



TREASURY METALS

INCORPORATED

(An exploration stage company)

INTERIM CONDENSED FINANCIAL STATEMENTS

UNAUDITED

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2014 AND 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed 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 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 interim condensed 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 interim condensed 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 June 30, 2014.

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 June 30, 2014.

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 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 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.
(An exploration stage company)
INTERIM CONDENSED BALANCE SHEETS - UNAUDITED
(EXPRESSED IN CANADIAN DOLLARS)

	June 30, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents (Notes 4 & 17)	\$ 359,458	\$ 2,808,718
Accounts receivable and prepaid expenses (Note 5)	<u>707,728</u>	<u>640,680</u>
	1,067,186	3,449,398
Investments (Note 6)	293,250	138,000
Property and equipment (Note 7)	2,512,015	2,548,635
Mineral properties and related deferred costs (Note 8)	<u>54,340,453</u>	<u>51,651,101</u>
	<u>\$ 58,212,904</u>	<u>\$ 57,787,134</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 839,197	\$ 1,116,043
Due to Laramide Resources Ltd. (Note 14)	-	7,693
Current portion of long-term debt (Note 10)	553,798	556,209
Unrenounced flow-through shares premium	<u>-</u>	<u>757,424</u>
	1,392,995	2,437,369
Long-term debt (Notes 10 & 17)	812,457	131,723
Deferred tax liability	<u>3,747,907</u>	<u>2,708,200</u>
	<u>5,953,359</u>	<u>5,277,292</u>
Shareholders' Equity		
Capital stock (Note 11)	64,280,165	63,916,249
Contributed surplus	4,005,088	3,670,079
Deficit	(16,180,958)	(15,076,485)
Accumulated other comprehensive income	<u>155,250</u>	<u>-</u>
	<u>52,259,545</u>	<u>52,509,843</u>
	<u>\$ 58,212,904</u>	<u>\$ 57,787,135</u>

Commitments and Contractual Obligations (Note 16)
Subsequent Event (Note 17)

SIGNED ON BEHALF OF THE BOARD

(Signed) "Doug Bache"
Director

(Signed) "Marc Henderson"
Director

TREASURY METALS INC.

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INTERIM CONDENSED STATEMENTS OF OPERATIONS - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Revenues				
Royalty income, net (Note 8)	\$ 70,011	\$ 271,253	\$ 141,808	\$ 473,830
	<u>70,011</u>	<u>271,253</u>	<u>141,808</u>	<u>473,830</u>
Expenses				
Administrative, office and shareholder services	\$ 118,209	\$ 227,018	\$ 317,669	\$ 544,979
Professional fees	4,161	59,797	21,740	128,628
Salary and benefits	160,251	55,035	302,153	111,464
Stock-based compensation (Note 13)	123,297	63,102	168,826	101,552
Amortization of long-term debt transaction costs (Note 10)	101,023	-	101,023	-
Interest and commitment fees	63,050	9,037	66,174	11,900
	<u>569,991</u>	<u>413,989</u>	<u>977,585</u>	<u>898,523</u>
Loss before income taxes	(499,980)	(142,736)	(835,777)	(424,693)
Income tax expense	-	-	(282,283)	-
Net loss for the period	\$ (499,980)	\$ (142,736)	\$ (1,118,060)	\$ (424,693)
Loss per share - basic and diluted	\$ 0.00	\$ 0.00	\$ (0.01)	\$ 0.00
Weighted average number of shares outstanding	73,982,089	64,149,759	73,801,817	62,822,167

TREASURY METALS INC.

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INTERIM CONDENSED STATEMENTS OF OTHER COMPREHENSIVE INCOME - UNAUDITED (EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Net loss for the period	\$ (499,980)	\$ (142,736)	\$ (1,118,060)	\$ (424,693)
Other comprehensive income (loss)				
Item that may be reclassified subsequently to net income (loss)				
Unrealized income (loss) on available for sale investments, net of taxes	(112,125)	(241,500)	155,250	(474,375)
	(112,125)	(241,500)	155,250	(474,375)
Comprehensive loss for the period	\$ (612,105)	\$ (384,236)	\$ (962,810)	\$ (899,068)

TREASURY METALS INC.

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INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2012	61,465,074	\$ 60,163,577	\$ 3,239,273	\$ (12,728,189)	\$ (1,194,524)	\$ 49,480,137
Private placement-May	2,638,332	1,187,250	-	-	-	1,187,250
Flow through private placement-May	1,194,444	597,222	-	-	-	597,222
Share issue costs	-	(70,766)	-	-	-	(70,766)
Unrenounced flow-through shares premium	-	(112,278)	-	-	-	(112,278)
Issuance of warrants	-	(115,617)	115,617	-	-	-
Stock-based compensation	-	-	166,258	-	-	166,258
Net loss for the period	-	-	-	(424,693)	-	(424,693)
Other comprehensive loss	-	-	-	-	(474,375)	(474,375)
Balance, June 30, 2013	65,297,850	\$ 61,649,388	\$ 3,521,148	\$ (13,152,882)	\$ (1,668,899)	\$ 50,348,755
Flow through private placement-December	8,315,500	3,326,200	-	-	-	3,326,200
Share issue costs (Note 11)	-	(396,392)	-	-	-	(396,392)
Unrenounced flow-through shares premium	-	(645,146)	-	-	-	(645,146)
Issuance of broker warrants (Note 12)	-	(17,801)	17,801	-	-	-
Stock-based compensation	-	-	131,130	-	-	131,130
Net loss for the period	-	-	-	(1,910,016)	-	(1,910,016)
Other comprehensive income	-	-	-	-	1,668,899	1,668,899
Balance, December 31, 2013	73,613,350	\$ 63,916,249	\$ 3,670,079	\$ (15,062,898)	\$ -	\$ 52,523,430
Stock options exercised	667,000	200,100	-	-	-	200,100
Fair value of contributed surplus transferred on exercised options	-	163,816	(163,816)	-	-	-
Issuance of financier warrants (Note 12)	-	-	267,937	-	-	267,937
Stock-based compensation (Note 13)	-	-	230,888	-	-	230,888
Net loss for the period	-	-	-	(1,118,060)	-	(1,118,060)
Other comprehensive income	-	-	-	-	155,250	155,250
Balance, June 30, 2014	74,280,350	\$ 64,280,165	\$ 4,005,088	\$ (16,180,958)	\$ 155,250	\$ 52,259,545

TREASURY METALS INC.

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Cash and cash equivalents (used in) provided by:				
Operating Activities				
Net loss for the period	\$ (499,980)	\$ (142,736)	\$ (1,118,060)	\$ (424,693)
Adjustments for:				
Deferred income tax	-	-	282,283	-
Stock-based compensation	123,297	63,102	168,826	101,552
Amortization of long-term debt transaction costs (Note 10)	101,023	-	101,023	-
	<u>(275,660)</u>	<u>(79,634)</u>	<u>(565,928)</u>	<u>(323,141)</u>
Net change in non-cash working capital items:				
Accounts receivable and prepaid expenses	897,768	9,832	214,477	147,837
Accounts payable and accrued liabilities	<u>(209,031)</u>	<u>(742,555)</u>	<u>(276,847)</u>	<u>(398,429)</u>
	<u>413,077</u>	<u>(812,357)</u>	<u>(628,298)</u>	<u>(573,733)</u>
Financing Activities				
Private placement, net of issue costs	-	1,713,705	-	1,713,705
Proceeds from RMB facility (Note 10)	1,500,000	-	1,500,000	-
Unamortized transaction costs of long-term debt (Note 10)	(909,199)	-	(909,199)	-
Stock options exercised	200,100	-	200,100	-
Due to Laramide Resources Ltd.	(6,674)	(59,135)	(7,693)	(62,682)
Payments made on long-term debt	<u>(6,789)</u>	<u>(8,063)</u>	<u>(13,500)</u>	<u>(14,723)</u>
	<u>777,438</u>	<u>1,646,507</u>	<u>769,708</u>	<u>1,636,300</u>
Investing Activities				
Acquisition of property and equipment	(1,750)	(972)	(1,750)	(8,378)
Acquisition of mineral properties and related deferred costs	<u>(1,071,341)</u>	<u>(488,995)</u>	<u>(2,588,920)</u>	<u>(2,234,347)</u>
	<u>(1,073,091)</u>	<u>(489,967)</u>	<u>(2,590,670)</u>	<u>(2,242,725)</u>
Change in cash and cash equivalents	117,424	344,183	(2,449,260)	(1,180,158)
Cash and cash equivalents, beginning of the period	242,034	667,488	2,808,718	2,191,829
Cash and cash equivalents, end of the period	\$ 359,458	\$ 1,011,671	\$ 359,458	\$ 1,011,671

TREASURY METALS INC.

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS - UNAUDITED (Continued)

(EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Supplementary cash flow information				
Changes in non cash investing activities:				
Warrants/Options issued for commission on private placement	<u>\$ -</u>	<u>\$ 145,485</u>	<u>\$ -</u>	<u>\$ -</u>
Stock-based compensation capitalized to mineral properties and related deferred costs	<u>\$ 45,325</u>	<u>\$ 40,207</u>	<u>\$ 62,062</u>	<u>\$ 64,706</u>
Amortization capitalized to mineral properties and related deferred costs	<u>\$ 19,185</u>	<u>\$ 19,863</u>	<u>\$ 38,370</u>	<u>\$ 39,725</u>
Issuance of financier warrants (Note 12)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,937</u>	<u>\$ -</u>

TREASURY METALS INC.

(An exploration stage company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

Six months ended June 30, 2014 and 2013

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

On August 7, 2014, the Board of Directors approved the financial statements for the periods ended June 30, 2014 and 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim condensed financial statements have been prepared in accordance with IAS 34 *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").

Except as described below, the Company is following the same accounting policies and methods of computation in these interim condensed financial statements as it did in the audited financial statements for the year ended December 31, 2013.

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

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

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

Basis of Preparation

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

The interim condensed 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.

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

TREASURY METALS INC.

(An exploration stage company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

Six months ended June 30, 2014 and 2013

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 or which are cashable without penalty.

Financial Instruments

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

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

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

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

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

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

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

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

Six months ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property and Equipment

i) Assets owned by the Company

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

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

(ii) Leased assets

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

iii) Subsequent costs

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

iv) Amortization

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

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

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(EXPRESSED IN CANADIAN DOLLARS)

Six months ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mineral Properties and Related Deferred Costs

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

Impairment

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

Provisions

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

Deferred Taxes

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

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

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED

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Six months ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

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

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company.

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

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

Stock-based Compensation

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

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

Earnings per Share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of June 30, 2014.

Segmental Reporting

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

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(EXPRESSED IN CANADIAN DOLLARS)

Six months ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Environment Rehabilitation Provision

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

Accounting Standards Issued but not yet Effective

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

IFRS 9 - Financial Instruments - this standard replaces the guidance in IAS 39 Financial Instruments: *Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities. The effective date has not yet been confirmed.

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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(An exploration stage company)

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3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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.

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	June 30, 2014	December 31, 2013
Cash	\$ 149,316	\$ 758,711
Preferred investment account	160,142	2,000,007
Cashable GIC	50,000	50,000
	\$ 359,458	\$ 2,808,718

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	June 30, 2014	December 31, 2013
Royalty receivable	\$ 103,171	\$ 126,545
Prepaid expenses and advances	349,915	450,921
Harmonized sales tax	150,679	51,378
Other receivable	103,963	25,424
	\$ 707,728	\$ 654,268

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6. INVESTMENTS

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

	Number of Shares	June 30, 2014	Number of Shares	December 31, 2013
Goldgroup Mining Inc. (Formerly Sierra Minerals Inc.)	1,725,000	\$ 293,250	1,725,000	\$ 138,000
		\$ 293,250		\$ 138,000

In the year ended December 31, 2013, an impairment in the value of the Goldgroup Mining Inc. shares was recorded as a result of applying the guidance of IAS 39, Financial Instruments: Recognition and Measurement. This transaction is a non-cash and a not taxable event. The write-down resulted in a reclassification of \$1,703,398 loss from other comprehensive loss into the statement of operations.

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At December 31, 2013	\$1,456,092	\$1,061,062	\$ 94,802	\$ 125,107	\$2,737,063
Additions	-	-	1,750	-	1,750
At June 30, 2014	\$1,456,092	\$1,061,062	\$ 96,552	\$ 125,107	\$2,738,813
Accumulated amortization					
At December 31, 2013	\$ -	\$ (85,134)	\$ (31,368)	\$ (71,926)	\$ (188,428)
Amortization for the year	-	(19,519)	(6,341)	(12,510)	(38,370)
At June 30, 2014	\$ -	\$ (104,653)	\$ (37,709)	\$ (84,436)	\$ (226,798)
Net book value at June 30, 2014	\$ 1,456,092	\$ 956,409	\$ 58,843	\$ 40,671	\$2,512,015

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7. PROPERTY AND EQUIPMENT (Continued)

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

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As of June 30, 2014 and December 31, 2013, accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance December 31, 2013	Additions	Balance June 30, 2014
Goliath Gold Project	\$ 50,846,445	\$ 2,612,204	\$ 53,458,649
Lara Polymetallic Project - BC	343,207	71,417	414,624
Goldcliff Property	461,449	5,731	467,180
	\$ 51,651,101	\$ 2,689,352	\$ 54,340,453

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

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8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Goliath Gold Project

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

The Goliath Gold Project consists of 137 contiguous unpatented mining claims (254 units) and 22 patented land parcels. The total area of the project is approximately 4,881 hectares (~49 km²) covering portions of Hartman and Zealand townships. The project comprises two historic properties which are now consolidated into one property: the larger Thunder Lake Property, purchased from Teck Resources ("Teck") and Corona Gold Corporation ("Corona") and the Laramide Property, transferred to the Company from Laramide Resources Ltd. ("Laramide"). The project area has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 14 of the 19 patented land parcels totaling approximately \$103,500 per year.

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

Laramide Property, Ontario

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

Thunder Lake Property, Ontario

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

Brisson Property, Ontario

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

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide a 100% interest in the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project, of which a portion was formerly owned by Laramide, comprises 90 mineral claims covering approximately 8,684 hectares (~87 km²).

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

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8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

In 2010, only \$5,173 was expended in this project and no significant expenditures in the early future were considered at that time; in addition, in early 2011 the annual mining leases on a significant portion of the property were not renewed. As a consequence, the estimated non-recoverable costs associated with this project were written off in 2010. In the year 2011, the Company renewed the mining leases of the most significant areas of this property and, therefore, it now owns the mining rights on these properties. During the period ended June 30, 2014, \$71,417 was expended on renewal of the most strategic mining leases.

Goldcliff Property

In June 2010, the Company acquired the right to earn a 100% interest in four unpatented mining claims in the District of Kenora ("Kenora mining claims"). Under the terms of the Agreement, the Company is to make option payments totalling \$90,500 and issue 80,000 common shares of the Company over a four-year period. These payments are required as follows: \$8,500 and 20,000 common shares paid on signing of the agreement (paid), \$12,000 and 20,000 common shares on or before June 23, 2011 (paid), \$20,000 and 20,000 common shares on or before June 23, 2012 (paid), and \$50,000 and 20,000 common shares on or before December 23, 2013 (subsequently extended to September 1, 2014). The Kenora mining claims, totalling 12 units and 192 hectares, are subject to a 2% NSR of which 1% can be purchased by the Company for \$750,000.

In addition, the Company acquired through staking, 100% ownership in 45 unpatented mining claims that are contiguous with the Kenora mining claims. Some of the staked claims are subject to a one-kilometre area of interest and a 1% NSR (purchasable 100% by the Company for \$750,000) as they relate to each of the four Kenora mining claims.

Cerro Colorado Gold Mine, Mexico

In 2007, the Company acquired from Laramide a sliding production royalty, net of withholding tax, based on gold prices and the aggregate production from a mine, less direct selling costs. On the first 100,000 ounces produced, Treasury Metals will receive a 2.0% sliding production royalty if gold prices are below US\$350 per ounce and a 2.5% sliding production royalty if gold prices are above US\$350 per ounce. Once cumulative production exceeds 100,000 ounces of gold, the royalty rate is 2.5% and escalates to 3.0% if gold prices are above US\$350 per ounce.

During the year ended December 31, 2010, the 100,000 ounces of gold cumulative production target was reached and, based on the gold prices, the royalty rate was increased to 3.0%.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	June 30, 2014	December 31, 2013
Trade accounts payable	\$ 683,568	\$ 918,540
Accrued liabilities	145,970	158,185
Payroll deductions payable	9,659	39,318
	\$ 839,197	\$ 1,116,043

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10. LONG-TERM DEBT

	Current Portion	Long Term Portion	Total Debt June 30, 2014
Finance lease payable (i)	33,577	-	33,577
Mortgages (ii)	\$ 520,221	\$ 120,633	\$ 640,854
RMB Facility (iii)	-	691,824	691,824
	\$ 553,798	\$ 812,457	\$ 1,332,678

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

(i) The finance lease payable consists of 1 lease agreement expiring in August 2014.

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

	Total
2014	\$ 509,131
2015	19,236
2016	20,506
2017	21,864
2018	21,809
2019 and beyond	48,308
Total mortgages	\$ 640,854

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10. LONG-TERM DEBT (Continued)

(iii) The Company completed all conditions for a \$6 million feasibility funding facility (the "Facility") with RMB Resources Inc. ("RMB"). The Facility has two tranches of \$3 million each. From the first tranche an initial \$1.5 million was drawn on April 28, 2014 and \$1.5 million was drawn on July 22, 2014, as described in Note 17. A second tranche of \$3 million is available upon completion of specified project milestones. The Facility matures on June 20, 2016 and bears interest at CDOR plus 7.5% per annum, and a 2.0% per annum fee will be paid on the available but undrawn amount of the Facility. In connection with the first tranche, 1.5 million financier warrants were issued to RMB at closing with an expiry date of August 19, 2018, which entitle RMB to purchase a common share of the Company at an exercise price of \$0.395. For more information on financier warrants see note 12. The funds from the Facility will be used to continue the exploration and development of the Goliath Gold Project.

Additional terms related to the Facility are as follows:

- Pre-payment at any time without penalty.
- Issuance of a second set of 1.5 million financier warrants at the drawdown of the second \$3 million of the Facility. These warrants will be priced at a 15% premium at the time of the drawdown notice up to an exercise price of \$0.80, at which point the exercise price will be calculated using 0% premium over the 20-day VWAP.
- The Facility is secured by a general securities agreement, a debenture, and collateral security over the assets of the Company.

In connection with the Facility, the company has incurred transaction costs of \$909,199, which include a \$375,000 arrangement fee paid at the time of the first drawdown, the fair market value of the issued financier warrants of \$267,937, and legal fees. The transaction costs are amortized and charged to the statement of operations over the term of the Facility.

The Facility balance at June 30, 2014 is as follows

	Total
Drawn from first tranche	\$ 1,500,000
Unamortized transaction costs	(808,176)
Present value of RMB Facility as at June 30, 2014	\$ 691,824

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11. CAPITAL STOCK

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

COMMON SHARES	Number of Shares	Stated Value
Balance, December 31, 2012	61,465,074	\$ 60,163,577
Private placement-May	2,638,332	1,187,250
Flow through private placement-May	1,194,444	597,222
Share issue costs	-	(70,766)
Unrenounced flow-through shares premium	-	(112,278)
Issuance of warrants	-	(115,617)
Balance, June 30, 2013	65,297,850	\$ 61,649,388
Flow through private placement-December	8,315,500	3,326,200
Share issue costs	-	(396,392)
Unrenounced flow-through shares premium	-	(645,146)
Issuance of broker warrants	-	(17,801)
Balance, December 31, 2013	73,613,350	\$ 63,916,249
Stock options exercised	667,000	200,100
Fair value of contributed surplus transferred on exercised options	-	163,816
Balance, June 30, 2014	74,280,350	\$ 64,280,165

Private Placements

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

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11. CAPITAL STOCK (Continued)

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

12. WARRANTS

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

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

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

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

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

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12. WARRANTS (Continued)

The following table reflects the continuity of warrants:

	Number of Warrants 2014	Number of Warrants 2013	Weighted Average Exercise Price 2014	Weighted Average Exercise Price 2013
Balance, at beginning of year	2,977,916	1,457,500	\$ 0.82	\$ 0.94
Issued, on private placement units	-	1,319,166	\$ -	\$ 0.75
Issued, financier warrants	1,500,000	-	\$ 0.395	\$ -
Issued, broker warrants	-	201,250	\$ -	\$ 0.80
Balance, at June 30, 2014 and December 31, 2013	4,477,916	2,977,916	\$ 0.68	\$ 0.82

The outstanding issued warrants are comprised as follows:

Expiry Date	Type	Warrants at June 30, 2014	Warrants at December 31, 2013	Exercise Price
September 21, 2014	Warrants	1,000,000	1,000,000	\$ 1.00
September 21, 2014	Broker Warrants	457,500	457,500	\$ 0.80
May 1, 2016	Warrants	1,319,166	1,319,166	\$ 0.75
December 20, 2015	Broker warrants	201,250	201,250	\$ 0.50
August 18, 2017	Financier warrants	1,500,000	-	\$ 0.395
		4,477,916	2,977,916	

13. STOCK-BASED COMPENSATION

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

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

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13. STOCK-BASED COMPENSATION (Continued)

On April 12, 2012 the Company granted a total of 2,040,000 options to officers, directors, employees and consultants to buy common shares at an exercise price of \$1.30 each. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.89, dividend yield 0%, expected volatility 85.69% based on historical trends, a risk free interest rate of 1.30%, and an expected life of 2 years. These options vest at a rate of 50% every six months after the date of grant. As a result, the fair value of the options was estimated at \$654,416 and will be recognized over the periods the underlying options vest.

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at June 30, 2014, the Company has an additional 1,268,035 (December 31, 2013 - 1,679,375) options available for issuance under the plan.

During the period ended June 30, 2014, the stock-based compensation charged to mineral properties and related deferred costs amounted \$62,062 (2013 - 64,706)

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

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

	Number of Stock Options 2014	Number of Stock Options 2013	Weighted Average Exercise Price 2014	Weighted Average Exercise Price 2013
Balance, at beginning of year	4,964,000	4,467,132	\$ 0.75	\$ 0.90
Options granted (Note 11)	2,195,000	-	\$ 0.55	\$ -
Options granted	-	1,850,000	\$ -	\$ 0.50
Exercised	(667,000)	-	\$ 0.30	\$ -
Expired	(332,000)	(905,000)	\$ 0.30	\$ 0.70
Expired	-	(187,500)	\$ -	\$ 1.60
Expired	-	(105,632)	\$ -	\$ 1.15
Cancelled	-	(80,000)	\$ -	\$ 0.50
Cancelled	-	(75,000)	\$ -	\$ 1.30
Balance, at June 30, 2014 and December 31, 2013	6,160,000	4,964,000	\$ 0.75	\$ 0.75

The weighted average market value of the options exercised in 2014 was \$0.375

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13. STOCK-BASED COMPENSATION (Continued)

The outstanding options are comprised as follows:

Grant Date	Expiry Date	Number of Stock Options at June 30, 2014	Number of Stock Options at December 31, 2013	Exercise Price
June 23, 2009	June 23, 2014	-	999,000	\$0.30
August 10, 2009	August 10, 2014	150,000	150,000	\$0.30
August 12, 2010	August 12, 2015	150,000	150,000	\$0.30
April 12, 2012	October 12, 2014	1,895,000	1,895,000	\$1.30
March 6, 2013	March 6, 2016	1,770,000	1,770,000	\$0.50
March 7, 2014	September 7, 2016	2,195,000	-	\$0.55
		6,160,000	4,964,000	

At June 30, 2014, 3,965,000 options are exercisable .

14. RELATED PARTY TRANSACTIONS

Certain corporate entities and consultants that are related to the Company's officers and directors or persons, holding more than 10% of the issued and outstanding shares of the Company, provide services to Treasury Metals. At June 30, 2014, there is nil (December 31, 2013 – \$7,693) of accounts payable to Laramide Resources Ltd., a company having a director and an officer in common with the Company. During the period ended June 30, 2014 Laramide charged \$82,532 (June 30, 2013 - \$272,821) for office space rent and other expenditures paid by Laramide on behalf of the Company in the current period in addition to administrative, financial and investor relations services charged in the previous year.

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

15. KEY MANAGEMENT COMPENSATION

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

The compensation payable to key management is shown below:

Period ended June 30	2014	2013
Salaries	\$ 143,750	\$ 100,000
Director fees	45,500	43,500
Stock-based compensation, at fair market value	231,516	-
	\$ 420,766	\$ 143,500

16. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company is committed to spend \$3.3 million on Canadian exploration costs as part of its flow-through funding agreement dated on December 23, 2013. At June 30, 2014 the Company has spent \$1.8 million.

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Six months ended June 30, 2014 and 2013

17. SUBSEQUENT EVENT

In connection with the Feasibility Funding Agreement signed with RMB Resources Inc. indicated in Note 10, on July 22, 2014, the Company received \$1.5 million from the \$3 million first tranche balance of the feasibility funding facility. These funds will be used to continue the exploration and development of the Goliath Gold Project.

18. FINANCIAL RISK FACTORS

Capital management

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

At June 30, 2014, the Company has a temporary deficit in working capital of \$-325,809 excluding the non-cash unrenounced flow-through share premium liability (December 31, 2013 - \$1,769,453); on July 22, 2014 the Company received \$1.5 million from the Facility agreement, as indicated in Note 17. Capital stock and contributed surplus total \$68,285,252 (December 31, 2013 - \$67,586,328). There are 6,160,000 options outstanding as at June 30, 2014 (December 31, 2013 - 4,964,000) with an average exercise price of \$0.75 (December 31, 2013 - \$0.75).

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

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

There were no changes in the Company's approach to capital management during the year ended June 30, 2014. The Company is not subject to any externally imposed capital requirements.

Risk disclosures

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

Credit risk

The Company has cash and cash equivalents balance of \$359,458 (December 31, 2013 - \$2,808,718) and accounts receivable of \$357,813 (December 31, 2013 \$450,921). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The credit risk with respect of receivables is normal.

TREASURY METALS INC.

(An exploration stage company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

Six months ended June 30, 2014 and 2013

18. FINANCIAL RISK FACTORS (Continued)

Interest rate risk

The Company has no significant exposure to interest rate risk as almost 80% of its long-term debt has fixed interest rate and 20% of that debt has an interest rate of prime plus 3%. As a result, a variance of 1% in the prime interest rate would not have a significant effect in the annual comprehensive results of the Company.

Foreign currency risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary assets in such currency as of June 30, 2014 is \$222,687 (December 31, 2013 - \$131,672).

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 June 30, 2014, the Company had a cash and cash equivalents balance of \$359,458 (December 31, 2013 - \$2,808,718) to settle current liabilities of \$1,392,995 (December 31, 2013 - \$1,679,945), excluding the non-cash unrenounced flow-through share premium liability. The Company does have access to a balance of \$4.5 million feasibility funding facility from RMB Resources Inc. and on July 22, 2014, has drawn \$1.5 million of the facility (see Note 17.). All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is committed to spend \$3.3 million on Canadian exploration costs as part of its flow-through funding agreement dated on December 23, 2013. At June 30, 2014 the Company has spent \$1.8 million.

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 June 30, 2014, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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

- i) 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 \$22,269.
- 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 June 30, 2014 fair market value positions, the comprehensive loss would have varied by \$29,325.

Fair value hierarchy

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

TREASURY METALS INC.

(An exploration stage company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED

(EXPRESSED IN CANADIAN DOLLARS)

Six months ended June 30, 2014 and 2013

18. FINANCIAL RISK FACTORS (Continued)

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 June 30, 2014, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.