

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2009**

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*Management's discussion and analysis (MD&A) is current to November 27, 2009 and is management's assessment of the operations and the financial results together with future prospects of Trelawney Resources Inc. ("Trelawney", "Corporation", or the "Company"). This MD&A should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2008, prepared in accordance with Canadian generally accepted accounting principles. All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Trelawney's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. The Company has adopted National Instrument/ 51-102F1 as the guideline in presenting the MD&A. This MD&A should be read in conjunction with the most recent Annual Information Form ("AIF") on file with the provincial securities regulatory authority. Additional information relevant to the Company's activities, including the Company's Annual Report and audited consolidated financial statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

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**1. Description of Business**

The Company is a Tier 2 junior exploration company listed on the TSX Venture Exchange ("TSXV"), engaged in the acquisition and exploration of mineral properties with a primary interest in gold. The Company was formed under the *Business Corporations Act* (Ontario) as Zenda Gold Corp. on July 4, 1996 by articles of amalgamation. The amalgamation was completed between Galinée Mattagami Mines Limited, a public company, and Paramount Gold Corporation, a private company. On November 1, 1999 the Company amended its articles to change its name to "Zenda Capital Corp.". On April 1, 2009, the Company changed its name to "Trelawney Mining and Exploration Inc."

The profitability and operating cash flow of the Company is affected by various factors, including the market price of gold, operating costs, interest rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and development expenditures and other discretionary costs. While Trelawney seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

The Company is currently focusing its exploration efforts in Chester Township, Porcupine Mining Division, in central Ontario. The Company is a reporting issuer in Alberta, British Columbia and Ontario.

As at November 15, 2009, the directors and officers of the Company were:

Greg Gibson	President and Director
Andres Tinajero	Chief Financial Officer
Charlotte May	Secretary
Chris Irwin	Director
Patrick Mohan	Director
George Cole	Director
James Fairbairn	Director

David Beilhartz, P.Geo. is a "Qualified Person" for the Company under the definition of National Instrument 43-101.

**2. Developments during and subsequent to the period ended September 30, 2009**

**Equity Financing**

On August 28, The Company announced that a private placement of flow-through and common shares units has been closed. A total of \$2,932,450 was raised through the issuance of 11,115,000 flow-through units of the Company and 4,173,234 common shares units of the Company. Each flow-through unit was priced at \$0.20 and comprised one flow-through common share and one half of one common share purchase warrant. Each common share unit was priced at \$0.17 and comprised one common share and one half of one warrant. Each warrant will entitle the holder thereof to acquire common share for a period of 12 months from the date of issuance, exercisable at a price of \$0.30 per share.

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### **Exploration Developments**

The company initiated an advanced exploration program on the Chester Mine property, consisting of ground Induced Polarization and Magnetic Survey, several kilometers of grid line were cut and drilling is to commence in late October. Application to take water for the dewatering program has been submitted and work on the closure plan is underway. Metallurgical work on the Dorset main zone is ongoing. The company also initiated a voluntary reclamation program on both the Chester and Massey properties. On the Massey property three shafts, an adit, and stope openings were capped along with a great deal of general clean up.

### **3. Exploration Activities**

The Company is focused on exploring and developing its gold and copper properties located in Massey, Wawa and Gogama, Ontario.

#### ***Chester Property***

On June 26, 2009, Trelawney signed a letter of agreement with Treelawn Investment Corp. ("Treelawn") to acquire up to a 70% interest in two leased mining claims (151 hectares) which host the Chester Gold Mine in Chester Township, northern Ontario. The mine has a historical mineral resource of 159,000 tons grading 0.43 oz /ton gold (NI-43-101 non-compliant). The mine was developed to a depth of 550 feet in the 1980's, but not put into production. Underground development includes a decline ramp, over 2300 feet of lateral drifting on three levels, and 300 feet of raises on ore.

#### ***Young Shannon***

On August 20, 2009, the Company signed an acquisition agreement with Metallum Resources Inc. ("Metallum") to acquire 100% of Metallum's interest in the Young-Shannon Property adjacent to the Chester Property in exchange for 5,000,000 common shares of Trelawney and a 1% net smelter return royalty payable when the monthly average gold price exceeds US\$1,000 per ounce. The Young-Shannon Property consists of 11 patented and 18 unpatented mining claims. The property has a historical indicated mineral resource of 220,000 tons grading 0.354 oz/ton gold and an inferred mineral resource of 725,000 tons grading 0.16 oz/ton gold on the property's C-Prime gold deposit (NI 43-101 non-compliant). In September, Trelawney commissioned and received an updated NI 43-101 geological report on the Young Shannon property.

#### ***Massey***

Trelawney has exercised their option and now owns a 100% interest in the Massey Property. The Massey Property is located about 5 km northwest of the town of Massey and 85 km west of the mining and smelting facilities at Sudbury, Ontario. Massey is located on the Trans-Canada Highway #17. The property comprises 37 claim units totaling 832 hectares in Salter Township, Sudbury Mining Division and contains the former producing Hermina #1 and #3 mines, as well as the Gutcher shaft and the adit zone of the Massey mine. The Hermina deposits are 1.7 km apart and are believed to be localized along a splay fault to the Murray Fault, a major regional structure. An estimated 18,535 tonnes of ore grading about 2.82% Cu were mined from the deposit intermittently between 1901 and 1970. The deposit is open in both directions along strike

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and down dip. Minor gold values were known to exist with the copper at Hermina but no systematic sampling for gold had ever been carried out.

The Gutscher shaft and the Massey Mine are contained within a large hematized, silicified, albitized and sericitized breccia complex adjacent to the Murray Fault; the area has many features in common with iron oxide-copper-gold (IOCG) deposits.

During May 2005, the Company carried out a program of surface and downhole induced polarization to further define drill targets on the property. The Company completed a 1,500 metre drilling program. A broad zone of copper mineralization was intersected that assayed 1.73% copper over 6.1 metres. On November 2, 2006, Trelawney signed a LOI with Citadel Gold Mines Inc. who can earn up to a 75% interest in the property by spending \$1.2 million on exploration, making cash payments of \$260,000 and issuing 1,150,000 common shares of Citadel. The agreement was finalized in January 2007. On December 5, 2008, Citadel notified the Company that it had terminated the agreement.

***Mishi Property (100% owned)***

The Mishibishu Lake Property consists of four claim blocks totaling, 328 claim units (13,000 acres) in the Mishibishu greenstone belt in the Wawa area, Sault Ste. Marie Mining Division in central Ontario. There is one operating mines and two former producing mine within the greenstone belt; the most notable is the Eagle River Mine currently operated by Wesdome Gold Mines Ltd. Recent work around the mine has discovered gold mineralization (146 g Au/t over 4.7 m and 50 g Au/t over 2.3 m). The other two operations are the former producing Magnacon mine and the Mishi pit. There is good infrastructure and support in Wawa and an operating mill is less than 25 km from all the properties. A prospecting and sampling program started in May 2008 and was completed over the summer months.

***Dorset Property***

Trelawney entered into an option agreement with MetalCORP Limited in 2005 to acquire 50% interest in the 992 ha Dorset Property. The first option to acquire 50% interest required cash payments totalling \$220,000, issuance of 900,000 Trelawney shares, and exploration expenditures of \$2,000,000 by October 2010. The property consists of 5 mineral claims comprising 18 claim units located about 60 kilometres west of Wawa Ontario in the Mishibishu greenstone belt. MetalCORP currently owns 47% of Dorset and Trelawney Mining and Exploration Inc., the manager of the Joint Venture, owns 53%. Trelawney can earn up to 70% interest by completing a feasibility study and paying \$100,000 and issuing 500,000 shares to MetalCORP.

The Property is located approximately six km north of the Eagle River producing mine, owned by Wesdome Gold Mines Ltd. (~2.0 Mt @ 9.1 g/t Au), within in the Mishibishu Greenstone Belt of northwestern Ontario and is 70 kilometres southeast of the 25 million ounce Hemlo gold camp. The Dorset Property consists of 2,480 acres (992 hectares) and hosts several gold occurrences.

The Dorset Zone was discovered by prospecting in 1995, when sampling and trenching exposed a gold bearing zone for 1.2km after follow-up of a gold showing found in 1989. The zone is unlike other gold zones of the Mishibishu Greenstone Belt, where the gold is generally hosted within quartz veins. The Dorset Zone is a primary hydrothermal stratiform gold system, with mineralization in an intensely albitized, iron-carbonatized system with finely disseminated 2-3% pyrite and arsenopyrite. The zone is generally 3.0 - 7.0 metres wide with widths up to 22.0 metres.

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In 2006 and early 2007 Trelawney drilled in excess of 75 holes targeting the Dorset "B" zone and based on this drilling a National Instrument 43-101 resource was released on October 31, 2007. The initial estimate (using a 0.50 g/t Au cutoff) consists of an Indicated Resource of 780,000 tonnes at 1.42 g/t gold and an Inferred Resource of 4.76 million tonnes at 1.19 g/t Au (The independent Mineral Resource for the Dorset Zone were estimated by Giroux Consultants Ltd. Mr. Gary Giroux, P.Eng. is the Qualified Person under National Instrument 43-101 responsible for the estimate. A Technical Report was prepared by OreQuest Consultants Ltd. and was filed in December 2007 on SEDAR and may be accessed at [www.sedar.com](http://www.sedar.com) ).

In 2008 the Property was further advanced with approximately 3,760 m<sup>2</sup> of mechanical stripping on the "B" zone. Results from grab and channel sampling in the stripped area lead to Trelawney commencing a diamond drill program with eight holes completed in late 2008. On February 23, 2009 Trelawney released results from all eight holes, examples of which include 7.52 g/t Au over a core length of 2.5 metres in hole DB-08-02 and 2.78 g/t Au over a core length of 3.3 metres in hole DB-08-06.

In May 2009 Trelawney reported that it completed standard preliminary laboratory bottle roll cyanidation, flotation and an acid base accounting ("ABA") test on one small sample (approx. seven kilograms) collected from surface mineralization from "B" zone. The test indicated the sample is non-acid generating but it is refractory to cyanidation with approximately 20% gold recovery. Bottle roll leach and "ABA" testing was completed by Process Research Associates, Richmond, B.C. and flotation testing was conducted by metallurgical consultant, Westcoast Mineral Testing Inc., Vancouver. Due to the small sample size and with only one sample analyzed, Trelawney reported that the gold recovery may not be representative of the entire Dorset "B" zone; metallurgical testing on the Dorset Main Zone is currently underway.

***Murgor-Mishibishu Lake Property***

Trelawney can earn an interest in Murgor's Mishibishu lake property located about 50 km west of Wawa, Ontario and about 80 km southeast of the Hemlo gold camp. Trelawney can earn a 75% interest in the property by, issuing 750,000 shares, making cash payments totaling \$200,000 cash, spending \$1,500,000 on exploration over 5 years and by completing a feasibility study. A formal agreement was finalized in June 2006. The Company has completed the first two years' commitments of the agreement.

The property consists of 114 mining claim units covering 4,520 acres and it is contiguous with Trelawney's recently optioned Dorset property and Trelawney's 100% owned, 13,000 acre Mishi property.

The Mishibishu lake property contains more than 30 known gold occurrences the most important of which is the Martin Zone. The geology consists of pyrite and arsenopyrite mineralization in deformed, altered and quartz veined mafic metavolcanics. This zone has been traced for over a kilometre along strike in drill holes and trenches. The Martin Zone appears to be similar in style and orientation to the Dorset Zone about 400 metres to the northwest. Drilling at the Dorset Zone returned intercepts grading up to 3.74 g/t Au over 22 metres. The mineralization in the Dorset and Martin zones appear to be similar to the Holloway and the Holt-McDermott deposits found in the Harker-Holloway area east of Timmins, Ontario.

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With the addition of the Mishibishu lake property Trelawney becomes the largest mineral claim holder in the entire camp with about 21,000 acres under control. This is the largest land package assembled in this area since the Hemlo rush in the 1980's. The consolidated property contains over 48 known gold occurrences attesting to the potential of the Mishibishu greenstone belt. A spring 2007 drilling program was completed in the area of the Martin zone. No significant gold mineralization was intersected. A 5,000 metre diamond drilling started in January 2008 and the company has completed 25 holes (MR -08-8 to MR-08-33) totalling 5,410 metres, so far on the Mishibishu Lake property (Murgor Option) located 60 kilometers northwest of Wawa, Ontario. The drill program has tested several target identified by soil sampling, prospecting, channel sampling and/or Induced Polarization surveys. These targets are scattered throughout the property area as shown on a map which can be viewed on the Company's website at [www.trelawneyresources.com](http://www.trelawneyresources.com). Trelawney can earn up to a 75% interest in the 4,520 acre Mishibishu Lake property owned by Murgor Resources Inc. by spending \$1.5 million on exploration. To date Trelawney has spent in excess of \$800,000 on the Mishibishu property. Complete assay results have now been received for the first eight holes (MR-08-8 to MR-08-16). Hole MR-08-16 returned the best assay results of 4.08g/t Au. Assay results for the last 17 holes were reported with anomalous gold values reported in every drill hole.

#### **4. Overall Performance**

For the period ended September 30, 2009 the Company's cash and cash equivalent position increased by \$1,823,641 to \$2,195,785 from \$372,144 at December 31, 2008. This increase is due to private placements during the period.

The Company is engaged in the business of preliminary or early stage mineral exploration and mine development. The Company holds no interests in producing or commercial ore deposits. The Company has no production or other revenue. There is no operating history upon which investors may rely. Commercial development of any kind will only occur in the event that sufficient quantities of ore containing economic concentrations of gold or other mineral resources are discovered. If in the future a discovery is made, substantial financial resources will be required to establish ore reserves. Additional substantial financial resources will be required to develop mining and processing for any ore reserves that may be discovered. If the Company is unable to finance the establishment of ore reserves or the development of mining and processing facilities it will be required to sell all or a portion of its interest in such property to one or more parties capable of financing such development.

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**5. Results of Operations**

**Selected Annual Information**

	<b>Period Ended September 30, 2009</b>	<b>Year Ended December 31, 2008</b>	<b>Year End December 31, 2007</b>
	\$	\$	\$
Loss before income taxes	1,510,885	849,547	389,070
Net Loss (Income)	1,510,885	586,547	(595,058)
Loss (Income) per weighted average share – basic and fully diluted	\$0.07	\$0.01	\$(0.01)
Total Assets	8,412,545	5,169,219	5,922,184

**Three month period ended September 30, 2009**

The Company incurred a net loss of \$1,256,873 or \$0.045 a share for the three month period ended September 30, 2009, compared with a net loss of \$165,784 or \$0.002 a share for the same period ended September 30, 2008.

The Company had stock-based compensation expense of \$819,000 for the three month period ended September 30, 2009, compared to \$Nil for the same period in 2008.

For the three month period ended September 30, 2009, management and consulting fees increased by \$159,979 to \$209,729 from \$49,750 in the same period in 2008. The increase is due to higher levels of work activity on the properties.

Shareholder information costs increased in the three month period ended September 30, 2009 by \$41,927 to \$44,359 from \$2,432 in the same period in 2008. The increase is due to the increased costs by the Company for shareholder development.

Professional fees increased by \$29,802 to \$35,872 during the three month period ended September 30, 2009 compared to \$6,070 in the same period in 2008. The increase is attributable to higher legal fees on general corporate matters.

Promotion and travel expenses for the three month period ended September 30, 2009 increased by \$50,158 to \$52,576 from \$2,418 in the same period in 2008. The increase is due to the increased costs by the Company for shareholder development.

Total office and general costs increased in the three month period ended September 30, 2009, by \$35,633 to \$55,116 from \$19,483 in 2008. The increase is attributable to insurance expenses.

Interest income earned in the three month period ended September 30, 2009 is \$Nil compared to \$4,374 for the same period in 2008. The decrease is due to lower investments being held.

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**Nine month period ended September 30, 2009**

The Company incurred a net loss of \$1,510,885 or \$0.070 a share for the nine month period ended September 30, 2009, compared with a net loss of \$397,785 or \$0.004 a share for the same period ended September 30, 2008.

The Company had stock-based compensation expense of \$819,000 for the nine month period ended September 30, 2009, compared to \$6,000 for the same period in 2008.

For the nine month period ended September 30, 2009, management and consulting fees increased by \$118,779 to \$294,729 from \$175,950 in the same period in 2008. The increase is due to higher levels of work activity on the properties.

Shareholder information costs decreased in the nine month period ended September 30, 2009 by \$33,309 to \$76,605 from \$43,296 in the same period in 2008. The decrease is due to the lower activity during the period and a cost savings initiative by the Company.

Professional fees increased by \$35,587 to \$66,551 during the nine month period ended September 30, 2009 compared to \$30,964 in the same period in 2008. The increase is attributable to higher legal fees.

Promotion and travel expenses for the nine month period ended September 30, 2009 increased by \$75,756 to \$82,416 from \$6,660 in the same period in 2008. The increase is due to the increased costs by the Company for shareholder development.

Total office and general costs increased in the nine month period ended September 30, 2009, by \$59,128 to \$131,363 from \$72,235 in 2008.

Interest income earned in the nine month period ended September 30, 2009 is \$Nil compared to \$21,792 for the same period in 2008. The decrease is due to lower investments being held.

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**6. Summary of Quarterly Results**

Selected financial information for the eight quarters as follows:

	<b>September 30, 2009</b>	<b>June 30, 2009</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>
	\$	\$	\$	\$
Total Revenue	-	-	-	1,235
Net Loss	1,256,873	131,319	122,693	165,311
Loss Per Share – basic and fully diluted	\$0.045	\$0.001	\$0.001	\$0.002

  

	<b>September 30, 2008</b>	<b>June 30, 2008</b>	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	\$	\$	\$	\$
Total Revenue	4,374	13,183	4,235	54,058
Net Loss (Income)	165,784	128,148	127,304	(940,227)
Loss (Income) Per Share– basic and fully diluted	\$0.002	\$0.001	\$0.001	\$(0.01)

**Working Capital**

As at September 30, 2009, the Company had a net working capital of \$2,172,494 compared to \$274,987 as at December 31, 2008.

A summary of the Company's cash position and changes in cash and cash equivalents for three and nine month periods ended September 30, are provided below:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
Cash provided by operating activities – gross	\$ (437,873)	\$ (75,279)	\$ (691,885)	\$ (301,280)
Changes in non-cash operating working capital	(658)	(21,186)	(64,021)	(69,267)
Cash provided by operating activities - net	(437,215)	(96,465)	(755,906)	(370,547)
Cash used in investing activities	(563,461)	(294,007)	(640,817)	(1,261,818)
Cash provided by (used in) financing activities	2,978,552	-	3,220,364	-
(Decrease) increase in cash and cash equivalents	1,977,876	(390,472)	1,823,641	(1,632,365)
Cash and cash equivalents, beginning of period	217,909	1,015,510	372,144	2,257,403
Cash and cash equivalents, end of period	\$ 2,195,785	\$ 625,038	\$2,195,785	\$ 625,038

**Three months ended September 30, 2009 vs. September 30, 2008**

**Operating Activities**

Cash flow used by operating activities before changes in non-cash working capital during the three months ended September 30, 2009 was \$437,873 compared to \$75,279 during the same period 2008.

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**Investing Activities**

During the three months ended September 30, 2009, the Company spent \$563,552 on mineral properties and deferred costs, compared to \$294,007 in the third quarter of 2008.

**Financing Activities**

During the three months ended September 30, 2009, cash flow provided in financing activities was \$2,978,552 compared to \$Nil in the third quarter of 2008.

**Nine months ended September 30, 2009 vs. September 30, 2008**

**Operating Activities**

Cash flow used by operating activities before changes in non-cash working capital during the nine months ended September 30, 2009 was \$691,885 compared to \$301,280 during the same period 2008.

**Investing Activities**

During the nine months ended September 30, 2009, the Company spent \$640,817 on mineral properties and deferred costs compared to \$1,261,818 in the first nine months of 2008 which also included \$26,250 spent on marketable securities.

**Financing Activities**

Cash flow provided by financing activities during the nine months ended September 30, 2009 was \$3,220,364 compared to \$Nil in 2008. During the first nine months of 2009, the Company raised \$3,152,450 through a non-brokered private placement and incurred \$153,598 in share issuance costs in doing so.

**Liquidity Outlook**

Trelawney had cash and cash equivalents of \$2,195,785 available at September 30, 2009, an increase of \$1,823,641 from the balance at December 31, 2008 of \$372,144, and an increase of \$1,977,876 from the balance at June 30, 2009 of \$217,909.

As noted above, the Company's working capital increased by \$1,897,507 to \$2,172,494 from \$274,987 at December 31, 2008.

The Company believes that between its current cash balances, it has the necessary funds available to meet its operating, investing and financing obligations and execute its current business plans.

**7. Related-party Transactions**

Greg Gibson charged the Company \$117,500 (2008 - \$Nil) in respect of services as President and a director of the Company.

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Andres Tinajero, Chief Financial Officer, of the Company charged \$37,000 (2008 - \$24,700) in respect of his services. Mr. Tinajero has a consulting agreement with the Company.

**8. Additional Disclosure for Venture Companies without Significant Revenue**

	September 30, 2009	December 31, 2008
Mineral Properties		
Capitalized mineral properties and deferred expenditures	\$ 6,115,914	\$ 4,759,042
Expensed development and exploration		
Corporate expenses	\$ 1,510,885	\$ 849,547
Total assets	\$ 8,413,770	\$ 5,169,219

	September 30, 2009	December 31, 2008
<b>Mineral properties and deferred costs</b>	<b>Capitalized</b>	<b>Capitalized</b>
Acquisition costs	\$ 997,190	\$ 123,000
Geological	5,375	213,010
Drilling	-	427,310
Assaying	88,500	31,795
Consulting	71,810	42,796
Travel	35,468	54,093
Surveying	-	29,338
Labour	20,250	3,175
Other	138,279	271,546
	\$ 1,356,872	\$ 1,137,796

<b>Corporate Expenses</b>	September 30, 2009	December 31, 2008
Stock-based compensation	\$ 819,000	\$ 6,000
Office and general	131,363	95,925
Management and consulting	294,729	225,200
Professional fees	66,551	42,981
Promotion and travel	82,416	16,977
Shareholder information	76,605	32,073
Interest and other income	-	(23,027)
Write-down of mineral properties	-	426,451
Write-down of investments	-	33,000
	\$ 1,510,885	\$ 849,547

<b>Outstanding share data</b>	September 30, 2009	December 31, 2008
Issued and outstanding common shares	36,647,591	88,752,688
Outstanding options to purchase common shares	3,300,000	3,250,000
Outstanding warrants to purchase common shares	8,644,117	18,856,376

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**Disclosure of Outstanding Share Data, November 15, 2009**

	<b>Authorized</b>	<b>Outstanding</b>
Voting or equity securities issued and outstanding	Unlimited Common Shares	36,647,591 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 3,300,000 common shares b) 8,644,117 Warrants exercisable to acquire common shares of the Company, all expired during the year, unexercised.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash, sundry receivables, GST, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying values.

**Dividends**

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

**Assessment of Recoverability of Mineral Property Costs**

The Company's recorded value of its exploration properties is based on historical costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale.

**Assessment of Recoverability of Future Income Tax Assets**

In preparing the consolidated financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated income statement.

**Estimate of Stock Based Compensation and Associated Assumptions**

The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rate, life of options,

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stock price volatility and the application of the Black-Scholes option pricing model. See note 8 of the September 30, 2009, unaudited consolidated financial statements for a full disclosure.

**Assessment of Recoverability of Receivables Including VAT**

The carrying amount of accounts receivables, and Value Added Tax are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded.

**Critical Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by the Company. The effects of all transactions between entities in the consolidated group are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of operations and deficit from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

**Income Tax**

The Company accounts for income taxes in accordance with the asset and liability method. The determination of future income tax assets and liabilities is based on the differences between the financial statement and the income tax bases of assets and liabilities, using substantively enacted tax rates in effect for the period in which the differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

**Exploration and Evaluation Costs**

Exploration and evaluation expenditure costs incurred by the Company are accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead and foreign exchange movement on loans directly attributable to the project, but does not include general overheads or administrative expenditure. Mineral property acquisition costs are capitalized. Exploration and evaluation expenditure for each area of interest is expensed as incurred, unless such costs are expected to be recovered through successful development and exploitation of the area of interest or, alternatively, by its sale. Expenditure is not deferred in respect of any area of interest or mineral resource unless the Company's rights of tenure to that area of interest are current.

**Foreign Currency Translation**

The Company employs the temporal method of translation for its integrated operations. Under this method, monetary assets and liabilities are translated at the year-end rates and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income, with the exception of amortization which is translated at the historical rate for the associated asset. Realized exchange gains and losses and currency translation adjustments are included in income. The Company does not have any self sustaining operations.

**Capital Assets**

The cost of each item of capital assets is amortized on a straight line basis over its expected useful

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life to the Company. The expected useful lives of plant and equipment held are between five and ten years. The carrying value of capital assets is reviewed and where there is an indication of impairment and the carrying values exceed their recoverable amount, they are written down to fair value.

**Cash and Cash Equivalents**

Cash and cash equivalents are comprised of highly liquid investments with maturity of three months or less at the date of original issue.

**Loss per Share**

Basic loss per share is determined by dividing the net loss by the weighted average number of ordinary shares outstanding during the financial period. Diluted loss per share is the same as basic loss per share as the effect of potential issues of shares under option or from warrant exercises would be anti-dilutive.

**Asset Retirement Obligations**

Future costs to retire an asset including dismantling, remediation and ongoing treatment, and monitoring of the site are recognized and recorded as a liability at fair value. The liability is accreted, over time through periodic charges to earnings. In addition, asset retirement costs are capitalized as part of the asset's carrying value and amortized over the asset's useful life.

The Company is evaluating possible obligations relating to retirement of its assets as at September 30, 2009 and no liability has been recognized.

**Accounting Policy Choice for Transaction Costs**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Company has evaluated the impact of EIC 166 and determined that no adjustments are currently required.

**Changes in Accounting Policies Including Initial Adoption**

**Comprehensive Income, Equity, Financial Instruments and Hedges**

On October 1, 2006, the Company adopted CICA Handbook Sections 1530, "Comprehensive Income", Section 3251 "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3865, "Hedges."

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is

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to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income.

Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

The adoption of these Handbook Sections had no impact on the opening deficit.

## **9. Future Accounting Changes**

### **Accounting Changes**

#### **New Accounting Policies:**

Capital Disclosures and Financial Instruments - disclosures presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosure (Handbook Section 1535); Financial Instruments Disclosures Handbook Section 3862); and Financial Instruments Presentation (Handbook Section 3863). These new standards became effective for the Company on October 1, 2007.

#### **Capital Disclosures**

Handbook Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

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The Company manages its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions.

The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The current capital structure consists of cash and shareholders' equity excluding accumulated other comprehensive income (loss). The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

Effective January 1, 2009, the CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company will adopt the requirements commencing in the quarter ended March 31, 2009 and is considering the impact this will have on the Company's financial statements. Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The application of this new standard had no impact on the Company's operating results or financial position.

Mining Exploration Costs

On March 27, 2009, the CICA approved EIC 174, "Mining Exploration Costs". This provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the three months ended March 31, 2009 resulting in no significant impact on its consolidated financial statements.

**Financial Instruments**

Handbook Section 3862 and 3863 replaces HB s.3861, Financial Instruments Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about

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the nature and extent of risk arising from financial instruments and how the entity manages those risks. All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash	Held for trading
Marketable Securities	Held to trading
GST Receivable	Other Receivables
Accounts payable and accrued liabilities	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are expensed on initial recognition.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

A) Credit Risk

The Company is not exposed to major credit risk attributable to customers. Additionally, the majority of the Company's cash and cash equivalents are held with a high rated Canadian financial institution in Canada.

B) Market Risk

i.) Interest Rate Risk

The Company does not have any interest bearing debt. The Company invest cash surplus to its operational needs in investment-grade short term deposits certificates issued by the bank where it keeps its Canadian Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposits certificates.

ii.) Foreign Currency Risk

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

iii.) Sensitivity analysis

The Company has designated its cash and cash equivalents as held for trading, which is measured at fair value; the carrying amount of the financial instruments equals fair market value.

Management believes that, based on their knowledge and experience of financial markets, the following sensitivity analysis is appropriate for its cash and cash equivalents and its exposure to

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foreign exchange risk: The Company's funds are held primarily in short term investments grades deposits, the rates of which are fixed for a period not exceeding three months.

iv.) Political Risk

The properties are located in Canada, and accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in Canada. Therefore the Company is not exposed to significant political risks.

The Company's ability to conduct future exploration and development activities is subject to changes in government regulations and shifts in political attitudes over which Trelawney Resources Inc. has no control.

v.) Business Risk

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

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

vi.) Commodity Price Risk

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

vii.) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2009, the Company had current assets of \$2,296,631 (2008 - \$410,177) and current liabilities of \$99,578 (2008 - \$135,190). All of the Company's financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital of the Company is \$2,197,053 (2008 - \$274,987).

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Section 3064 - Goodwill and intangible assets

Effective January 1, 2009, the Company will adopt Section 3064 "Goodwill and intangible assets" which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company presently does not have any goodwill and therefore the adoption of this new policy will have no impact on the Company at the present time.

**Convergence with International Financial Reporting Standards**

The Canadian Institute of Chartered Accountants plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Corporation's consolidated financial statements is not yet determinable.

**Other Standards**

The CICA issued new accounting standard Section 3031 Inventory which becomes effective for the fiscal year beginning on or after October 1, 2008. Section 3031 establishes standards for the measurement of inventories, allocations of overhead, accounting for write-downs and disclosures. The Corporation has determined that this new standard will have no material impact on the financial statements.

**10. Financial Instruments and other Instruments**

**Net Fair Value of Financial Assets and Liabilities**

The Company's financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

Cash and cash equivalents have been designated as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and are classified as other financial liabilities, which are measured at amortized cost. Debentures payable have been classified as held to maturity, which are measured at amortized cost using the effective interest method. The Company has no available for sale instruments.

**Additional Capital**

The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favorable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

**Environmental and Permitting**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for

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companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

#### Acquisition

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

#### Competition

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

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

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

During the most recent year end there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Proposed Transactions**

In the normal course of business, as an ongoing part of the exploration process, the Company investigates mineral properties which are submitted to the Board of Directors for consideration. As well there are transactions listed in the "Subsequent to the end of the period" section of the Financial Statements. However, the Company continues to evaluate, review and negotiate a number of other prospective projects.

#### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the year covered by this management's discussion and analysis, management of the Corporation, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-

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109 Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**11. Status Trelawney's Transition to International Financial Reporting Standards ("IFRS")**

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

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

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

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

Initial analysis of key areas for which changes to accounting policies may be required.	In progress, expected to be complete during Q4 2009
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Throughout 2009
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Throughout 2009
Final determination of changes to accounting policies and choices to be	Q4 2009 – Q1 2010

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made with respect to first-time adoption alternatives	
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 2009 – Q2 2010
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2010

The Company continues to monitor the deliberations and progress on plans to converge to International Financial Reporting Standards ("IFRS") by accounting standard setting bodies and securities regulators in Canada.

Due to resource constraints the Company has not performed any additional assessment work related to its IFRS conversion project during the quarter ended September 30, 2009. The Company must still establish a team that will focus its efforts on this initiative. The Company's search for additional staff for this project is on-going and more IFRS training will be needed for all levels of management. Despite these limitations in personnel, Management has made an initial assessment of the accounting standards that will be impacted by the transition to IFRS. Readers are encouraged to refer to the Company's annual MD&A for the year ended December 31, 2008, filed on the Company's website and on [www.sedar.com](http://www.sedar.com), for discussion on key impact areas.

The Company will follow the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, and continue its assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the 2011 changeover.

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

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the oil and gas industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Trelawney to fund the capital and operating expenses necessary to achieve the business

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objectives of Trelawney, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

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

### **13. Management's Responsibility for Financial Information**

Management is responsible for all information contained in this report. The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the unaudited consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

External auditors, appointed by the shareholders, have not examined the consolidated financial statements for the period ended September 30, 2009.

The Audit Committee has reviewed the unaudited consolidated financial statements with management. The Board of Directors has approved the unaudited consolidated financial statements on the recommendation of the Audit Committee.

November 27, 2009

Andres Tinajero  
Chief Financial Officer