TREASURY METALS

INCORPORATED

(An exploration stage company)

FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2011 AND 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Treasury Metals Inc. were prepared by management in accordance with International Financial Reporting Standards. The most significant of these standards have been set out in the December 31, 2010 audited financial statements and in the notes 2 and 17 of these unaudited interim financial statements. Any applicable changes in accounting policies have also been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities and for reviewing and approving the unaudited interim financial statements together with other financial information. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the period end unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate control over its financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at September 30, 2011.

CONCLUSION RELATING TO DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officers, of the effectiveness of the Company's disclosure controls and procedures as defined in the National Instrument 52-109. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at September 30, 2011.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TREASURY METALS INC.
(An exploration stage company)
INTERIM BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited)

	September 30, 2011	December 31, 2010 (Note 17)	January 1, 2010 (Note 17)
Assets			
Current Assets			
Cash and cash equivalents (Note 4)	**$ 880,441**	$ 2,920,746	$ 1,278,652
Accounts receivable and prepaid expenses (Note 5)	**592,596**	247,458	130,702
	1,473,037	3,168,204	1,409,354
Investments (Note 6)	**2,359,434**	2,667,218	1,750,105
Property and equipment (Note 7)	**783,486**	386,540	-
Prepaid mineral properties acquisition costs (Note 15)	**1,628,303**	-	-
Mineral properties and related deferred costs (Note 8)	**41,806,784**	34,770,050	36,461,765
	$ 48,051,044	$ 40,992,012	$ 39,621,224
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**$ 1,361,268**	$ 379,999	$ 634,301
Due to Laramide Resources Ltd. (Note 13)	**34,773**	2,933	3,958
Current portion of long-term debt (Note 9)	**31,856**	22,791	-
	1,427,897	405,723	638,259
Long-term debt (Note 9)	**247,068**	237,972	-
Unrenounced flow-through share premium (Note 10)	**500,000**	174,290	55,556
Deferred tax liability	**317,338**	114,000	950,000
	2,492,303	931,985	1,643,815
Shareholders' Equity			
Capital stock (Note 10)	**51,799,657**	45,833,775	41,770,649
Contributed surplus	**2,525,946**	2,549,736	1,596,841
Deficit	**(9,220,194)**	(8,777,018)	(3,830,100)
Accumulated other comprehensive income (loss)	**453,332**	453,534	(1,559,981)
	45,558,741	40,060,027	37,977,409
	$ 48,051,044	$ 40,992,012	$ 39,621,224

Commitments and Contractual Obligations (Note 14)
Subsequent Events (Note 15)

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)
INTERIM STATEMENTS OF OPERATIONS
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010 (Note 17)	**2011**	2010 (Note 17)
Revenues				
Royalty income, net	**$ 253,912**	$ 109,052	**$ 653,785**	$ 468,487
Gain (loss) on sale of investments	**37,303**	(42,252)	**124,976**	(42,252)
	291,215	66,800	**778,761**	426,235
Expenses				
Administrative, office and shareholder services	**$ 187,961**	$ 163,165	**$ 674,558**	$ 442,218
Professional fees	**49,350**	56,379	**172,944**	161,437
Salary and benefits	**112,991**	8,551	**298,992**	28,860
Stock-based compensation (Note 12)	**3,430**	21,662	**24,672**	33,662
Amortization	**7,339**	-	**21,723**	-
	361,071	249,757	**1,192,889**	666,177
Loss before income taxes	**(69,856)**	(182,957)	**(414,128)**	(239,942)
Income taxes	**-**	-	**(29,048)**	(194,444)
Net loss	**$ (69,856)**	$ (182,957)	**$ (443,176)**	$ (434,386)
Loss per share - basic and diluted	**$ 0.00**	$ 0.00	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**48,761,004**	36,960,124	**47,225,019**	36,020,940

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

TREASURY METALS INC.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Net loss	**$ (69,856)**	$ (182,957)	**$ (443,176)**	$ (434,386)
Other comprehensive income (loss)				
Unrealized gain on available for sale investments	**390,802**	289,513	**124,774**	88,204
Reclassification of realized gain on available for sale investments to income	**(37,303)**	(49,947)	**(124,976)**	(49,947)
	353,499	239,566	**(202)**	38,257
Comprehensive income (loss)	**$ 283,643**	$ 56,609	**$ (443,378)**	$ (396,129)

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

TREASURY METALS INC.

(An exploration stage company)

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

(Unaudited)

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2010 (Note 17)	**34,598,592**	**$ 41,770,649**	**$ 1,596,841**	**$ (3,830,100)**	**$ (1,559,981)**	**$ 37,977,409**
Proceeds from the exercise of warrants	2,038,750	620,624	-	-	-	620,624
Proceeds from the exercise of options	117,500	35,250	-	-	-	35,250
Fair value of contributed surplus transferred on exercise of warrants and options	-	317,377	(317,377)	-	-	-
Issued for non-cash with respect to property allocations	205,065	137,400	-	-	-	137,400
Stock-based compensation	-	-	12,000	-	-	12,000
Net loss for the period	-	-	-	(434,386)	-	(434,386)
Other comprehensive income	-	-	-	-	38,257	38,257
Balance, September 30, 2010 (Note 17)	**36,959,907**	**$ 42,881,300**	**$ 1,291,464**	**$ (4,264,486)**	**$ (1,521,724)**	**$ 38,386,554**
Private placement-December	4,845,536	2,665,045	-	-	-	2,665,045
Flow through private placement-December	1,161,930	813,351	-	-	-	813,351
Proceeds from the exercise of warrants	133,333	60,001	-	-	-	60,001
Proceeds from the exercise of options	407,000	122,100	-	-	-	122,100
Commission on private placement non-cash	140,100	77,055	-	-	-	77,055
Share issue costs	-	(149,400)	-	-	-	(149,400)
Fair value of contributed surplus transferred on exercise of warrants and options	-	140,856	(140,856)	-	-	-
Fair value assigned to warrants issued	-	(610,843)	610,843	-	-	-
Issued with respect to property allocations	20,000	8,600	-	-	-	8,600
Fair value of issued options	-	-	788,285	-	-	788,285
Net loss for the period	-	-	-	(4,512,532)	-	(4,512,532)
Other comprehensive income	-	-	-	-	1,975,258	1,975,258
Unrenounced flow-through shares premium (Note 10)	-	(174,290)	-	-	-	(174,290)
Balance, December 31, 2010 (Note 17)	**43,667,806**	**45,833,775**	**2,549,736**	**(8,777,018)**	**453,534**	**40,060,027**

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

TREASURY METALS INC.

(An exploration stage company)
INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited)

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2010 (Note 17)	**43,667,806**	**45,833,775**	**2,549,736**	**(8,777,018)**	**453,534**	**40,060,027**
Flow through private placement-March	3,125,000	5,000,000	-	-	-	5,000,000
Proceeds from the exercise of warrants	262,250	224,825	-	-	-	224,825
Proceeds from the exercise of options	688,000	216,400	-	-	-	216,400
Options issued for commission on private placement	-	(183,481)	183,481	-	-	-
Share issue costs	-	(396,465)	-	-	-	(396,465)
Unrenounced flow-through shares premium (Note 10)	-	(500,000)	-	-	-	(500,000)
Fair value of contributed surplus transferred on exercise of warrants and options	-	231,943	(231,943)	-	-	-
Shares issued for commission on private placement	16,472	9,060	-	-	-	9,060
Issued with respect to mineral property acquisition	1,000,000	1,330,000	-	-	-	1,330,000
Issued with respect to property allocations	46,041	33,600	-	-	-	33,600
Stock-based compensation	-	-	24,672	-	-	24,672
Net loss for the period	-	-	-	(443,176)	-	(443,176)
Other comprehensive loss	-	-	-	-	(202)	(202)
Balance, September 30, 2011	**48,805,569**	**$ 51,799,657**	**$ 2,525,946**	**$ (9,220,194)**	**$ 453,332**	**$ 45,558,741**

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

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

	Three Months Ended September 30 **2011**	Three Months Ended September 30 2010	Nine Months Ended September 30 **2011**	Nine Months Ended September 30 2010
Cash and cash equivalents (used in) provided by:				
Operating Activities				
Net loss	**$ (69,856)**	$ (182,957)	**$ (443,176)**	$ (434,386)
Adjustments for:				
Gain on sale of investments	**(37,303)**	-	**(124,976)**	-
Future income tax recovery	**-**	-	**29,048**	194,444
Stock-based compensation	**3,430**	21,662	**24,672**	33,662
Amortization	**7,339**	-	**21,723**	-
	(96,390)	(161,295)	**(492,709)**	(206,280)
Net change in non-cash working capital items:				
Accounts receivable and prepaid expenses	**68,215**	42,276	**(345,139)**	(4,593)
Accounts payable and accrued liabilities	**(833,932)**	111,087	**981,270**	(67,613)
	(862,107)	(7,932)	**143,422**	(278,486)
Financing Activities				
Private placement	**-**	-	**4,612,595**	-
Warrants and options exercised	**35,000**	-	**441,225**	655,875
Due to Laramide Resources Ltd.	**34,773**	31,576	**31,840**	104,432
Proceeds from finance lease	**-**	65,219	**39,965**	65,219
Payments made on long-term debt	**(7,327)**	-	**(21,804)**	-
	62,446	96,795	**5,103,821**	825,526
Investing Activities				
Proceeds on sale of investments	**131,390**	157,987	**432,558**	157,987
Acquisition of property and equipment	**(16,111)**	(65,964)	**(418,669)**	(65,964)
Acquisition of mineral properties and related deferred costs	**(2,437,197)**	(192,505)	**(7,301,437)**	(1,852,588)
	(2,321,918)	(100,482)	**(7,287,548)**	(1,760,565)
Change in cash and cash equivalents	**(3,121,579)**	(11,619)	**(2,040,305)**	(1,213,525)
Cash and cash equivalents, beginning of the period	**4,002,020**	76,746	**2,920,746**	1,278,652
Cash and cash equivalents, end of the period (Note 4)	**$ 880,441**	$ 65,127	**$ 880,441**	$ 65,127

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

TREASURY METALS INC.

(An exploration stage company)

INTERIM STATEMENTS OF CASH FLOWS (Continued)

(EXPRESSED IN CANADIAN DOLLARS)

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	**2011**	2010
Supplementary cash flow information				
Changes in non cash investing activities:				
Shares issued for purchases of mineral properties	**$ -**	$ 8,600	**$ 1,363,600**	$ 146,000
Options issued for commission on private placement	**$ -**	$ -	**$ 183,481**	$ -
Shares issued for commission on private placement	**$ -**	$ -	**$ 9,060**	$ -

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. The mineral properties of Treasury Metals are all 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 in 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 address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The unaudited interim financial statements of the Company comply with International Financial Reporting Standards ("IFRS") applicable to interim financial statements, including IAS 34 "Interim Financial Reporting" and IFRS 1 "International Financial Reporting Standards".

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of November 10, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that may be implemented in the annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on change over to IFRS.

These are the Company's third interim financial statements prepared in accordance with IFRS. The accounting policies remain unchanged from those disclosed in the first interim financial statements of March 31, 2011. These financial statements include an opening balance sheet as at January 1, 2010, date at which the impact of IFRS transition was recorded against equity, in accordance with the provisions of IFRS 1 and the 2010 comparative statements were prepared using the same basis of accounting. A detailed reconciliation of the financial statements prepared under Canadian Generally Accepted Principles("Canadian GAAP") and the comparative 2010 IFRS financial information is presented in note 17.

Basis of Preparation

The 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.

Non current assets are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and in preparing an opening IFRS balance sheet at January 1, 2010 for the purpose of transition to IFRS.

The interim financial statements should be read in conjuction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, except for impairment losses and, in the case of monetary items such as securities denominated in foreign currency, which are recorded in foreign exchange gains and losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

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 are expensed as incurred, while transaction costs associated with all other financial assets 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: When a decline in the fair 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.

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.

Subsequent to initial recognition, the cost model is applied to property and equipment. The Company has elected not to apply the option provided by IFRS 1 regarding the re measurement, as at January 1, 2010, of its property and equipment at their fair value at that date.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 amortization expenses.

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 charged to the statement of operations 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 periods 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

Mineral Properties and Related Deferred Costs

As permitted by IFRS, the Company will continue its policy of deferring pre and 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.

Impairments

When events or changes in the economic environment indicate a risk of impairment of property and equipment and mineral properties, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Recoverable amount is defined as the higher of an asset's fair value (less costs to sell) and its value in use. 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 in 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in 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 by the closing date. 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.

Interest-bearing Debt

Interest-bearing debt is recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing debt is stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the debt on an effective interest basis.

Revenue

Royalty revenue consists of a 2.5% to 3% sliding production royalty ("NSR") on gold that is produced at the Cerro Colorado Gold Mine Project in Mexico. 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 shares 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 shares 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.

(EXPRESSED IN CANADIAN DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share Based Payment

The Company offers a share option plan for its directors, officers, employees and consultants. 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 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 share capital. The contributed surplus resulting from share based payment is transferred to share capital when the options are exercised.

Adoption of New and Revised Standards and Interpretations

The IASB issued a number of new and revised international accounting standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year begining on or after January 1, 2011. For the purpose of preparing and presenting the Financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

- IFRS 8 'Operating Segments' disclosure on information about segment assets
- IFRS 9 'Financial Instruments: Classification and measurement' Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

The Company has not early adopted these standards, amendments and interpretations, however it is currently assessing the impact of their application in the financial statements of the Company.

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 measurement of impairment in assets, useful lives of property and equipment, share based payment, deferred income taxes, provisions and contingencies.

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	September 30, 2011	December 31, 2010
Cash	**$ 470,441**	$ 210,746
Cashable GIC	**410,000**	2,710,000
	$ 880,441	$ 2,920,746

(EXPRESSED IN CANADIAN DOLLARS)

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	September 30, 2011	December 31, 2010
Harmonized sales tax	**$ 311,547**	$ 70,180
Prepaid expenses and advances	**196,949**	107,140
Other receivable	**84,100**	70,138
	$ 592,596	$ 247,458

6. INVESTMENTS

The Company's investments are carried at market value and are comprised of the following:

	Number of Shares	**September 30, 2011**	Number of Shares	December 31, 2010
Vaaldiam Mining Inc. (Formerly Tiomin Resources Inc.) (i)	**169,803**	**$ 14,433**	146,221	$ 38,017
Goldgroup Mining Inc. (Formerly Sierra Minerals Inc.)	**1,750,000**	**2,345,001**	2,038,140	2,629,201
		$ 2,359,434		$ 2,667,218

(i) There is an increase of 23,582 shares in the period ended September 30, 2011 over the balance at December 31, 2010 due to an adjustment in the conversion of shares from Tiomin Resources Inc. not previously reported.

(EXPRESSED IN CANADIAN DOLLARS)

7. PROPERTY AND EQUIPMENT

Cost	December 31, 2010	Additions and disposals	**September 30, 2011**
Land	$ 75,565	$ 81,250	**$ 156,815**
Building	226,695	255,371	**482,066**
Furniture and equipment	-	45,354	**45,354**
Vehicles under finance lease	65,964	39,965	**105,929**
Other vehicles	19,999	(3,271)	**16,728**
Total cost	$ 388,223	$ 418,669	**$ 806,892**

Accumulated amortization	December 31, 2010	Additions	**September 30, 2011**
Building	$ -	6,801	**$ 6,801**
Furniture and equipment	-	2,770	**2,770**
Vehicles under finance lease	1,683	9,642	**11,325**
Other vehicles	-	2,510	**2,510**
Total accumulated amortization	$ 1,683	$ 21,723	**$ 23,406**
Total net property and equipment	$ 386,540	$ 396,946	**$ 783,486**

Cost	December 31, 2009	Additions	December 31, 2010
Land	$ -	$ 75,565	$ 75,565
Building	-	226,695	226,695
Vehicles under finance lease	-	65,964	65,964
Other vehicles	-	19,999	19,999
Total cost	$ -	$ 388,223	$ 388,223

Accumulated amortization	December 31, 2009	Additions	December 31, 2010
Vehicles under finance lease	$ -	1,683	$ 1,683
Total accumulated amortization	$ -	$ 1,683	$ 1,683
Total net property and equipment	$ -	$ 386,540	$ 386,540

(EXPRESSED IN CANADIAN DOLLARS)

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As of September 30, 2011 and December 31, 2010, accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance December 31, 2010	Net Additions	**Balance September 30, 2011**
Goliath Gold Project	$ 34,608,116	$ 6,882,743	**$ 41,490,859**
Lara Polymetallic Project - BC	100,000	84,906	**184,906**
Goldcliff Property	61,934	69,085	**131,019**
	$ 34,770,050	$ 7,036,734	**$ 41,806,784**

	Balance December 31, 2009	Net Additions	Balance December 31, 2010
Goliath Gold Project	$ 32,365,797	$ 2,242,319	$ 34,608,116
Lara Polymetallic Project - BC	4,095,968	(3,995,968)	100,000
Goldcliff Property	-	61,934	61,934
	$ 36,461,765	$ (1,691,715)	$ 34,770,050

(EXPRESSED IN CANADIAN DOLLARS)

9. LONG-TERM DEBT

The present value of the long-term debt at September 30, 2011 and December 31, 2010 is as follows:

	Current Portion	Long Term Portion	Total Debt September 30, 2011
Mortgage	$ 15,611	$ 170,709	**$ 186,320**
Finance lease payable	16,245	76,359	**92,604**
	$ 31,856	$ 247,068	**$ 278,924**

	Current Portion	Long Term Portion	Total Debt December 31, 2010
Mortgage	$ 14,890	$ 182,562	$ 197,452
Finance lease payable	7,901	55,410	63,311
	$ 22,791	$ 237,972	$ 260,763

The Capital lease payable consists of 3 lease agreements for up to 48 monthly payments with annual interest rate of 5.6%, expiring up to August 2014. The details of the debt and the future payments for the following four years is as follows:

	Total
Not more than one year	$ 18,993
More than one year and not later than four years	83,276
Total future minimum payments	**102,269**
Less: amount representing interest	(9,665)
Present value of finance lease payable as at September 30, 2011	**$ 92,604**

(EXPRESSED IN CANADIAN DOLLARS)

10. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

	Number of Shares	Stated Value
COMMON SHARES		
Balance, January 1, 2010 (Note 17)	**34,598,592**	**$ 41,770,649**
Proceeds from the exercise of warrants	2,038,750	620,624
Proceeds from the exercise of options	117,500	35,250
Fair value of contributed surplus transferred on exercise of warrants and options	-	317,377
Issued for non-cash with respect to property allocations	205,065	137,400
Balance, September 30, 2010 (Note 17)	**36,959,907**	**42,881,300**
Private placement-December	4,845,536	2,665,045
Flow through private placement-December	1,161,930	813,351
Proceeds from the exercise of warrants	133,333	60,001
Proceeds from the exercise of options	407,000	122,100
Commission on private placement non-cash	140,100	77,055
Share issue costs	-	(149,400)
Fair value of contributed surplus transferred on exercise of warrants and options	-	140,856
Fair value assigned to warrants issued	-	(610,843)
Issued with respect to property allocations	20,000	8,600
Unrenounced flow-through shares premium	-	(174,290)
Balance, December 31, 2010	**43,667,806**	**45,833,775**
Flow through private placement-March	3,125,000	5,000,000
Proceeds from the exercise of warrants	262,250	224,825
Proceeds from the exercise of options	688,000	216,400
Options issued for commission on private placement	-	(183,481)
Share issue costs	-	(396,465)
Unrenounced flow-through shares premium	-	(500,000)
Fair value of contributed surplus transferred on exercise of warrants and options	-	231,943
Shares issued for commission on private placement	16,472	9,060
Issued with respect to mineral property acquisition	1,000,000	1,330,000
Issued with respect to property allocations	46,041	33,600
Balance, September 30, 2011	**48,805,569**	**$ 51,799,657**

(EXPRESSED IN CANADIAN DOLLARS)

10. CAPITAL STOCK (Continued)

Private Placement – 2011

On March 22, 2011, the Company completed a brokered private placement (the "Offering"), led by Cormark Securities Inc. ("Cormark") as agent. The Offering consisted of 3,125,000 flow-through common shares (the "Flow-Through Shares") of the Company at a price of $1.60 per Flow-Through Share, for aggregate gross proceeds of $5,000,000. The net proceeds of the financing are expected 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 with an effective date of no later than December 31, 2011. The Company paid Cormark a cash commission equal to 6% of the gross proceeds of the Offering and issued Cormark compensation options ("Compensation Options") equal to 6% of the aggregate number of Flow-Through Shares subscribed for. Each Compensation Option entitles the holder thereof to purchase 1 common share of the Company at a price of $1.60 (subject to adjustment) until March 22, 2013.

11. WARRANTS

The following table reflects the continuity of warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, at beginning of year	3,003,733	$ 0.76
Exercised	(137,500)	$ 1.00
Exercised	(124,750)	$ 0.70
Balance, at end of the period	2,741,483	$ 0.75

The outstanding issued warrants at September 30, 2011 and December 31, 2010, is comprised as follows:

Expiry Date	**Type**	Number of Warrants	Weighted Average Exercise Price
June 2, 2012	Warrants	443,465	$ 1.00
June 2, 2012	Warrants	2,298,018	$ 0.70
		2,741,483	$ 0.75

(EXPRESSED IN CANADIAN DOLLARS)

12. STOCK-BASED COMPENSATION

On March 22, 2011, the Company granted to Cormark Securities Inc. ("Cormark") 187,500 compensation options (Note 10). The fair value of the service provided by Cormark is not reliably estimable as these services are traditionally transacted in part in options, making measurement of that service impractical. Each Compensation Option entitles Cormark to purchase 1 common share of the Company at a price of $1.60 until March 22, 2013. The fair value assigned of $183,481 was estimated using the Black-Scholes option pricing model with the following assumptions: share price $1.44, dividend yield 0%, expected volatility 134.52% based on historical trends, a risk free interest rate of 2.60%, and an expected life of 2.25 years.

Continuity of the unexercised options to purchase common shares at September 30, 2011 is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, at beginning of year	3,629,500	$0.43
Compensation options (Note 10)	187,500	$1.60
Exercised	(663,000)	$0.30
Exercised	(25,000)	$0.70
Expired	(52,500)	$0.30
Balance, at end of period	3,076,500	$ 0.53

The outstanding options at September 30, 2011, is comprised as follows:

Grant Date	Expiry Date	Number of Stock Options	Exercise Price
June 23, 2009	June 23, 2014	1,374,000	$0.30
August 10, 2009	August 10, 2014	150,000	$0.30
August 12, 2010	August 12, 2015	210,000	$0.30
December 13, 2010	December 13, 2013	1,155,000	$0.70
March 22, 2011	March 22, 2013	187,500	$1.60
		3,076,500	$0.53

The total of 3,076,500 options is fully vested and exercisable at September 30, 2011.

13. RELATED PARTY TRANSACTIONS

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

i) Treasury Metals was charged $58,446 during the period ended September 30, 2011 (2010 - $312,205) by a company in which a former 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 September 30, 2011 is an amount of $1,694 (December 31, 2010 - $3,725) with respect to these services.

13. RELATED PARTY TRANSACTIONS (Continued)

ii) At September 30, 2011, $34,773 was due to Laramide Resources Ltd., a company having a director and chief financial officer in common with Treasury Metals, (December 31, 2010 – $2,933). Laramide charged $201,611 for the period ended September 30, 2011 (2010 - $64,380) for office space rent, administrative, financial and investor relations services as well as other expenses paid by Laramide on behalf of Treasury Metals.

iii) During the nine months ended September 30, 2011, $62,358 (2010 - $55,687) was charged by a law firm where a former officer of Treasury Metals is an employee. In the comparative period of 2010, other officers charged $31,500 in professional fees. Of these amounts $45,687 was in accounts payable at December 31, 2010.

14. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As of September 30, 2011 the Company is committed to spend $4,370,000 on Canadian exploration costs by December 31, 2011 as part of its 2011 flow-through funding agreement (Note 10).

15. SUBSEQUENT EVENTS

Treasury Metals and Pan American Silver Corp. ("Pan American") have entered into a Definitive Agreement dated May 18, 2011 (the “Agreement”) whereby the Company will purchase all the shares of Absolut Resources Corp (“Absolut”), a wholly owned subsidiary of Pan American. Absolut owns all the shares of the Peruvian company which holds the Pico Machay Gold Project. Pursuant to the terms of the Agreement, the Company has agreed to pay a total of US$21 million in cash and the issuance of 11.5 million common shares (the “Shares”). Treasury Metals has issued 1.0 million common shares to Pan American at the time of signing, with the balance of 10.5 common shares to be issued upon the closing of the Transaction.

On November 7, 2011, the Company announced that it will not be completing the acquisition of Absolut and the Pico Machay Gold Project on the terms previously negotiated. As a result, the Company will not be proceeding with the public offering of common shares announced in August 2011 and the total costs associated to this transaction will be charged to the statement of operations in the fourth quarter of 2011.

16. 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 option components of its shareholders equity.

At September 30, 2011, the Company has working capital of $45,140 (December 31, 2010 - $2,762,480). Capital stock and contributed surplus total $54,325,603 (December 31, 2010 - $48,383,511). There are 3,076,500 options outstanding as at September 30, 2011 (December 31, 2010 - 3,629,500) with an average exercise price of $0.53 (December 31, 2010 - $0.43).

16. FINANCIAL RISK FACTORS (Continued)

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 nine months ended September 30, 2011. 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.

Interest rate risk

The Company has no significant exposure to interest rate risk as the Company has a fixed interest rate.

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.

Credit risk

The Company has cash and cash equivalents balance of $880,441 (December 31, 2010 - $2,920,746), and fixed-rate debt. 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.

Accounts receivable of $592,596 (December 31, 2010 - $247,458) are in good standing as of September 30, 2011. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is minimal.

Liquidity risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had a cash and cash equivalents balance of $880,441 (December 31, 2010 - $2,920,746) to settle current liabilities of $1,427,897 (December 31, 2010 - $405,723). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

16. FINANCIAL RISK FACTORS (Continued)

Sensitivity analysis

In managing currency risks the Company aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in foreign exchange would have an impact on earnings.

As at September 30, 2011, 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 movements are "reasonably possible" over a twelve-month period.

i) The Company is exposed to foreign currency risk on fluctuations of financial instruments that are denominated in US currency related to cash balances, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net loss by $31,800.

ii) 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 September 30, 2011 fair market value positions, the net loss and/or comprehensive income would have varied by approximately $236,000.

Fair value hierarchy and liquidity risk disclosure

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 receivable are measured at amortized cost which equals fair value. 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 equals fair value.

As at September 30, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

17. FIRST TIME ADOPTION OF IFRS

As stated in Summary of Significant Accounting Policies (Note 2), these are the Company's third interim financial statements prepared in accordance with IFRS.

The policies set out in the Summary of Significant Accounting Policies section have been applied in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended December 31, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the Company's date of transition).

The Company has followed the recommendations in IFRS 1 First Time Adoption of IFRS, in preparing its transitional statements. IFRS 1 provides specific one time choices and mandates specific one-time exceptions with respect to first time adoption of IFRS.

Choices available at first time adoption

17. FIRST TIME ADOPTION OF IFRS (Continued)

a) Property and equipment – IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Company has decided to continue to apply the cost model for property and equipment and mineral properties and has not restated them to fair value, as permitted under IFRS. The historical bases under Canadian GAAP have been designated as the deemed cost under IFRS at Transition Date.

b) Share based payment – IFRS 2, Share based payment, permits the application of that standard only to equity instruments granted after November 7, 2002 that had not vested by January 1, 2010. As permitted, the Company has applied IFRS 2 for all equity instruments granted after November 7, 2002, that had not vested by January 1, 2010.

c) Compound financial instruments – IFRS 1 allows a first-time adopter to not split compound financial instruments into separate liability and equity components if the liability component is no longer outstanding at the date of transition. To the extent that the liability element of a compound financial instrument was no longer outstanding as at January 1, 2010, the amounts within equity that are attributable to equity and liability elements have not been identified separately.

Exceptions that are mandated by IFRS 1

Estimates – IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). An explanation of how the transition from Canadian GAAP to IFRS has affected the Company’s financial position,financial performance and cash flows is set out in the following tables and the Additional notes that accompany the tables.

(EXPRESSED IN CANADIAN DOLLARS)

17. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of assets, liabilities and equity as of January 1, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets	$ 1,409,354	$ -	$ 1,409,354
Investments	1,750,105	-	1,750,105
Mineral propeties and related deferred costs	36,461,765	-	36,461,765
	$ 39,621,224	**$ -**	**$ 39,621,224**
Liabilities and shareholders' Equity			
Current liabilities	$ 638,259	$ -	$ 638,259
Unrenounced flow-through shares premium (a)	-	55,556	55,556
Deferred tax liability	950,000	-	950,000
Total liabilities	**1,588,259**	**55,556**	**1,643,815**
Capital stock (a)	41,826,205	(55,556)	41,770,649
Contributed surplus	1,596,841	-	1,596,841
Deficit	(3,830,100)	-	(3,830,100)
Accumulated other comprehensive loss	(1,559,981)	-	(1,559,981)
Total shareholders' equity	**38,032,965**	**(55,556)**	**37,977,409**
	$ 39,621,224	$ -	**$ 39,621,224**

(a) As per IFRS, 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 shares 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 shares premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference.

(EXPRESSED IN CANADIAN DOLLARS)

17. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of assets, liabilities and equity as of September 30, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets	$ 200,422	$ -	$ 200,422
Investments	1,630,375	-	1,630,375
Property and equipments	65,964	-	65,964
Mineral propeties and related deferred costs	38,460,353	-	38,460,353
	$ 40,357,114	**$ -**	**$ 40,357,114**
Liabilities and shareholders' Equity			
Current liabilities	$ 682,873	$ -	$ 682,873
Capital lease payable	57,425	-	57,425
Deferred tax liability (a)	1,200,000	-	1,200,000
Total liabilities	**1,940,298**	**-**	**1,940,298**
Capital stock (a)	42,695,456	194,444	42,889,900
Contributed surplus	1,313,126	-	1,313,126
Deficit (a)	(4,070,042)	(194,444)	(4,264,486)
Accumulated other comprehensive loss	(1,521,724)	-	(1,521,724)
Total shareholders' equity	**38,416,816**	**-**	**38,416,816**
	$ 40,357,114	$ -	**$ 40,357,114**

(a) As per IFRS, 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 shares 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 shares premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference.

(EXPRESSED IN CANADIAN DOLLARS)

17. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of assets, liabilities and equity as of December 31, 2010

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets	$ 3,168,204	$ -	$ 3,168,204
Investments	2,667,218	-	2,667,218
Property and equipments	386,540	-	386,540
Mineral propeties and related deferred costs	34,770,050	-	34,770,050
	$ 40,992,012	**$ -**	**$ 40,992,012**
Liabilities and shareholders' Equity			
Current liabilities	$ 405,723	$ -	$ 405,723
Long-term debt	237,972	-	237,972
Unrenounced flow-through shares premium (a)	-	174,290	174,290
Deferred tax liability	114,000	-	114,000
Total liabilities	**757,695**	**174,290**	**931,985**
Capital stock (a)	45,813,621	20,154	45,833,775
Contributed surplus	2,549,736	-	2,549,736
Deficit (a)	(8,582,574)	(194,444)	(8,777,018)
Accumulated other comprehensive income	453,534	-	453,534
Total shareholders' equity	**40,234,317**	**(174,290)**	**40,060,027**
	$ 40,992,012	$ -	**$ 40,992,012**

(a) As per IFRS, 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 shares 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 shares premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference.

(EXPRESSED IN CANADIAN DOLLARS)

17. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of total comprehensive income (loss) for the three months ended September 30, 2010.

	Canadian GAAP	Effect of transition to IFRS	IFRS
Royalty Income,net	$ 109,052	$ -	$ 109,052
Loss on sale of investments	$ (42,252)	$ -	$ (42,252)
	66,800	-	66,800
Expenses			
Administrative, office and shareholders services	163,165	-	163,165
Professional fees	56,379	-	56,379
Salary and benefits	8,551	-	8,551
Stock based compensation	21,662	-	21,662
Total expenses	249,757	-	249,757
Loss before income tax	(182,957)	-	(182,957)
Net loss	**(182,957)**	**-**	**(182,957)**
Other comprehensive income	239,566	-	239,566
Total comprehensive income (loss)	**$ 56,609**	**$ -**	**$ 56,609**

Reconciliation of total comprehensive income (loss) for the nine months ended September 30, 2010.

	Canadian GAAP	Effect of transition to IFRS	IFRS
Royalty Income,net	$ 468,487	$ -	$ 468,487
Loss on sale of investments	(42,252)	-	(42,252)
	426,235	-	426,235
Expenses			
Administrative, office and shareholders services	442,218	-	442,218
Professional fees	161,437	-	161,437
Salary and benefits	28,860	-	28,860
Stock based compensation	33,662	-	33,662
Total expenses	666,177	-	666,177
Loss before income tax	(239,942)	-	(239,942)
Income taxes (a)	-	(194,444)	(194,444)
Net loss	**(239,942)**	**(194,444)**	**(434,386)**
Other comprehensive income	38,257	-	38,257
Total comprehensive income (loss)	**$ (201,685)**	**$ (194,444)**	**$ (396,129)**

(EXPRESSED IN CANADIAN DOLLARS)

17. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of total comprehensive income (loss) for the year ended December 31, 2010.

	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue			
Royalty Income,net	$ 647,232	$ -	$ 647,232
Loss on sale of investments	(309,166)	-	(309,166)
Total revenue	338,066	-	338,066
Expenses			
Administrative, office and shareholders services	582,270	-	582,270
Professional fees	224,817	-	224,817
Salary and benefits	37,410	-	37,410
Stock based compensation	800,285	-	800,285
Amortization	1,683	-	1,683
Write-down of mineral properties	4,001,141	-	4,001,141
Write-down of available for sale investments	528,934	-	528,934
Total expenses	6,176,540	-	6,176,540
Loss before income tax	(5,838,474)	-	(5,838,474)
Income taxes (a)	1,086,000	(194,444)	891,556
Net loss	**(4,752,474)**	**(194,444)**	**(4,946,918)**
Other comprehensive income	2,013,515	-	2,013,515
Total comprehensive income (loss)	**$ (2,738,959)**	**$ (194,444)**	**$ (2,933,403)**

Note to the reconciliation of net losses for the three and nine months ended September 30, 2010 and the year ended December 31, 2010.

(a) As per IFRS, 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 shares 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 shares premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference.

There are no changes to the statement of cash flows.