



# **BRALORNE GOLD MINES LTD.**

(an exploration stage company)

## **Interim Financial Statements**

**For the three months ended April 30, 2010  
(Unaudited)**

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### **Notice to Reader**

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company. These interim financial statements have not been reviewed by the Company's independent auditor.

**BRALORNE GOLD MINES LTD.**  
**(an exploration stage company)**  
Interim Balance Sheets  
(Unaudited)

	April 30, 2010	January 31, 2010
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,348,426	\$ 3,717,843
Prepaid expenses	13,985	9,928
Interest receivable	9,424	7,408
Taxes receivable	70,371	47,207
BC mining and exploration tax credit receivable	931,000	931,000
	3,373,206	4,713,386
Due from related party (Note 10(b))	-	7,551
Mineral property (Notes 6 and 10)	23,421,913	22,163,467
Equipment (Note 7)	39,194	35,784
Restricted cash (Note 5)	125,000	125,000
	\$ 26,959,313	\$ 27,045,188
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 174,604	\$ 199,522
Due to related parties (Note 10(c))	57,242	39,736
	231,846	239,258
Site restoration obligation	98,000	98,000
	329,846	337,258
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	30,835,139	30,807,988
Contributed surplus	7,787,540	7,797,919
Deficit	(11,993,212)	(11,897,977)
	26,629,467	26,707,930
	\$ 26,959,313	\$ 27,045,188

*Nature of operations and going concern (Note 1)*  
*Commitment (Note 11)*  
*Subsequent Event (Note 12)*

Approved by the Directors on behalf of the Board:

<u>"Louis Wolfin"</u> Louis Wolfin	Director	<u>"William Kocken"</u> William Kocken	Director
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*The accompanying notes are an integral part of these interim financial statements*

**BRALORNE GOLD MINES LTD.**  
**(an exploration stage company)**  
Interim Statements of Operations  
(Unaudited)

	<b>Three months ended April 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>General and administrative expenses</b>		
Administration services <i>(Note 10(a)(i))</i>	\$ 1,056	\$ 1,127
Amortization	2,365	1,588
Automobile	6,276	3,111
Consulting <i>(Note 10(a)(ii))</i>	15,000	15,115
Directors' fees <i>(Note 10(a)(v))</i>	4,500	9,000
Listing and filing fees	7,631	6,046
Office, occupancy and miscellaneous	10,902	13,917
Professional fees	7,014	(327)
Salaries and benefits	29,689	35,938
Shareholder information	11,010	2,579
Stock-based compensation <i>(Note 9(f))</i>	-	7,488
Travel and accommodation	6,170	6,324
<b>Loss before other items</b>	<b>(101,613)</b>	<b>(101,906)</b>
<b>Other items</b>		
Interest income	6,378	4,306
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (95,235)</b>	<b>\$ (97,600)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>22,862,740</b>	<b>16,466,059</b>

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**BRALORNE GOLD MINES LTD.**  
**(an exploration stage company)**  
Interim Statements of Shareholders' Equity  
(Unaudited)

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
<b>Balance, January 31, 2009</b>	16,464,711	\$28,959,672	\$4,440,977	\$(11,479,583)	\$21,921,066
Common shares issued for cash:					
Private placement <i>(Notes 9(b)(i), (ii) and (iii))</i>	6,243,047	3,103,478	2,623,913	-	5,727,391
Share issue costs		(829,112)	240,967	-	(588,145)
Exercise of options	24,667	18,500	-	-	18,500
Exercise of warrants	120,000	120,000	-	-	120,000
Transfer of contributed surplus to share capital on exercise of stock options	-	10,498	(10,498)	-	-
Stock-based compensation	-	-	502,560	-	502,560
Income tax effect of flow-through share renunciation	-	(575,048)	-	-	(575,048)
Loss for the year	-	-	-	(418,394)	(418,394)
<b>Balance January 31, 2010</b>	22,852,425	30,807,988	7,797,919	(11,897,977)	26,707,930
Common shares issued for cash:					
Private placement <i>(Notes 9(b)(i), (ii) and (iii))</i>	-	-	-	-	-
Share issue costs	-	272	-	-	272
Exercise of options	22,000	16,500	-	-	16,500
Transfer of contributed surplus to share capital on exercise of stock options	-	10,379	(10,379)	-	-
Loss for the period	-	-	-	(95,235)	(95,235)
<b>Balance April 30, 2010</b>	22,874,425	\$30,835,139	\$7,787,540	\$(11,993,212)	\$26,629,467

*The accompanying notes are an integral part of these interim financial statements*

**BRALORNE GOLD MINES LTD.**  
**(an exploration stage company)**  
Interim Statements of Cash Flows  
(Unaudited)

	<b>Three months ended April 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (95,235)	\$ (97,600)
Adjustments for items not involving cash:		
Amortization	2,365	1,588
Stock-based compensation	-	7,488
	(92,870)	(88,524)
Changes in non-cash working capital:		
Prepaid expenses	(4,057)	(81)
Interest receivable	(2,016)	3,237
Taxes receivable	(23,164)	7,904
Accounts payable and accrued liabilities	(24,918)	45,378
<b>Cash used in operating activities</b>	<b>(147,025)</b>	<b>(32,086)</b>
<b>INVESTING ACTIVITIES</b>		
Office equipment acquisitions	(5,775)	-
Mineral property expenditures	(1,258,446)	(314,163)
<b>Cash used in investing activities</b>	<b>(1,264,221)</b>	<b>(314,163)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares and units, net of issue costs	7,772	120,000
Amounts due from related parties, net	34,057	22,480
<b>Cash provided by financing activities</b>	<b>41,829</b>	<b>142,480</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,369,417)</b>	<b>(203,769)</b>
Cash and cash equivalents, beginning of period	3,717,843	972,687
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,348,426</b>	<b>\$ 768,918</b>

*The accompanying notes are an integral part of these interim financial statements*

**BRALORNE GOLD MINES LTD.**  
**(an exploration stage company)**

Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

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**1. Nature of Operations and Going Concern**

Bralorne Gold Mines Ltd. ("Bralorne" or the "Company") was incorporated on July 10, 1992 under the laws of the province of British Columbia. The Company owns a 100% interest in a mineral property in British Columbia, Canada. It is in the process of exploring its mineral property interest and has not yet determined whether this property contains sufficient ore reserves, such that their recovery would be economically viable.

These interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business.

The Company is in the exploration stage. The investment in and expenditures on the mineral property comprises substantially all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern are dependent upon the continued support from its shareholders, the discovery of economically recoverable reserves, and the ability of the Company to obtain the financing necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

As at April 30, 2010, the Company had working capital of \$3,141,360 (January 31, 2010 - \$4,474,128) and a deficit of \$11,993,212 (January 31, 2010 - \$11,897,977). Management believes the Company has raised sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year as they fall due and to fund cash payments for planned exploration programs.

**2. Significant Accounting Policies**

**(a) Basis of Presentation**

These unaudited interim financial statements are prepared in accordance with GAAP with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accounting policies are the same for the interim financial statements as those described in the audited annual financial statements and the notes thereto for the year ended January 31, 2010, except as described in Note 2 (b).

**BRALORNE GOLD MINES LTD.**  
**(an exploration stage company)**

Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**2. Significant Accounting Policies (continued)**

**(b) Future accounting standards**

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The IFRS standards will be effective for the Company for interim and fiscal period reporting commencing February 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended January 1, 2011 and earlier where applicable. The Company is currently in the planning stages to identify the impact of adopting IFRS on its financial statements; at this time, the impact of the transition to IFRS cannot be reasonably estimated.

(ii) Business Combinations (Section 1582); Consolidated Financial Statements (Section 1601); Non-Controlling Interests (Section 1602)

These new standards are based on the IFRS 3, "Business Combinations", and replace the existing guidance on business combinations and consolidated financial statements. These new standards require most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed, and also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the International and United States accounting standards. The new standards are to be applied prospectively to business combinations on or after February 1, 2011, with earlier application permitted. There is currently no impact on the Company's financial statements.

**3. Risk Management and Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, interest receivable, restricted cash, accounts payable and accrued liabilities, and amounts due to/from related parties. Cash and cash equivalents and restricted cash are classified as held-for-trading; amounts receivable, interest receivable and amounts due from related parties are classified as loans and receivables; and accounts payable and accrued liabilities, and amounts due to related parties are classified as other financial liabilities.

The carrying value of financial assets by category at April 30, 2010 and January 31, 2010 are as follows:

<b>Financial Assets</b>	<b>April 30, 2010</b>		<b>January 31, 2010</b>	
	Held-for-trading	Loans and receivables	Held-for-trading	Loans and receivables
Cash and cash equivalents	\$ 2,348,426	\$ -	\$ 3,717,843	\$ -
Interest receivable	-	9,424	-	7,408
Restricted cash	125,000	-	125,000	-
Amounts due from related party	-	-	-	7,551
	<b>\$ 2,473,426</b>	<b>\$ 9,424</b>	<b>\$ 3,842,843</b>	<b>\$ 14,959</b>

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**3. Risk Management and Financial Instruments (continued)**

The carrying value of financial liabilities by category at April 30, 2010 and January 31, 2010 are as follows:

<b>Financial Liabilities</b>	<b>April 30, 2010</b>		<b>January 31, 2010</b>	
		Other Financial Liabilities		Other Financial Liabilities
Accounts payable and accrued liabilities	\$	174,604	\$	199,522
Amounts due to related parties		57,242		39,736
	\$	231,846	\$	239,258

The carrying amounts of cash and cash equivalents, interest receivable, amounts receivable, restricted cash, and accounts payable and accrued liabilities are a reasonable estimate of their fair values because of their short term to maturity.

The fair values of amounts due to and from related parties are not readily determinable due to the nature of the amounts and the absence of a ready market for such instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

**(a) Credit risk**

The Company is exposed to credit risk with respect to cash and cash equivalents, amounts receivable, interest receivable, amounts due from related parties and restricted cash. The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, interest receivable and restricted cash as all amounts are held at two Canadian financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	<b>April 30, 2010</b>	<b>January 31, 2010</b>
Term deposits	\$ 2,100,000	\$ 3,600,000
Cash held in bank accounts	248,426	117,843
Interest receivable	9,424	7,408
Restricted cash	125,000	125,000
	\$ 2,482,850	\$ 3,850,251

Term deposits currently earn interest at 1.0% (January 31, 2010 – 1.0%) and mature in November 2010 (January 31, 2010 – November 2010); however, they can be cashed at any time. The credit risk associated with cash and term deposits held in Canada is minimized by ensuring that these financial assets are placed with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency.

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Notes to Interim Financial Statements

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(Unaudited)

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**3. Risk Management and Financial Instruments (continued)**

**(b) Liquidity risk**

The Company's approach to managing liquidity risk is to provide reasonable assurance that it has sufficient capital to meet short-term financial obligations after taking into account its exploration obligations and cash and cash equivalents on hand. The Company maintains sufficient cash and cash equivalents at April 30, 2010 in the amount of \$2,348,426 (January 31, 2010 - \$3,717,843) in order to settle current liabilities. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms with the exception of amounts due to related parties, which are due on demand. At April 30, 2010, the Company had accounts payable excluding accrued liabilities of \$141,590 (January 31, 2010 - \$154,715), which are due within 30 days.

**(c) Market risk**

Market risk consists of interest rate risk, foreign exchange risk and other price risk. The only market risk to which the Company is exposed is as follows:

*Interest rate risk*

The Company's cash and cash equivalents and restricted cash consist of cash held in bank accounts, fixed income investments and guaranteed investment certificates that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of April 30, 2010. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company's sensitivity analysis suggests that a 1% change in interest rates would not have a significant effect on the Company.

**4. Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, it does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of equity instruments. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Management reviews the capital structure on a regular basis to ensure that objectives are met.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns on unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to the current difficult market conditions. There were no changes to the Company's capital management approach during the period.

**BRALORNE GOLD MINES LTD.**  
**(an exploration stage company)**

Notes to Interim Financial Statements

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(Unaudited)

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**5. Restricted Cash**

The Company has placed deposits in the amount of \$125,000 at April 30, 2010 (January 31, 2010 - \$125,000), registered in the name of the Ministry of Finance of British Columbia, as security for its mining permit and for reclamation. Deposits consist of guaranteed investment certificates earning an interest rate of 0.15%, and maturing between August 31, 2010 and April 5, 2011.

**6. Mineral Property**

The Company owns a 100% undivided interest in certain mineral properties located in the Lillooet Mining Division, British Columbia. The properties consist of 154 Crown-granted mineral claims, ten freehold parcels of land, two reverted Crown-granted claims and eight metric unit claims, all known as the "Bralorne Property".

The following is a summary of the deferred mineral property expenditures for the Bralorne Property:

	<b>April 30, 2010</b>	<b>January 31, 2010</b>
Acquisition costs	\$ 2,442,347	\$ 2,442,347
Deferred exploration and development expenditures	18,716,380	17,492,354
Tailings pond	1,020,840	1,022,619
Mine and plant buildings, and equipment	2,465,307	2,429,108
Provision for reclamation	98,000	98,000
	<u>24,742,874</u>	<u>23,484,428</u>
Deduct: concentrate and gold dore sales	(1,320,961)	(1,320,961)
	<u>\$ 23,421,913</u>	<u>\$ 22,163,467</u>

As at April 30, 2010, the Company had inventory of gold and silver dore bars with a fair market value of \$518,167 (January 31, 2010 - \$498,715). During the period ended April 30, 2010, the Company sold nil ounces of gold dore bars for proceeds of \$nil (January 31, 2010 - \$nil).

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**6. Mineral Property (continued)**

Deferred exploration and development expenditures incurred on the Bralorne Property during the period ended April 30, 2010 and year ended January 31, 2010 are as follows:

	<b>April 30, 2010</b>	<b>January 31, 2010</b>
Assays	\$ 21,358	\$ 39,344
Camp operations	64,831	109,977
Field office	35,701	92,566
Drilling	586	451,486
General exploration	1,072,916	2,305,092
Mine power	28,053	54,050
Taxes and permits	581	13,040
Increase in deferred exploration expenditures	1,224,026	3,065,555
Deferred exploration and development expenditures, beginning of the period	17,492,354	16,515,977
Mining exploration tax credits (note 8)	-	(2,089,178)
Deferred exploration and development expenditures, end of the period	\$ 18,716,380	\$ 17,492,354

*Realization of assets*

The investment in and expenditures on the mineral property comprise a significant portion of the Company's assets. Realization of the Company's investment in this asset is dependent upon the establishment of legal ownership, the attainment of successful production from the property or from the proceeds of its disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Environmental*

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral property, the potential for production on the property may be diminished or negated.

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**6. Mineral Property (continued)**

*Environmental (continued)*

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

**7. Equipment**

	<b>April 30, 2010</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Computer equipment	\$ 30,935	\$ 12,074	\$ 18,861
Computer software	5,340	5,339	1
Office equipment	6,518	5,072	1,446
Vehicle	48,041	29,155	18,886
	<u>\$ 90,834</u>	<u>\$ 51,640</u>	<u>\$ 39,194</u>

  

	<b>January 31, 2010</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Computer equipment	\$ 25,160	\$ 10,779	\$ 14,381
Computer software	5,340	5,339	1
Office equipment	6,518	4,996	1,522
Vehicle	48,041	28,161	19,880
	<u>\$ 85,059</u>	<u>\$ 49,275</u>	<u>\$ 35,784</u>

**8. Mining Exploration Tax Credit ("METC")**

The Company recognizes METC amounts receivable from the government and records those amounts as a recovery in the period in which recoverability can be established and the amount quantified. During the 2010 fiscal year, the Company received a cash payment of \$1,423,672 for the METC and interest related to the fiscal years ended January 31, 2004, 2005, 2006 and 2007. Of this amount, \$1,158,178 was METC including the reduction of deferred exploration expenses. The balance of \$265,494 was recorded as interest income. An additional amount of \$931,000 for METC claims for the years ended January 31, 2008, 2009 and 2010 has been recorded as receivable at April 30, 2010.

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

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**9. Share Capital**

**(a) Authorized:** Unlimited number of common shares without par value

**(b) Issued**

- (i) During the period ended April 30, 2010, 22,000 stock options were exercised for gross proceeds of \$16,500. The Company reallocated the fair value of these options previously recorded in the amount of \$10,379 from contributed surplus to share capital.
- (ii) On November 9, 2009, the Company closed the final tranche of a brokered private placement issuing 1,175,600 non-flow-through units at a price of \$0.90 per unit for gross proceeds of \$1,058,040 and 387,000 flow-through units at a price of \$0.95 per unit for gross proceeds of \$367,650. Each non-flow-through unit consists of one common share and one share purchase warrant. Each flow-through unit consists of one flow-through share and one share purchase warrant. Each share purchase warrant is exercisable for a term of 24 months into one common share at a price of \$1.25 per share until November 9, 2011.

The Company paid to certain finders a cash commission equal to 8% of the applicable gross proceeds of the financing (\$100,147) and issued compensation options to purchase common shares of the Company equal to 10% of the units and shares sold under the offering (78,010). Each compensation option is exercisable at a price of \$0.90 and entitles the holder to one common share and one common share purchase warrant, which is exercisable at a price of \$1.25 per share for 24 months expiring on November 9, 2011.

The fair value of the warrants and compensation options issued have been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.26%, dividend yield of nil, volatility of 97.97% and an expected life of 24 months. Of the \$1,425,690 total aggregate proceeds raised, \$850,291 was attributable to common shares and \$575,399 was attributable to common share purchase warrants, which has been recorded in contributed surplus. The 78,010 compensation options were valued at \$34,239.

- (iii) On September 28, 2009, the Company closed a private placement issuing 3,470,222 non-flow-through units at a price of \$0.90 per unit for gross proceeds of \$3,123,200 and 828,462 flow-through units at a price of \$0.95 per unit for gross proceeds of \$787,039. Each non-flow-through unit consists of one common share and one share purchase warrant. Each flow-through unit consists of one flow-through share and one share purchase warrant. Each share purchase warrant is exercisable for a term of 24 months into one common share at a price of \$1.25 per share until September 28, 2011.

The Company paid to certain finders a cash commission equal to 8% of the applicable gross proceeds of the financing (\$324,743) and issued compensation options to purchase common shares of the Company equal to 10% of the units and shares sold under the offering (365,168). Each compensation option is exercisable at a price of \$0.90 and entitles the holder to one common share and one common share purchase warrant, which is exercisable at a price of \$1.25 per share for 24 months expiring on September 28, 2011.

The fair value of the warrants and compensation options issued have been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.26%, dividend yield of nil, volatility of 97.97% and an expected life of 24 months. Of the \$3,910,239 total aggregate proceeds raised, \$1,950,521 was attributable to common shares and \$1,959,718 was attributable to common share purchase warrants, which has been recorded in contributed surplus. The 365,168 compensation options were valued at \$195,509.

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**9. Share Capital (continued)**

**(b) Issued (continued)**

- (iv) On June 12, 2009, the Company closed a private placement issuing 75,263 flow-through shares at a price of \$1.10 per share for gross proceeds of \$82,789 and 70,000 super flow-through shares at a price of \$1.20 per share for gross proceeds of \$84,000. In addition, the Company issued 236,500 units at a price of \$0.95 per unit for gross proceeds of \$224,675. Each unit consists of one common share and one non-transferable share purchase warrant. Each share purchase warrant is exercisable for a term of 18 months into one common share at a price of \$1.25 until December 15, 2010. Of this amount, \$135,879 was attributable to common shares and \$88,796 was attributable to common share purchase warrants, which has been recorded in contributed surplus.

The Company paid to certain finders a cash commission equal to 6% of the applicable gross proceeds of the financing (\$22,943) and issued compensation options to purchase common shares of the Company equal to 8% of the applicable units and shares sold under the offering (29,880), exercisable at a price of \$1.25 per option for 18 months, expiring on December 15, 2010. The compensation options were valued at \$11,219. The fair value of the warrants and compensation options issued have been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.27%, dividend yield of nil, volatility of 110.64% and an expected life of 18 months.

- (v) During the year ended January 31, 2010, 120,000 warrants were exercised for gross proceeds of \$120,000.
- (vi) During the year ended January 31, 2010, 24,667 stock options were exercised for gross proceeds of \$18,500. The Company reallocated the fair value of these options previously recorded in the amount of \$10,498 from contributed surplus to share capital.

**(c) Compensation option**

A summary of the compensation options during the period ended April 30, 2010 and the year ended January 31, 2010 is as follows:

	<b>Underlying Options</b>	<b>Weighted Average Exercise Price</b>
Balance, January 31, 2009	-	-
Issued	443,178	\$0.90
Balance, January 31, 2010	443,178	\$0.90
Issued	-	-
Balance, April 30, 2010	443,178	\$0.90

**BRALORNE GOLD MINES LTD.**  
**(an exploration stage company)**

Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**9. Share Capital (continued)**

**(c) Compensation option (continued)**

As at April 30, 2010 and January 31, 2010, the following compensation options were outstanding and exercisable:

<b>Number of Compensation Options Outstanding and Exercisable</b>		<b>Exercise Price Per Share</b>	<b>Expiry Date</b>
<b>April 30, 2010</b>	<b>January 31, 2010</b>		
365,168	365,168	\$0.90	September 28, 2011
78,010	78,010	\$0.90	November 9, 2011
<b>443,178</b>	<b>443,178</b>		

**(d) Share purchase warrants**

A summary of the share purchase warrants issued, exercised and expired during the period ended April 30, 2010 and the year ended January 31, 2010 is as follows:

	<b>Underlying Shares</b>	<b>Weighted Average Exercise Price</b>
Balance, January 31, 2009	6,467,666	\$1.67
Issued	6,127,664	\$1.25
Exercised	(120,000)	\$1.00
Expired	(4,308,334)	\$1.25
Balance, January 31, 2010	8,166,996	\$1.60
Issued	-	-
Exercised	-	-
Expired	(2,039,332)	\$2.72
Balance, April 30, 2010	6,127,664	\$1.25

As at April 30, 2010 and January 31, 2010, the following share purchase warrants were outstanding and exercisable:

<b>Number of Warrants Outstanding and Exercisable</b>		<b>Exercise Price Per Share</b>	<b>Expiry Date</b>
<b>2010</b>	<b>2009</b>		
-	269,139	\$1.50/\$2.00	February 4, 2009/February 4, 2010
-	300,000	\$1.60/\$2.00	March 19, 2009/March 19, 2010
-	470,193	\$3.00	April 26, 2010
-	1,000,000	\$3.00	April 26, 2010
266,380	266,380	\$1.25	December 15, 2010
3,742,684	3,742,684	\$1.25	September 28, 2011
556,000	556,000	\$1.25	September 30, 2011
1,562,600	1,562,600	\$1.25	November 9, 2011
<b>6,127,664</b>	<b>8,166,996</b>		

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**9. Share Capital (continued)**

**(d) Share purchase warrants (continued)**

During the period ended April 30, 2010, 2,039,332 warrants expired unexercised. During the year ended January 31, 2010, 6,570,842 warrants were issued, 120,000 warrants were exercised raising gross proceeds of \$120,000 and 4,308,334 warrants expired unexercised.

**(e) Stock options**

The Company has a stock option plan for its directors, officers, employees and consultants. The terms of the plan provide for options to be granted equal in number up to 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options. The option price under each option is not less than the discounted market price on the grant date. The expiry date for each option is set by the Board of Directors at the time of issue and cannot be more than five years after the grant date.

A summary of the stock options granted, exercised and forfeited during the period ended April 30, 2010 and the year ended January 31, 2010 is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Options outstanding at January 31, 2009	1,548,500	\$1.04
Issued	791,500	\$0.84
Exercised	(24,667)	\$0.75
Forfeited	(107,000)	\$1.02
Options outstanding at January 31, 2010	2,208,333	\$0.98
Issued	-	-
Exercised	(22,000)	\$0.75
Forfeited	-	-
Options outstanding at April 30, 2010	2,186,333	\$0.98

At April 30, 2010, the Company has 2,186,333 stock options outstanding with a weighted average remaining contractual life of 2.69 years.

During the year ended January 31, 2010, the Company granted a total of 791,500 stock options to directors, officers, employees and consultants with a weighted average exercise price of \$0.84 per share expiring on July 29, 2014 and January 15, 2015.

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**9. Share Capital (continued)**

**(e) Stock options (continued)**

As at April 30, 2010 and January 31, 2010, the following stock options were outstanding and exercisable:

Number of Options Outstanding		Number of Options Exercisable		Exercise Price per Share	Expiry Date
Apr 30, 2010	Jan 31, 2010	Apr 30, 2010	Jan 31, 2010		
956,000	956,000	956,000	956,000	\$1.16	January 16, 2011
40,500	40,500	40,500	40,500	\$1.16	November 29, 2012
42,000	42,000	42,000	42,000	\$1.16	May 14, 2013
361,000	379,000	361,000	379,000	\$0.75	November 21, 2013
55,333	59,333	55,333	59,333	\$0.75	July 29, 2014
731,500	731,500	731,500	731,500	\$0.85	January 15, 2015
<u>2,186,333</u>	<u>2,208,333</u>	<u>2,186,333</u>	<u>2,208,333</u>		

**(f) Stock-based compensation**

Stock-based compensation expense is determined using the fair value method. During the period ended April 30, 2010, there were no stock options granted. During the year ended January 31, 2010, the Company estimated the fair value of options granted of \$502,560 using the Black-Scholes option pricing model with the following weighted-average assumptions:

	April 30, 2010	January 31, 2010
Risk-free interest rate	-	2.49%
Expected dividend yield	-	0%
Expected stock price volatility	-	81.34%
Expected option life in years	-	5
Forfeiture rate	-	0%

During the period ended April 30, 2010, the Company recorded stock-based compensation expense on options vested during the year of \$Nil (April 30, 2009 - \$7,488), allocated as follows:

	April 30, 2010	April 30, 2009
Consultants	\$ -	\$ 7,488
	<u>\$ -</u>	<u>\$ 7,488</u>

At April 30, 2010 there is \$nil (2009 - \$nil) in unrecognized stock-based compensation, to be recognized in future periods.

Option pricing models require the input of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

**10. Related Party Transactions**

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions not disclosed elsewhere in these statements are as follows:

- (a) During the period ended April 30, 2010, the Company paid, or made provision for the future payment of, the following amounts to related parties:
- (i) \$43,286 (2009 - \$46,205) for administrative fees, overhead expenses and reimbursement of out-of-pocket operating expenditures on the Company's behalf and \$15,541 (2009 - \$914) for certain mineral property expenses to Oniva International Services Corp. ("Oniva"), a private company beneficially owned by the Company and five other reporting companies related through common directors;
  - (ii) \$15,000 (2009 - \$15,000) as consulting fees to two private companies controlled by directors;
  - (iii) \$24,000 (2009 - \$24,000) for general exploration expenses on the mineral property to a private company controlled by the President and Chief Executive Officer of the Company for geological consulting and general mine management;
  - (iv) \$6,000 (2009 - \$nil) for general exploration expenses on the mineral property to the Chief Operating Officer;
  - (v) \$4,500 (2009 - \$9,000) for directors' fees to certain directors of the Company; and

- (b) Due from related party consists of the following:

	<b>April 30, 2010</b>	<b>January 31, 2010</b>
ABC Drilling	\$ -	\$ 7,551

The above noted related party is related through common management and directors.

- (c) Due to related parties consists of the following:

	<b>April 30, 2010</b>	<b>January 31, 2010</b>
Hazeldene Farm Ltd.*	\$ -	\$ 9,728
Dr. Matthew Ball	-	4,725
ABC Drilling*	37,449	-
Oniva International Services*	15,293	16,283
Due to Directors	4,500	9,000
	<b>\$ 57,242</b>	<b>\$ 39,736</b>

\*The above noted related parties are related through common directors or are beneficially owned by the Company and five other companies related through common directors.

Related party balances are unsecured, due on demand and do not bear interest.

**BRALORNE GOLD MINES LTD.**  
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Notes to Interim Financial Statements

For the three months ended April 30, 2010 and 2009

(Unaudited)

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**11. Commitment**

The Company entered into a cost sharing agreement dated October 1, 1997 and amended November 1, 2003 to reimburse Oniva for a percentage of its overhead expenses, and reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on the total overhead and corporate expenses referred to above. The agreement may be terminated with one month's notice by either party.

**12. Subsequent Event**

Subsequent to the end of April 30, 2010, there were 5,000 stock options exercised for gross proceeds of \$3,750.

The following discussion and analysis of the operations, results and financial position of Bralorne Gold Mines Ltd. (the "Company" or "Bralorne") should be read in conjunction with the Company's unaudited interim financial statements for the three months ended April 30, 2010 and the audited financial statements for the year ended January 31, 2010.

This Management Discussion and Analysis ("MD&A") is dated June 25, 2010 and discloses specified information up to that date. Bralorne is classified as a "venture issuer" for the purposes of National Instrument 51-102. The Company's financial statements are prepared in accordance with generally accepted accounting principles in Canada. Unless otherwise cited, references to dollar amounts are Canadian dollars.

Throughout this report we refer to "Bralorne", the "Company", "we", "us", "our" or "its". All these terms are used in respect of Bralorne Gold Mines Ltd. ***We recommend that readers consult the "Cautionary Statement" on the last page of this report.*** Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Business Description**

The Company is a natural resource company, primarily engaged in the acquisition, exploration and development of natural resource properties since its inception. The Company's principal business activity for the last 15 years has been the exploration and development of certain mineral properties located in the Lillooet Mining District of British Columbia in the Bridge River area near Lillooet, specifically referred to as the Bralorne, Pioneer and King gold mines. The Property includes mineral properties that have produced approximately 4 million ounces of gold from 8 million tons of ore over 40 years in the historic Bralorne gold camp of British Columbia. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol BPM, on the OTCPK under the symbol BPMSF and on the Berlin & Frankfurt Stock Exchanges under the symbol WKN A0B75M or GV7.

The Property consists of 154 Crown granted mineral claims, ten freehold parcels of land, two reverted Crown granted claims and eight metric unit claims that includes the former Bralorne, Pioneer and King gold mines in the historic Bridge River gold mining camp of southwest British Columbia. The entire Bralorne Gold Mine Property covers approximately 2,490 hectares. The Property is located 160 kilometres due north of Vancouver, British Columbia, Canada.

The claims comprising a small portion of the Property are subject to an underlying covenant in which the Company is required to pay 1.6385% of Net Smelter Proceeds of Production to Bralorne Resources Limited of Calgary, Alberta. In addition, there is an underlying agreement on 12 specific crown grants that requires the Company to pay to Bralorne Resources Limited of Calgary, Alberta, an amount of fifty cents (\$0.50) per ton of ore produced from these claims, if the ore grade exceeds  $\frac{3}{4}$  (0.75) ounce per ton gold.

### **Overall Performance**

Over the past year there was a shift in emphasis to underground development aimed at proving up resources. Diamond drill exploration was continued to search for new veins and to further test known structures.

The following is a summary of significant events and transactions during the period ended April 30, 2010 to the date of this MD&A:

## **Underground Exploration**

Exploration continued during this period with underground development of the BK vein and a cross cut to access the 51BFW and Taylor veins in the Bralorne Pioneer gap.

On the BK vein, raise development was conducted to define the gold mineralized shoots above the 800 Level. Two raises were driven up from the drift level, inclined at 50 degrees within the vein, to confirm the grade and limits of potentially economic mineralization encountered in two sections of the drift in 2008. Assay results were announced during the quarter for both raises, which show that the BK vein mineralization is continuous above the 800 Level.

### Eastern BK Raise

The eastern raise was collared in a gap in mineralization at 800 Level and driven up to the east into one of two mineralized blocks. The raise encountered significant mineralization at 8.5 meters (28 feet) to the top of the raise at 29 meters (96 ft). In February 2010 the Company reported a revised grade of the vein from 11 assay traverses (including check assay results) as ranging from **2.78 to 60.7 g/T Au (0.081 to 1.77 oz/ton) with an average grade of 20.7 g/T Au (0.604 oz/ton) over a true width of 0.58 meters (1.9 feet)**. The average grade of the zone over a nominal mining width of 1.2 meters (4 feet) is 11.9 g/T Au (0.348 oz/ton). The vein at the top of the raise is well developed and the last two sample traverses assayed 60.7 g/T over 0.6 meters and 45.7 g/T over 0.8 meters (1.77 oz/ton over 2.0 ft and 1.333 oz/ton over 2.5 ft). This is very encouraging because previous results from underground drilling indicated low grade in this vicinity.

### Western BK Raise

The western raise was collared on the west side of the mineralized block and was driven to a total of 36.5 meters (120 feet). The grade of the vein from 15 assay traverses ranges from **1.54 to 136.97 g/T Au (0.045 to 3.995 oz/ton) with an average grade of 35.23 g/T Au (1.028 oz/ton) over a true width of 0.8 meters (2.6 feet)**. The grade of the zone over a minimum mining width of 1.2 meters (4.0 feet) averages 25.2 g/T Au (0.736 oz/ton) uncut, or 22.9 g/T Au (0.668 oz/ton) using the historical mine cutting procedure of reducing assays over 3.0 to 3.0 oz/ton. The results are comparable to the average grade of the same mineralized shoot on the 800 Level drift, which is 24.8 g/T Au over 1.3m (0.722 oz/ton over 4.4 ft) along a strike length of 53.9 meters (177 ft). The vein at the top of the raise is mineralized, indicating that the raise did not reach the upper limit of the gold mineralization.

### BK Extraction Drift

In preparation for stoping, an extraction drift was completed on the BK vein during the quarter. Included with this development were 12 draw points to extract stoped material. Upon completion of the extraction drift and draw points, the mining crews will start stoping the BK zone and will begin to stockpile ore for a target of 30,000 tons that could be sufficient for a year of mill production.

### 400 Level Adit,

The new adit or cross cut was broken through to the Bralorne 400 Level during this period. In March, the Company announced results of a new vein that was found in the adit. The vein was intersected just east of historic workings on the Coronation or 77 vein, and was explored by drifting to the east (7.3m) and west (11m) of the cross-cut. The grade of the vein from 10 assay traverses ranges from **0.79 to 66.65 g/T Au (0.023 to 1.944 oz/ton) with an average grade of 9.95 g/T Au (0.290 oz/ton) over a true width of 0.8 meters (2.7 feet)**. The grade of the zone over a minimum mining width of 1.2 meters (4.0 feet) averages 4.4 g/T Au (0.129 oz/ton) over an average width of 1.3 meters (4.2 feet). Top cutting was not required as there were no extreme high assays. The

vein is interpreted to be a split off of the main Coronation (77 vein). Further exploration drilling is being planned to determine its potential extensions.

All underground chip samples were collected by employees of the Company and preliminary assays were performed by employees at the on-site assay laboratory. Normal fire assay procedures were followed using 30g (1 assay ton) charges. Repeat analyses and/or metallics screen assays are routinely performed on high grade samples. Check sample pulps and rejects were submitted to Eco Tech Laboratories in Kamloops for verification.

**Plans for the near future include:**

- 1) Initiate trial stoping from the 800 level on the BK Zone, and build up a stockpile of development material to prepare for mill production.
- 2) Explore the North vein in the King mine area by developing drift access, raises and sublevels to confirm the historic resource. Trial mining to follow on positive results.
- 3) Continue exploration and development of inferred resources on the 400 level 51B Footwall and Taylor Zones to prove-up tonnage and prepare for mining.
- 4) Continue the decline to the 575 level to explore the upper BK vein.
- 5) Complete the surface drilling program to test the extensions of the BK zone to the east and west and explore parallel structures.
- 6) Commence underground drilling in 2010.
- 7) Continue on-going compilation of historic data (data mining) to identify new exploration and development targets.

**Results of Operations**

**Three months ended April 30, 2010 compared with the three months ended April 30, 2009.**

***Head Office-General And Administrative Expenses***

General and administrative expenses totaled \$101,613 for the three months ended April 30, 2010 compared with \$101,906 for the three months ended April 30, 2009, a decrease of \$293. While minimal changes overall, there were increases of \$3,165 in automobile expense, \$1,585 in listing and filing fees, \$7,341 in professional fees and \$8,431 in shareholder information. These increases were offset with decreases of \$4,500 in directors' fees, \$3,015 in office, \$6,249 in salaries and benefits and \$7,488 in stock-based compensation. Stock-based compensation was lower as there were no stock options granted during the period. Professional fees were higher due to additional fees related to the Company's year end audit. Shareholder information was higher with an increase in marketing distributions. Director's fees were lower as a result of fewer board members. Office occupancy and salaries were lower as a result of a greater distribution in shared costs.

***Income / Loss For The Period***

The loss for the three months ended April 30, 2010 was \$95,235 compared with a loss of \$97,600 for the three months ended April 30, 2009, a decrease of \$2,365. As discussed above, general and administrative expenses decreased by \$293. In addition, interest income was higher by \$2,072. During the current period, interest income was \$6,378 as compared to \$4,306 in the prior year.

**Summary of Quarterly Results**

Period ended	Apr 30 2010 Q1	Jan 31 2010 Q4	Oct 31 2009 Q3	Jul 31 2009 Q2	Apr 30 2009 Q1	Jan 31 2009 Q4	Oct 31 2008 Q3	Jul 31 2008 Q2
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>	-	-	-	-	-	-	-	-
<b>Net Income (Loss)</b>	(95,235)	71,697	(246,149)	(146,342)	(97,600)	(523,486)	(101,561)	(107,344)
<b>Income (Loss) per Share basic and diluted</b>	0.00	0.00	(0.03)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)

The Company's quarterly general and administrative costs remain relatively stable. Factors causing significant changes between quarters have primarily been items such as stock-based compensation and future income tax expenses or recoveries which are not expensed in every quarter. In the fourth quarter of fiscal year end January 31, 2010, the Company recorded a future income tax recovery of \$575,048 resulting in income for the quarter. While in the fourth quarter of January 2009, the Company recorded stock based compensation expense of \$548,680 which contributed to a large loss in the quarter.

**Liquidity and Capital Resources**

As was the case in the previous year, the mill has been shut and the Company has been focused on drilling, development and exploration. In conjunction with exploration activities work concerning environmental studies and compliance measures continues. At this time the Company has no operating revenues.

At April 30, 2010, the Company held \$518,167 worth of gold dore bars and silver that were produced during the bulk sampling stage in a prior year in safe-keeping and working capital of \$3,141,360 and cash and cash equivalents of \$2,348,426. The Company is continuing its exploration drilling program and has sufficient cash on hand at this time to finance the work on its mineral properties and maintain administrative operations.

During the three months ended April 30, 2010, 22,000 stock options were exercised for gross proceeds of \$16,500.

On November 9, 2009, the Company closed the final tranche of a brokered private placement issuing 1,175,600 non-flow-through units at a price of \$0.90 per unit for gross proceeds of \$1,058,040 and 387,000 flow-through units at a price of \$0.95 per unit for gross proceeds of \$367,650. Each non-flow-through unit consists of one common share and one share purchase warrant. Each flow-through unit consists of one flow-through share and one share purchase warrant. Each share purchase warrant is exercisable for a term of 24 months into one common share at a price of \$1.25 per share until November 9, 2011. The Company paid a cash finder's fee of \$100,147. Proceeds net of share issuance costs were \$1,265,740.

On September 28, 2009, the Company closed a private placement issuing 3,470,222 non flow-through shares at a price of \$0.90 per unit for gross proceeds of \$3,123,200 and 828,462 flow-through shares at a price of \$0.95 per unit for gross proceeds of \$787,039. Each non flow-through

unit consists of one common share and one share purchase warrant. Each flow-through unit consists of one flow-through share and one share purchase warrant. The flow-through shares will entitle the investor to the tax benefits of the qualifying Canadian exploration expenses incurred by the Company. Each share purchase warrant is exercisable for a term of 24 months into one common share at a price of \$1.25 per share until September 28, 2011. The Company paid a cash finder's fee of \$324,743. Proceeds net of all share issuance costs were \$3,508,704.

On June 12, 2009, the Company closed a private placement issuing 75,263 flow-through shares at a price of \$1.10 per unit for gross proceeds of \$82,789 and 70,000 super flow-through shares at a price of \$1.20 per unit for gross proceeds of \$84,000. In addition, the Company issued 236,500 units at a price of \$0.95 per unit for gross proceeds of \$224,675. Each unit consists of one common share and one non-transferable share purchase warrant. Each share purchase warrant is exercisable for a term of 18 months into one common share at a price of \$1.25 per share until December 15, 2010. The Company paid a cash finder's fee of \$22,943. Proceeds net of all share issuance costs were \$364,802.

The Company is in the exploration stage. The investment in and expenditures on the mineral property comprise substantially all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern is dependent upon the continued support from its directors, the discovery of economically recoverable reserves, the ability of the Company to obtain the financing necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time.

Mineral exploration and development is capital extensive, and in order to maintain its interest the Company will be required to raise new equity capital in the future. There is no assurance that the Company will be successful in raising additional new equity capital.

#### **Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet transactions.

#### **Transactions with Related Parties**

During the three months ended April 30, 2010, the Company paid, or made provision for the future payment, of the following amounts to related parties:

- (i) \$43,286 (2009 - \$46,205) for administrative fees, overhead expenses and reimbursement of out-of-pocket operating expenditures on the Company's behalf and \$15,541 (2009 - \$914) for certain mineral property expenses to Oniva International Services Corp. ("Oniva"), a private company beneficially owned by the Company and five other reporting companies related through common directors;
- (ii) \$15,000 (2009 - \$15,000) as consulting fees to two private companies controlled by directors;
- (iii) \$24,000 (2009 - \$24,000) for general exploration expenses on the mineral property to a private company controlled by the President and Chief Executive Officer of the Company for geological consulting and general mine management;
- (iv) \$6,000 (2009 - \$Nil) for general exploration expenses on the mineral property to the Chief Operating Officer;
- (v) \$4,500 (2009 - \$9,000) for directors' fees to certain directors of the Company; and

Amounts due from related parties consists of \$nil (January 31, 2010 - \$7,551) from a company related by way of common directors.

Amounts due to related parties consist of \$57,242 (January 31, 2010 - \$39,736) to companies with common management and common directors.

Related party balances are unsecured, due on demand and do not bear interest.

### **Disclosure of Management Compensation**

During the three months ended April 30, 2010, \$24,000 was paid to the Chief Executive Officer and President for services as director and officer of the Company; \$7,500 was paid to the Chairman of the Board for services as director of the Company; \$5,225 was paid to the Chief Financial Officer for services as an officer of the Company; \$6,000 was paid to the Chief Operating Officer for services as an officer of the Company; \$7,500 was paid to a director for services as director of the Company; and \$4,725 was paid to the Secretary for services as an officer of the Company.

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of commitments and contingencies at the date of the financial statements, and the reported amount of revenue and expenses during the period. Significant areas requiring the use of management estimates involve the carrying value of mineral properties, the recoverable amount due from related parties, determination of stock-based compensation, and determination of the site restoration obligation. Actual results may differ from those estimates.

### **Financial Instruments**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, accounts receivable, interest receivable, amounts due from related parties, accounts payable and amounts due to related parties approximate their fair value because of the short-term nature of these instruments. It is difficult to determine the fair value of the amounts due to and from related parties with sufficient reliability due to the nature of the financial instruments, the absence of secondary markets, and the significant cost of obtaining outside appraisals.

The Company extends credit to related parties and various third parties in the course of its exploration activities. The Company performs ongoing credit evaluations of its receivables and believes it has made adequate provisions for potential credit losses.

The Company places its cash and cash equivalents with high credit quality financial institutions.

The Company is not exposed to significant interest, credit or currency risk arising from these financial instruments.

### **Recent Canadian Accounting Pronouncements**

Recent Canadian accounting pronouncements that have been issued but are not yet effective, and which may affect the Company's financial reporting are summarized below. For details of the

specific accounting changes, refer to Note 2(b) of the Company's Financial Statements for the three months ended April 30, 2010:

- i) Section 1582 Business Combinations
- ii) Section 1601 Consolidated Financial Statements
- iii) Section 1602 Non-controlling Interests

In addition, in February 2008 the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard requires that comparative figures for 2010 be based on IFRS.

The Company is developing an IFRS conversion plan which will include an in-depth analysis of the IFRS standards, with priority being placed on those that have been identified as possibly having a significant impact. Analysis will include identifying the differences between IFRS and the Company's accounting policies and assessing the impact of the difference. Changes in accounting policies are likely to impact the Company's consolidated financial statements.

### **Outstanding Share Data**

The following is the Company's outstanding share data as of April 30, 2010 and June 25, 2010:

**Common Shares:** 22,874,425 as of April 30, 2010 and 22,879,425 as of June 25, 2010

### **Stock Options**

<b>Expiry Date</b>	<b>Exercise Price Per Share</b>	<b>Number of Shares Remaining Subject to Options (April 30/10)</b>	<b>Number of Shares Remaining Subject to Options (June 25/10)</b>
January 16, 2011	\$1.16	956,000	956,000
November 29, 2012	\$1.16	40,500	40,500
May 14, 2013	\$1.16	42,000	42,000
November 21, 2013	\$0.75	361,000	356,000
July 29, 2014	\$0.75	55,333	55,333
January 15, 2015	\$0.85	731,500	731,500
<b>TOTAL:</b>		<b>2,186,333</b>	<b>2,181,333</b>

### **Compensation Options**

<b>Expiry Date</b>	<b>Exercise Price Per Share</b>	<b>Number of Shares Remaining Subject to Options (April 30/10)</b>	<b>Number of Shares Remaining Subject to Options (June 25/10)</b>
Sept 28, 2011	\$0.90	365,168	365,168
Nov 9, 2011	\$0.90	78,010	78,010
<b>TOTAL:</b>		<b>443,178</b>	<b>443,178</b>

## **Warrants**

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Underlying Shares (April 30/10)</b>	<b>Underlying Shares (June 25/10)</b>
Dec 15, 2010	\$1.25	266,380	266,380
Sept 28, 2011	\$1.25	3,742,684	3,742,684
Sept 30, 2011	\$1.25	556,000	556,000
Nov 9, 2011	\$1.25	1,562,600	1,562,600
<b>TOTAL:</b>		<b>6,127,664</b>	<b>6,127,664</b>

## **Commitment**

The Company entered into a cost sharing agreement dated October 1, 1997 and amended November 1, 2003 to reimburse Oniva a percentage of its overhead expenses, and reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on the total overhead and corporate expenses referred to above. The agreement may be terminated with one month's notice by either party.

## **Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company assessed the design of the internal controls over financial reporting as at April 30, 2010 and concluded that there are material weaknesses in internal controls over financial reporting, which are as follows:

- a) Due to the limited number of staff resources, the Company believes there are instances where a lack of segregation of duties exist to provide effective controls; and
- b) Due to the limited number of staff resources, the Company may not have the necessary in-house knowledge to address complex accounting and tax issues that may arise.

The weaknesses and their related risks are not uncommon in a company the size of the Company because of limitations in size and number of staff. The Company believes it has taken steps to mitigate these risks by increasing additional accounting personnel, consulting outside advisors and involving the Audit Committee and Board of Directors in reviews and consultations where necessary. However, these weaknesses in internal controls over financial reporting could result in a more than remote likelihood that a material misstatement would not be prevented or detected. The Company believes that it must take additional steps to further mitigate these risks by consulting outside advisors on a more regular and timely basis.

There have been no changes in the Company's internal controls over financial reporting occurring during the three months ended April 30, 2010 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

## **Subsequent Event**

Subsequent to April 30, 2010, there were 5,000 stock options exercised at \$0.75 per share.

**Cautionary Statement**

This MD&A is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of June 25, 2010. Except for historical information or statements of fact relating to the Company, this document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.