



TRELAWNEY

Mining and Exploration Inc.

Trelawney Mining and Exploration Inc.
(formerly Trelawney Resources Inc.)

**Unaudited Consolidated
Financial Statements
For the three month period ended
March 31 2010**

Notice to Reader

Management has compiled the unaudited interim financial information of Trelawney Mining and Exploration Inc. consisting of the interim Consolidated Balance Sheet as at March 31, 2010 and the interim Consolidated Statements of Operations, Comprehensive Loss and Deficit and Cash Flow for the three month period ended March 31, 2010. All amounts are stated in Canadian Dollars. An accounting firm has not reviewed or audited this interim financial information.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited consolidated financial statements of Trelawney Mining and Exploration Inc. (formerly Trelawney Resources Inc.) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2009 and 2008 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the period end unaudited interim consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

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

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

Trelawney Mining and Exploration Inc.
(formerly Trelawney Resources Inc.)
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

<i>As at</i>	March 31, 2010	December 31, 2009
Assets	Unaudited	Audited
Current Assets		
Cash and cash equivalents	\$ 19,803,953	\$ 10,640,697
Marketable securities (Note 5)	32,500	32,500
GST recoverable	177,110	76,854
Prepaid expenses	255,678	8,937
	20,269,241	10,758,988
Capital assets (Note 3)	1,660,277	-
Mineral properties and deferred costs (Note 4)	16,096,408	10,821,403
	\$ 38,025,926	\$ 21,580,391
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 1,322,598	\$ 794,941
Property option payable (Note 4.d)	1,000,000	-
	2,322,598	794,941
Future income tax liability (Note 11)	340,000	-
Property option payable (Note 4.d)	-	1,000,000
	2,662,598	1,794,941
Shareholders' equity		
Capital stock (Note 8)	34,464,336	19,222,646
Contributed surplus (Note 9)	8,002,779	5,983,119
Deficit	(7,103,787)	(5,420,315)
	35,363,328	19,785,450
	\$ 38,025,926	\$ 21,580,391

Nature of Operations/Going Concern (Note 1)
Commitments and Contractual Obligations (Note 12)
Subsequent Events (Notes 8 and 13)

Trelawney Mining and Exploration Inc.
(formerly Trelawney Resources Inc.)
Consolidated Statements of Loss, Comprehensive Loss and Deficit
(Expressed in Canadian Dollars)

<i>Three month period ended March 31,</i>	2010	2009
	(Unaudited)	(Unaudited)
Administrative Expenses		
Management and consulting fees <i>(Note 7)</i>	\$ 56,199	\$ 35,500
Promotion and travel	61,616	3,027
Office and general	112,055	45,229
Professional fees <i>(Note 7)</i>	117,658	21,183
Stock-based compensation <i>(Note 8)</i>	1,742,000	-
Shareholders' information	188,219	17,754
Amortization	66,725	-
Net loss before income taxes	2,344,472	122,693
Future income tax recovery <i>(Note 11)</i>	661,000	-
Net loss and comprehensive loss	1,683,472	122,693
Deficit at beginning of period	5,420,315	2,778,964
Deficit, end of period	\$ 7,103,787	\$ 2,901,657
Net loss per share – basic and fully diluted	2.5¢	1.0¢
Weighted average # of shares outstanding - basic	67,767,953	17,950,538
Weighted average # of shares outstanding – fully diluted	67,767,953	17,950,538

See notes to the unaudited consolidated financial statements

Trelawney Mining and Exploration Inc.
(formerly Trelawney Resources Inc.)
Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)

<i>Three month period ended March 31,</i>	2010	2009
	(Unaudited)	(Unaudited)
Operations		
Net loss	\$ (1,683,472)	\$ (122,693)
Adjustments to reconcile net loss to cash flow from operating activities:		
Stock-based compensation	1,742,000	-
Future income tax recovery	(661,000)	-
Amortization	66,725	-
Net change in non-cash operating working capital items:		
Prepaid expenses	(246,741)	4,995
GST recoverable	(100,256)	6,726
Accounts payable and accruals	(584,310)	(77,311)
	(1,467,054)	(188,283)
Financing		
Issuance of common shares	14,575,350	-
	14,575,350	-
Investing		
Additions to capital assets	(1,142,863)	-
Additions to mineral properties and deferred costs	(2,802,177)	(15,319)
	(3,945,040)	(15,319)
Net increase (decrease) in cash and cash equivalents	9,163,256	(203,602)
Cash and cash equivalents, beginning of period	10,640,697	372,144
Cash and cash equivalents, end of period	\$ 19,803,953	\$ 168,542
Cash and cash equivalents are comprised of:		
Cash	14,362,730	168,542
Short-term deposits	5,441,223	-
	\$ 19,803,953	\$ 168,542

Trelawney Mining and Exploration Inc.
(formerly Trelawney Resources Inc.)

Notes to Unaudited Consolidated Financial Statements
For the Three Month Period Ended March 31, 2010

General

Trelawney Mining and Exploration Inc. (Trelawney or the Company) was incorporated under the laws of the Province of Ontario, Canada. Its principal business activities are that of mineral exploration Company in Ontario. On April 16, 2009 the Company filed Articles of Amendment to change its name from Trelawney Resources Inc. to Trelawney Mining and Exploration Inc. These articles also authorized a five for one share consolidation of the Company's issued and outstanding shares.

1. Nature of Operations

Trelawney is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of expenditures on mineral properties and the related deferred exploration costs is dependent upon the existence of economically recoverable mineralization, the ability of Trelawney to obtain financing necessary to complete the exploration and the development of the mineral properties, and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

Going concern

On the basis of information to date, it has not yet determined whether these unproven mineral properties contain economically recoverable reserves. The amounts shown as mineral properties and deferred costs represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the unproven mineral properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

At March 31, 2010, the Company had working capital of \$17,946,643 (December 31, 2009 - \$9,845,756), had not yet achieved profitable operations, has accumulated losses of \$7,103,787 (December 31, 2009 - \$5,420,315) and expects to incur further losses in the development of its business, all of which casts doubt about the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

Management plans to secure the necessary financing through a combination of the exercise of existing options and warrants for the purchase of common shares, issue new equity and the entering into joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

The company will require substantial additional funds to further explore and, if warranted, develop one or more of its exploration properties. The Company has limited financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities, for property into commercial production. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and property development. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.

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Notes to Unaudited Consolidated Financial Statements
For the Three Month Period Ended March 31, 2010

2. Summary of Significant Accounting Policies

Future Accounting Pronouncements

Convergence with International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business combinations, financial statements & Non-controlling interests

In October 2008, the CICA issued Sections 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements” and Section 1602, “Non-Controlling Interests”. Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company in the first quarter of fiscal 2011 with earlier adoption permitted. The Company does not expect that the adoption of these new Sections will have a material impact on its financial statements.

3. Capital Assets

As at	March 31, 2010		December 31, 2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Machinery	\$ 1,226,680	\$ 38,333	\$ -	\$ -
Vehicles	289,323	18,083	-	-
Furniture and fixtures	110,623	5,531	-	-
Various Equipment	61,500	1,538	-	-
Computer equipment	38,876	3,240	-	-
	\$ 1,727,002	\$ 66,725	\$ -	\$ -
Net book value	\$ 1,660,277		\$ -	

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Notes to Unaudited Consolidated Financial Statements
For the Three Month Period Ended March 31, 2010

4. Mineral Properties and Deferred Costs

The following table summarizes the Company's mineral properties and deferred expenditures:

	31-Mar-10			
	Opening Balance	Additions	Disposals	Net
	(\$)	(\$)	(\$)	(\$)
Chester 1	2,864,020	1,539,955	-	4,403,975
Dorset Au	2,922,351	762	-	2,923,113
Chester 2 - Young Shannon	2,694,744	341,896	-	3,036,640
Chester 3 - Jack Rabbit (Cote Lake)	1,132,931	3,039,924	-	4,172,855
Mishi	486,469	57,425	-	543,894
Massey	687,888	15,043	-	702,931
Hiawatha	18,000	280,000	-	298,000
Chesbar	15,000	-	-	15,000
	10,821,403	5,275,005	-	\$ 16,096,408

	31-Dec-09			
	Opening Balance	Additions	Disposals	Net
	(\$)	(\$)	(\$)	(\$)
Chester 1	-	2,864,020	-	2,864,020
Dorset Au	2,903,724	18,627	-	2,922,351
Chester 2 - Young Shannon	-	2,694,744	-	2,694,744
Chester 3 - Jack Rabbit (Cote Lake)	-	1,132,931	-	1,132,931
Mishi	468,211	18,258	-	486,469
Massey	589,085	98,803	-	687,888
Hiawatha	-	18,000	-	18,000
Chesbar	-	15,000	-	15,000
Martin - Murgor	798,022	-	(798,022)	-
	4,759,042	6,860,383	(798,022)	\$ 10,821,403

4.a - Chester 1 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 hosts the Chester Gold Mine in Chester Township, northern 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:

- \$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;
- On or before the 18th month anniversary of obtaining the work permits, the Company shall have brought the Property into commercial production; and
- On or before the sixth month anniversary of achieving commercial production, the Company shall issue an additional 1,000,000 Common Shares to Treelawn.

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Notes to Unaudited Consolidated Financial Statements
For the Three Month Period Ended March 31, 2010

4. Mineral Properties and Deferred Costs (continued)

4.a - Chester 1 Property (continued)

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.

4.b - Dorset Au Property

The Company earned a 50% interest in the Dorset property (5 claims totaling 18 units) located about 60 km west of Wawa, Ontario. Trelawney can earn an additional 20% by completing a feasibility study, making cash payment of \$100,000, and issuing 500,000 common shares.

4.c - Chester 2 Property - Young Shannon Property

On August 20, 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 Property in exchange for 5,000,000 (issued) common shares of Trelawney and a 1% net smelter return royalty payable when the monthly average gold price exceeds US\$1,000 per ounce. An additional 3%, for a total of 4%, is payable to the proprietary owners on the 11 patented and 2 unpatented mining claims. The Young-Shannon Property consists of 11 patented and 18 unpatented mining claims.

4.d - Chester 3 Property - Jack Rabbit Property ("Cote Lake")

Trelawney and Treelawn 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 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 per quarter for a period of three years, for a total consideration of \$216,000 (paid \$18,000 as at March 31, 2010);
- 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; and
- on or before the end of the 18th month anniversary following the Effective Date, the Company shall have incurred \$500,000 (completed as of March 31, 2010) 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; and
- in the event the Company fails to exercise the First Option, the Company shall pay Treelawn the amount of \$1,000,000. The Company has accrued the \$1,000,000 and classified it as a current payable (December 31, 2009 - long term payable) as the payment is not required until 30 days after the first anniversary of the effective date, which would be due fiscal 2011, in the event that the Company does not exercise its First Option.

After exercising the First Option the Company shall grant 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 sum of \$1,000,000.

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Notes to Unaudited Consolidated Financial Statements
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4. Mineral Properties and Deferred Costs (continued)

4.d - Chester 3 Property - Jack Rabbit Property ("Cote Lake") (continued)

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 Trelawn.

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 Trelawn.

4. e - Hiawatha Property

The Company acquired 70% right in the Hiawatha Property on December 30, 2009. The property is located in Lizar Township, Ontario. The Company must pay \$40,000 (paid) and issue 400,000 (issued) common shares.

4. f - Mishi Property

Trelawney has 100% interest in 4 claim blocks totaling 328 claim units in the Mishibishu Lake area, 65 kilometers northeast of Wawa, Ontario.

4. g - Massey Property

Trelawney has 100% interest in 37 claim units located in the Salter Township, 80 kilometers west of Sudbury, Ontario.

In January 2007, Trelawney signed an option agreement whereby a company can earn up to 75% interest in the Massey property by spending \$1.2 million on exploration, making cash payments totaling \$260,000 over five years, issuing 1,150,000 common shares of the company over five years, and obtaining a feasibility study on the property.

4. h -Murgor Option – Mishibishu Lake Property

On May 31, 2006, Trelawney entered into an option agreement to acquire up to 75% interest in the Murgor's Mishibishu Lake Property, which is comprised of 14 claims totaling 114 units.

The property was returned to the vendor and written-off in the fourth quarter of 2009.

5. Marketable Securities

Marketable securities are comprised of 325,000 (December 31, 2009 – 325,000) shares of Citadel Gold Mines Inc., a publicly-traded Canadian company traded on the NEX stock exchange. As at March 31, 2010, these held-for-trading investments have been measured at their fair value of \$32,500 (December 31, 2009 – \$32,500), as determined by the closing price of the securities on the NEX on March 31, 2010 (December 31, 2009). The impact to the consolidated financial statements of this revaluation to market value had a \$Nil effect (2009 – (\$Nil)) as market value was equal to book value as at March 31, 2010 and 2009.

Trelawney Mining and Exploration Inc.
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Notes to Unaudited Consolidated Financial Statements
For the Three Month Period Ended March 31, 2010

6. 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. GST 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 and property option payable are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. As at March 31, 2010, 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.

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.) 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 March 31, 2010, the Company had current assets of \$20,269,241 (December 31, 2009 - \$10,758,988) and current liabilities of \$2,322,598 (December 31, 2009 - \$794,941). 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 \$17,946,643 (December 31, 2009 - \$9,964,047).

Trelawney Mining and Exploration Inc.
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Notes to Unaudited Consolidated Financial Statements
For the Three Month Period Ended March 31, 2010

6. Financial Risk Factors (continued)

v.) 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.

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 March 31, 2010, if interest rates had fluctuate by 1% with all other variables held constant, the loss for the three month period ended March 31, 2010 would be changed by \$50,000, 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 March 31, 2010, if the fair value of investments had fluctuated by 10% with all other variables held constant, net loss for the three month period ended March 31, 2010 would have changed by \$3,000.

7. 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:

For the three month period ended March 31,	2010	2009
Management and consulting fees	\$ 55,000	\$ 26,500
Professional fees	68,320	-
Deferred exploration expenditures	71,875	-

Included in accounts payable and accrued liabilities is \$85,692 (December 31, 2009 - \$80,587) in amounts due to related parties.

The Company has entered into agreements with two officers of the Company that contain change of control and termination clauses pursuant to which the officers would be entitled to termination payments up to an aggregate of \$320,000 under certain circumstances.

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Notes to Unaudited Consolidated Financial Statements
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8. Capital Stock

Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. The issued and outstanding common shares consist of the following:

	No. of Shares	
Balance at December 31, 2008	89,752,688	\$ 6,212,174
Issuance of common shares for cash:		
Private placement FT units - \$0.20	11,115,000	2,223,000
Private placement Units - \$0.17	4,173,234	709,450
Private placement Units - \$0.11	2,000,000	220,000
Private placement FT units - \$0.60	4,605,000	2,763,000
Private placement Units - \$0.50	15,296,600	7,648,300
Issuance of shares for property	9,100,000	3,848,000
Issuance of shares for debt*:	268,828	21,812
Consolidation 5:1	(71,822,159)	-
Finder's fee	60,000	6,600
Fair market value assigned to warrants	-	(3,208,000)
Costs of issuances		
Cash commissions paid	-	(1,006,090)
Finder's fee	-	(6,600)
Fair market value assigned to broker warrants	-	(462,000)
Future tax benefit on cost of issuance	-	253,000
Balance at December 31, 2009	64,549,191	\$ 19,222,646
Issuance of common shares for cash:		
Private placement Shares - \$1.05	14,238,095	14,950,000
Exercise of stock options	245,000	131,750
Exercise of purchase warrants	1,552,000	465,600
Issuance of shares for property	3,500,000	1,945,000
Fair market value assigned to options exercised	-	104,555
Fair market value assigned to warrants exercised	-	202,785
Future income tax	-	(1,244,000)
Cost of issuance		
Cash commissions paid	-	(972,000)
Fair market value assigned to broker warrants	-	(585,000)
Future tax benefit on cost of issuance	-	243,000
Balance at March 31, 2010	84,084,286	34,464,336

*On April 15, 2009, Trelawney settled trade debts owing by the company through the issuance of shares for debt.

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Notes to Unaudited Consolidated Financial Statements
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8. Capital Stock (continued)

Private Placements

Details of private placements completed during the period ended March 31, 2010, were as follows:

Date of issuance	March 30, 2010	Total
Number of shares issued	14,238,095	14,238,095
Price of issue	\$1.05	
Gross proceeds	\$14,950,000	\$14,950,000
Number of common share broker warrants	854,286	-
Exercise price per purchase warrant and broker warrant	\$1.05	
Expiry date of warrants	March 30, 2012	

Details of private placements completed during the year ended December 31, 2009, were as follows:

Date of issuance	May 27, 2009	August 21, 2009	August 27, 2009	December 22, 2009	December 22, 2009	Total
Number of units issued	2,000,000	11,115,000	4,173,234	15,296,600	4,605,000	37,189,834
Price of issue	\$0.11	\$0.20	\$0.17	\$0.50	\$0.60	
Gross proceeds	\$ 220,000	\$2,223,000	\$ 709,450	\$ 7,648,300	\$2,763,000	\$13,563,750
Number of common shares issued	2,000,000	11,115,000	4,173,234	15,296,600	4,605,000	17,288,234
Number of common share purchase warrants	-	5,557,500	2,086,617	7,648,300	-	15,292,417
Number of common share broker warrants	-	-	-	1,393,112	-	1,393,112
Exercise price per purchase warrant and broker warrant	-	\$0.30	\$0.30	\$0.70 and \$0.50	-	-
Expiry date of warrants	-	August 27, 2010	August 27, 2010	December 22, 2011	-	-

Stock Options

Trelawney established a stock option to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. The stock option plan provides that the total number of shares which may be issued thereunder is limited to 9% of the aggregate number of shares outstanding. Under the terms of the plan, options vest immediately and expire on the fifth anniversary from the date of issue unless otherwise specified. As at March 31, 2010, the Company had 1,892,585 (December 31, 2009 – 2,509,427) options available for issuance under the plan.

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8. Capital Stock (continued)

A summary of stock options issued and outstanding is as follows:

	March 31, 2010		December 31, 2009	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of year/period	\$ 0.39	3,300,000	\$ 0.75	650,000
Transaction during the period/year:				
Granted	0.73	2,800,000	0.33	2,810,000
Exercised	0.54	(245,000)	-	-
Forfeited	0.11	(180,000)	0.94	(160,000)
Outstanding at end of period/year	0.54	5,675,000	0.39	3,300,000
Exercisable at end of period/year	\$ 0.55	5,575,000	\$ 0.39	3,229,333

The following table provides additional information about outstanding stock options at March 31, 2010:

	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	No. of Options Currently Exercisable	Weighted Average Exercise Price – Exercisable Options
\$ 0.26 - \$0.37	2,660,000	4.46	\$ 0.33	2,560,000	\$ 0.32
\$ 0.52 - \$0.75	2,865,000	4.62	\$ 0.72	2,865,000	\$ 0.72
\$1.00	150,000	1.62	\$ 1.00	150,000	\$ 1.00
\$ 0.26 - \$1.00	5,675,000	4.46	\$ 0.54	5,575,000	\$ 0.55

On April 15, 2009, the Company had a 5:1 Reverse stock split and all options held are effected as of that date.

Subsequent to March 31, 2010, the Company granted 1,530,000 options at an exercise price of \$1.25 for five years and 50,000 options at an exercise price of \$1.10 for five years to various, officers, directors and employees.

Stock-based Compensation

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the three month period ended March 31, 2010:

Grant date	Vesting of Options	Jan. 19, 2010	March 2, 2010	Total
No. of options	-	2,525,000	275,000	2,800,000
Exercise price	-	\$ 0.73	\$ 0.53	
Expected life in years	-	5	5	
Volatility	-	131.65%	133.15%	
Risk-free interest rate	-	2.60	2.53	
Dividend yield	-	-	-	
Vesting	25% per quarter	100%	100%	
Fair value of options granted	-	\$ 1,605,000	\$ 123,000	\$ 1,728,000
Stock-based compensation expense	\$14,000	\$ 1,605,000	\$ 123,000	\$ 1,742,000

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8. Capital Stock (continued)

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the year ended December 31, 2009:

Grant date	August 27, 2009	September 22, 2009	Total
No. of options	910,000	1,900,000	2,810,000
Exercise price	\$ 0.26	\$ 0.37	
Expected life in years	5	5	
Volatility	105.32%	105.41%	
Risk-free interest rate	2.65%	2.57%	
Dividend yield	-	-	
Fair value of options granted	\$ 184,000	\$ 545,000	\$ 729,000
Stock-based compensation expense	\$ 184,000	\$ 502,300	\$ 686,300

The weighted average grant-date fair value of options granted during the period was \$0.62 (Year ended December 31, 2009 – \$0.26) per option issued.

Warrants

Month of Expiry	No. of Warrants	Exercise Price (\$)
August 2010	6,092,117	0.30
December 2011	7,648,300	0.70
December 2011	1,393,112	0.50
March 2012	854,286	1.05
August 2014	1,000,000	0.17
	16,987,815	

Subsequent to March 31, 2010, 875,000 warrants were exercised for a total cash consideration of \$368,500.

The following table summarizes the assumptions used with the Black-Scholes valuation model during the three month period ended March 31, 2010:

Grant date	March 30, 2010	Totals
No. of warrants	854,286	854,286
Exercise price	\$ 1.05	
Expected life in years	2	
Volatility	126.89%	
Risk-free interest rate	1.71%	
Dividend yield	-	
Fair value of warrants	\$ 585,000	\$ 585,000

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8. Capital Stock (continued)

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2009:

Grant date	August 21, 2009	August 26, 2009	August 27, 2009	August 27, 2009	December 22, 2009	December 22, 2009	Totals
No. of warrants	1,625,000	3,592,500	2,426,617	1,000,000	7,648,300	1,393,112	17,685,529
Exercise price	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.17	\$ 0.70	\$ 0.50	
Expected life in years	1	1	1	1	2	2	
Volatility	138.98%	139.79%	139.79%	139.79%	117.28%	117.28%	
Risk-free interest rate	1.25%	1.20%	1.19%	1.19%	1.36%	1.36%	
Dividend yield	-	-	-	-	-	-	
Fair value of warrants	\$ 174,000	\$ 478,000	\$ 305,000	\$ 161,000	\$ 2,251,000	\$ 462,000	\$ 3,831,000

9. Contributed Surplus

<i>As at</i>	<i>March 31, 2010</i>	December 31, 2009
Balance at beginning of period/year	\$ 5,983,119	\$ 1,465,819
Stock-based compensation expense	1,742,000	686,300
Fair market value of warrants issued	585,000	3,831,000
Fair market value transferred on warrants exercised	(202,785)	-
Fair market value transferred on options exercised	(104,555)	-
Balance at end of period/year	\$ 8,002,779	\$ 5,983,119

10. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three month period March 31, 2010. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, contributed surplus, and deficit, which as at March 31, 2010 totaled \$35,363,328 (December 31, 2009 - \$4,899,029).

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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10. Capital Management (continued)

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. 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.

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

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.

11. Future Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the period ended March 31, 2010 and year ended December 31, 2009 is as follows:

	2010	2009
	\$	\$
Loss before income taxes	(2,344,472)	(2,523,351)
Combined Statutory rate	31.00%	33.00%
Estimated recovery of income taxes	(727,000)	(833,000)
Permanent differences	545,000	311,000
Change in valuation allowance	(512,000)	512,000
Difference between current and future tax rate	33,000	128,000
Future income tax expense (recovery)	(661,000)	118,000

The Canadian statutory income tax rate of 31.0% (2009 - 33%) is comprised of the federal income tax rate at approximately 18% (2009 - 19%) and the provincial income tax rate of approximately 13.00% (2009 - 14.00%). The primary differences which give rise to the future income tax recoveries at March 31, 2010 and December 31, 2009 are as follows:

	2010	2009
	\$	\$
Future income tax assets		
Share issuance costs	462,000	219,000
Other	2,000	2,000
Operating losses carried forward	803,000	654,000
	1,267,000	875,000
Less : valuation allowance		(512,000)
Net future tax assets	1,267,000	363,000
Future tax liabilities		
Deferred exploration expenses	(1,607,000)	(363,000)
Net future tax liabilities	(1,607,000)	(363,000)
Net future tax liability	(340,000)	-

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12. Commitments and Contractual Obligations

On February 10, 2010, the Company purchased equipment for a cost of \$718,000 to be paid over a period of 18 months. Subsequent to March 31, 2010, this amount was paid in full.

As part of its 2009 flow-through funding, the Company is committed to spending \$Nil (December 31, 2009 - \$985,000) on Canadian exploration costs by December 31, 2010.

13. Subsequent Events

The Company completed an agreement to purchase a property for an amount of \$995,000, which closed in late May 2010. The property will be used as a logistics facility.