



**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE THREE MONTHS ENDED

MARCH 31, 2018 AND 2017

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed consolidated 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 Note 2 of these interim condensed consolidated financial statements. Any applicable changes in accounting policies have also been disclosed in these financial statements. Management acknowledges responsibility for the preparation and presentation of the 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 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 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 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 March 31, 2018.

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 March 31, 2018.

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 financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated 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 condensed consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)

	March 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 2,034,197	\$ 4,654,896
Accounts receivable and prepaid expenses (Note 5)	<u>438,700</u>	<u>584,907</u>
	2,472,897	5,239,803
Investments (Note 6)	302,949	317,242
Property and equipment (Note 7)	2,324,386	2,335,564
Mineral properties and related deferred costs (Note 8)	<u>72,115,581</u>	<u>70,290,674</u>
	\$ 77,215,813	\$ 78,183,283
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9) & (Note 14)	\$ 1,397,339	\$ 1,364,118
Current portion of long-term debt (Note 10)	23,681	23,615
Derivative liability (Note 10)	1,110,584	1,233,779
Unrenounced flow-through share premium (Note 11)	<u>-</u>	<u>381,000</u>
	2,531,604	3,002,512
Long-term debt (Note 10)	5,131,480	4,889,428
Deferred tax liability	<u>1,566,965</u>	<u>1,466,000</u>
	9,230,049	9,357,940
Shareholders' Equity		
Capital stock (Note 11)	87,238,185	87,238,185
Contributed surplus (Note 12) & (Note 13)	7,874,744	7,824,194
Deficit	(27,107,889)	(26,232,053)
Accumulated other comprehensive loss	<u>(19,276)</u>	<u>(4,983)</u>
	67,985,764	68,825,343
	\$ 77,215,813	\$ 78,183,283

Nature of Operations and Going Concern (Note 1)
 Commitments and Contractual Obligations (Note 16)
 Subsequent Events (Note 18)

SIGNED ON BEHALF OF THE BOARD

(Signed) "Doug Bache"
 Director

(Signed) "Marc Henderson"
 Director

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(EXPRESSED IN CANADIAN DOLLARS)

Three Months Ended March 31,	2018	2017
Income		
Other income	\$ 699	\$ 360
Realized gain on converted warrants	-	51,498
	699	51,858
Expenses		
Administrative, office and shareholder services	\$ 192,914	\$ 224,757
Professional fees	474,641	12,000
Salary and benefits	190,808	189,089
Stock-based compensation (Note 13)	34,098	43,601
Accretion and amortization of long-term debt transaction costs (Note 10)	110,952	483,612
Interest	137,950	151,002
Foreign exchange loss (gain)	138,402	(112,784)
Fair value change in derivative liability (Note 10)	(123,195)	487,533
	1,156,570	1,478,810
Loss before income taxes	(1,155,871)	(1,426,952)
Deferred income tax recovery	280,035	553,671
Net loss for the period	\$ (875,836)	\$ (873,281)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	123,061,498	103,384,420

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

Three Months Ended March 31,	2018	2017
Net loss for the period	\$ (875,836)	\$ (873,281)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income (loss)		
Unrealized gain (loss) on available for sale investments, net of taxes (Note 6)	(14,293)	105,795
Other comprehensive income (loss) for the period	(14,293)	105,795
Total comprehensive loss for the period	\$ (890,129)	\$ (767,486)

TREASURY METALS INC.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)**

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2017	103,108,383	\$ 76,917,364	\$ 6,101,553	\$ (22,981,182)	\$ (810)	\$ 60,036,925
Stock options and warrants exercised	861,665	351,282	-	-	-	351,282
Fair value of options and warrants exercised	-	115,371	(115,371)	-	-	-
Stock-based compensation	-	-	49,550	-	-	49,550
Net loss for the period	-	-	-	(873,281)	-	(873,281)
Other comprehensive income	-	-	-	-	105,795	105,795
Balance, March 31, 2017	103,970,048	\$ 77,384,017	\$ 6,035,732	\$ (23,854,463)	\$ 104,985	\$ 59,670,271
Shares issued for cash in private placements	12,400,000	8,060,000	-	-	-	8,060,000
Flow through private placements (Note 11)	6,350,000	4,254,500	-	-	-	4,254,500
Share issue costs (Note 11)	-	(996,107)	-	-	-	(996,107)
Issuance of compensation options (Note 13)	-	(239,162)	239,162	-	-	-
Issuance of warrants	-	(1,042,623)	1,042,623	-	-	-
Stock options and warrants exercised (Note 13)	341,450	149,212	-	-	-	149,212
Fair value of stock options and warrants exercised	-	49,348	(49,348)	-	-	-
Warrants issued with respect to term loan	-	-	279,954	-	-	279,954
Unrenounced flow-through shares premium	-	(381,000)	-	-	-	(381,000)
Stock-based compensation	-	-	276,071	-	-	276,071
Net loss for the period	-	-	-	(2,377,590)	-	(2,377,590)
Other comprehensive loss	-	-	-	-	(109,968)	(109,968)
Balance, December 31, 2017	123,061,498	\$ 87,238,185	\$ 7,824,194	\$ (26,232,053)	\$ (4,983)	\$ 68,825,343
Stock-based compensation (Note 13)	-	-	50,550	-	-	50,550
Net loss for the period	-	-	-	(875,836)	-	(875,836)
Other comprehensive loss	-	-	-	-	(14,293)	(14,293)
Balance, March 31, 2018	123,061,498	\$ 87,238,185	\$ 7,874,744	\$ (27,107,889)	\$ (19,276)	\$ 67,985,764

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

Three Months Ended March 31,	2018	2017
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net loss for the period	\$ (875,836)	\$ (873,281)
Adjustments for:		
Realized gain on converted warrants (Note 6)	-	(51,498)
Deferred income tax recovery	(280,035)	(553,671)
Stock-based compensation	34,098	43,601
Accretion and amortization of long-term debt transaction costs (Note 10)	110,952	483,612
Fair value change in derivative liability	(123,195)	487,533
Foreign exchange on long-term debt (Note 10)	136,837	(105,039)
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	146,207	(212,895)
Accounts payable and accrued liabilities	33,221	390,419
	(817,751)	(391,219)
Financing Activities		
Proceeds from short-term loan (Note 10)	-	533,139
Long-term debt repayments (Note 10)	(5,671)	(5,325)
Stock options and warrants exercised	-	351,282
	(5,671)	879,096
Investing Activities		
Acquisition of property and equipment	-	(11,069)
Acquisition of mineral properties and related deferred costs	(1,797,277)	(2,183,881)
	(1,797,277)	(2,194,950)
Change in cash and cash equivalents	(2,620,699)	(1,707,073)
Cash and cash equivalents, beginning of the period	4,654,896	2,857,583
Cash and cash equivalents, end of the period (Note 4)	\$ 2,034,197	\$ 1,150,510

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(EXPRESSED IN CANADIAN DOLLARS)

Three Months Ended March 31,	2018	2017
Supplementary cash flow information		
Changes in non-cash activities:		
Stock-based compensation capitalized to mineral properties and related deferred costs (Note 13)	<u>\$ 16,452</u>	<u>\$ 5,949</u>
Amortization capitalized to mineral properties and related deferred costs	<u>\$ 11,178</u>	<u>\$ 10,893</u>

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
Three months ended March 31, 2018 and 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

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 address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario, Canada. 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 properties 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.

At March 31, 2018, the Company had a working capital of \$1,051,877 excluding the non-cash unrenounced flow-through share premium liability and the derivative liability (December 31, 2017 – \$3,852,070), had cash outflow from operations of \$817,751 (December 31, 2017 - \$391,219) has not yet achieved profitable operations, had accumulated losses of \$27,107,889 (December 31, 2017 - \$26,232,053) and expects to incur further losses in the development of its business, all of which casts significant doubt upon the Company's ability to continue as a going concern.

On May 9, 2018, the Board of Directors approved the interim condensed consolidated financial statements for the periods ended March 31, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS34, Interim Financial Reporting and do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These interim condensed financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 which includes the information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as Note 2 in the audited consolidated financial statements for the year ended December 31, 2017, and have been consistently applied in the preparation of these interim condensed consolidated financial statements.

Principles of Consolidation

The interim condensed consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully interim condensed consolidated from the date control is transferred to the Company, and are no longer interim condensed consolidated on the date control ceases.

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries Goldeye Explorations Ltd. and Silvereye Explorations Ltd.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
Three months ended March 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the interim condensed consolidated financial statements.

Basis of Preparation

These interim condensed consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its wholly owned Canadian subsidiaries.

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

The accounting policies set out below have been applied consistently to the periods presented in the interim condensed consolidated financial statements.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

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:

Impairment in mineral properties and related deferred costs - Management uses significant judgment 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 by management 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.

Acquisition method accounting - in the acquisition of Goldeye Explorations Ltd. ("Goldeye"), significant judgement was required to determine if that transaction represented a business combination or an asset purchase. More specifically, management concluded that Goldeye Explorations Ltd. did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill generated on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
Three months ended March 31, 2018 and 2017

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Debt modification - From time to time, the Company pursues amendments to its credit agreements based on prevailing market conditions. Such amendments, when completed, are considered by the Company to be debt modifications or extinguishments. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability and amortized over the remaining term of the liability. If the modification is substantially different then the transaction is accounted for as an extinguishment of the old debt instrument with a gain/loss to the carrying amount of the liability being recorded in the interim condensed consolidated statements of operations immediately. Also, the transaction costs related to the debt extinguishment are recorded in the profit and loss accounts.

Stock-based compensation, warrants and derivative liabilities - The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the stock-based payments, warrants and derivative liabilities. 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.

Flow-through shares – The Company may issue flow through shares to fund a portion of its capital expenditure program. Pursuant to the terms of the flow through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow through shares issued and the value that would have been received for common shares with no tax attributes is initially recognized as a liability. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation and the difference is recognized as a deferred tax expense.

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.

Equity vs. Liability - The Company makes estimates and utilizes assumptions in determining whether warrants issued by the Company as part of a unit should be classified as an equity instrument or a liability.

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.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
Three months ended March 31, 2018 and 2017

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	March 31, 2018	December 31, 2017
Cash	\$ 1,986,697	\$ 4,594,986
Cashable GIC	47,500	60,000
	\$ 2,034,197	\$ 4,654,986

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	March 31, 2018	December 31, 2017
Advances to consultants	\$ 3,956	\$ 240,605
Prepaid expenses and other advances	84,065	170,361
Harmonized sales tax	342,633	165,895
Due from Forrester Metals Inc. (Note 14)	8,046	8,046
	\$ 438,700	\$ 584,907

6. INVESTMENTS

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

	Number of Shares	March 31, 2018	Number of Shares / Warrants	December 31, 2017
Zinc One Resources Inc. - Shares (i)	552,036	\$ 226,417	552,036	\$ 237,375
Goldgroup Mining Inc. - Shares	377,775	26,444	377,775	18,889
Millrock Resources Inc. - Shares	217,778	50,088	217,778	60,978
Total AFS investments		302,949		317,242

(i) In June 2017, Zinc One Resources Inc. ("Zinc One") acquired all of the issued and outstanding shares of Forrester; as a result of this transaction each shareholder of Forrester received one share of Zinc One for every 5.5 shares of Forrester. The Company had 3,036,200 shares of Forrester at the date of that transaction and exchanged them for 552,036 shares of Zinc One.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
Three months ended March 31, 2018 and 2017

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2018	\$ 1,456,092	\$ 1,061,062	\$ 162,047	\$ 125,107	\$ 2,804,308
At March 31, 2018	\$ 1,456,092	\$ 1,061,062	\$ 162,047	\$ 125,107	\$ 2,804,308
Accumulated amortization					
At January 1, 2018	\$ -	\$ (232,160)	\$ (111,477)	\$ (125,107)	\$ (468,744)
Amortization for the period	-	(8,288)	(2,890)	-	(11,178)
At March 31, 2018	\$ -	\$ (240,448)	\$ (114,367)	\$ (125,107)	\$ (479,922)
Net book value at March 31, 2017	\$ 1,456,092	\$ 820,614	\$ 47,680	\$ -	\$ 2,324,386

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2016	\$ 1,456,092	\$ 1,061,062	\$ 147,075	\$ 125,107	\$ 2,789,336
Additions	-	-	14,972	-	14,972
At December 31, 2017	\$ 1,456,092	\$ 1,061,062	\$ 162,047	\$ 125,107	\$ 2,804,308
Accumulated amortization					
At January 1, 2016	\$ -	\$ (197,624)	\$ (97,787)	\$ (125,107)	\$ (420,518)
Amortization for the period	-	(34,536)	(13,690)	-	(48,226)
At December 31, 2017	\$ -	\$ (232,160)	\$ (111,477)	\$ (125,107)	\$ (468,744)
Net book value at December 31, 2017	\$ 1,456,092	\$ 828,902	\$ 50,570	\$ -	\$ 2,335,564

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As of March 31, 2018 and December 31, 2017, the accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance January 1, 2018	Additions	Balance March 31, 2018
Goliath Gold Project	\$ 65,573,213	\$ 1,795,339	\$ 67,368,552
Weebigee Project	3,861,132	29,568	3,890,700
Lara Polymetallic Project - BC	856,329	-	856,329
	\$ 70,290,674	\$ 1,824,907	\$ 72,115,581

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
Three months ended March 31, 2018 and 2017

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

	Balance January 1, 2017	Additions net of recoveries (i)	Balance December 31, 2017
Goliath Gold Project	\$ 60,710,377	\$ 4,862,836	\$ 65,573,213
Weebigee Project	3,990,179	(129,047)	3,861,132
Lara Polymetallic Project - BC	666,124	190,205	856,329
	\$ 65,366,680	\$ 4,923,994	\$ 70,290,674

(i) In the year 2017, \$150,000 was received as per the option agreement with GPM which was credited to the cost of the Weebigee project. More detail is described below in the Weebigee Project section.

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 126 contiguous unpatented mining claims (238 units) and 23 patented land parcels. The Company converted 11 mining claims into 3 mining leases during 2016 resulting in the decrease of the mining claims from 137 to 126. The total area of the project is approximately 5,049 hectares (~50 km²) covering portions of Hartman and Zealand townships. The project comprises three historic properties which are now interim condensed 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 13 of the 23 patented land parcels totaling approximately \$105,000 per year.

On October 21, 2014, the Company filed its Environmental Impact Statement ("EIS") with the Canadian Environmental Assessment Agency ("CEAA") and on April 25, 2015, the CEAA confirmed that the EIS conforms to its guidelines. As a result, the Project moved into the public comment period and technical reviews by various federal agencies.

On June 30, 2015, CEAA submitted a series of Information Requests and comments back to the Company stemming from the public comment period and CEAA's own technical review process of the EIS. The Company and its consultants completed a draft submission of the Information Requests. Subsequently, a substantial body of technical work necessary for a formal submission of the Information Requests including a revised EIS document was submitted to CEAA in September 2017. CEAA subsequently requested additional comments. The Company responded to the technical comments in April 2018 and in May 2018 CEAA confirmed the revised EIS and Information Requests meet their completeness requirements to move onto the technical review of the documentation. This acceptance means the revised EIS is undergoing formal review by CEAA and the Goliath Gold Project is now within the legislated timeline period for the completion of Federal Environmental Assessments with approximately 34 weeks remaining of Government review time.

In 2016 and 2017, the Company was engaged in a drilling program to convert the underground "Inferred" category resources to the "Indicated" category within the main resource area. At December 31, 2016 a 12,000 metre drilling was completed. In 2017, a 15,000 metre exploration drill program commenced in the main zone resource area. In October 2017, the Company announced results of a 4,360 metre condemnation and exploration drilling program.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
Three months ended March 31, 2018 and 2017

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

An updated Preliminary Economic Assessment ("PEA") was completed and the results announced in March 2017.

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 Resources Ltd., a related party company, 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% net smelter returns ("NSR") retained by the owners.

Thunder Lake Property, Ontario

In 2007, the Company and Laramide Resources Ltd. 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 Resources Ltd. 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 comprises 59 mineral claims covering approximately 6,392 hectares (~64 km²) at March 31, 2018.

The Company is committed to a 1.0% 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.

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. At present, the Company has renewed the mining leases of the most significant areas of this property. The expenditures are mainly related to the property renewals; there was no work done on the property.

Goldeye Explorations

On November 24, 2016, the Company closed the acquisition of all of the issued and outstanding common shares of Goldeye Explorations Limited ("Goldeye") a public company that holds certain properties. The details of the acquisition are disclosed in Note

The Company acquired the following projects from Goldeye:

- Weebigee Project
- Van Hise Project – Larder Lake Mining Division, Ontario.

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8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

All of the consideration in Note 9 has been allocated to the Weebigee Project. The Company decided the no renewal of the Van Hise Project claims which expired in July 2017. Van Hise was neither considered a strategic nor valuable project at the time of the Weebigee acquisition transaction; therefore, no charge to operations has been recorded by the Company.

Weebigee Project

The Weebigee Project is located near Sandy Lake, north of Red Lake in Northwestern Ontario. The Company holds a 100% interest in the property, which comprises 225 claims. Certain claims are subject to a 2% net smelter return ("NSR") that is held by a former director of Goldeye. On November 12, 2013, the Company entered into an exploration agreement with Sandy Lake First Nations ("SLFN") with respect to the Company's exploration of the Weebigee Project. This exploration agreement was renewed for a two-year period on the same terms commencing on November 12, 2014 and again on November 12, 2016. All claims are in good standing until 2018 or later.

On April 15, 2015, Goldeye entered into an option agreement (the "GPM Option Agreement") with GPM Metals Inc. ("GPM") whereby GPM has an option to earn a 50.1% interest in the Weebigee Project by paying a total of \$550,000 in cash (\$50,000, \$100,000 and \$150,000 received in 2015, 2016 and 2017, respectively) and \$25,000 in shares (issued in 2015) to Goldeye over a period of four years. GPM must also complete a minimum of \$5,000,000 in exploration expenditures over a four-year term. In addition, if the first option is exercised, GPM will have the option to earn an additional 19.9% interest by either funding a bankable feasibility study, or at GPM's option, paying Goldeye an additional \$1,500,000 in cash and completing a minimum additional \$3,000,000 in exploration expenditures over the next two years. This option agreement is subject to the terms of the exploration agreement signed between Goldeye and GPM on November 12, 2013.

Subsequent to the GPM Option Agreement, GPM with support and assistance from Goldeye, staked additional claim units (the "Additional Interest") at Weebigee. On September 3, 2015, Goldeye elected, pursuant to the GPM Option Agreement to have the Additional Interest included as part of the Weebigee property. Goldeye tendered to GPM the amount required to pay for its share of the costs of the Additional Interest but GPM refused to accept the payment on the purported ground that Goldeye had forfeited its rights to the Additional Interest due to untimely payment of such amount. In July 2016, GPM sold its interest in the Weebigee property to Sandy Lake Gold Inc.

In September 2016, the Company served Sandy Lake with a notice of arbitration claiming that the force majeure declared by Sandy Lake was not valid; that Sandy Lake had not properly met the contracted spending requirements; and, that the Company had properly met its obligations for acquiring 50% of the Additional Interest which Sandy Lake had staked on contiguous property to Weebigee. The Company commenced an arbitration against Sandy Lake Gold Inc. ("SLG") asserting, among other things, that Goldeye had made a proper election respecting additional staked mining claims pursuant to the terms of the Option Agreement. Goldeye contested SLG's declaration of an Event of Force Majeure on July 27, 2016 including how that impacted the deadline for SLG's year 2 expenditures. Goldeye also asserted that many of SLG's claimed expenditures for year 1 were not eligible as exploration expenditures under the Option Agreement. An arbitral panel was appointed. By decision dated September 14, 2017, the panel determined that an Event of Force Majeure existed from July 27, 2016 until June 7, 2017. SLG brought a subsequent motion respecting the deadline for its year 2 spending requirements. The panel found in favour of SLG determining that SLG has until June 28, 2018 to make the required expenditures in order to keep the option alive.

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8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

The remaining issues in dispute were the subject matter of a hearing in February 2018. A decision has not yet been released. During the course of the above-described arbitration, SLG brought a counterclaim against Goldeye for \$2,000,000 plus pre-judgment and post-judgment interest and costs on a full indemnity basis for breach of contract, including breach of certain representations, warranties, and covenants. No further steps have been taken by SLG to advance the counterclaim so full discovery has not yet taken place. Accordingly, no amounts have been recorded in the interim condensed consolidated financial statements related to this matter.

Gold Rock Project, Kenora Mining Division, Ontario

The Company's 100% owned Gold Rock Project is located near Dryden, Ontario and comprises two properties, the Gold Rock property, consisting of 20 claims and the Thunder Cloud property consisting of 1 claim. All claims at the Gold Rock Project are in good standing until November 2018 with the exception of the claim at Thunder Cloud property, which is in good standing until August 2019.

West Shining Tree Project – Larder Lake Mining Division, Ontario

The West Shining Tree Project consists of 53 claims in Fawcett, Leonard, MacMurchy and Tyrell townships, near Timmins in Northeastern Ontario. 52 of the claims are 100% owned by Goldeye and 1 claim is 50% owned by Goldeye and 50% owned by third parties. All claims are in good standing until December 2019. The property is subject to NSR ranging from 2% to 3% on certain claims in this area. On August 6, 2014, Goldeye received \$30,000 from Creso Resources Inc. ("Creso") as settlement towards the dispute relating to Creso's termination of an option agreement on February 1, 2012. The option agreement was originally entered into in January 2010 whereby the Company optioned up to 75% of 23 claims in Tyrell Township in the Shining Tree Project to Creso.

Other Goldeye Interests

The Company has also the following NSR interests which are held by Goldeye:

- Sonia-Puma NSR – Region V, Chile;
- McFaulds Lake NSR – Thunder Bay Mining Division, Ontario; and,
- MacMurchy Township NSR – Larder Lake Mining Division, Ontario

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	March 31, 2018	December 31, 2017
Trade accounts payable	\$ 1,089,039	\$ 911,391
Accrued liabilities	275,072	424,208
Taxes and payroll deductions payable	19,861	19,310
Due to Laramide Resources Ltd. (Note 14)	13,367	9,209
	\$ 1,397,339	\$ 1,364,118

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10. LONG-TERM DEBT

The present value of the long-term debt at March 31, 2018 and December 31, 2017 is as follows:

	Convertible Debt Tranche 1	Convertible Debt Tranche 2	Mortgage	Total Debt March 31, 2018
Loan amount	\$ 2,836,680	\$ 2,836,680	\$ 66,227	\$ 5,739,587
Unaccreted amount	(292,213)	(292,213)	-	(584,426)
Carrying value of the debt	2,544,467	2,544,467	66,227	5,155,161
Current portion of the debt	-	-	(23,681)	(23,681)
Long-term debt	\$ 2,544,467	\$ 2,544,467	\$ 42,546	\$ 5,131,480

	Debt	Convertible Debt	Mortgage	Total Debt December 31, 2017
Loan amount	\$ 2,759,900	\$ 2,759,900	\$ 71,897	\$ 5,591,697
Unaccreted amount	(339,327)	(339,327)	-	(678,654)
Carrying value of the debt	2,420,573	2,420,573	71,897	4,913,043
Current portion of the debt	-	-	(23,615)	(23,615)
Long-term debt	\$ 2,420,573	\$ 2,420,573	\$ 48,282	\$ 4,889,428

Convertible Debt

On June 17, 2016, the Company closed a long-term loan agreement for US\$4.4 million (CAD\$5.9 million) with Loinette Company Leasing Ltd. ("Loinette" or "Tranche 1") and Extract Lending LLC and Extract Capital Master Fund Ltd. ("Extract" or "Tranche 2"). Loinette and Extract each contributed US\$2.2 million (CAD\$2.95 million) of the loan. The proceeds were used in the repayment of the existing RMB Resources Inc. ("RMB") loan, the advancing of the Goliath Gold Project, and for general corporate purposes.

The terms set out in the loan agreement are as follows:

- The loan matures 15 months from the closing date.
- The Extract portion of the loan may be converted at Extract's option, in part or in full, at any time, into common shares of the Company at \$0.588 per share.
- The annual interest rate on the Extract portion is the 12-month LIBOR plus 8.5% and on the Loinette portion is the 12-month LIBOR plus 9%. Minimum LIBOR is set at 2%. The interest is payable monthly, in arrears.
- The Facility is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath Gold Project property, land, and mining claims in Kenora.
- An arrangement fee of US\$175,000 (CAD\$225,365) was paid from the proceeds on the closing date.
- The Company issued 220,000 common shares of the Company to the lenders.
- Extract received 250,000 warrants with an exercise price of CAD\$0.94 per common share valid for three years.

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10. LONG-TERM DEBT (Continued)

- The Company assigned to the lenders 3.0 million warrants previously owned by RMB which were subsequently extended by 12 months from their initial maturity. As a result of their expiry date extension, the fair value of the warrants has increased by \$532,500 which was included as transaction cost of financing.

- The Company will provide the lenders a production fee of US\$10 (CAD\$13.43) per each ounce of gold and US\$0.125 (CAD\$0.17) per each ounce of silver produced from the Goliath Project ("Production Fee"). The Company shall have the option to repurchase the Production Fee. The repurchase price varies from US\$750,000 (CAD\$1,007,025) if the loan is repaid after six months from the closing date and on or before the maturity date, or US\$1.0 million (CAD\$1.34 million) if the loan is repaid after the maturity date. Notwithstanding the forgoing, during the first nine months of the term loan, the Company had the option to repurchase the Production Fee for US\$350,000 while any indebtedness remains outstanding under the term loan. In the first quarter of 2017 the Company repurchased the Production Fee for US\$350,000 (CAD\$470,783) which has been capitalized in the mineral properties and related deferred costs account.

On June 7, 2017, a loan extension agreement was closed extending the maturity of both tranches to April 2, 2019, from September 20, 2017. Pursuant to the terms of the extension, US\$2.2 million (CAD\$2.8 million) of the Tranche 1 loan is convertible, at the election of the lenders, into common shares of the Company at a conversion price fixed at CAD\$0.90 per common share. Pursuant to the terms of the Loan Extension, the applicable interest rate in respect of Tranche 1 has been reduced to LIBOR (minimum 200 basis points) plus 6.5% from 9%.

The Tranche 2 principal amount of US\$2.2 million (CAD\$2.8 million) of the term loan continues to be convertible into common shares at a price equal to CAD\$0.588 per common share and have no further amendments.

As consideration for entering into the loan extension, the Company paid the lenders the following:

(a) a total extension fee of US\$88,000 (CAD\$118,730) for both tranches in consideration for an extension to the maturity date,

(b) US\$14,000 (CAD\$18,889) for Tranche 1 loan in connection with the reduction to the applicable interest rate; and

(c) issue to the lenders of both tranches an aggregate of 1 million common share purchase warrants, entitling the lenders to purchase common shares as set out below:

- Issuance an aggregate of 300,000 warrants on the closing date for a period of 3 years, to purchase a common share at an exercise price of the lesser of CAD\$0.75 per share or 20% above the value weighted average price of the shares for the 20 immediately preceding days for a period of 3 years from issuance;

- Issuance an aggregate of 400,000 warrants on the closing date for a period of 3 years, to purchase a common share at an exercise price of the lesser of CAD\$0.80 per share or 35% above the value weighted average price of the shares for the 20 immediately preceding days for a period of 3 years from issuance; and

- Issuance an aggregate of 300,000 warrants on the closing date for a period of 18 months, to purchase a common share at an exercise price of CAD\$0.77 per share.

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10. LONG-TERM DEBT (Continued)

Activity of the financial instrument - Tranche 1	March 31, 2018	December 31, 2017
Beginning balance - Debt portion	2,420,573	2,612,041
Beginning balance - Convertible portion	326,036	-
Carrying value of financial instruments (i)	2,746,609	2,612,041
Amortized transaction costs	-	212,963
Foreign exchange adjustment	-	14,718
Carrying value prior to amendment	2,746,609	2,839,722
Loss on extinguishment (ii)	-	331,720
Fair value of new debt instrument	2,746,609	3,171,442
Accretion	\$ 55,476	\$ 122,499
Changes in fair value	(54,495)	(372,237)
Foreign exchange adjustment	54,213	(175,095)
Financial instrument - Tranche 1 at March 31, and December 31	\$ 2,801,803	\$ 2,746,609

Activity of the financial instrument - Tranche 2	March 31, 2018	December 31, 2017
Beginning balance - Debt portion	\$ 2,420,573	\$ 2,148,581
Beginning balance - Convertible portion	907,743	887,000
Carrying value of financial instruments (i)	3,328,316	3,035,581
Amortized transaction costs	-	225,050
Accretion	-	261,846
Changes in fair value	-	(128,757)
Foreign exchange adjustment	-	15,285
Carrying value prior to amendment	3,328,316	3,409,005
Loss on extinguishment (ii)	-	559,676
Fair value of new debt instrument	3,328,316	3,968,681
Accretion	55,476	122,499
Changes in fair value	(68,700)	(587,767)
Foreign exchange adjustment	82,623	(175,097)
Financial instrument - Tranche 2 at March 31, and December 31	\$ 3,397,715	\$ 3,328,316

(i) The financial instrument is composed of the debt and convertible portions for Tranches 1 and 2.

(ii) Does not include transaction costs incurred on amendment of \$420,238.

Due to the June 2017 amendment being considered an extinguishment of debt under IFRS, the new debt instrument was recorded at fair value on the amendment date.

The fair value of the debt component upon issuance was \$1,833,064 for Tranches 1 and 2, based on a market borrowing rate of 19.31%

Due to the loans being denominated in U.S. dollars, the conversion feature has been presented as a derivative liability, and upon issuance was assigned a fair value of \$698,223 for the Tranche 1 and \$1,495,511 for the Tranche 2, using the Black-Scholes option pricing model with the following assumptions: share price \$0.67, dividend yield 0%, expected volatility, based on historical volatility of 77.5%, a risk free interest rate of 0.71% and an expected life of 22 months for both tranches. The cash and non-cash transaction costs were expensed through profit and loss. The effective interest rate of the Tranches 1 and 2 are both 18.5%.

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10. LONG-TERM DEBT (Continued)

As at March 31, 2018, the derivative liability of the Tranche 1 was assigned a fair value of \$271,541 using the Black-Scholes option pricing model with the following assumptions: share price \$0.62, dividend yield 0%, expected volatility, based on historical volatility 65.38%, a risk free interest rate of 0.85% and an expected life of 12 months. The fair value gain in 2018 of \$54,495 has been recognized in the statements of operations.

As at March 31, 2018, the derivative liability of the Tranche 2 was assigned a fair value of \$839,043 (December 31, 2017 - \$887,000) using the Black-Scholes option pricing model with the following assumptions: share price \$0.62 (December 31, 2017 - \$0.60), dividend yield 0%, expected volatility, based on historical volatility 65.38% (December 31, 2017 - 86.46%), a risk free interest rate of 0.85% and an expected life of 12 months (December 31, 2017 - 8.4 months). The fair value gain in 2018 of \$68,700 has been recognized in the statements of operations.

Mortgage

	March 31, 2018	December 31, 2017
Short-term	\$ 23,681	\$ 23,615
Long-term	42,546	48,282
	\$ 66,227	\$ 71,897

The mortgage is related to a purchase of land and building located on the Goliath Gold Project property for a total of \$200,000. The purchase was made in November 2010 consisting of 120 monthly payments with annual interest rate of prime plus 3% expiring in October 2020 as per the chart presented below.

The future principal payments of the outstanding mortgage are as follows:

	Total
2018	\$ 19,507
2019	24,851
2020	21,869
Total mortgage	\$ 66,227

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11. CAPITAL STOCK

- a) *AUTHORIZED*
 Unlimited common shares
- b) *ISSUED*

COMMON SHARES	Number of Shares	Stated Value
Balance, January 1, 2017	103,108,383	\$ 76,917,364
Stock options and warrants exercised	861,665	351,282
Fair value of options and warrants exercised	-	115,371
Balance, March 31, 2017	103,970,048	\$ 77,384,017
Shares issued for cash in private placements	12,400,000	8,060,000
Flow through private placements	6,350,000	4,254,500
Share issue costs	-	(996,107)
Issuance of compensation options	-	(239,162)
Issuance of warrants	-	(1,042,623)
Stock options and warrants exercised	341,450	149,212
Fair value of stock options and warrants exercised	-	49,348
Flow-through shares premium	-	(381,000)
Balance, December 31, 2017 and March 31, 2018	123,061,498	\$ 87,238,185

Private Placements

On December 21, 2017, the Company closed a private placement for aggregate gross proceeds of \$4,254,500 through the issuance of 6,350,000 flow-through common shares at a price of \$0.67 per flow-through share. The offering was completed through a Syndicate of agents and the flow-through shares are subject to a four-month hold period, which will expire on April 22, 2018. The proceeds from the issuance of flow-through shares will be used to incur Canadian Exploration Expenses, and will qualify as flow-through mining expenditures under the Income Tax Act. The Company paid cash finder's fees of \$255,270 and \$70,345 of other issue costs in addition to the grant of 381,000 compensations options with a fair value of \$84,625.

On May 15, 2017, the Company closed a short-form prospectus offering for aggregate gross proceeds of \$8,060,000 through the issuance of 12,400,000 units at a price of \$0.65 per unit. Each unit consisted of one common share and one half common share purchase warrant. Each warrant entitles his holder to acquire one common share at an exercise price of \$0.95 for a period of 24 months from the date of issuance. The proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company paid an aggregate cash finder's fees and commissions of \$447,388 to certain parties in connection with this financing and \$223,104 of other issue costs.

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12. WARRANTS

In connection with the short-form prospectus offering (Note 11), on May 15, 2017, the Company issued 6,200,000 warrants exercisable within 24 months at a price of \$0.95 per share and were assigned a fair value of \$1,042,623 using the Black-Scholes option pricing model with the following assumptions: share price \$0.66, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the short-form prospectus offering on May 15, 2017, the Company issued 573,575 warrants to certain agents exercisable within 24 months at a price of \$0.65 per share and were assigned a fair value of \$154,537 using the Black-Scholes option pricing model with the following assumptions: share price \$0.66, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the extension of the debt agreements signed with Loinette and Extract (Note 10), on June 7, 2017, the Company executed the following transactions with warrants:

- Issued 300,000 warrants exercisable at a price of \$0.75 per share until June 7, 2020. The warrants were assigned a fair value of \$95,440 using the Black-Scholes option pricing model with the following assumptions: share price \$0.67, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Issued 400,000 warrants exercisable at a price of \$0.80 per share until June 7, 2020. The warrants were assigned a fair value of \$118,769 using the Black-Scholes option pricing model with the following assumptions: share price \$0.67, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Issued 300,000 warrants exercisable at a price of \$0.77 per share until December 7, 2018. The warrants were assigned a fair value of \$65,745 using the Black-Scholes option pricing model with the following assumptions: share price \$0.67, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 1.5 years.

In connection with the Goldeye acquisition, on November 24, 2016, the Company issued 348,280 warrants exercisable at a price between \$0.50 and \$1.00 per share, in different dates from December 17, 2016 to February 22, 2017 and were assigned a fair value of \$24,252 using the Black-Scholes option pricing model with the following assumptions: share price \$0.64, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 8 months.

In connection with the debt agreements signed with Loinette and Extract (Note 10), on June 17, 2016, the Company executed the following transactions with warrants:

- Issued 250,000 warrants exercisable at a price of \$0.94 per share until June 17, 2019. The warrants were assigned a fair value of \$50,812 using the Black-Scholes option pricing model with the following assumptions: share price \$0.55, dividend yield 0%, expected volatility, based on historical volatility 77.19%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Transferred 1,500,000 financier warrants, previously owned by RMB, exercisable at a price of \$0.395 per share until August 18, 2018 which is a one-year extension over the original expiry date. The transferred warrants were assigned a fair value of \$232,500, as per their intrinsic value.
- Transferred 1,500,000 financier warrants previously owned by RMB, exercisable at a price of \$0.35 per share until May 18, 2019 which is a one-year extension over the original expiry date. The transferred warrants were assigned a fair value of \$300,000, as per their intrinsic value.

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12. WARRANTS (Continued)

In connection with the brokered private placement (Note 11), on May 18, 2016, the Company issued 3,129,000 warrants exercisable within 24 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of \$0.70 per share and were assigned a fair value of \$534,144 using the Black-Scholes option pricing model with the following assumptions: share price \$0.50, dividend yield 0%, expected volatility, based on historical volatility 80.32%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the non-brokered private placement (Note 11), on May 18, 2016, the Company issued 1,041,667 warrants exercisable within 24 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of \$0.70 per share and were assigned a fair value of \$177,820 using the Black-Scholes option pricing model with the following assumptions: share price of \$0.50, dividend yield 0%, expected volatility, based on historical volatility of 80.32%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the May 18, 2016 private placement, the Company issued 351,480 agent warrants; each warrant entitles the holder to purchase one common share at a price of \$0.70 per share for a period of 24 months, subject to a four-month hold period under applicable securities laws in Canada. These warrants were assigned a fair value of \$60,000 using the Black-Scholes option pricing model with the following assumptions: share price of \$0.50, dividend yield 0%, expected volatility, based on historical volatility of 80.32%, a risk free interest rate of 1.30% and an expected life of 2 years. The fair value of warrants issued is equivalent to the services received.

In connection with the second tranche of the private placement, on January 13, 2016, the Company issued 505,286 warrants exercisable for the following 36 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of \$0.55 per share and were assigned a fair value of \$73,547 using the Black-Scholes option pricing model with the following assumptions: share price \$0.36, dividend yield 0%, expected volatility, based on historical volatility 79.72%, a risk free interest rate of 1.03% and an expected life of 3 years.

The following table reflects the continuity of warrants:

	Number of Warrants 2018	Number of Warrants 2017	Weighted Average Exercise Price 2018	Weighted Average Exercise Price 2017
Balance, at beginning of year	16,618,770	9,532,910	\$ 0.74	\$ 0.60
Issued, on brokered placement (Note 11)	-	6,200,000	-	0.950
Issued, agent warrants	-	573,575	-	0.65
Issued, agent warrants	-	381,000	-	0.67
Issued on debt agreement (Note 10)	-	300,000	-	0.75
Issued on debt agreement (Note 10)	-	400,000	-	0.80
Issued on debt agreement (Note 10)	-	300,000	-	0.77
Exercised	-	(378,115)	-	0.56
Exercised	-	(375,000)	-	0.35
Expired	-	(310,000)	-	1.00
Expired	-	(5,600)	-	0.50
Balance March 31 and December 31	16,618,770	16,618,770	\$ 0.74	\$ 0.74

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12. WARRANTS (Continued)

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	Warrants at March 31, 2018	Warrants at December 31, 2017	Exercise Price
May 18, 2018	Warrants	351,481	351,481	\$ 0.70
May 18, 2018 (a)	Warrants	4,170,666	4,170,666	\$ -
August 18, 2018	Financier warrants	1,500,000	1,500,000	\$ 0.39
September 24, 2018	Warrants	507,262	507,262	\$ 0.56
December 7, 2018	Warrants	300,000	300,000	\$ 0.77
December 24, 2018	Warrants	217,000	217,000	\$ 0.55
January, 13, 2019	Warrants	212,500	212,500	\$ 0.45
January, 13, 2019	Warrants	505,286	505,286	\$ 0.55
May 15, 2019	Warrants	6,200,000	6,200,000	\$ 0.95
May 15, 2019	Agent warrants	573,575	573,575	\$ 0.65
May 18, 2019	Financier warrants	750,000	750,000	\$ 0.35
June 17, 2019	Warrants	250,000	250,000	\$ 0.94
December 21, 2019	Agent warrants	381,000	381,000	\$ 0.67
June 7, 2020	Warrants	300,000	300,000	\$ 0.75
June 7, 2020	Warrants	400,000	400,000	\$ 0.80
		16,618,770	16,618,770	

(a) On April 19, 2018, by Board Resolution the directors approved effective May 11, 2018 the extension of these warrants to May 18, 2019.

The weighted average life of the outstanding warrants at March 31, 2017 is 9 months (December 31, 2017 - 1 year).

13. STOCK-BASED COMPENSATION

On June 29, 2017, the Company granted a total of 800,000 options to certain employees and consultants to buy common shares at an exercise price of \$0.62 each and expire on June 29, 2020. The stock options vest 33.3% on June 29, 2017 and the remaining 66.7% vest in two equal portions at each anniversary of the date of granting. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.59, dividend yield 0%, expected volatility 76.17% based on historical volatility, a risk free interest rate of 1.35%, and an expected life of 3 years. As a result, the fair value of the options was estimated at \$230,415 and will be recognized in the statement of operations over the periods the 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 March 31, 2018, the Company has an additional 5,900,150 (December 31, 2017 – 3,996,667) options available for issuance under the plan.

During the period ended March 31, 2018, the stock-based compensation charged to mineral properties and related deferred costs amounted \$16,452 (December 31, 2017 - \$5,949).

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

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13. STOCK-BASED COMPENSATION (Continued)

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

	Number of Stock Options 2018	Number of Stock Options 2017	Weighted Average Exercise Price 2018	Weighted Average Exercise Price 2017
Balance, at beginning of year	6,525,933	6,859,433	\$ 0.52	\$ 0.52
Options granted	-	800,000	-	0.62
Exercised	-	(450,000)	-	0.35
Expired	-	(475,000)	-	0.55
Cancelled	(225,000)	(100,000)	-	0.63
Expired	-	(20,000)	-	1.50
Expired	-	(40,000)	-	0.50
Expired	-	(48,500)	-	1.00
Balance March 31 and December 31	6,300,933	6,525,933	\$ 0.52	\$ 0.52

The weighted average life of the outstanding options at March 31, 2018 is 8 months (December 31, 2017 - 1 year). The weighted average market value of the shares when the options were exercised in 2017 was \$0.77.

The outstanding options are comprised as follows:

Grant Date	Expiry Date	Number of Stock Options at March 31, 2018	Number of Stock Options at December 31, 2017	Exercise Price
April 30, 2015	April 30, 2018	2,125,000	2,125,000	0.35
June 16, 2015	June 16, 2018	175,000	175,000	0.38
September 24, 2015	September 24, 2018	125,933	125,933	0.56
July 19, 2016	October 19, 2018	1,925,000	2,150,000	0.63
December 5, 2016	October 19, 2018	100,000	100,000	0.62
January 16, 2016	January 16, 2019	150,000	150,000	0.40
December 5, 2016	December 5, 2019	900,000	900,000	0.62
June 29, 2017	June 29, 2020	800,000	800,000	0.62
		6,300,933	6,525,933	

At March 31, 2018, 5,417,600 of the outstanding options are fully vested and exercisable (December 31, 2017 - 5,692,600).

14. RELATED PARTY DISCLOSURES

Certain corporate entities that are related to the Company's officers and directors provide services to Treasury Metals. At March 31, 2018, there is \$13,367 of net accounts payable to Laramide. (December 31, 2017 - \$9,209), a company that has a director and an officer in common with Treasury Metals. During the period, Laramide charged \$42,635 (2017 - \$41,715) for office space rent, and other expenditures paid by Laramide on behalf of the Company and the Company charged \$3,953 of shared expenditures paid on behalf of Laramide (2017 - \$8,797).

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

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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:

Periods ended March 31	2018		2017	
Salaries	\$	111,875	\$	118,875
Director fees		32,000		32,000
	\$	143,875	\$	150,875

16. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

- The Company is committed to spend \$4,254,500 on Canadian exploration expenses ("CEE") as part of its flow-through funding agreement dated on December 21, 2017; at March 31, 2018, the Company has spent \$867,903. All flow-through spending commitments from previous flow-through financings have been fulfilled.

- Following an audit commenced by the Canada Revenue Agency (the "CRA") in December 2016 of the flow-through expenditures incurred by the Company pursuant to the flow-through share financings completed on December 6, 2011, September 21, 2012, May 1, 2013, and December 20, 2013, on March 7, 2018 the Company was advised by the CRA that out of the total of \$12.5 million the Company raised through the flow-through share financings and renounced to subscribers, that the CRA had reclassified approximately \$1.8 million of CEE to operating expenses and a further approximately \$ 2.2 million of CEE to Canadian Development Expenses. In addition, pursuant to the Audit, the CRA has notified the Company that it is liable for Part XII.6 tax in the amount of \$477,726 in connection with the shortfall from the disallowed CEE.

The Company disputes the CRA's proposed re-characterizations of expenses from CEE to either CDE or operating expenses and consequently intends to object to such CRA determinations.

Due to the uncertainty of the final outcome, no liability has been recorded in the interim condensed consolidated financial statements.

17. 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 considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At March 31, 2018, the Company has a working capital of \$1,051,877 excluding the non-cash unrenounced flow-through share premium liability and derivative liability (December 31, 2017 - Deficiency of \$3,852,070); Capital stock and contributed surplus total \$95,112,929 (December 31, 2017 - \$95,062,379).

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17. FINANCIAL RISK FACTORS (Continued)

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 marketable securities.

At March 31, 2018, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. At March 31, 2018, there were certain externally imposed capital requirements related to the long term debt, to which the Company is subject and with which the Company was not in compliance. A waiver was obtained to confirm that the Company was not in default on the long-term debt.

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 period ended March 31, 2018.

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 \$2,034,197 (December 31, 2017 - \$4,654,896) and accounts receivable of \$434,744 (December 31, 2017 - \$344,402). 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. There is no significant credit risk with respect of receivables.

Interest Rate Risk

The Company has exposure to interest rate risk since its long-term debt has an interest rate based on 12-month LIBOR, subject to an interest floor.

Market Price Risk

The Company has issued denominated in US Dollars. The convertible feature of this long-term debt has been classified as a derivative liability. Among other variables, the fair value of this derivative liability is affected by changes in the market price of the Company shares.

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17. FINANCIAL RISK FACTORS (Continued)

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 liabilities in such currency as of March 31, 2018 is \$5,164,112 (December 31, 2017 - \$4,277,072).

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 March 31, 2018, the Company had a cash and cash equivalents balance of \$2,034,197 (December 31, 2017 - \$4,654,896) to settle current liabilities of \$2,531,604 (December 31, 2017 - \$2,621,512), excluding the non-cash unrenounced flow-through share premium liability. 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 relies on external financing to generate sufficient operating capital and the management believes it will be able to raise any required funds in the short-term.

Sensitivity Analysis

As at March 31, 2018 and 2017, 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 interest rate risk on LIBOR fluctuations for its long-term debt. A variance of 1% in the 12-month LIBOR will affect the annual Company's net comprehensive loss by approximately \$56,901.
- ii) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, 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 comprehensive loss by \$516,411.
- iii) 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 March 31, 2018 fair market value positions, the comprehensive loss would have varied by \$30,295.

Fair Value Hierarchy

The Company has designated its warrants as FVTPL financial assets, and investments in shares as available for sale, which are measured at fair value. The derivative liability is classified as FVTPL and is measured at fair value with unrealized gains or losses reported in the interim condensed consolidated statement of operations.

Accounts payable and accrued liabilities and the long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value. The fair value of long-term debt approximates their carrying amount due to the effective interest rate being close to the market rate.

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17. FINANCIAL RISK FACTORS (Continued)

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

March 31, 2018:	Level One	Level Two	Level Three
Cash and cash equivalents	\$ 2,034,197	\$ -	\$ -
Investments	302,949	-	-
Derivative liability	-	(1,110,584)	-
	\$ 2,337,146	\$ (1,110,584)	\$ -
December 31, 2017:	Level One	Level Two	Level Three
Cash and cash equivalents	\$ 4,654,896	\$ -	\$ -
Investments	317,242	-	-
Derivative liability	-	(1,233,779)	-
	\$ 4,972,138	\$ (1,233,779)	\$ -

There have been no transfers between levels 1, 2 or 3 during the periods.

18. SUBSEQUENT EVENTS

In April 2018, 1,775,000 of the 2,125,000 stock options expiring on April 30, 2018, were exercised for gross proceeds of \$621,250.