TREASURY METALS

INCORPORATED

(An exploration stage company)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2014 AND 2013

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Treasury Metals Inc.

We have audited the accompanying financial statements of Treasury Metals Inc. which comprise the balance sheets as at December 31, 2014 and December 31, 2013 and the statements of operations, other comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Treasury Metals Inc. as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Professional Accountants
March 26, 2015
Toronto, Ontario

TREASURY METALS INC.

(An exploration stage company)
BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)

	December 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**$ 1,030,715**	$ 2,808,718
Accounts receivable and prepaid expenses (Note 5)	**254,261**	654,268
	1,284,976	3,462,986
Investments (Note 6)	**323,139**	138,000
Property and equipment (Note 7)	**2,473,645**	2,548,635
Mineral properties and related deferred costs (Note 8)	**56,149,163**	51,651,101
	$ 60,230,923	$ 57,800,722
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	**$ 778,185**	$ 1,116,043
Due to Laramide Resources Ltd. (Note 14)	**-**	7,693
Current portion of long-term debt (Note 10)	**319,236**	556,209
Unrenounced flow-through shares premium (Note 11) & (Note 17)	**220,000**	757,424
	1,317,421	2,437,369
Long-term debt (Note 10)	**3,280,177**	131,723
Deferred tax liability (Note 16)	**3,308,300**	2,708,200
	7,905,898	5,277,292
Shareholders' Equity		
Capital stock (Note 11)	**64,860,522**	63,916,249
Contributed surplus (Note 12) & (Note 13)	**4,352,422**	3,670,079
Deficit	**(16,949,888)**	(15,062,898)
Accumulated other comprehensive income	**61,969**	-
	52,325,025	52,523,430
	$ 60,230,923	$ 57,800,722

Commitments and Contractual Obligations (Note 17)
Subsequent Event (Note 18)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Doug Bache"*
Director

(Signed) *"Marc Henderson"*
Director

The accompanying notes are an integral part of these financial statements.

TREASURY METALS INC.
(An exploration stage company)
STATEMENTS OF OPERATIONS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	2014	2013
Revenues		
Royalty income, net (Note 8)	**$ 163,393**	$ 723,476
	163,393	723,476
Expenses		
Administrative, office and shareholder services	**$ 653,157**	$ 942,629
Professional fees	**118,422**	200,705
Salary and benefits	**546,943**	297,772
Stock-based compensation (Note 13)	**313,445**	181,647
Amortization of long-term debt transaction costs (Note 10)	**345,776**	-
Interest and commitment fees	**229,940**	34,034
Write-down of available for sale investments (Note 6)	**-**	1,703,398
	2,207,683	3,360,185
Loss before income taxes	**(2,044,290)**	(2,636,709)
Deferred income tax recovery (Note 16)	**157,300**	302,000
Net loss for the year	**$ (1,886,990)**	$ (2,334,709)
Loss per share - basic and diluted	**$ (0.03)**	$ (0.04)
Weighted average number of shares outstanding	**74,194,040**	64,347,287

The accompanying notes are an integral part of these financial statements.

TREASURY METALS INC.

(An exploration stage company)
STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2014**	2013
Net loss for the year	**$ (1,886,990)**	$ (2,334,709)
Other comprehensive income (loss)		
Item that may be reclassified subsequently to net income (loss)		
Unrealized income (loss) on available for sale investments, net of taxes	**61,969**	(508,874)
Reclassification of unrealized loss on available for sale investment to income upon write-down (Note 6)	**-**	1,703,398
	61,969	1,194,524
Comprehensive loss for the year	**$ (1,825,021)**	$ (1,140,185)

The accompanying notes are an integral part of these financial statements.

TREASURY METALS INC.
(An exploration stage company)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2012	61,465,074	$ 60,163,577	$ 3,239,273	$ (12,728,189)	$ (1,194,524)	$ 49,480,137
Private placement-May	2,638,332	1,187,250	-	-	-	1,187,250
Flow through private placement-May	1,194,444	597,222	-	-	-	597,222
Flow through private placement-December	8,315,500	3,326,200	-	-	-	3,326,200
Share issue costs	-	(467,158)	-	-	-	(467,158)
Unrenounced flow-through shares premium (Note 11)	-	(757,424)	-	-	-	(757,424)
Issuance of warrants	-	(115,617)	115,617	-	-	-
Issuance of broker warrants	-	(17,801)	17,801	-	-	-
Stock-based compensation	-	-	297,388	-	-	297,388
Net loss for the period	-	-	-	(2,334,709)	-	(2,334,709)
Other comprehensive income	-	-	-	-	1,194,524	1,194,524
Balance, December 31, 2013	**73,613,350**	**$ 63,916,249**	**$ 3,670,079**	**$ (15,062,898)**	**$ -**	**$ 52,523,430**
Flow through private placement (Note 11)	2,000,000	800,000	-	-	-	800,000
Share issue costs (Note 11)	-	(62,133)	-	-	-	(62,133)
Issuance of broker warrants (Note 11)	-	(7,499)	7,499	-	-	-
Stock options exercised (Note 13)	817,000	245,100	-	-	-	245,100
Fair value of contributed surplus transferred on exercised options	-	188,805	(188,805)	-	-	-
Unrenounced flow-through shares premium (Note 11)	-	(220,000)	-	-	-	(220,000)
Issuance of financier warrants (Note 12)	-	-	434,981	-	-	434,981
Stock-based compensation (Note 13)	-	-	428,668	-	-	428,668
Net loss for the year	-	-	-	(1,886,990)	-	(1,886,990)
Other comprehensive income	-	-	-	-	61,969	61,969
Balance, December 31, 2014	**76,430,350**	**$ 64,860,522**	**$ 4,352,422**	**$ (16,949,888)**	**$ 61,969**	**$ 52,325,025**

The accompanying notes are an integral part of these financial statements.

TREASURY METALS INC.
(An exploration stage company)
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2014**	2013
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net loss for the year	**$ (1,886,990)**	$ (2,334,709)
Adjustments for:		
Deferred income tax	**(157,300)**	(302,000)
Stock-based compensation	**313,445**	181,647
Write-down of available for sale investments(Note 6)	**-**	1,703,398
Amortization of long-term debt transaction costs (Note 10)	**345,776**	-
	(1,385,069)	(751,664)
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**400,007**	(114,135)
Accounts payable and accrued liabilities	**(257,806)**	193,423
	(1,242,868)	(672,376)
Financing Activities		
Private placement, net of issue costs(Note 11)	**737,867**	4,643,514
Proceeds from RMB facility (Note 10)	**4,000,000**	-
Cash transaction costs of long-term debt (Note 10)	**(743,016)**	-
Stock options exercised	**245,100**	-
Due to Laramide Resources Ltd.	**(7,693)**	(55,504)
Payments made on long-term debt	**(256,298)**	(52,682)
	3,975,960	4,535,328
Investing Activities		
Purchase of investments	**(123,170)**	-
Acquisition of property and equipment	**(1,750)**	(8,378)
Acquisition of mineral properties and related deferred costs	**(4,386,175)**	(3,237,685)
	(4,511,095)	(3,246,063)
Change in cash and cash equivalents	**(1,778,003)**	616,889
Cash and cash equivalents, beginning of the year	**2,808,718**	2,191,829
Cash and cash equivalents, end of the year	**$ 1,030,715**	$ 2,808,718

The accompanying notes are an integral part of these financial statements.

TREASURY METALS INC.
(An exploration stage company)
STATEMENTS OF CASH FLOWS (Continued)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2014**	2013
Supplementary cash flow information		
Changes in non cash investing activities:		
Warrants/Options issued for commission on private placement	**$ 7,499**	$ 17,801
Stock-based compensation capitalized to mineral properties and related deferred costs	**$ 115,223**	$ 115,741
Amortization capitalized to mineral properties and related deferred costs	**$ 76,740**	$ 79,450
Issuance of financier warrants (Note 12)	**$ 434,981**	$ -

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario and listed on the Toronto Stock Exchange under the symbol "TML". The mineral properties of Treasury Metals are all located in Canada and are in the exploration stage and, on the basis of information to date, do not yet have economically recoverable reserves. The recoverability of the amounts shown on the balance sheets for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The Company's success depends on the successful development of the Goliath Gold Project and corresponding permitting and feasibility study. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources (debt and equity) to fund the Company's planned operations and development of the Goliath Gold Project. The address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario, Canada.

On March 26, 2015, the Board of Directors approved the financial statements for the years ended December 31, 2014 and 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

As required by the IASB, effective January 1, 2014 the Company adopted the following amendments and standards to IFRS:

IAS 32 Offsetting Financial Assets and Liabilities - this amendment clarifies certain aspects of offsetting and net and gross settlement. The Company's adoption of this amendment had no effect on its financial statements.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets amendment modifies certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Company's adoption of this amendment had no effect on its financial statements.

IFRIC 21 *Levies* - this IFRIC provides guidance on the accounting for levies within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The main features of IFRIC 21 are: (i) the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation, and (ii) the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. The Company's adoption of this amendment had no effect on its financial statements.

Basis of Preparation

These financial statements are presented in Canadian dollars which is also the functional currency of the Company.

The financial statements are prepared on the historical cost basis except for certain assets and financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting policies set out below have been applied consistently to the years presented in the financial statements.

Cash and Cash Equivalents

The “cash and cash equivalents” category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less or which are cashable without penalty.

Financial Instruments

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value, with any resultant gain or loss recognized in the statement of operations.

Financial instruments classified as being available for sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

The fair value of financial instruments classified as FVTPL and available for sale is their quoted bid price at the balance sheet dates.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.

Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest rate method.

Transaction costs associated with FVTPL financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and financial liabilities are included in the initial carrying amount of the asset.

Impairment losses for the different financial assets and liabilities are recognized as follows:

FVTPL financial assets: An impairment loss on a financial asset or financial liability classified as FVTPL is recognized in net income in the period in which it arises.

Available for sale financial assets ("AFS"): When a decline in the fair value, including a significant or prolonged decline in value, of an available for sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Any further significant or prolonged decline in the fair value of these AFS investments, after an impairment loss is recognized, will be automatically considered to be further impairments to be recognized in net loss. Increases in value from the current carrying amount will be recognized in other comprehensive income. Impairment losses on AFS financial assets are not reversed.

Held to maturity securities: The recoverable amount of the Company’s investments in held to maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). An impairment loss is recognized in net income and through the amortization process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial asset and financial liability of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets at FVTPL.

Property and Equipment

i) Assets owned by the Company

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Useful life is reviewed at the end of each reporting period.

Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

(ii) Leased assets

Assets financed by finance lease contracts, in terms of which the Company assumes substantially all the risks and rewards of ownership, are capitalized at the lower of the present value of future minimum lease payments and fair value and the related debt is recorded in “long-term debt”. These assets are depreciated on a straight-line basis over their estimated useful life. Amortization expenses on assets acquired under such leases are included in mineral properties and related deferred costs if directly related to mineral properties.

iii) Subsequent costs

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

iv) Amortization

Amortization is calculated on a straight-line and declining balance basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives in the current and comparative year are as follows:

Building	4% Declining balance
Furniture and equipment	20% Declining balance
Vehicles under finance lease	Straight line over five years
Other vehicles	Straight line over five years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mineral Properties and Related Deferred Costs

The Company defers pre exploration, post exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. Capitalized expenditures include all the costs incurred in exploration and evaluation of potential mineral reserves and resources, such as exploratory drilling and sample testing and the costs of pre feasibility studies. Exploration expenditures are related to the initial search for deposits of minerals with economic value. Evaluation expenditures are related to the detailed economic assessments of identified deposits that are economically viable.

Impairment

The Company continually reviews and evaluates the events or changes in the economic environment that indicates a risk of impairment of assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash generating unit ("CGU") level which is the smallest identifiable group of asset that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of an asset’s fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Provisions

A provision is recognized on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Deferred Taxes

Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

- Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.
- Current tax and deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

Royalty revenue consists of a 2% to 3% sliding production royalty ("NSR") on gold that is produced at the Cerro Colorado Gold Mine Project in Mexico (Note 8). Revenue is recorded in the period the gold is sold. Other revenues are recognized at the time persuasive evidence of an agreement exists, amount is fixed and determinable, and collectibility is reasonably assured.

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.

At the time of issuance of the flow-through shares, the Company applies the residual method to measure the sale of tax deduction to the shareholders and records such amount as "Unrenounced flow-through share premium" on the balance sheet.

When the Company fulfills its obligation to pass on the tax deduction to the shareholders, the amount recorded as unrenounced flow-through share premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

Stock-based Compensation

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black Scholes option pricing model. Compensation expense is recognized as a charge to net loss or mineral property and related deferred costs over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from stock-based payment is transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of December 31, 2014.

Segmental Reporting

The Company presents and discloses segmental information based on information that is regularly reviewed and evaluated by the management and Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

Environment Rehabilitation Provision

The Company's activities could give rise to obligations for environmental rehabilitation which can include facilities dismantling, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are charged to the cost of the project. No environmental rehabilitation provision is recorded by the Company as at December 31, 2014 and 2013.

Accounting Standards Issued but not yet Effective

At the date of authorization of these financial statements, the IASB has issued the following standard which is not yet effective for the relevant reporting period.

IFRS 9 - Financial Instruments - this standard will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied. In February 2014 the IASB set January 1, 2018 as the effective date for mandatory application of IFRS 9. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

The Company has not early adopted this standard, however it is currently assessing the impact of its application in the financial statements.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Measurement of impairment in Mineral properties and related deferred costs - Management uses significant judgement in determining whether there is any indication that mineral properties and related deferred costs may be impaired.

Measurement of impairment in available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statements of operations. The impairment loss recognized in the statements of operations is a reclassification of unrealized losses resulting from decline in fair value previously recorded in other comprehensive loss.

Significant or prolonged decline is defined as a decline in fair value of at least 50% below original cost or a decline in fair value below original cost for at least 24 months.

(EXPRESSED IN CANADIAN DOLLARS)

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Stock-based compensation and warrants - The Company utilizes the Black Scholes option pricing model to determine the fair values of the stock-based payments and warrants. The Company uses significant judgement in the evaluation of the input variables in the Black Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life, expected dividend yield and a quoted market price of the Company's shares on the Toronto Stock Exchange.

Deferred income taxes - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

Going Concern - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	December 31, 2014	December 31, 2013
Cash	**$ 716,446**	$ 758,711
Preferred investment account	**254,269**	2,000,007
Cashable GIC	**60,000**	50,000
	$ 1,030,715	$ 2,808,718

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	December 31, 2014	December 31, 2013
Royalty receivable	**$ -**	$ 126,545
Prepaid expenses and advances	**150,486**	450,921
Harmonized sales tax	**73,693**	51,378
Due from Laramide Resources Ltd. (Note 14)	**4,112**	-
Due from Vena Resources Inc. (Note 14)	**25,970**	-
Other receivable	**-**	25,424
	$ 254,261	$ 654,268

(EXPRESSED IN CANADIAN DOLLARS)

6. INVESTMENTS

The Company's investments are classified as available for sale investments and are carried at fair value. The balance is comprised of the following:

	Number of Shares	**December 31, 2014**	Number of Shares	December 31, 2013
Goldgroup Mining Inc. - Shares	**2,340,850**	**$ 304,310**	1,725,000	$ 138,000
Goldgroup Mining Inc. - Warrants	**307,925**	**18,829**	-	-
		$ 323,139		$ 138,000

The warrants were assigned a fair value using the Black Scholes option pricing model with the following assumptions: Share price $0.14, dividend yield 0%, expected volatility, based on historical volatility 126.76%, a risk free interest rate of 1.30% and an expected life of 1.5 years.

In the year ended December 31, 2013, an impairment in the value of the Goldgroup Mining Inc. shares was recorded as a result of applying the guidance of IAS 39, Financial Instruments: Recognition and Measurement. This transaction was a non-cash and a non-taxable event. The write-down resulted in a reclassification of $1,703,398 loss from other comprehensive loss into the statement of operations.

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At December 31, 2013	$1,456,092	$1,061,062	$ 94,802	$ 125,107	$2,737,063
Additions	-	-	1,750	-	1,750
At December 31, 2014	$1,456,092	$1,061,062	$ 96,552	$ 125,107	$2,738,813
Accumulated amortization					
At December 31, 2013	$ -	$ (85,134)	$ (31,368)	$ (71,926)	$ (188,428)
Amortization for the year	-	(39,038)	(12,682)	(25,020)	(76,740)
At December 31, 2014	$ -	$ (124,172)	$ (44,050)	$ (96,946)	$ (265,168)
Net book value at December 31, 2014	**$1,456,092**	**$ 936,890**	**$ 52,502**	**$ 28,161**	**$2,473,645**

(EXPRESSED IN CANADIAN DOLLARS)

7. PROPERTY AND EQUIPMENT (Continued)

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At December 31, 2012	$ 1,456,092	$ 1,061,062	$ 86,424	$ 125,107	$ 2,728,685
Additions	-	-	8,378	-	8,378
At December 31, 2013	$ 1,456,092	$ 1,061,062	$ 94,802	$ 125,107	$ 2,737,063
Accumulated amortization					
At December 31, 2012	$ -	$ (44,471)	$ (17,603)	$ (46,904)	$ (108,978)
Amortization for the year	-	(40,663)	(13,765)	(25,022)	(79,450)
At December 31, 2013	$ -	$ (85,134)	$ (31,368)	$ (71,926)	$ (188,428)
Net book value at December 31, 2013	$ 1,456,092	$ 975,928	$ 63,434	$ 53,181	$ 2,548,635

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As of December 31, 2014 and December 31, 2013, accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance December 31, 2013	Additions	**Balance December 31, 2014**
Goliath Gold Project	$ 50,846,445	$ 4,346,839	**$ 55,193,284**
Lara Polymetallic Project - BC	343,207	140,492	**483,699**
Goldcliff Property	461,449	10,731	**472,180**
	$ 51,651,101	$ 4,498,062	**$ 56,149,163**

	Balance December 31, 2012	Additions	Balance December 31, 2013
Goliath Gold Project	$ 47,784,354	$ 3,062,091	$ 50,846,445
Lara Polymetallic Project - BC	240,542	102,665	343,207
Goldcliff Property	403,896	57,553	461,449
	$ 48,428,792	$ 3,222,309	$ 51,651,101

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Goliath Gold Project

The Goliath Gold Project is located in the Kenora Mining Division in north-western Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

The Goliath Gold Project consists of 137 contiguous unpatented mining claims (254 units) and 22 patented land parcels. The total area of the project is approximately 4,881 hectares (~49 km^2) covering portions of Hartman and Zealand townships. The project comprises two historic properties which are now consolidated into one property: the larger Thunder Lake Property, purchased from Teck Resources ("Teck") and Corona Gold Corporation ("Corona") and the Laramide Property, transferred to the Company from Laramide Resources Ltd. ("Laramide"). The project area has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 14 of the 19 patented land parcels totaling approximately $103,500 per year.

On October 21, 2014, the Company filed its Environmental Impact Statement (EIS) with the Canadian Environmental Assessment Agency (CEAA).

The Goliath Gold Project comprises three underlying properties: the Laramide Property, Thunder Lake Property and the Brisson Property.

Laramide Property, Ontario

In 2007, the Company acquired from Laramide a 100% interest in certain parcels of land, including surface and mineral rights totaling 411 acres in 3 patented land parcels, located in Zealand Township near Dryden, Ontario (collectively the "Laramide Property"). This interest is subject to a 2.0 - 2.5% NSR retained by the owners.

Thunder Lake Property, Ontario

In 2007, the Company and Laramide finalized and signed an agreement pursuant to which, Treasury Metals purchased 100% of Corona's and Teck's respective interests in the Thunder Lake West, Thunder Lake East and certain adjacent properties in and around Dryden, Ontario (collectively the "Thunder Lake Property").

Brisson Property, Ontario

In December 2009, the Company acquired a 100% interest in certain parcels of land in the District of Kenora. Under the terms of the agreement, the Company made option payments totaling $100,000 and issued common shares of the Company equal to $100,000 based on the market price at the date of issue.

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide a 100% interest in the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project, of which a portion was formerly owned by Laramide, comprises 90 mineral claims covering approximately 8,684 hectares (~87 km^2) at December 31, 2014.

The Company is committed to a 1.0% net smelter return NSR, held by Argus Metals Corp. (formerly Bluerock Resources Ltd) on 8 of the mineral claims, historically known as the Chemainus claims, located on Vancouver Island.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

In 2010, only $5,173 was expended in this project and no significant expenditures in the early future were considered at that time; in addition, in early 2011 the annual mining leases on a significant portion of the property were not renewed. As a consequence, the estimated non-recoverable costs associated with this project were written off in 2010. In the year 2011, the Company renewed the mining leases of the most significant areas of this property and, therefore, it now owns the mining rights on these properties. During the year 2014, $140,492 (2013- $102,665) was expended mainly on renewal of the most strategic mining leases. In February 2015, after an evaluation of the claims to be renewed or forfeited without affecting the project's value, the Company decided to renew only 59 of the previous 90 claims kept in 2014.

Goldcliff Property

In June 2010, the Company acquired the right to earn a 100% interest in four unpatented mining claims in the District of Kenora ("Kenora mining claims"). 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 four-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 (paid), and $50,000 and 20,000 common shares on or before December 23, 2013 (subsequently extended to June 1, 2015). The Kenora mining claims, totaling 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, the Company acquired through staking, 100% ownership in 45 unpatented mining claims that are contiguous with the Kenora 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 Kenora mining claims. In February 2015, after an evaluation of the claims to be renewed or forfeited without affecting the project's value, the Company decided to renew only 29 of the previous 45 claims kept in 2014.

Cerro Colorado Gold Mine, Mexico

In 2007, the Company acquired from Laramide a sliding production royalty, net of withholding tax, based on gold prices and the aggregate production from a mine, less direct selling costs. On the first 100,000 ounces produced, 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 gold prices are above US$350 per ounce. Once cumulative production exceeds 100,000 ounces of gold, the royalty rate is 2.5% and escalates to 3.0% if gold prices are above US$350 per ounce.

During the year ended December 31, 2010, the 100,000 ounces of gold cumulative production target was reached and, based on the gold prices, the royalty rate was increased to 3.0%. In late 2013 the production in the mine terminated and royalty revenue was generated from leaching of the leach pads which was then completed in mid 2014. The royalty stream has now been completed.

(EXPRESSED IN CANADIAN DOLLARS)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	December 31, 2014	December 31, 2013
Trade accounts payable	**$ 613,502**	$ 918,540
Accrued liabilities	**149,819**	158,185
Payroll deductions payable	**14,864**	39,318
	$ 778,185	$ 1,116,043

10. LONG-TERM DEBT

	Current Portion	Long Term Portion	**Total Debt December 31, 2014**
Mortgages (ii)	$ 319,236	$ 112,398	$ 431,634
RMB Facility (iii)	-	3,167,779	3,167,779
	$ 319,236	$ 3,280,177	$ 3,599,413

	Current Portion	Long Term Portion	Total Debt December 31, 2013
Finance lease payable (i)	38,256	-	38,256
Mortgages (ii)	$ 517,953	$ 131,723	$ 649,676
	$ 556,209	$ 131,723	$ 687,932

(i) The finance lease payable consisted of 2 lease agreements which expired in August 2014.

(EXPRESSED IN CANADIAN DOLLARS)

10. LONG-TERM DEBT (Continued)

(ii) The mortgages are related to two purchase transactions of land and buildings located on the Goliath Gold Project properties. A first purchase for a total of $200,000 was made in November 2010 consisting of 120 monthly payments with annual interest rate of prime plus 3% expiring in October 2020. A second transaction for $500,000 was made on October 1, 2012 and consists of quarterly payments of interests until the maturity on October 1, 2014, with annual interest of 4%. The terms of the second mortgage were rearranged consisting of a payment of $200,000 on October 1, 2014 (paid) and the balance of $300,000 to be paid on October 1, 2015, with annual interest of 10%. The mortgage payments are as follows:

		Total
2015	$	319,236
2016		20,506
2017		21,864
2018		23,309
2019		24,851
2020 and beyond		21,868
Total mortgages	$	431,634

(iii) The Company has a $6 million feasibility funding facility agreement (the “Facility”) with RMB Resources Inc. ("RMB"). The Facility has two available tranches of $3 million each. A total of $4 million was drawn at December 31, 2014. The Facility matures on June 20, 2016 and bears interest at Canadian Dealer Offered Rate ("CDOR") plus 7.5% per annum, and a 2.0% per annum fee will be paid on the available but undrawn amount of the Facility. In connection with the Facility, on February 18, 2014, 1.5 million financier warrants were issued to RMB at the drawdown of the first tranche with an expiry date of August 19, 2018; each warrant entitles RMB to purchase one common share of the Company at an exercise price of $0.395. A second set of 1.5 million financier warrants was issued on November 18, 2014, at the drawdown of $1 million from the second tranche with an expiry date of May 18, 2018, each warrant entitles RMB to purchase one common share of the Company at an exercise price of $0.35. For more information on financier warrants see note 12. The funds from the Facility will be used to continue the exploration and development of the Goliath Gold Project. On March 3, 2015, $1 million was additionally withdrawn from the second tranche.

Additional terms related to the Facility are as follows:

- Pre-payment without penalty of amounts in a multiple of $250,000 and prior written notice of at least ten business days.
- The Facility is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath property's land and mining claims in Kenora, granted by the Company in favour of RMB.

In connection with the Facility, the Company has incurred transaction costs of $1,177,977, which include a $375,000 arrangement fee paid at the time of the first drawndown, the fair market value of the issued financier warrants of $434,981, and legal and other fees. The transaction costs are amortized and charged to the statement of operations over the term of the Facility.

(EXPRESSED IN CANADIAN DOLLARS)

10. LONG-TERM DEBT (Continued)

The Facility balance at December 31, 2014 is as follows:

	Total
Drawn from first tranche	$ 3,000,000
Drawn from second tranche	1,000,000
Unamortized transaction costs	(832,221)
Present value of RMB Facility as at December 31, 2014	$ 3,167,779

11. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance, December 31, 2012	61,465,074	$ 60,163,577
Private placement-May	2,638,332	1,187,250
Flow through private placement-May	1,194,444	597,222
Flow through private placement-December	8,315,500	3,326,200
Share issue costs	-	(467,158)
Unrenounced flow-through shares premium	-	(757,424)
Issuance of warrants	-	(115,617)
Issuance of broker warrants	-	(17,801)
Balance, December 31, 2013	**73,613,350**	**$ 63,916,249**
Flow through private placement	2,000,000	800,000
Share issue costs	-	(62,133)
Issuance of broker warrants	-	(7,499)
Stock options exercised	817,000	245,100
Fair value of contributed surplus transferred on exercised options	-	188,805
Unrenounced flow-through shares premium	-	(220,000)
Balance, December 31, 2014	**76,430,350**	**$ 64,860,522**

11. CAPITAL STOCK (Continued)

Private Placements

On December 15, 2014 the Company closed a brokered placement of 2,000,000 flow-through common shares ("Flow-Through Shares") at an issue price of $0.40 per Flow-Through Share for aggregate gross proceeds of $800,000 (the "Offering"). In consideration for the services of the agents the Company paid a cash commission equal to 7% of the gross proceeds received from the sale of the Flow-Through Shares as well as finder's and legal fees; in addition, has issued an aggregate of 80,000 non-transferable broker warrants, with each broker warrant being exercisable to acquire one common share of the Company at a price of $0.40 per share for a period of 24 months from the closing of the Offering. The net proceeds of the financing from Flow-through shares are to be used to incur eligible Canadian Exploration Expenses and flow-through mining expenditures in the gold projects located in the Kenora Mining District of Northwestern Ontario, as defined under the Income Tax Act (Canada), that will be renounced in favour of the purchasers.

On December 20, 2013 the Company closed a brokered placement of 8,315,500 flow-through common shares ("Flow-Through Shares") at an issue price of $0.40 per Flow-Through Share for aggregate gross proceeds of $3,326,200 (the "Offering"). In consideration for the services of the agents the Company paid a cash commission equal to 7% of the gross proceeds received from the sale of the Flow-Through Shares and has issued an aggregate of 201,250 non-transferable broker warrants, with each broker warrant being exercisable to acquire one common share of the Company at a price of $0.50 per share for a period of 24 months from the closing of the Offering. The net proceeds of the financing from Flow-through shares are to be used to incur eligible Canadian Exploration Expenses and flow-through mining expenditures in the gold projects located in the Kenora Mining District of Northwestern Ontario, as defined under the Income Tax Act (Canada), that will be renounced in favour of the purchasers.

On May 1, 2013, the Company completed a non-brokered private placement (the "Offering"). The Offering consisted of 2,638,332 units (the "Units") of the Company at a price of $0.45 per Unit and 1,194,444 flow-through Shares (the "Flow-Through Shares") at a price of $0.50 per Flow-Through Share, for total aggregate gross proceeds of $1.78 million. Each Unit consists of one common share in the Company and one half of one common share purchase warrant of the Company exercisable for a period of 36 months from the closing date. Each whole warrant shall be exercisable into one common share of the Company at $0.75 per share. The Units and Flow-Through Shares are subject to a four-month hold period under applicable securities laws in Canada. The net proceeds raised through the Offering will be for the advancement of the Company's Goliath Gold Project including completion of an Environmental Impact Statement and for general working capital purposes. The net proceeds of the financing from Flow-through shares are to be used to incur eligible Canadian Exploration Expenses and flow-through mining expenditures in the gold projects located in the Kenora Mining District of Northwestern Ontario, as defined under the Income Tax Act (Canada), that will be renounced in favour of the purchasers. The Company paid a finder's fee of 7% cash commission to certain parties with respect to service provided in connection with the Offering.

12. WARRANTS

In connection with the first tranche of the Feasibility Funding Agreement signed with RMB Resources Inc. indicated in Note 10, on February 18, 2014, the Company issued 1,500,000 financier warrants exercisable at a price of $0.395 per share until August 18, 2017. These warrants were assigned a fair value of $267,937 using the Black Scholes option pricing model with the following assumptions: Share price $0.42, dividend yield 0%, expected volatility, based on historical volatility 73.95%, a risk free interest rate of 1.30% and an expected life of 2 years.

In connection with the second tranche of the Feasibility Funding Agreement signed with RMB Resources Inc. indicated in Note 10, on November 18, 2014, the Company issued 1,500,000 financier warrants exercisable at a price of $0.35 per share until May 18, 2018. These warrants were assigned a fair value of $167,044 using the Black Scholes option pricing model with the following assumptions: Share price $0.30, dividend yield 0%, expected volatility, based on historical volatility 75.96%, a risk free interest rate of 1.30% and an expected life of 2 years.

In connection with the December 15, 2014 private placement, the Company issued 80,000 broker warrants exercisable at a price of $0.40 per share until December 15, 2016. These warrants were assigned a fair value of $7,499 using the Black Scholes option pricing model with the following assumptions: Share price $0.29, dividend yield 0%, expected volatility, based on historical volatility 76.12%, a risk free interest rate of 1.30% and an expected life of 2 years.

In connection with the December 20, 2013 private placement, the Company issued 201,250 broker warrants exercisable at a price of $0.50 per share until December 20, 2015. These warrants were assigned a fair value of $17,801 using the Black Scholes option pricing model with the following assumptions: Share price $0.33, dividend yield 0%, expected volatility, based on historical volatility 70.70%, a risk free interest rate of 1.30% and an expected life of 2 years.

In connection with the May 1, 2013 private placement, the Company issued 1,319,166 warrants exercisable at a price of $0.75 per share until May 1, 2016. These warrants were assigned a fair value of $115,617 using the Black Scholes option pricing model with the following assumptions: Share price $0.42, dividend yield 0%, expected volatility, based on historical volatility 67.89%, a risk free interest rate of 1.30% and an expected life of 2 years.

In connection with the September 21, 2012 private placement, the Company issued 1,000,000 warrants exercisable at a price of $1.00 per share until September 21, 2014. These warrants were assigned a fair value of $250,000 using the Black Scholes option pricing model with the following assumptions: Share price $0.89, dividend yield 0%, expected volatility, based on historical volatility 65.94%, a risk free interest rate of 1.30% and an expected life of 1.5 years.

The fair value of the service provided by the brokers is not reliably estimable as these services are traditionally transacted to be totally or partially paid in warrants or options, making measurement of that service impractical. Using the same assumptions, the value assigned to the 457,500 Broker Warrants issued, exercisable at a price of $0.80 per share until September 21, 2014, was $145,485.

(EXPRESSED IN CANADIAN DOLLARS)

12. WARRANTS (Continued)

The following table reflects the continuity of warrants:

	Number of Warrants 2014	Number of Warrants 2013	**Weighted Average Exercise Price 2014**	Weighted Average Exercise Price 2013
Balance, at beginning of year	2,977,916	1,457,500	$ 0.82	$ 0.94
Issued, on private placement units	-	1,319,166	$ -	$ 0.75
Issued, financier warrants	1,500,000	-	$ 0.395	$ -
Issued, financier warrants	1,500,000	-	$ 0.35	$ -
Issued, broker warrants	80,000	201,250	$ 0.40	$ 0.80
Expired	(1,000,000)	-	$ 1.00	$ -
Expired	(457,500)	-	$ 0.80	$ -
Balance, at December 31, 2014 and 2013	**4,600,416**	2,977,916	**$ 0.49**	$ 0.82

The outstanding issued warrants are comprised as follows:

Expiry Date	Type	**Warrants at December 31, 2014**	Warrants at December 31, 2013	Exercise Price
September 21, 2014	Warrants	**-**	1,000,000	$ 1.00
September 21, 2014	Broker Warrants	**-**	457,500	$ 0.80
May 1, 2016	Warrants	**1,319,166**	1,319,166	$ 0.75
December 20, 2015	Broker warrants	**201,250**	201,250	$ 0.50
December 15, 2016	Broker warrants	**80,000**	-	$ 0.40
August 18, 2017	Financier warrants	**1,500,000**	-	$ 0.395
May 18, 2018	Financier warrants	**1,500,000**	-	$ 0.35
		4,600,416	2,977,916	

13. STOCK-BASED COMPENSATION

On March 7, 2014, the Company granted a total of 2,195,000 options to officers, directors, employees and consultants to buy common shares at an exercise price of $0.55 each. These options vest at a rate of 50% every six months after the date of grant and expire on September 7, 2016. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.53, dividend yield 0%, expected volatility 72.47% based on historical trends, a risk free interest rate of 1.30%, and an expected life of 2 years. As a result, the fair value of the options was estimated at $451,714 and will be recognized over the periods the underlying options vest.

(EXPRESSED IN CANADIAN DOLLARS)

13. STOCK-BASED COMPENSATION (Continued)

On March 6, 2013, the Company granted a total of 1,850,000 options to officers, directors, employees and consultants to buy common shares at an exercise price of $0.50 each. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.43, dividend yield 0%, expected volatility 68.25% based on historical trends, a risk free interest rate of 1.30%, and an expected life of 2 years. These options vest at a rate of 50% every six months after the date of grant. As a result, the fair value of the options was estimated at $263,934 and will be recognized over the periods the underlying options vest.

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at December 31, 2014, the Company has an additional 3,528,035 (December 31, 2013 – 1,679,375) options available for issuance under the plan.

During the period ended December 31, 2014, the stock-based compensation charged to mineral properties and related deferred costs amounted $115,223 (2013 - $115,741)

The Company estimates expected life of options and expected volatility based on historical data, which may differ from actual outcomes.

Continuity of the unexercised options to purchase common shares is as follows:

	Number of Stock Options 2014	Number of Stock Options 2013	**Weighted Average Exercise Price 2014**	Weighted Average Exercise Price 2013
Balance, at beginning of year	4,964,000	4,467,132	$ 0.75	$ 0.90
Options granted	2,195,000	-	$ 0.55	$ -
Options granted	-	1,850,000	$ -	$ 0.50
Exercised	(817,000)	-	$ 0.30	$ -
Expired	(332,000)	(905,000)	$ 0.30	$ 0.70
Expired	(1,895,000)	(187,500)	$ 1.30	$ 1.60
Expired	-	(105,632)	$ -	$ 1.15
Cancelled	-	(80,000)	$ -	$ 0.50
Cancelled	-	(75,000)	$ -	$ 1.30
Balance, at December 31,	**4,115,000**	4,964,000	**$ 0.52**	$ 0.75

The weighted average market value of the shares when the options were exercised in 2014 was $0.38.

(EXPRESSED IN CANADIAN DOLLARS)

13. STOCK-BASED COMPENSATION (Continued)

The outstanding options are comprised as follows:

Grant Date	Expiry Date	**Number of Stock Options at December 31, 2014**	Number of Stock Options at December 31, 2013	Exercise Price
June 23, 2009	June 23, 2014	**-**	999,000	$0.30
August 10, 2009	August 10, 2014	**-**	150,000	$0.30
August 12, 2010	August 12, 2015	**150,000**	150,000	$0.30
April 12, 2012	October 12, 2014	**-**	1,895,000	$1.30
March 6, 2013	March 6, 2016	**1,770,000**	1,770,000	$0.50
March 7, 2014	September 7, 2016	**2,195,000**	-	$0.55
		4,115,000	4,964,000	

At December 31, 2014 and 2013, 3,017,500 and 4,119,000 options are exercisable, respectively.

14. RELATED PARTY TRANSACTIONS

Certain corporate entities and consultants that are related to the Company's officers and directors or persons, holding more than 10% of the issued and outstanding shares of the Company, provide services to Treasury Metals. At December 31, 2014, there is $4,112 of accounts receivables from Laramide Resources Ltd (December 31, 2013 – $7,693 of payables), and $25,970 of accounts receivable from Vena Resources Inc. ($Nil at December 31, 2013), both companies have a director and an officer in common with Treasury Metals Inc. During the year Laramide charged $176,136 for office space rent and other expenditures paid by Laramide on behalf of the Company. In 2013 Laramide charged $458,551 for office space rent, administrative, financial investor relations services and other expenditures paid by Laramide on behalf of the Company. Transactions with Vena Resources Inc. are related to some administrative and general expenditures paid by the Company on its behalf in the current year.

Transactions with related parties were conducted in the normal course of operations.

15. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and directors of the Company.

The compensation payable to key management is shown below:

Year ended December 31	**2014**	2013
Salaries	**$ 287,500**	$ 220,304
Director fees	**91,500**	78,500
Stock-based compensation, at fair value	**231,516**	78,467
	$ 610,516	$ 377,271

(EXPRESSED IN CANADIAN DOLLARS)

16. INCOME TAX

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate of 26.5%. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

		2014		2013
Loss before income taxes	**$**	**(2,044,290)**	$	(2,636,709)
Expected income tax recovery		**(541,700)**		(698,700)
Non-taxable portion of capital loss (gain)		**-**		225,700
Stock-based compensation		**113,600**		78,800
Effects of renouncing flow-through expenditures		**1,039,700**		1,192,500
Other		**7,000**		32,600
Undeducted share issue costs		**(18,500)**		(128,500)
Flow-through share premium		**(757,400)**		(984,400)
Change in tax benefits not recognized		**-**		(20,000)
Income tax recovery reflected in the statement of operations	**$**	**(157,300)**	$	(302,000)

The Company's income tax recovery is allocated as follows:

Deferred tax recovery	**$**	**(157,300)**	$	(302,000)

The Company's deferred tax assets and liabilities as at December 31, 2014 and 2013:

Deferred income tax assets		**2014**		2013
Share issue costs	**$**	**189,600**	$	279,600
Excess book value of investments		**217,500**		225,700
Excess book value of Property and equipment		**32,300**		-
Capital losses carried forward		**463,100**		463,100
Non-capital losses carried forward		**1,879,100**		1,313,100
Intangible assets		**247,400**		266,000
	$	**3,029,000**	$	2,547,500
Less: allocated against deferred income tax liabilities	**$**	**(2,286,200)**	$	(1,818,400)
Less: unrecognized deferred tax asset	**$**	**(742,800)**	$	(729,100)
Deferred income tax assets	**$**	**-**	$	-
Deferred income tax liability				
Deferred exploration expenses	**$**	**(5,594,500)**	$	(4,504,200)
Property and equipment	**$**	**-**	$	(22,400)
Less: reduction due to allocation of applicable deferred income tax assets		**2,286,200**		1,818,400
Net deferred tax liability	**$**	**(3,308,300)**	$	(2,708,200)

(EXPRESSED IN CANADIAN DOLLARS)

16. INCOME TAX (Continued)

The Company's non-capital income tax losses expire as follows:

2027	$ 64,600
2028	591,800
2029	173,200
2030	396,300
2031	1,077,700
2032	1,299,200
2033	1,253,300
2034	2,155,000
	$ 7,011,100

17. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company is committed to spend $0.8 million on Canadian exploration costs as part of its flow-through funding agreement dated on December 15, 2014. At December 31, 2014 the Company has spent $94,000.

18. SUBSEQUENT EVENT

In connection with the Feasibility Funding Agreement signed with RMB Resources Inc. indicated in Note 10.(iii), on March 03, 2015, the Company received $1million from the $2 million second tranche balance of the feasibility funding facility. These funds will be used to continue the exploration and development of the Goliath Gold Project.

19. FINANCIAL RISK FACTORS

Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and the capital stock, warrant, and stock option components of its shareholders equity.

At December 31, 2014, the Company has a working capital of $187,555 excluding the non-cash unrenounced flow-through share premium liability (December 31, 2013 - $1,783,041); Capital stock and contributed surplus total $69,212,944 (December 31, 2013 - $67,586,328).

To effectively manage the Company's capital requirements, the management has in place a rigorous planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and money market investments.

19. FINANCIAL RISK FACTORS (Continued)

At December 31, 2014, the Company expects its capital resources and projected future cash flows from operations to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. At December 31, 2014, there was no externally imposed capital requirement to which the Company is subject and with which the Company has not complied.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2014. The Company is not subject to any externally imposed capital requirements.

Risk disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company’s business.

Credit risk

The Company has cash and cash equivalents balance of $1,030,715 (December 31, 2013 - $2,808,718) and accounts receivables of $103,775 (December 31, 2013 - $203,347). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The credit risk with respect of receivables is normal.

Interest rate risk

The Company has exposure to interest rate risk since its long-term debt has an interest rate of prime or CDOR plus 3% and 7.5%, respectively. As a result, a variance of 1% in the prime interest rate or CDOR will affect the annual Company's net comprehensive loss by approximately $43,100.

Foreign currency risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary assets in such currency as of December 31, 2014 is $309 (December 31, 2013 - $131,672).

19. FINANCIAL RISK FACTORS (Continued)

Liquidity risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable and its debt. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had a cash and cash equivalents balance of $1,030,715 (December 31, 2013 - $2,808,718) to settle current liabilities of $1,097,421 (December 31, 2013 - $1,679,945), excluding the non-cash unrenounced flow-through share premium liability. At December 31, 2014 the Company has access to $2 million of funds related to the second tranche of the feasibility funding facility from RMB Resources (Note 10) of which it has withdrawn $1 million on March 3, 2015. All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is committed to spend $0.8 million on Canadian exploration costs as part of its flow-through funding agreement dated on December 15, 2014. At December 31, 2014 the Company has spent $0.1 million.

Sensitivity analysis

As at December 31, 2014, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

i) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their December 31, 2014 fair market value positions, the comprehensive loss would have varied by $32,314.

Fair value hierarchy

The Company has designated its cash and cash equivalents as FVTPL financial assets and investments as available for sale, which are measured at fair value. Fair value of investments are determined based on transaction value and are categorized as Level 1 measurement.

Accounts payable and accrued liabilities, amounts due to Laramide Resources Ltd., and the long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value.

As at December 31, 2014, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.