the Goliath Gold Project, an advanced stage, high-grade gold deposit near Dryden, Ontario, with the potential for additional credits through silver, lead and zinc. Treasury Metals' Lara Polymetallic Project on Vancouver Island, British Columbia, is an advanced stage, polymetallic and high-grade zinc project with significant potential for more resources. In addition to these properties, the Company receives revenue from a net smelter royalty (the "NSR") from the sale of minerals from the Cerro Colorado gold mine operated by Goldgroup Mining Inc. ("Goldgroup") (previously Sierra Minerals Inc. ("Sierra")). The Company also receives proceeds from the sale of timber on several of its Ontario mineral properties. The Company's board of directors (the "Board") and management team include seasoned mining industry veterans, with proven track records in finding and developing high-quality assets and building shareholder value.

### OVERALL PERFORMANCE

Over the past twelve months, the Company took significant steps to advance its business. These steps included the completion a flow-through financing for proceeds of \$1,000,000, plus an additional \$693,375 through the exercise of warrants and options. The Company continued to focus on advancing its major exploration project, the Goliath Gold Project, and completed some work on its Lara Polymetallic Project, as described in more detail below.

Throughout most of 2008 and 2009, the global financial and commodity markets were characterized by extreme volatility and falling prices as market participants reacted and responded to growing uncertainty and pessimism over the depressed North American and international economies. These circumstances had a significant impact on the Company's operations and in particular, on the economics of its existing exploration and development projects, its strategy to evaluate and, if attractive, complete potential acquisitions and otherwise its ability to pursue growth opportunities. With continued improvement to the global financial and commodity markets during Q1 2010, the Company anticipates continued exploration and development on its Goliath Gold Project and Lara Polymetallic Project.

In addition, the Company continues to evaluate potential transactions with companies with advanced gold projects. Treasury Metals owns 2.28 million shares of Goldgroup (previously 6.5 million shares of Sierra Minerals, before a 2.85 for one rollback and name change) and holds a 2.5% NSR on the production from Cerro Colorado gold mine. The NSR increases to 3% when cumulative production exceeds 100,000 ounces of gold, a milestone which was reached in the current quarter. The mine is currently cash flow positive. Goldgroup has set a goal for 2010 to increase production levels from an annualized rate of 21,000 ounces to between 25,000 and 30,000 ounces of gold.



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The Company will continue to evaluate its strategic options and may, if conditions are favourable, seek to raise additional funds through a private or public offering of securities or debt as required.

### *Trends*

- The future performance of the Company is largely tied to the successful exploration and development of the Goliath Gold Project, the continuing performance of the NSR from Goldgroup, and the overall strength of the financial markets.
- Financial markets were volatile in Canada for the beginning of fiscal 2010, reflecting ongoing concerns about the stability of the global economy, sovereign debt levels and possible default, and weakened global growth prospects. However, there is steady improvement in the markets and with the gold spot price being particularly buoyant, the Company does not foresee any difficulties in raising equity for the purposes of carrying out exploration and development activities on its Goliath Gold Project and Lara Polymetallic Project or acquiring new assets. See “Risk Factors”.

### SELECTED QUARTERLY INFORMATION

The following tables summarize selected annual and quarterly financial data of the Company for the eight most recent quarters:

	Unaudited							
	Q2 Jun-10	Q1 Mar-10	Q4 Dec-09	Q3 Sep-09	Q2 Jun-09	Q1 Mar-09	Q4 Dec-08	Q3 Sep-08
	\$	\$	\$	\$	\$	\$	\$	\$
Royalty Revenue	197,299	162,136	82,714	132,604	104,465	113,300	158,450	110,253
Expenses	245,349	171,071	379,330	318,261	560,159	265,879	355,995	180,760
Net income (loss)	(48,050)	(8,935)	5,036	(185,657)	(455,564)	(70,298)	(212,640)	(2,623,294)
Net (loss) per share (basic and diluted)\$	0.00	0.00	0.00	(0.01)	(0.01)	0.00	(0.01)	(0.11)
Mineral properties and deferred costs	38,259,248	36,997,796	36,461,765	35,528,635	35,430,691	34,046,666	34,983,407	34,866,033
Total current liabilities	532,414	334,950	638,259	384,905	357,737	666,316	644,582	815,094
Total assets	40,062,358	39,752,222	39,621,224	37,804,578	37,252,298	36,562,468	36,359,365	37,306,409



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### RESULTS OF OPERATIONS

#### *Three Months ended June 30, 2010*

The net loss for the three month period ended June 30, 2010 was \$48,050 (2009 - \$455,564). The results are summarized as follows:

The Company's net NSR revenue in this period was \$197,299 as compared with \$104,595 in 2009. The increase is mainly a result of more production and higher gold prices.

Professional fees of \$61,265 for the 2<sup>nd</sup> quarter 2010 (2009-\$49,136) are higher mainly due to the inclusion in 2010 of \$10,000 of non-accrued broker fees relating to a 2008 financing.

Salary and benefits of \$8,590 for the 2<sup>nd</sup> quarter 2010 (2009-\$36,505) were lower mainly due to \$17,300 of Investor Relations salaries incurred in 2009. In 2010 the investor relation function is done through an external consultant and the cost is included in Administrative, office and shareholders services expenses. The increase in Administrative, office and shareholders services expenses in the current quarter reflects this change.

Stock-based compensation charges were \$6,000 (2009 - \$312,912). These charges are non-cash items and reflect the cost of stock options vested during the period. The options vested in the 2<sup>nd</sup> quarter of 2010 were 45,000 (2009- 2,842,000).

#### *Six Months ended June 30, 2010*

The net loss for the six months ended June 30, 2010 was \$56,985 compared to a loss of \$525,862 for the same period in 2009. The main variances are summarized as follows:

Administrative, office and shareholders services of \$279,053 in 2010 compared to \$289,451 in 2009 are at the same levels due to increased marketing expenditures and the addition of an investor relations consultant, being offset by the reversal in 2010 of over accrued Part XII.6 tax with respect to flow-through renunciation.

Professional fees of \$105,058 in 2010 compared to \$161,081 are lower due to a \$27,500 decrease in legal services, a reduction of audit and tax charges of \$15,000, and the inclusion in 2010 of \$10,000 of non-accrued broker fees relating to a 2008 financing. Included in 2009 was the sum of \$ 40,214 in fees paid to a financial advisor not repeated in 2010.

Salary and benefits of \$20,309 in 2010 decreased from \$62,594 for the same period in 2009 due mainly to Investor Relations salaries paid in 2009 which were not continued in 2010. In 2010 the investor relations function is done through an external consultant and the cost is included in Administrative, office and shareholder services expenses



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The Company spent \$1,660,083 on mineral properties in the six-month period ended June 30, 2010 as compared to \$203,179 during 2009. The increase is a result of the Company meeting its flow-through obligations.

The market value of the Company's investments decreased to \$1,548,794 at June 30, 2010 from \$1,750,105 at December 31, 2009.

### FINANCING

#### 2010

The company raised \$620,624 through the issuance of 2,038,750 common shares during the period in 2010, through the exercise of warrants.

The company raised \$35,250 through the issuance of 117,500 common shares during the six-month period in 2010, through the exercise of options.

#### 2009

The company raised \$1,835,499 through the issuance of 6,489,722 common shares during the year ended December 31, 2009 through completion of private placements compared to \$5,151,996 in 2008. See note 7 of the financial statements for further details regarding the private placements.

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

### PRELIMINARY ECONOMIC ASSESSMENT, GOLIATH GOLD PROJECT

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

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

#### *Goliath Gold PEA Highlights*

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



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- At US\$1,200 per oz (current gold spot price): after-tax NPV@ 5% of \$91 million and IRR of 43%.
- Estimated initial capital expenditure of \$38 million; Life of Mine capital expenditure of \$59 million; and, payback period of 4 years at US\$850 per ounce gold, or 2½ years at US\$1,200 per ounce gold.

Howe concludes that Treasury Metals should continue to advance the Project toward Pre-Feasibility, recommending:

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

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

### *Economic Sensitivity*

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

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



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

\* Equivalent to cumulative after-tax profit.

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

### *Mineral Resource Estimate – Updated*

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

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

Category	Block Cut-off Grade (g/tonne)	Tonnes Above Cut-off	Average Au Grade (g/tonne)	Contained Au (ounces)	Average Ag Grade (g/tonne)	Average Cu Grade (ppm)	Average Pb Grade (ppm)	Average Zn Grade (ppm)
<b>Indicated</b>								
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
<b>Subtotal, Indicated</b>		<b>3,400,000</b>	<b>2.5</b>	<b>270,000</b>	6.6	88	800	1,670
<b>Inferred</b>								
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
<b>Subtotal, Inferred</b>		<b>10,600,000</b>	<b>2.7</b>	<b>930,000</b>	8.5	81	490	1,050



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### Notes:

1. Cut-off grade for mineralized zone interpretation was 0.5 g/tonne.
2. Block cut-off grade for surface resources (less than 100 metres deep) was 0.5 g/tonne.
3. Block cut-off grade for underground resources (more than 100 metres deep) was 2 g/tonne.
4. Gold price was US\$850 per troy ounce.
5. Zones extended up to 150 metres down-dip from last intercept. Along strike, zones extended halfway to the next cross-section.
6. Minimum width was 2 metres.
7. Non-diluted resources.
8. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
9. A specific gravity (bulk density) value of 2.78 was applied to all blocks (based on 30 samples).
10. Un-cut. Top-cut analysis of sample data suggested no top cut was needed and removal of high grade outliers would not materially affect the global block model grade.

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

### MINERAL EXPLORATION PROPERTIES

None of the Company's properties are at or near production. The principal mineral assets of the Company as at the date of this MD&A consist of (i) the Goliath Gold Project; (ii) the Goldcliff Project (newly acquired); and, (iii) the Lara Polymetallic Project, all as further described below. The Company's primary focus in the six month period ended June 30, 2010 is the exploration and development of the Goliath Gold Project.

Treasury Metals' exploration programs and pertinent disclosure of a scientific nature in this MD&A were prepared and/or designed and carried out under the overall supervision of Scott Jobin-Bevans, Ph.D., P.Geo., Treasury Metals' President and CEO, who serves as the Qualified Person as defined by National Instrument 43-101 and has reviewed and approved this MD&A.

### GOLIATH GOLD PROJECT

To date, the Company has completed the following exploration work on the Goliath Gold Project:

- 2008, diamond drilling program totalling 13,104 metres in 55 drill holes, focused on outlining an NI 43-101 mineral resource at the Thunder Lake gold deposit.
- 2008, first NI 43-101 compliant mineral resource estimate on the Thunder Lake gold deposit was completed by independent consultants A.C.A. Howe International Limited.
- 2008, high-resolution airborne magnetometer survey totalling 2,165 line kilometres and covering the entire Property, providing the foundation for property wide targeting and exploration.
- 2008, a 146 line kilometre induced-polarization geophysical survey was completed over the area of the Thunder Lake gold deposit.
- 2008, and 2009, structural and geochemical studies, providing a better understanding of the characteristics of the Thunder Lake gold deposit and Property geology.
- 2008, and 2009, surface exploration including geological grid mapping over the Thunder Lake gold deposit, channel sampling along strike and northeast of the Thunder Lake gold deposit and reconnaissance mapping and sampling.



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- 2009, diamond drilling program totalling 4,590 metres in 31 drill holes; extended the Thunder Lake gold deposit approximately 650 metres to the west; identified a potential high-grade ore shoot west of the current resource; and, successfully tested high-grade vertical structures within the resource.
- 2010, diamond drilling program totalling 10,334 metres in 27 holes, targeting deeper gold mineralization; confirmed vertical continuity of gold-bearing structures to +725 metres vertically.
- 2010, borehole and surface induced-polarization geophysical surveys to characterize known mineralization within drill holes, test continuity between drill holes and to develop new targets from off-hole anomalies
- 2010, completed the first Preliminary Economic Assessment (Scoping Study) on the Thunder Lake gold deposit, which included an updated NI 43-101 compliant mineral resource estimate.

### Location and Ownership

The Goliath Gold Project is located in the Kenora Mining Division in north western Ontario, and lies about 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay, Ontario, Canada. The Goliath Gold Project consists of 134 contiguous unpatented mining claims (234 units; 3,744 ha) and 17 patented land parcels (764 ha), totalling approximately 4,508 hectares (~45 km<sup>2</sup>) and covering portions of Hartman and Zealand townships. The Project comprises two historic properties which are now consolidated: the larger Thunder Lake Property, purchased from Teck Resources and Corona Gold Corp. and the Laramide Property, transferred to the Company from Laramide. The Project Area has been expanded from its original size through mining claim staking and land purchases/options. The Project is held 100% by the Company, subject to certain underlying royalties and payment obligations on 15 of the 17 patented land parcels totalling about \$128,000 per year.

### Exploration Activities

Located on the Thunder Lake Property, the Thunder Lake gold deposit and its strike extensions to the west and northeast, were the focus of exploration activity through 2009 and the first two quarters of 2010.

During surface exploration in 2009, the Company was successful in outlining several target areas within the +3,000 metre corridor of alteration and anomalous mineralization northeast of the Thunder Lake gold deposit for future diamond drilling programs. Reconnaissance mapping and sampling was also completed in the eastern region of the Property. Rock and channel samples from this regional work returned several assays with anomalous gold (i.e. >500 ppb Au) which will be followed up on in future surface programs.

From October to December 2009, the Company completed a 4,580 metre diamond drilling program aimed at testing targets and confirming higher grade historic intercepts along strike to the west of the Thunder Lake gold deposit. This program was successful in extending the strike of the alteration and gold mineralization by ~650 metres west of the Thunder Lake gold deposit. Significant higher grade intercepts included:



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Drill Hole	From (m)	To (m)	*Interval (m)	Au (g/t)
TL09-58	19.36	19.80	0.44	5.19
TL09-59	12.50	13.50	1.00	6.72
TL09-61	77.22	77.80	0.58	7.12
TL09-63	71.80	72.45	0.65	11.16
TL09-66	39.00	39.50	0.50	9.35
TL09-65	36.50	37.00	0.50	11.93
TL09-67	104.00	104.20	0.20	9.38
TL09-69	92.00	93.50	1.50	13.96
TL09-70	84.00	85.50	1.50	8.37

\*Interval is not necessarily representative of true width

In addition, this drilling program intersected further high-grade gold in a gold ore shoot located at the western edge of the Thunder Lake gold deposit. Significant higher grade intercepts included:

Drill Hole	From (m)	To (m)	*Interval (m)	Au (g/t)
TL09-76	130.00	130.20	0.20	21.32
TL09-77	24.90	26.00	1.10	24.45
TL09-78	75.60	77.00	1.40	6.53
TL09-80	119.50	120.50	1.00	8.41
TL09-84	67.50	69.00	1.50	59.02
TL09-81	60.50	62.00	1.50	19.34
and	121.70	122.70	1.00	7.46
TL09-83	20.50	21.50	1.00	30.06
TL09-85	26.50	27.00	0.50	6.32
TL09-86	130.40	131.50	1.10	9.29

\*Interval is not necessarily representative of true width

From February to June 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 intersections from this drilling included:



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<b>Drill Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>*Interval (m)</b>	<b>Au (g/t)</b>
TL10-87	496.00	509.00	13.00	1.51
including	508.00	509.00	1.00	13.85
TL10-88	462.00	483.00	21.00	1.93
including	471.00	478.00	7.00	3.89
including	477.00	478.00	1.00	20.03
TL10-89	549.00	550.00	1.00	2.54
and	575.14	577.00	1.86	2.24
TL10-90	501.50	502.50	1.00	8.36
and	518.42	519.43	1.01	2.95
TL10-91	555.00	560.05	5.05	1.96
including	555.00	556.49	1.49	3.82
TL10-92	601.50	603.00	1.50	7.22
and	733.05	733.55	0.50	16.12
and	750.60	752.10	1.50	7.47
TL10-93	699.50	700.50	1.00	3.54
and	760.50	761.75	1.25	1.36
and	790.50	791.50	1.00	2.13
TL10-96	116.00	118.00	2.00	4.04
including	117.00	118.00	1.00	5.96
TL10-97	228.00	231.00	3.00	4.59
including	228.00	229.50	1.50	6.11
TL10-98	274.50	285.00	10.50	7.47
including	274.50	276.00	1.50	16.15
including	279.00	280.50	1.50	20.79
including	280.50	282.00	1.50	7.86
TL10-100	300.00	315.00	15.00	5.74
including	310.50	313.50	3.00	23.83
including	312.00	313.50	1.50	42.59
TL10-102	130.00	131.50	1.50	6.55
and	352.50	358.50	6.00	3.38
including	354.00	355.50	1.50	7.73
TL10-108	185.00	186.00	1.00	43.44

\*Interval is not necessarily representative of true width



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Further drilling is planned for Q3-Q4 2010, which will aim to increase mineral resources along strike to the west and northeast of the Thunder Lake gold deposit, and to upgrade resources and build gold ounces within the Thunder Lake gold deposit. Data compilation, integration and interpretation, and targeting continue. Consideration is also being given to initiating environmental baseline studies in the third quarter of 2010, along with initiating many of the recommendations made by Howe in the PEA.

### **GOLDCLIFF PROJECT**

In June 2010, the Company acquired the right to earn a 100% interest in certain unpatented mining claims in the District of Kenora (Sherridon-Barkauskas mineral property agreement). Under the terms of the agreement, the Company is to make option payments totalling \$90,500 and issue 80,000 common shares of the Company over a three year period. These payments are required as follows: \$8,500 (paid) and 20,000 common shares on signing of the agreement, \$12,000 and 20,000 common shares on or before June 23, 2011, \$20,000 and 20,000 common shares on or before June 23, 2012 and \$50,000 and 20,000 common shares on or before June 23, 2013. The four unpatented mining claims totalling 12 units and 192 hectares are subject to a 2% NSR of which 1% can be purchased by the Company for \$750,000.

In addition to the property acquired through a property option agreement, the Company acquired through staking, 100% ownership in 24 unpatented mining claims. Some of the staked claims are subject to the one kilometre area of interest relating to each of the four optioned claims. All claims that fall within the one kilometre area of interest are subject to a 1% NSR which can be purchased 100% by the Company for \$750,000.

#### Location and Ownership

The Goldcliff Project ("Goldcliff") represents a new gold discovery in the Kenora Gold District and is located approximately 40 km south-southeast of Dryden, Ontario; it is situated within the Boyer Lake Area of the Kenora Mining District. Goldcliff is accessible via Provincial Highway #502. The Project area comprises four optioned unpatented mining claims and 22 contiguous unpatented mining claims staked by Treasury Metals. The Goldcliff Project totals 260 units and covers approximately 4,160 hectares.

Goldcliff lies within the Eagle-Wabigoon-Manitou Lakes greenstone belt located in the Superior Province of the Canadian Shield. Current government mapping shows the Property as comprising mainly mafic volcanic and related intrusive rocks, cut locally by quartz-feldspar porphyry dykes. There is local strong carbonatization of both mafic volcanic rocks and quartz-feldspar porphyry. Prospecting, trenching and sampling have proven both rock types to be gold-bearing..

In May 2007, the Company completed due diligence sampling on the Goldcliff. Six locations were visited from which a total of 13 grab samples were collected. Visible gold was found at one location, hosted by gossanous mafic volcanic rocks with ~2% pyrite and minor quartz veining. Other areas were underlain by felsic volcanic rocks with carbonate flooding and 2-3% sulphides; grab samples returned anomalous gold. Of note were several areas of stripping and blasting that contain sheared gossanous mafic volcanic rock with several percent sulphides and brecciated mafic volcanic rocks containing a prominent shear zone and several



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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.

Exploration is planned for Q3-Q4 2010 to include property wide prospecting, mapping and sampling and detailed mapping and sampling over the 6 known mineral showings.

### **LARA POLYMETALLIC PROJECT**

#### Location and Ownership

The Lara Polymetallic Project, located in the southern region of Vancouver Island, lies about 75 km north of Victoria, 15 km northwest of Duncan and about 12 km west of the Village of Chemainus, Victoria Mining Division, British Columbia, Canada. The Lara Property, of which a portion was formerly owned by Laramide comprises 47 mineral claims covering approximately 8,648 hectares (~87 km<sup>2</sup>). With the exception of eight mineral claims that are subject to a 1% NSR payable to Bluerock Resources Ltd. (now Argus Metals Corp.), the property is owned 100% by Treasury Metals.

#### Exploration Activities

Located on the Lara Property is a high-grade polymetallic base metal deposit, referred to as the Lara Deposit (a.k.a. Coronation Trend or Coronation Deposit) that in addition to high-grade zinc contains lead, copper and significant gold and silver concentrations. The Lara Polymetallic Project has not been the focus of the Company's exploration programs to date, other than claim maintenance, data review, and report writing.

During 2010 and 2009, exploration work on the Lara Property was designed to improve the geological database and develop additional targets beyond the areas currently known to host Ag-Au-Pb-Zn-Cu VMS style mineralization. Field work consisted of structural mapping and data collection, whole rock geochemical sampling and verifying the location and rock type descriptions of historical mapping. Along with the work directly undertaken by Treasury Metals, a Ph.D. student at the University of British Columbia, Tyler Ruks, also collected geological data and whole geochemical samples on the Property which will augment the geological data collected in 2008 and 2009.

In addition to the field work and data collection, a detailed analysis and interpretation of the historical data available for the Lara Property was undertaken. This historical data and the newly collected data will be incorporated into a final report which will highlight areas around the known mineralization that require additional drilling and prioritize targets elsewhere on the Property for additional work.

The Company also inherited a considerable amount of historical work which was completed on the Property by Laramide and other exploration/mining companies. This historic work includes extensive geological and geophysical surveys, over 100,000 meters of drilling and, in the late 1980's a small underground program that ramped in to the deposit and confirmed geological continuity in the two lenses of massive sulphide mineralization. Prior to 2008, Laramide completed a comprehensive data compilation, integration and review



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program, and a 500 line kilometre (property wide) high-resolution electromagnetic-magnetic-radiometric helicopter-borne geophysical survey. Treasury Metals is currently utilizing this extensive data set to target for future surface exploration and diamond drilling programs.

Laramide contracted an NI 43-101 compliant mineral resource estimate and Technical Report on the Lara Deposit, which was filed by Laramide on SEDAR in November 2007 and later by the Company in July 2008. A summary of the mineral resource estimate at various cut-off zinc grades is as follows:

### 1% Zn Block Cut-off

Category	Tonnes	Zn (%)	Ag (g/t)	Cu (%)	Pb (%)	Au (g/t)
Indicated	1,146,700	3.01	32.97	1.05	0.58	1.97
Inferred	669,600	2.26	32.99	0.90	0.44	1.90

### 2% Zn Block Cut-off

Category	Tonnes	Zn (%)	Ag (g/t)	Cu (%)	Pb (%)	Au (g/t)
Indicated	428,600	5.65	47.04	2.25	1.18	2.39
Inferred	207,900	3.99	37.57	1.73	0.84	2.30

### 3% Zn Block Cut-off

Category	Tonnes	Zn (%)	Ag (g/t)	Cu (%)	Pb (%)	Au (g/t)
Indicated	189,600	9.74	60.85	4.44	2.23	3.07
Inferred	91,100	6.15	40.79	3.15	1.45	2.50

The Lara Deposit is located on a relatively small region (<10% of the total area) of the larger Lara Polymetallic Project. In addition to the Lara Deposit target area, there are at least 5 other known areas on the Property that host similar style of mineralization and none of these targets have been systematically tested.

The Company is continuing to work on data integration, interpretation and targeting, looking toward a potential diamond drilling program on the Project in 2010, subject to its available funds.

### NET SMELTER ROYALTY, CERRO COLORADO GOLD MINE

The Cerro Colorado gold mining operation (now controlled by Goldgroup) is a small-scale gold (silver) producer that currently produces about 20,000 ounces of gold per year from its heap leach operation in Sonora State, Mexico. The company has estimated it will produce 21,000 to 30,000 ounces during 2010. During the quarter the NSR increased from 2.5% to 3.0% based on the achievement of the first 100,000 ounces produced. The agreement contemplates that Treasury Metals will receive a 2.0% sliding production royalty if gold prices are below US\$350 per ounce and a 2.5% sliding production royalty if prices are above US\$350 per ounce. Once cumulative production exceeds 100,000 ounces gold, the royalty rate is 2.5% and escalates to 3.0% if the gold price is above US\$350 per ounce. The Company's net NSR revenue in this period was \$197,299 as



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compared with \$104,595 in 2009. The increase is a result of higher production and higher gold prices and increased NSR.

### OBJECTIVES AND MILESTONES

The objectives of the Company are to (i) increase and improve current mineral resources at the Goliath Gold Project and concurrently investigate the sensitivities to develop these resources toward feasibility; (ii) enhance its geological knowledge of the Lara Polymetallic Project and develop targets on the property for future drilling programs; and (iii) aggressively target, review and, if desirable, acquire and develop advanced gold assets in northwestern Ontario in order to augment and strengthen its current mineral property portfolio.

The Company believes that the Goliath Gold Project and Lara Polymetallic Project each have excellent potential and will continue to focus on advancing these assets. The Company also intends to continue to seek, evaluate and, if desirable, complete potential acquisitions with a view to enhancing the Company's value.

In conducting its search for additional mineral properties, the Company may consider acquiring properties that it considers prospective based on criteria such as the exploration history or location of the properties, or a combination of these and other factors.

### LIQUIDITY

As at June 30, 2010, the Company had a negative working capital position of \$278,098. The Company has marketable investment holdings not included in working capital having a market value at June 30, 2010 of \$1,548,794 as compared to \$1,243,395 at June 30, 2009.

The Company holds the NSR on the Cerro Colorado gold mine. The Company also generates some cash from the sale of timber from several of its Ontario mineral properties.

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

Based on current gold prices, the Company estimates that the NSR will generate approximately \$500,000 to \$640,000 in revenue during fiscal 2010. The Company must utilize its current cash reserves, income from the NSR, funds obtained from the exercise of warrants and options, if any, and other financing transactions to maintain the Company's capacity to meet working capital requirements, and ongoing discretionary and committed exploration programs, and to fund any further development activities. The Company anticipates that it will raise additional capital when and if the opportunity arises. See "Risk Factors".

The Company believes that it will be able to raise funds in the short-term. Management will monitor the current market situation and make prudent business decisions as they are required. See "Risk Factors".



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The Company relies on external financing over and above the funds received from the NSR to generate sufficient operating capital.

On the date of this MD&A, the cash resources of the Company are held in cash with major Canadian financial institutions.

The Company continues to have no long-term debt and its credit and interest rate risks are minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

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

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

### OFF BALANCE SHEET TRANSACTIONS

During the six month period ended June 30, 2010, there were no off-balance sheet transactions. The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk.

### CONTINGENCIES AND COMMITMENTS

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

- To one officer of the Company for salary and professional fees payable;
- Under the Brisson mineral property agreement, the Company is required to pay \$20,000 and \$25,000 worth of common shares on or before December 11, 2010, \$20,000 and \$25,000 worth of common shares on or before December 11, 2011 and \$35,000 and \$25,000 worth of common shares on or before December 11, 2012, to acquire a 100% interest in the property.
- Under the Sherridon-Barkauskas mineral property agreement, the Company is required to pay \$8,500 (paid) and 20,000 common shares on signing of the agreement, \$12,000 and 20,000 common shares on or before June 23, 2011, \$20,000 and 20,000 common shares on or before June 23, 2012 and \$50,000 and 20,000 common shares on or before June 23, 2013, to acquire a 100% interest in the property, subject to a 2% NSR.
- Certain underlying royalties and payment obligations remain on 15 of the 17 patented land parcels of about \$128,000 per year (paid in the current year); and
- An assessment work requirement of approximately \$55,000 per year on the Lara Polymetallic Project.

### RELATED PARTY TRANSACTIONS



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

i) Treasury Metals was charged \$312,505 for the six month period ended June 30, 2010 (2009 - \$27,180) by a company in which an officer and director has an interest. This company provides technical and professional services. These charges are all included in mineral properties and related deferred costs. Included in accounts payable at June 30, 2010, there is an amount of \$118,942 (December 31, 2009- \$40,599) with respect to these services.

ii) At June 30, 2010, \$76,815 was due to Laramide Resources Ltd., a company having a director in common with Treasury Metals, (December 31, 2009 – \$3,958). The amounts due to Laramide are the result of expenses paid by Laramide on behalf of Treasury Metals, and the purchase by Laramide of \$54,009 of receivables previously owed to Aquiline Resources Inc. by Treasury Metals. Laramide charged \$32,806 for the six month period ended June 30, 2010 (2009 - \$Nil) for offices space and services. Aquiline charged \$38,246 for office space and services for the comparative period in 2009

iii) During the six month period ended June 30, 2010, \$30,768 (2009 - \$52,031) was charged by a law firm where an officer of Treasury Metals is an employee and other officers charged \$31,500 (2009 - \$30,000) in professional fees. Of these amounts \$41,268 (December 31, 2009 – \$76,585) is in accounts payable at the end of the period.

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

### **DIVIDENDS**

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

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **Mineral Properties and Related Deferred Costs**

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

The amounts shown for mineral properties and related deferred costs represent costs incurred to date, less



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write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

### **Cash and Cash Equivalents**

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

### **Loss Per Share**

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

### **Revenue Recognition**

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

### **Short-term Investments**

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

### **Use of Estimates**

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

### **Income Taxes**

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



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### **Flow-through Shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

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

### **Other Stock-based Payments**

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

### **Stock-based Compensation**

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

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table in note 7 of the audited financial statements summarizes the assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2010 and 2009.

### **Financial Instruments**

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

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



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

### **Asset Retirement Obligations**

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

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

As at June 30, 2010 and December 31, 2009, the Company has not incurred or committed any asset retirement obligations.

### **Transaction Costs**

The Company expenses transaction costs relating to its financial instruments.

### **Foreign Exchange**

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

### **Future Accounting Pronouncements**

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (IFRS) will replace current GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended March 31, 2011.



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The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Property, plant and equipment (measurement and valuation);
- Provisions, including asset retirement obligations;
- Stock-based compensation;
- Accounting for joint ventures;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Completed
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress, expected to be complete during Q3 2010
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress, expected to be complete during Q3 2010
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2010

### Financial Instruments and other Instruments

#### Fair Value of Financial Assets and Liabilities

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

The Company has, designated its cash and cash equivalents as held-for-trading and investments as available for sale, which are measured at fair value. Fair value of investments is determined based on transaction value



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and is categorized as Level 1 measurement. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities and amounts due to Laramide Resources Ltd. are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. Fair values of accounts receivable, accounts payable and accrued liabilities and amounts due to Laramide Resources Ltd. are determined from transaction values that were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

As at June 30, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

The Company has made the following classifications:

Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Investments	Available for sale
Accounts payable and accrued liabilities	Other liabilities
Due to Laramide Resources Ltd.	

### Financial Instrument Risk Exposures

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

### Accounting policies to be implemented effective January 1, 2011

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

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

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

Section 1602 establishes standards for accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of



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IFRS IAS 27 - *Consolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

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

### **Risks and Uncertainties**

#### **Political Risk**

All of the Company's properties are located in Canada, and the NSR is based on operations in Mexico. Accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in these countries. In addition, Mexico is a developing country that has experienced political and economic difficulties over the years. The Company's mineral exploration activities could be affected in varying degrees by such political instability and government regulation relating to foreign investment and the mining business. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

#### **Business Risk**

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company may not always own 100% of the mineral concessions. Similarly, any non-compliance with or non-satisfaction of the terms of the Option by the Company could affect its ability to exercise the Option and earn its interest in the mining concessions and assets relating to properties.

Mining concessions may not include surface rights and there can be no assurance that the Company will be successful in negotiating long term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on the Company's future operations.

The Company's current or future operations, including development activities, are subject to environmental regulations, which may make operations not economically viable or prohibit them altogether.

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgement, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company operations and financial performance.

#### **Interest Rate Risk**

The Company invests cash surplus to its operational needs in investment-grade short-term deposits certificates issued by the bank where it keeps its Canadian bank accounts. The Company periodically assesses



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the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short-term deposits certificates.

### Foreign Currency Risk

The Company's exploration and evaluation activities are substantially denominated in Canadian dollars. The Company's funds are predominantly kept in Canadian dollars, with a major Canadian financial institution.

### Sensitivity Analysis

The sensitivity analysis shown in the notes below may differ materially from actual results.

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

- (i) The Company transacts business using the Canadian dollar, and the U.S. dollar and maintains bank accounts in both currencies. As a result, fluctuations in the U.S. dollar against the Canadian dollar could result in unanticipated fluctuations in the financial results of the Company. As at June 30, 2010, if foreign exchange rates had fluctuated by 10%, with all other variables held constant, the loss for the six-month period ended June 30, 2010 would be changed by \$12,000, as a result of a change in foreign exchange gain/loss from cash and cash equivalents.
- (ii) The Company's investments are subject to fair value fluctuations. As at June 30, 2010, if the fair value of investments had fluctuated by 10%, with all other variables held constant, comprehensive income for the six month period ended June 30, 2010 would have changed by \$155,000.

### Commodity Price Risk

The price of the common shares in the capital the Company, its financial results, exploration and development activities have been, or may in the future be, adversely affected by declines in the price of gold and/or other metals. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from mining and sale of precious and base metals or interests related thereto. The effect of these factors on the price of precious and base metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

### Additional Capital

The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing



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will be available if needed or that, if available, the terms of such financings will be favourable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

### **Environmental and Permitting**

All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

### **Acquisition**

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

### **Competition**

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

### **Internal Control over Financial Reporting**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.



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### DISCLOSURE OF OUTSTANDING SHARE DATA

#### SHARE CAPITAL

The following table sets forth information concerning the outstanding securities of the Company as at August 12, 2010:

<b>Common Shares of no par value</b>	<b>Number</b>
Shares	36,959,907
Warrants	133,333
Options	3,014,500

See note 7 to the unaudited June 30, 2010 financial statements for more detailed disclosure of outstanding share data.

The number of options above includes 210,000 stock options issued August 12, 2010, having an exercise price of \$0.30 and an expiry of five years. The options vest 50% after six months and the remaining 50% after 12 months from the date of issue.

#### OTHER INFORMATION

This MD&A of the financial position and results of operations as at June 30, 2010, should be read in conjunction with the unaudited financial statements for the six month period ended June 30, 2010 and the audited financial statements for the years ended December 31, 2009 and 2008. Additional information will be accessible at the Company's website [www.treasuremetals.com](http://www.treasuremetals.com) or through the Company's public filings at [www.sedar.com](http://www.sedar.com).

#### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board. The financial statements were prepared by the Company's management in accordance with GAAP. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

The Company has designed appropriate internal controls over financial reporting ("ICFR") for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Company's ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance



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with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following inter-related, non-discrete results:

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

Based on their assessment of ICFR, the Company's President and Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") have concluded that the Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP as at June 30, 2010.

There have been no changes in ICFR during the six-month period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

### **EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES**

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

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

Scott Jobin-Bevans  
President and Chief Executive Officer  
August 12, 2010