

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management’s Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

*Management’s discussion and analysis (MD&A) is current to November 29, 2011 and is management’s assessment of the operations and the financial results together with future prospects of Trelawney Mining and Exploration Inc. (“Trelawney”, “Corporation”, or the “Company”). This MD&A should be read in conjunction with our unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2011 and our audited consolidated financial statements and related notes for the years ended December 31, 2010 and 2009. 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 AIF and audited consolidated financial statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.*

**TABLE OF CONTENTS**

<b>1. Description of Business</b> .....	<b>2</b>
<b>2. Developments during and subsequent to the nine month period ended September 30, 2011</b> .....	<b>3</b>
<b>3. Overall Performance</b> .....	<b>12</b>
<b>4. Summary of Quarterly Results</b> .....	<b>15</b>
<b>5. Additional Disclosure for Venture Companies without Significant Revenue</b> .....	<b>17</b>
<b>6. Related Party Transactions</b> .....	<b>21</b>
<b>7. Financial Instruments and other Instruments</b> .....	<b>21</b>
<b>8. Status of Trelawney’s Transition to International Financial Reporting Standards (“IFRS”)</b> .....	<b>25</b>
<b>9. Cautionary Note Regarding Forward Looking Statements</b> .....	<b>26</b>
<b>10. Management’s Responsibility for Financial Information</b> .....	<b>27</b>

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

**1. Description of Business**

The Company is a Tier 2 junior exploration company listed on the TSX Venture Exchange ("TSXV"), and on the Frankfurt exchange ("Frankfurt"), 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 November 8, 2004 the Company amended its articles to change its name to "Terex Resources Inc." On November 6, 2006, the Company amended its articles to change its name to "Trelawney Resources Inc.". On April 15, 2009, the Company changed its name to "Trelawney Mining and Exploration Inc."

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 29, 2011, the directors and officers of the Company were:

Greg Gibson	CEO - President and Director
Steve Norregaard	Chief Operating Officer
Andres Tinajero	Vice President Finance & CFO
David Beilhartz	Vice President Exploration
Dave Reid	Vice President Investor Relations
Lisa McCormack	Corporate Secretary
Steve McIntyre	Director, Chairman
Chris Irwin	Director
Patrick Mohan	Director
George Cole	Director
James Fairbairn	Director
Tim Peterson	Director

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

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

**2. Developments during and subsequent to period ended September 30, 2011**

**Financing Developments**

The Company has entered into an underwriting agreement with a syndicate of underwriters led by RBC Capital Markets and including Jennings Capital Inc., CIBC World Markets Inc., Raymond James Ltd., Stifel Nicolaus Canada Inc. and BMO Capital Markets (collectively, the "Underwriters"), pursuant to which the Underwriters agreed to purchase an aggregate of 5,520,000 Flow-Through Shares at a price of \$4.70 per Flow-Through Share (the "Offering Price") for aggregate gross proceeds of CDN\$25.9 million (the "Offering").

Proceeds of the Offering will be used by Trelawney to incur Canadian exploration expenses (the "Qualifying Expenditures") on its properties located in Northern Ontario prior to December 31, 2012. The Company will renounce the Qualifying Expenditures to subscribers of the Flow-Through Shares for the fiscal year ended December 31, 2011. Trelawney advises that at least 90% of the Qualifying Expenditures, once renounced, will qualify as flow-through mining expenditures.

On October 14, 2011, Trelawney Mining and Exploration Inc announced that it would be acquiring all of the common shares ("Augen Shares") of Augen Gold Corp. ("Augen") that it does not already own pursuant to the compulsory acquisition provisions of the *Business Corporations Act* (Ontario) (the "Act").

Trelawney acquired all of the shares of Augen as of the date of the MD&A by issuing 0.0862 of a common share of Trelawney for each Augen Share share not previously owned as at September 30, 2011. Following the acquisition, Trelawney delisted Augen Gold from the TSX Venture Exchange.

On May 31, 2011, the Company closed its previously announced bought deal public offering, pursuant to which the Company sold an aggregate of 14,375,000 common shares (the "Common Shares") at a price of CDN\$4.00 per Common Share, for aggregate gross proceeds of CDN\$57.5 million (the "Offering"), to a syndicate of investment dealers led by RBC Capital Markets Inc. and including Jennings Capital Inc., BMO Capital Markets and Stifel Nicolaus Canada Inc. (the "Underwriters").

The 14,375,000 Common Shares sold include 1,875,000 Common Shares sold pursuant to the exercise of an overallotment option granted to the Underwriters, which was exercised in full.

The Underwriters were paid an aggregate cash fee of \$2,875,000, representing 5% of the gross proceeds of the Offering.

Net proceeds of the offering will be used to advance development of the Company's Côté Lake project and for general corporate purposes.

For the period from January 1, 2011 to September 30, 2011, 787,000 options and 1,464,524 warrants have been exercised for proceeds of \$1,701,493.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

For the period from October 1, 2011 to November 29, 2011, 120,000 options and 80,000 warrants have been exercised for proceeds of \$176,000.

**Exploration Developments**

On November 32, 2011, The Company announced that it has completed the exercise of its options on the Chester Property. Under the terms of an amending agreement dated November 22, 2011, between the Company and Treelawn Investment Corp., the Company has accelerated the terms of the mining option agreement (the "Chester 1 Option Agreement") dated August 11, 2009, and has earned 70% of Treelawn's interest in the Chester 1 Property, which is comprised of 2 mining leases covering approximately 152 hectares. Treelawn received a final payment of \$2,500,000 and 3,000,000 common shares of the Company, representing the outstanding consideration payable under the Chester 1 Option Agreement. In consideration of waiving certain commercial production requirements under the Chester 1 Option Agreement, Treelawn's residual 30% working interest in the Chester 1 Property has been converted into a 30% free carried net profits interest.

The Company has also earned a 92.5% interest in the Chester 3 Property, which is comprised of 1 mining lease, 20 patented claims and 29 unpatented mining claims covering approximately 890 hectares and contains the Cote Lake Deposit. Under the terms of an amending agreement dated November 22, 2011, between the Company and Treelawn Group Inc. , the Company accelerated the terms of the mining option agreement (the "Chester 3 Option Agreement") dated December 21, 2009, and has earned 92.5% of Treelawn Group's interest in the Chester 3 Property. Treelawn Group received a final payment of \$90,000 and 8,000,000 common shares of the Company, representing the outstanding consideration payable under the Chester 3 Option Agreement. In consideration of accelerating the exercise of the Chester 3 Option Agreement Treelawn's residual 7.5% working interest in the Chester 3 Property has been converted into a 7.5% free carried interest.

During the past nine months the Company has carried out an underground bulk sample consisting of approximately 10,000 tons of mineralised material. This bulk sample was mined from four stopes and several heading that were driven on structure. The material was stock piled on surface and recently hauled to a processing facility in Cobalt, Ontario operated by SMC Canada. The material was run through a 200 ton per day gravity circuit where early recoveries demonstrated mid to be above 95%.

The Company is currently waiting for final assay and recovery numbers which are expected shortly. Jig concentrate from the processing has been sent to SMC's New York refining facility with the float concentrate sent to Xstrata's refining facility in Quebec.

The Company continues its exploration efforts on its Chester Project located 20 km southwest of Gogama, Ontario. Main office and workshop buildings have been constructed as well as the completion of a short powerline. All major exploration infrastructure is in place and the advanced exploration permit for the underground exploration program has been received.

Construction continues on the camp and exploration facility located at the logistics facility which will house the Company's work force and act as the main base for all exploration activities.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

Drilling continues at Côté Lake on 100-metre step-outs from the original discovery line section 93+00E as well as on 50-metre infill sections. To date the Company has released drill results for line sections 84E to 96E, as per Company press releases.

### **Exploration Activities**

The Company is focused on exploring and developing its gold properties located just South of Gogama, Ontario. The Company has received the advanced exploration permit which allows for the refurbishing of the Chester Mine underground and taking of a first bulk sample. In February 2010, the Company purchased the equipment necessary to establish the mine infrastructure at the Chester mine site, including surface and underground electrical distribution system, ventilation and mine air heating system, compressors and furnished warehouse, work shop and office. The dewatering permit for the Chester Mine was also granted in February 2010. In early July 2010, the Company received acknowledgement of receipt for the filing of its Advanced Exploration Closure Plan for the Chester Project from the Mineral Development and Lands Branch of the Ministry of Northern Development, Mines and Forestry. Pursuant to the approval for filing of the Closure Plan, the Company has completed the rehabilitation of the ramp portal and underground at the Chester 1 Mine.

During the first quarter of 2010, the Company announced the discovery of the Côté Lake deposit. The results of several drill holes from the discovery include the following highlights: 107 metres of 8.2 g/t gold (hole E10-04), 191 metres of 1.88 g/t gold (E10-09), 292 metres of 0.88 g/t gold (E10-26), and 137 metres of 5.33 g/t gold. Additional results can be viewed in the Company's press releases. (Jack Rabbit "Côté Lake" section) On March 7, 2011, the Company reported the initial inferred resource of 131 million tonnes at 1.0 g/t gold for the Côté Lake Gold Deposit totalling 4.2 million ounces. This report was completed by the Company's consultant Jamie Lavigne and audited by Roscoe Postle Associates Inc. During the second quarter of 2011, the NI 43-101 technical report was filed on Sedar.

### ***Chester 1 Property***

In June 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 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 four levels, and 300 feet of raises on ore.

Pursuant to the terms of a Letter Agreement with Treelawn Investment Corp. ("Treelawn") the Company can acquire an initial 50% interest in the Property (the "First Option"), in exchange for:

- \$35,000 (paid) in cash;
- 4,000,000 (issued) common shares of the Company;
- 1,000,000 (issued) common shares warrants of the Company exercisable into common shares of the Company for five years from the date of issuance at an exercise price of \$0.17;
- Within 12 months following the signing of the Option Agreement, the Company shall obtain the necessary work permits and commence a work program on the Property (completed);
- On or before the 18th month anniversary of obtaining the work permits, the Company shall have brought the Property into commercial production; and

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

- On or before the sixth month anniversary of achieving commercial production, the Company shall issue an additional 1,000,000 Common Shares to Treelawn.

After exercising the First Option, the Company can acquire an additional 10% interest in the Property (the "Second Option") by issuing an additional 1,000,000 Common Shares to Treelawn on the date which is the later of: Treelawn receiving \$2.5 million from its share of the net profits from commercial production from the Property and the Property achieving 12 months of continuous commercial production.

The Company can acquire an additional 10% interest in the Property on the date that is 12 months from the exercise of the Second Option by issuing an additional 1,000,000 Common Shares to Treelawn.

As of November 29, 2011 the Company accelerated its option payments and issued all shares and made all payments in order to acquire a 70% interest in the property.

Results from a five-hole drilling program on Chester 1 were released in January 2010. The objective of the program was to determine the presence of the downdip extension of Chester 1 gold-mineralized structure below the underground mine development down to a vertical depth of 300 metres. One hole (CM09-05) was abandoned due to poor ground conditions. The other four holes all intersected gold mineralization with highlighted grades of 36.67 g/t gold over 0.66 metres in hole CM09-01 and 7.8 g/t gold over 1.10 metres and 3.26 g/t gold over 1.1 metres in hole CM09-03. A new parallel zone was discovered in the hanging wall with 54.05 g/t gold over 0.43 metres in hole CM09-02.

***Chester 2 Property - Young Shannon***

In August 2009, the Company signed an acquisition agreement with Metallum Resources Inc. ("Metallum") to acquire 100% of Metallum's 92.5% interest in the Young-Shannon Property adjacent to the Chester 1 Property in exchange for 5,000,000 common shares of Trelawney (issued) and a 1% net smelter return royalty ("NSR") on the property 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. A 3% NSR is also payable to the proprietary owners of the 11 patented mining claims. In September 2010, Trelawney commissioned and received an updated NI 43-101 geological report on the Young-Shannon property. Exploration drilling continues on the west end of this property as the Côté Lake Deposit occurs on the boundary with the adjacent Emerald Isle claims, which are part of the Jack Rabbit property.

***Chester 3 Property - Jack Rabbit ("Côté Lake")***

Trelawney and Treelawn Group Inc. entered into a term sheet (the "Letter Agreement"), pursuant to which Treelawn has granted the Company the right to acquire up to a 92.5% interest in certain mining claims located in Chester Township, Ontario.

Pursuant to the terms of the Letter Agreement the Company can acquire an initial 50% interest in the Property (the "First Option"), in exchange for:

- 3,000,000 (issued) common shares ("Common Shares") of the Company;
- on or before the end of every three month period following the signing of a definitive option agreement (the "Effective Date"), the Company shall pay Treelawn the amount of \$18,000 for

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

- a period of three years, for a total consideration of \$216,000 (paid \$in full as at November 29, 2011);
- on or before the Effective Date, the Company shall pay Treelawn the amount of \$1,000,000 (paid);
  - on or before the first anniversary of the Effective Date, the Company shall pay Treelawn the amount of \$1,000,000 (paid); and
  - on or before the end of the 18th month anniversary following the Effective Date, the Company shall have incurred \$500,000 (completed) in expenditures on the Property;
  - on or before the end of the 18th month anniversary following the Effective Date, the Company shall issue an additional 4,000,000 Common Shares to Treelawn (issued); and
  - in the event the Company fails to exercise the First Option, the Company shall pay Treelawn the amount of \$1,000,000 (1<sup>st</sup> option exercised).

After exercising the First Option the Company granted to Treelawn a 1.5% net smelter return royalty (the "Royalty") on the Property. During the 48 months following the grant of the Royalty the Company shall have the right to purchase 0.5% of the Royalty from Treelawn for the sum of \$1,000,000.

Twelve months following the exercise of the First Option and provided the Company has expended \$500,000 on the Property, the Company can earn an additional 25% interest in the Property (the "Second Option") by issuing an additional 4,000,000 Common Shares to Treelawn.

The Company can acquire a final 17.5% interest in the Property on the date that is 12 months from the exercise of the Second Option and provided the Company has expended an additional \$500,000 on the Property by issuing an additional 4,000,000 Common Shares to Treelawn.

As of November 29, 2011, the Company accelerated its option payments and issued all shares and made all payments in order to acquire a 92.5% interest in the property.

Exploration continues to intersect long intervals of low grade gold mineralization on the Emerald Isle claims of the Jack Rabbit property and adjoining Young-Shannon property. Drilling highlights on this new large tonnage gold target include: 107 metres of 8.2 g/t gold and 191 metres of 1.88 g/t gold. Average grades range from 0.5-2 g/t gold over intervals of up to and locally greater than 200 metres. To date, the Company has released drill results for line sections 83E to 96E. Details of the results can be found in the Company's press releases. Drilling continues at Côté Lake on 100-metre step-outs and 50-metre infill sections from the original discovery line section 93+00E. At September 30, 2011, a total of 150 holes had been collared for approximately 76,500 metres have been drilled on the property. Results for 100 holes had been press released on the Côté Lake Deposit at the end of October 2011.

On March 7, 2011, the Company announced the results of the initial Mineral Resource estimate for the Côté Lake Deposit on the Chester Project.

The estimate is all classified as an Inferred Mineral Resource and totals 131 million tonnes averaging 1.00 g/t Au for a total of 4.22 million ounces of contained gold at a cut-off grade of 0.30 g/t Au. The estimate for the Côté Lake Deposit was completed in accordance with National Instrument 43-101 requirements and prepared by Trelawney's Consulting Geologist Jamie

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

Lavigne, P. Geo. The resource was audited by Roscoe Postle Associates Inc. ("RPA") who have completed a 43-101 technical report.

***Hiawatha Property***

The Company acquired 70% right in the Hiawatha Property on December 30, 2009. The property consists of 7 patented and 4 unpatented claims covering 747ha located in Lizar Township, Sault Ste. Marie Mining Division, 120km ENE of Hemlo in South Central Ontario. Gold was initially discovered on the property in the mid 20's. There were 3 major zones discovered in the 30's: the North, South and West Zones. The North and South Zones were explored underground via a 100-metre vertical shaft and 2 levels at 45metres and 84metres below surface. Mineralization consists of native gold associated with sheared, silicified and altered zones; gold is present as fine grains within or adjacent to late quartz veins. Historic sampling highlights in the North Zone includes 2<sup>nd</sup> level channel samples of 95 g/t and 65 g/t Au over 0.9 m and surface grab samples of up to 153 g/t and 168 g/t Au. Historic sampling of a 425 m length of the South Zone on the 2<sup>nd</sup> level yielded >10 g/t Au for 40 of 78 samples taken across widths of 0.30-1.52m.

The Company paid \$40,000 and issued 400,000 common shares to the property vendors.

***Benneweis Property***

In June 2010, Trelawney granted to Crown Gold Corporation ("Crown") the option to earn a 50% interest on Trelawney's recently-staked Benneweis property in exchange for Crown issuing 1.6 million common shares of Crown to Trelawney and Crown spending \$2.5 million in exploration expenses over a five-year period. As of March 31, 2011, 400,000 shares have been received. The Benneweis property is located east of the Chester Project and consists of 20 claims with 257 units located in Benneweis, Groves, Neville and St. Louis townships.

On July 26, 2011, Crown terminated its option with Trelawney related to the Benneweis Property.

***Chester 5 – Chester-Yeo Property***

In June 2010, Trelawney signed an agreement with Crown for Crown's Chester / Yeo property. Trelawney purchased an 80% interest for a one-time payment of \$120,000 (paid) and Crown will retain a 20% carried interest until the completion of a positive pre-feasibility study. The Chester/Yeo property is contiguous to and west of Trelawney's Chester Project. The property consists of three claims with 14 units located approximately 1 kilometre west of Trelawney's newly discovered Côté Lake deposit.

***Massey***

Trelawney has exercised its option to obtain 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 94 claim units totaling 1,474 hectares in Salter and May Townships, 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 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.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

The Gutcher 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.

On September 9, 2011, Trelawney entered into a sale agreement (the "Agreement") with Mag Copper Limited ("Mag Copper") pursuant to which Mag Copper acquired all of the issued and outstanding shares of Massey Copper Company Limited, a wholly-owned subsidiary of Trelawney which held the Massey property in exchange for the issuance of 5,000,000 common shares of Mag Copper to Trelawney.

***Mishi Property***

The Mishibishu Lake Property (100% owned by the Company) consists of three claim blocks totaling, 350 claim units in the Mishibishu greenstone belt in the Wawa area, Sault Ste. Marie Mining Division in central Ontario. There is one operating mine and two former producing mines 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.

During the summer of 2011 four assessment holes were completed on the Mishi property for a total of 1150 meters drilled. An assessment report has been filed in the last week of July to cover the immediate assessment requirements to maintain the claim block.

***Jerome Property (Augen Property)***

**North Shore Area Exploration Program**

The North Shore Area is located two to five kilometres east-northeast of the Jerome Mine.

Seventeen drill holes for a total of 4,227 metres were completed from January through March, 2011 and tested Soil Gas Hydrocarbon (SGH) gold soil anomalies, along with geophysical and geological targets as Augen's drill program in the North Shore Area continued from late October, 2010. The geological targets included numerous historical surface gold occurrences that had not been explored below sixty metres vertical depth by the relatively shallow historical drilling that had occurred.

Assays yielded several significant composite intersections including 10.60 g/t Au over 10.50 metres, 6.72 g/t Au over 11.19 metres and 6.58 g/t Au over 4.12 metres along with numerous high-grade intersections of 66.60 g/t Au over 1.50 metres, 24.00 g/t Au over 1.50 metres, 23.20 g/t Au over 1.12 metres, and 17.20 g/t Au over 0.44 metres.

All of these composites and most of the high grade intersections were located within the main SGH gold soil anomaly and together define the promising North Shore Trend, previously unrecognized.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

The North Shore Trend strikes west-northwest for more than 1,600 metres, dips steeply to the south, and consists of two segments that flank the centre of a narrow magnetic high attributed to magnetite-bearing Timiskaming volcanic.

A second phase of drilling began in May, 2011 and as of the end of June, eight drill holes for 2,210 metres had been completed with another four existing holes extended a total of 615 metres. Drilling concentrated along the North Shore Trend, and assays up to 7.68 g/t Au over 1.15 metres and 4.52 g/t Au over 1.50 metres were encountered. The prospecting of quartz veins and pyritic zones in the area of drilling yielded assays up to 9.28 g/t Au.

### **Opepeesway Lake (Main Part) Exploration Program**

Augen completed a lake sediment sampling survey (one thousand eight hundred and forty-two samples) and a VLF-mag survey over ice within the main part of Opepeesway Lake in February and March, 2011. This is east, north and west of the Jerome Peninsular (and Jerome Mine), and westerly of the main SGH gold soil anomaly in the North Shore Area. The lake sediment samples were analyzed for a gold SGH signature.

Numerous SGH gold anomalies were recognized and mark parts of several auriferous trends, including the parallel Jerome and North Shore Trends. Two of these anomalies extend the favourable potential of the North Shore Trend, by at least another 4 kilometres to the northwest. Close to half of this new projection is land-based, and remains to be surveyed with SGH. And four SGH gold anomalies lie within hundreds of metres of the Jerome Mine.

The geophysical survey delineated several magnetic lows thought to be related to alteration; some of these are coincident with or flank the SGH gold anomalies.

### **West Côté Lake Area Exploration Program**

The West Côté Lake Area is located along the eastern side of the South Swayze Property adjacent to Trelawney Mining and Exploration's promising Côté Lake Gold Deposit.

Thirteen drill holes for a total of 4,391 metres were completed in January through March, 2011 as part of a drill program that started on early December, 2010. Drilling targeted the central and eastern SGH gold soil anomalies, as well as gold occurrences and I. P. chargeability anomalies. Variably altered tonalite, the host rock for the Côté Lake Gold Deposit was intersected and disseminated pyrite and chalcopyrite occurred, in places.

This work yielded gold assays up to 11.25 g/t Au over 0.30 metres and lead Activation Laboratories (ActaLabs) of Ancaster, Ontario to a significant re-interpretation of the SGH gold signature for the West Côté Lake Area.

ActaLabs re-modelled West Côté Soil Gas Hydrocarbon (SGH) data using parameters it had employed with North Shore Area SGH data near the Jerome Gold Mine. This approach revealed a 1.2 kilometre long northeast-striking SGH gold soil anomaly as most promising among the modified SGH anomalies in the West Côté Lake Area.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

This extensive SGH gold anomaly strikes sub-parallel to the Côté Lake Gold Deposit and is similar to the main SGH gold soil anomaly at North Shore that, upon drill testing, yielded intersections up to 10.60 g/t Au over 10.50 metres.

Since the acquisition of Augen, the Company has completed 1,175 metres in three holes on the West Cote property and 2402 metres in 9 holes on the North Shore area of the property.

An exploration agreement was signed with the First Nation Partnership on July 9, 2008. Local First Nation workers were employed by Augen throughout the 2008 and 2009-2011 field exploration programs and a constructive relationship between FNP and Augen has been established.

In the summer and autumn of 2010, local First Nation workers also acted as Environmental Monitors under the guidance of Blue Heron Environmental of Timmins, Ontario and assured that the diamond drilling operation on Opeepeesway Lake met environmental and safety standards.

*Joint Venture*

Augen Gold Inc, Trelawney's subsidiary, announced that it has entered into a Definitive Agreement with Sanatana wherein Sanatana was granted an option to acquire up to a 51% undivided interest in the Transaction. The Claims and the ROFR Claims are located within the townships of Yeo, Chester, Neville and Benneweis in Ontario and total approximately 19,006 acres.

Pursuant to the terms of the Definitive Agreement, Sanatana will have an option to earn a 50% undivided interest in the Claims (the "50% Interest") by:

(a) on or before the dates indicated below, making the following cash option payment and share issuances:

(i) paying to Augen \$150,000 within 10 days of applicable regulatory approval for the Definitive Agreement (the "Effective Date") (paid),

(ii) allotting and issuing to Augen 2,000,000 shares in the capital of Sanatana, as fully paid and non-assessable, within 10 days of the Effective Date (issued),

(iii) allotting and issuing to Augen a further 1,500,000 shares in the capital of Sanatana, as fully paid and non-assessable, on or before the first anniversary of the Effective Date,

(iv) allotting and issuing to Augen a further 1,500,000 shares in the capital of Sanatana, as fully paid and non-assessable, on or before the second anniversary of the Effective Date; and

(b) on or before the dates indicated below, making the following exploration expenditures on the Claims (collectively, the "Expenditures"):

(i) \$1,000,000 in exploration expenditures on or before the first anniversary of the Effective Date,

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

(ii) a further \$1,500,000 in exploration expenditures on or before the second anniversary of the Effective Date, and

(iii) a further \$2,500,000 in explorations expenditures on or before the third anniversary of the Effective Date.

Pursuant to the terms of the Definitive Agreement, if Sanatana earns the 50% Interest in accordance with the provisions set forth above the parties will enter into a joint venture agreement with respect to the Claims. Sanatana will have the right to earn a further 1% interest for a total interest of 51% (the "51% Interest") in the Claims by completing and delivering to Augen a pre-feasibility study on or before the fifth anniversary of the Effective Date. It is also a term of the Definitive Agreement that for as long as Sanatana and Augen are parties to an option or joint venture with respect to the Claims or the ROFR Claims, Augen will have the option to purchase up to 10% of any securities issued in any future equity offerings by Sanatana on the same terms and conditions of such offering.

Sanatana has commenced exploration on this option. Geophysical surveys have been completed along with initial prospecting and mapping. They are currently in the process of conducting outcrop trenching and diamond drilling.

### **3. Overall Performance**

For the nine month period ended September 30, 2011, the Company's cash and cash equivalent position increased by \$32,286,668 to \$86,506,084 from \$54,219,416 at December 31, 2010. This increase is mainly due to the \$57.5 million dollar private placement completed in May 2011 offset by operating expenses and capital and exploration expenditures, plus \$11.4 million cash acquired on the Augen acquisition.

The Company is currently engaged in the business of preliminary or early stage mineral exploration. 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.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

**Results of Operations**

**Selected Financial Information**

	<b>Nine Months Ended September 30, 2011</b>	<b>Year Ended December 31, 2010</b>	<b>Year Ended December 31, 2009 (CDN GAAP)</b>
	\$	\$	\$
Loss before income taxes	57,959,583	26,838,224	2,523,351
Net loss	57,959,583	26,741,224	2,641,351
Loss per weighted average share			
– basic and diluted	\$0.442	\$0.314	\$0.097
Total assets	189,778,883	72,165,384	21,580,391

**Three month period ended September 30, 2011**

The Company incurred a net loss of \$9,128,222 or \$0.063 a share for the three month period ended September 30, 2011, compared with a net loss of \$7,416,813 or \$0.085 a share for the same period ended September 30, 2010.

For the three month period ended September 30, 2011, management and consulting fees decreased by \$23,293 to \$79,820 from \$103,113 in the same period in 2010. The decrease is due to the fact that the Company has hired a large employee base in the later part of 2010 and 2011 and thus relied less on consultants.

Promotion and travel expenses for the three month period ended September 30, 2011 decreased by \$157,348 to \$150,565 from \$307,913 in the same period in 2010. The decrease is due to the Company focused a significant amount of time on the Augen acquisition and thus, incurring less travel that it would normally incur on other business matters.

Investor relations expenses for the nine month period ended September 30, 2011 increased by \$52,867 to \$56,760 from \$3,893 in the same period in 2010. The increase is due to the addition of two employees to the investor relations department.

Office and general costs decreased in the three month period ended September 30, 2011, by \$157,046 to \$213,759 from \$370,805 in 2010. The decrease is attributable to lower costs associated to maintenance and training on computer systems as staff was trained in the earlier part of the year and lower office costs at the mine site due to the decrease in the number of employees at the site.

Professional fees increased by \$6,677 to \$103,690 during the three month period ended September 30, 2011 compared to \$97,013 in the same period in 2010. The amounts have been constant over the periods.

The Company had share based payments of \$nil for the three month period ended September 30, 2011, compared to \$150,700 for the same period in 2010. Share based payment expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model. During

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

the three month period no options were issued compared to 200,000 during the same period in 2010.

Exploration and evaluation costs increased in the three month period ended September 30, 2011, by \$2,547,512 to \$8,600,641 from \$6,053,129 in 2010. The increase is attributable to the Company advancing its exploration and evaluation of Chester 3 and the continued efforts to advance the underground exploration at Chester 1.

Shareholders' information costs increased in the three month period ended September 30, 2011 by \$60,864 to \$92,834 from \$31,970 in the same period in 2010. This amount relates to the costs of issuing press releases, transfer agents, investor presentations, electronic dissemination of information and the timing difference between quarters. The increase is attributable to the fact the Company has increased its marketing campaign to bring awareness to the stock and the Company, and higher TSX-V fees. These efforts have seen the stock price increase and efforts continue in 2011 as the Company continues to promote itself to the investment public.

Salaries and benefits costs increased in the three month period ended September 30, 2011, by \$227,007 to \$541,034 from \$314,027 in 2010. The increase is due to Company hiring several employees and incurring payroll overhead charges as it works towards advancing its Chester property.

**Nine month period ended September 30, 2011**

The Company incurred a net loss of \$57,959,583 or \$0.442 a share for the nine month period ended September 30, 2011, compared with a net loss of \$17,628,497 or \$0.220 a share for the same period ended September 30, 2010.

For the nine month period ended September 30, 2011, management and consulting fees decreased by \$61,785 to \$260,476 from \$322,261 in the same period in 2010. The decrease is due to the fact that the Company has hired a large employee base in 2010 and 2011 and thus relies less on consultants.

Promotion and travel expenses for the nine month period ended September 30, 2011 increased by \$78,273 to \$680,224 from \$601,951 in the same period in 2010. The increase is due to the Company allocating a significant amount of the budget to promotion as it tries to increase awareness of the stock and the Company, efforts that began in the second half of 2010. As the Company ramps up its operations through advancing its current mineral properties, travel costs have increased to progress and build awareness about its properties and travel to and from corporate office to site.

Investor relations expenses for the nine month period ended September 30, 2011 increased by \$150,075 to \$178,968 from \$28,893 in the same period in 2010. The increase is due to the addition of two employees to the investor relations department.

Office and general costs increased in the nine month period ended September 30, 2011, by \$161,431 to \$841,827 from \$680,396 in 2010. The increase is attributable to rent for the new office space, upgrade of computer systems, and higher office and general costs that comes with the new office space.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

Professional fees increased by \$18,105 to \$285,476 during the nine month period ended September 30, 2011 compared to \$267,371 in the same period in 2010. The increase is attributable to accounting fees in connection with newly adopted IFRS standards and accounting fees in connection with the acquisition of Augen.

The Company had share based payments of \$27,232,240 for the nine month period ended September 30, 2011, compared to \$3,269,700 for the same period in 2010. Stock-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model. During the nine month period 7,620,000 options were issued compared to 4,605,000 during the same period in 2010.

Exploration and evaluation costs increased in the nine month period ended September 30, 2011, by \$13,969,672 to \$25,708,560 from \$11,738,888 in 2010. The increase is attributable to the Company advancing its exploration and evaluation of Chester 3 and the continued efforts to advance the underground exploration at Chester 1.

Shareholder information costs increased in the nine month period ended September 30, 2011 by \$262,788 to \$372,247 from \$109,459 in the same period in 2010. This amount relates to the costs of issuing press releases, transfer agents, investor presentations, electronic dissemination of information and the timing difference between quarters. The increase is attributable to the fact the Company has increased its marketing campaign to bring awareness to the stock and the Company, and higher TSX-V fees. These efforts have seen the stock price increase and efforts continue in 2011 as the Company continues to promote itself to the investment public.

Salaries and benefits costs increased in the nine month period ended September 30, 2011, by \$1,468,723 to \$2,086,301 from \$617,578 in 2010. The increase is due to Company hiring several office employees and incurring payroll overhead charges as it works towards advancing its Chester property.

#### **4. Summary of Quarterly Results**

Selected financial information for the eight quarters as follows:

	<b>September 30, 2011</b>	<b>June 30, 2011</b>	<b>March 31, 2011</b>	<b>December 31, 2010</b>
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Net Loss	9,128,222	36,379,000	12,452,361	9,112,727
Loss Per Share – basic and diluted	\$0.063	\$0.392	\$0.103	\$0.097

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

	<b>September 30, 2010</b>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>December 31, 2009 (1)</b>
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Net Loss	7,416,813	5,599,507	4,612,178	1,130,466
Loss Per Share— basic and diluted	\$0.087	\$0.046	\$0.068	\$0.050

(1) Financial prior to our IFRS transition date is reported under Canadian GAAP.

**Working Capital**

As at September 30, 2011, the Company had a net working capital of \$81,930,727 compared to \$52,181,695 as at December 31, 2010.

A summary of the Company's cash position and changes in cash and cash equivalents for the nine months ended September 30, 2011, are provided below:

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
Cash used in operating activities - net	<b>(25,000,183)</b>	(13,917,211)
Cash used in investing activities	<b>1,936,094</b>	(6,310,443)
Cash provided by financing activities	<b>55,350,757</b>	16,823,699
Increase in cash and cash equivalents	<b>32,286,668</b>	(3,403,955)
Cash and cash equivalents, beginning of period	<b>54,219,416</b>	10,593,347
Cash and cash equivalents, end of period	<b>\$ 86,506,084</b>	\$ 7,189,392

**Nine months ended September 30, 2011 vs. September 30, 2010**

**Operating Activities**

Cash flow used by operating activities during the nine months ended September 30, 2011 was \$25,000,183 compared to \$13,917,211 during the same period in 2010. The difference is mainly attributable to the stock based compensation on the valuation of options using the Black Scholes model.

**Investing Activities**

During the nine months ended September 30, 2011, the Company acquired 11,349,665 in cash from its corporate acquisition of Augen offset by acquisitions of \$8,885,134 on property, plant and equipment, other financial assets and mineral properties, compared to \$6,310,443 in 2010. These expenditures were incurred as the Company continues to acquire mineral properties and acquires assets that will assist the Company in forwarding the exploration properties toward potential production.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

**Financing Activities**

During the nine months ended September 30, 2011, cash flow provided in financing activities was \$55,714,890 through a private placement and the exercise of options and warrants, compared to \$16,823,699 in proceeds from the exercise of options, warrants and a private placement during 2010.

**Liquidity Outlook and Capital Resources**

Trelawney had cash and cash equivalents of \$86,506,084 available at September 30, 2011, an increase of \$32,286,668 from the balance at December 31, 2010 of \$54,219,416.

As noted above, the Company's working capital increased by \$29,749,032 to \$81,930,727 from \$52,181,695 at December 31, 2010.

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.

Trelawney currently does not have any long-term debt or credit facilities with financial institutions. At this time, the Corporation is not anticipating an operating profit from mining activities, therefore it will rely on its ability to obtain equity or debt financing for growth.

At the present time, there are no major capital expenditures planned. There is sufficient capital to continue a major detailed exploration and development of its projects. The Company can continue operations in the current period with the Corporation's current capital resources.

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

	September 30, 2011	December 31, 2010
Capitalized mineral property acquisition costs	\$ 87,916,178	\$ 10,085,494
Corporate expenses	\$ 32,072,055	\$ 8,994,725
Total assets	\$ 184,255,177	\$ 72,165,384

	Nine month period ended September 30, 2011	Year ended December 31, 2010
<b>Exploration and evaluation expenditures</b>	<b>Expensed</b>	<b>Expensed</b>
Geological	\$ -	\$ 1,328,135
Drilling	7,750,412	2,779,354
Assaying	1,247,131	886,168
Consulting	3,056,165	687,934
Travel	439,119	754,205
Closure/rehabilitation	-	1,529,619
Surveying	-	11,599
Rental machinery and equipment	1,553,853	-
Prefeasibility	181,821	-
Royalty	165,418	-
Camp costs	1,014,585	-

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

Supplies (general, electrical and mechanical)	589,447	-
Development costs	171,779	944,226
Underground dewatering	-	1,231,338
Labour	7,082,975	2,471,737
Other	2,455,855	5,219,184
	<b>\$ 25,708,560</b>	<b>\$ 17,843,499</b>

<b>Corporate Expenses</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Share based payments	\$ 27,232,240	\$ 3,221,460
Office and general	841,827	891,268
Management and consulting	260,476	470,244
Professional fees	285,476	357,368
Salaries and benefits	2,086,301	2,847,789
Promotion and travel	680,224	559,666
Shareholder information	372,247	554,805
Write-down of mineral properties	-	113,000
Unrealized (gain) loss on other financial assets	63,125	(20,875)
Realized loss on other financial assets	250,139	-
	<b>\$ 32,072,055</b>	<b>\$ 8,994,725</b>

<b>Outstanding share data</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Issued and outstanding common shares	155,108,504	120,488,877
Outstanding options to purchase common shares	13,722,000	7,054,000
Outstanding warrants to purchase common shares	5,346,700	6,811,224

**Disclosure of Outstanding Share Data November 29, 2011**

	<b>Authorized</b>	<b>Outstanding</b>
Voting or equity securities issued and outstanding	Unlimited Common Shares	166,709,981 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 13,602,000 common shares b) 5,266,700 Warrants exercisable to acquire common shares of the Company.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

**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.

**Critical Accounting Estimates**

**Assessment of Recoverability of Mineral Property Costs**

The acquisition cost of mineral properties and their related development costs are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduce the cost of the related property and any excess over cost is applied to income. 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 Deferred Income Tax Assets**

Trelawney follows the liability method of accounting for income taxes. Under this method, deferred tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities and assets are measured using substantively enacted tax rates. The effect on the deferred tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. 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 deferred 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, stock price volatility and the application of the Black-Scholes option pricing model. See note 10 of the September 30, 2011, unaudited consolidated financial statements for a full disclosure.

**Capital Assets**

Capital assets are recorded at cost less accumulated amortization. Amortization is computed using the straight-line method at the following annual rates:

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

Buildings	10 years
Computer equipment	3 years
Furniture and fixtures	4 - 5 years
Mining equipment	8 -10 years
Various equipment	3 years
Vehicles	2 years

**Mineral Properties**

All direct costs related to the acquisition of mineral property interests are capitalized into intangible assets on a property by property basis. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into PPE. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

At each date of the statement of financial position, the Company reviews the carrying values of its mineral property interests to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount.

**Impairment of Long-lived Assets**

Trelawney reviews mineral properties and deferred costs for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts.

**Asset Retirement Obligations**

As at September 30, 2011, management estimated that the total amount of the estimated undiscounted cash flows required to settle the Company's assets retirement obligation for the Chester 1 property is \$362,398. It is expected that this amount will be incurred through to 2026. The credit adjusted, risk free interest rates used to discount estimated cash flows for liabilities incurred was 1.85% representing the Company's incremental borrowing rate. The Company's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties. The provision for reclamation is provided against the Chester 1 project and is based on the project plan approved by the Government of Ontario.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

**6. Related Party Transactions**

Certain corporate entities that are related to the Company's officers and directors provide consulting services to Trelawney. Transactions were conducted in the normal course of operations and are measured at the exchange amounts.

These expenditures are summarized as follows:

	<b>Nine month period ended September 30, 2011</b>	Nine month period ended September 30, 2010	<b>Three month period ended September 30, 2011</b>	Three month period ended September 30, 2010
Management and consulting fees	\$ 160,000	\$ 150,000	\$ 60,000	\$ 30,000
Professional fees	310,265	122,587	274,265	36,856
Exploration & evaluation expenditures	183,600	175,350	72,200	81,975

Included in accounts payable and accrued liabilities is \$nil (December 31, 2010 - \$473,000) in amounts due to related parties.

During the nine months ended September 30, 2011, the Company charged \$46,725 to Crown Gold Corp, a Company for which a director is also a director of Trelawney.

During the nine months ended September 30, 2011, the Company advanced \$120,645 to an officer of the Company in the form of a promissory note. The principal sum of the promissory note is \$120,000 carrying an interest rate of 0.85% repayable in three installments of \$40,000 on June 16, 2012, June 16 2013 and June 16, 2014.

**7. 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.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

**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 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.

**Financial Risk Factors**

**Fair Value of Financial Instruments**

The Company has designated its cash and cash equivalents and marketable securities as held for trading, which are measured at fair value. HST recoverable is classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. As at September 30, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject in and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

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.) Equity Price Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its investments. The Company's other financial instruments (cash, accounts receivable, accounts payable and accrued liabilities) are not subject to price risk.

iv.) 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.

v.) 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, 2011, the Company had current assets of \$89,687,571 (December 31, 2010 - \$55,291,133) and current liabilities of \$7,756,844 (December 31, 2010 - \$3,109,438). 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 \$81,930,727 (December 31, 2010 - \$52,181,695).

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

### **Sensitivity Analysis**

The sensitivity analysis shown in the notes below may differ materially from actual results. Interest rate risk on cash equivalents is minimal as these have fixed interest rates.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a one year period:

- (i) Cash and cash equivalents include short-term money market mutual fund units that are subject to floating interest rates. As at September 30, 2011, if interest rates had fluctuate by 1% with all other variables held constant, the loss for the nine month period ended September 30, 2011 would be changed by \$865,000, as a result of a change in interest income from cash and cash equivalents.
- (ii) The Company's investments are subject to fair value fluctuations. As at September 30, 2011, if the fair value of investments had fluctuated by 10% with all other variables held constant, net loss for the nine month period ended September 30, 2011 would have changed by \$90,000.

### **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 quarter 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 and 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 year" 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 December 31, 2010, 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

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

Multilateral Instrument 52-109 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.

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

**Transition to IFRS from GAAP**

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for financial periods beginning on and after January 1, 2011.

The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

**IFRS Conversion**

The Company's IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company hired an IFRS conversion project manager. The accounting staff attended several training courses on the adoption and implementation of IFRS. Through in-depth training and the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting personnel have obtained the necessary understanding of IFRS.

In conjunction with the adoption of IFRS the Company has implemented a new accounting system, which will satisfy all the information needs of the Company under IFRS. The Company has also reviewed its current internal and disclosure control processes and they did not need significant modification as a result of our conversion to IFRS.

**Impact of IFRS**

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS did not change the actual cash flows of the Company, the adoption resulted in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity, cash flows and net loss in Note 2 to the interim consolidated financial statements. The adoption of IFRS has had no significant impact on the net cash flows of the Company. The changes made to the statements of financial position and comprehensive income have resulted in reclassifications of various amounts on the statements of cash flows that has been presented.

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

In preparing the reconciliations, the Company applied the principles and elections of IFRS 1, with a transition date of January 1, 2010. As the Company has adopted IFRS effective January 1, 2010, it has applied the provisions of IFRS 1 as described under the section entitled "Initial Adoption – IFRS 1", with a January 1, 2010 transition date. The Company will also apply IFRS standards in effect at December 31, 2011 as required by IFRS 1.

**Initial Adoption of International Accounting Standards**

IFRS 1 "First Time Adoption of International Accounting Standards" sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date of the statement of financial position with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

**Comparative Information**

The Company has restated all periods from January 1, 2010 onwards in accordance with IFRS.

**9. 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 mineral exploration 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 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

**TRELAWNEY MINING AND EXPLORATION INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**September 30, 2011**

---

assumptions, that the reserves described can be profitably produced in the future. Historical resources are not 43-101 compliant; the company has not completed the necessary verification and hence is not to be relied upon. Mineral resources are not mineral reserves and they have not demonstrated economic viability.

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.

**10. 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.

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 29, 2011

Greg Gibson  
CEO - President and Director