



BRALORNE GOLD MINES LTD.

(an exploration stage company)

Interim Financial Statements

**For the six months ended July 31, 2009
(Unaudited)**

Notice to Readers

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)

	July 31, 2009	January 31, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 294,885	\$ 972,687
Amounts receivable and prepaid expenses	36,531	19,684
Interest receivable	1,531	4,882
Mining tax credit receivable (Note 12)	1,091,314	-
GST receivable	28,947	22,609
	1,453,208	1,019,862
Due from related parties (Note 9(b))	3,411	3,411
Mineral property (Notes 6 and 9)	21,119,458	21,059,537
Equipment (Note 7)	26,906	30,082
Restricted cash (Note 5)	125,000	125,000
	\$ 22,727,983	\$ 22,237,892
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 343,196	\$ 175,565
Due to related parties (Note 9(c))	73,161	43,261
	416,357	218,826
Site restoration obligation	98,000	98,000
	514,357	316,826
Shareholders' equity		
Share capital (Note 8)	29,344,459	28,959,672
Contributed surplus	4,592,692	4,440,977
Deficit	(11,723,525)	(11,479,583)
	22,213,626	21,921,066
	\$ 22,727,983	\$ 22,237,892

Nature of operations and going concern (Note 1)
Commitment (Note 10)
Subsequent Events (Note 13)

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)

	Three months ended July 31,		Six months ended July 31,	
	2009	2008	2009	2008
		<i>(Note 11)</i>		<i>(Note 11)</i>
General and administrative expenses				
Administration services <i>(Note 9(a)(i))</i>	\$ 1,130	\$ 1,669	\$ 2,257	\$ 2,911
Amortization	1,588	1,137	3,176	2,275
Automobile	3,588	6,892	6,699	14,068
Consulting <i>(Note 9(a)(ii))</i>	15,000	23,400	30,115	45,973
Directors fees <i>(Note 9(a)(iv))</i>	9,500	-	18,500	-
Listing and filing fees	7,520	7,379	13,566	17,745
Office, occupancy and miscellaneous	16,467	17,905	30,384	32,377
Professional fees	3,028	3,122	2,701	8,962
Salaries and benefits	40,391	41,171	76,329	76,681
Shareholder information	23,290	22,794	25,869	47,224
Stock-based compensation <i>(Note 8(e))</i>	44,212	5,648	51,700	5,648
Travel and accommodation	2,319	5,396	8,643	12,973
Loss before other items	(168,033)	(136,513)	(269,939)	(266,837)
Other items				
Interest income	21,691	29,169	25,997	44,036
	21,691	29,169	25,997	44,036
Loss and comprehensive loss for the period	\$ (146,342)	\$ (107,344)	\$ (243,942)	\$ (222,801)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	16,788,041	16,148,043	16,629,056	15,708,513

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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
Balance, January 31, 2008	14,607,160	\$27,286,153	\$3,744,181	\$(10,631,735)	\$20,398,599
Common shares issued for cash:					
Private placement <i>(Note 8(b))</i>	812,630	837,256	142,269	-	979,525
Share issue costs	25,631	(41,450)	3,441	-	(38,009)
Exercise of stock options	24,000	18,000	-	-	18,000
Exercise of warrants	995,290	995,290	-	-	995,290
Transfer of contributed surplus to share capital on exercise of stock options	-	10,020	(10,020)	-	-
Stock-based compensation	-	-	561,106	-	561,106
Income tax effect of flow-through share renunciation	-	(145,597)	-	-	(145,597)
Loss for the year	-	-	-	(847,848)	(847,848)
Balance January 31, 2009	16,464,711	28,959,672	4,440,977	(11,479,583)	21,921,066
Common shares issued for cash:					
Private placement <i>(Note 8(b))</i>	381,763	302,669	88,796	-	391,465
Share issue costs	-	(37,882)	11,219	-	(26,663)
Exercise of warrants	120,000	120,000	-	-	120,000
Stock-based compensation	-	-	51,700	-	51,700
Loss for the period	-	-	-	(243,942)	(243,942)
Balance July 31, 2009	16,966,474	\$29,344,459	\$4,592,692	\$(11,723,525)	\$22,213,626

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)

	Three months ended July 31,		Six months ended July 31,	
	2009	2008	2009	2008
		<i>(Note 11)</i>		<i>(Note 11)</i>
OPERATING ACTIVITIES				
Loss for the period	\$ (146,342)	\$ (107,344)	\$ (243,942)	\$ (222,801)
Adjustments for items not involving cash:				
Amortization	1,588	1,137	3,176	2,275
Stock-based compensation	44,212	5,648	51,700	5,648
	(100,542)	(100,559)	(189,066)	(214,878)
Changes in non-cash working capital:				
Amounts receivable and prepaid expenses	(16,766)	(14,625)	(16,847)	(13,244)
Interest receivable	114	32,077	3,351	25,694
Taxes recoverable	(36,044)	25,304	(28,140)	58,947
Accounts payable and accrued liabilities	122,253	(84,210)	167,631	(96,837)
Cash used in operating activities	(30,985)	(142,013)	(63,071)	(240,318)
INVESTING ACTIVITIES				
Equipment acquisitions	(25,504)	(18,484)	(25,504)	(42,049)
Mineral property expenditures, net of gold sales	(789,766)	(509,054)	(1,103,929)	(1,148,575)
Cash used in investing activities	(815,270)	(527,538)	(1,129,433)	(1,190,624)
FINANCING ACTIVITIES				
Issuance of shares and units, net of issue costs	364,802	980,790	484,802	1,942,646
Amounts due to (from) related parties, net	7,420	19,316	29,900	(21,964)
Cash provided by financing activities	372,222	1,000,106	514,702	1,920,682
Decrease in cash and cash equivalents	(474,033)	330,555	(677,802)	489,740
Cash and cash equivalents, beginning of period	768,918	1,719,506	972,687	1,560,321
Cash and cash equivalents, end of period	\$ 294,885	\$ 2,050,061	\$ 294,885	\$ 2,050,061

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 six months ended July 31, 2009

(Unaudited)

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 interim 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 July 31, 2009, the Company had working capital of \$1,036,851 (2009 - \$801,036) and an accumulated deficit of \$11,723,525 (2009 - \$11,479,583). Management of the Company believes that it has the ability to raise 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. Basis of Presentation and Recent Accounting Pronouncements**(a) Basis of Presentation**

These unaudited interim financial statements have been prepared according to Canadian GAAP and follow the same accounting policies and methods of application as the audited financial statements of the Company for the year ended January 31, 2009 with the exception of the new accounting standards in Note 2(b). These unaudited interim financial statements should be read in conjunction with the audited financial statements and accompanying notes thereto for the fiscal year ended January 31, 2009.

(b) Recent Accounting Pronouncements

(i) Effective February 1, 2009, the Company adopted CICA Section 3064 *Goodwill and Intangible Assets*. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The adoption of this standard did not have any material effect on the financial statements.

(ii) In March 2009, the CICA issued EIC 174, "*Mining Exploration Costs*". The EIC provides guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC 174 is applicable to fiscal periods ending after the issuance date.

2. Basis of Presentation and Recent Accounting Pronouncements (continued)

(b) Recent Accounting Pronouncements (continued)

(iii) CICA Section 1582 *Business Combinations*, which replaces Section 1581, establishes standards for the accounting for business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard IFRS 3, *Business Combinations*. This new standard requires assets acquired and liabilities assumed, including contingent liabilities to be measured at fair value and all acquisition costs be expensed. This standard is effective for the Company for interim and annual financial statements beginning on February 1, 2011. The Company has not yet determined the impact of the adoption of this change on its consolidated financial statements.

(iv) In January 2009, the CICA issued EIC 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities. EIC 173 is applicable to the Company's interim and annual financial statement for its fiscal year beginning February 1, 2010.

(v) CICA Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests* replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*. These new standards 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. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. The Company has not yet determined the impact of the adoption of this change on its consolidated financial statements.

(vi) In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles 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 generally accepted accounting principles. 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 31, 2011 and earlier where applicable. 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.

3. Risk Management and Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, interest receivable, amounts 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 amount due to related parties are classified as other financial liabilities.

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(an exploration stage company)

Notes to Interim Financial Statements
For the six months ended July 31, 2009
(Unaudited)

3. Risk Management and Financial Instruments (continued)

The carrying value of financial assets by category at July 31, 2009 and January 31, 2009 are as follows:

Financial Assets	July 31, 2009		January 31, 2009	
	Held-for-trading	Loans and receivables	Held-for-trading	Loans and receivables
Cash and cash equivalents	\$ 294,885	\$ -	\$ 972,687	\$ -
Interest receivable	-	1,531	-	4,882
Restricted cash	125,000	-	125,000	-
Amounts due from related parties	-	3,411	-	3,411
	\$ 893,918	\$ 5,056	\$ 1,097,687	\$ 8,293

The carrying value of financial liabilities by category at July 31, 2009 and January 31, 2009 are as follows:

Financial Liabilities	July 31, 2009		Jan 31, 2009	
		Other Financial Liabilities		Other Financial Liabilities
Accounts payable and accrued liabilities		\$ 343,196	\$ 175,565	
Amounts due to related parties		73,161	43,261	
		\$ 416,357	\$ 218,826	

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 value because of their short term to maturity.

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:

	July 31, 2009	Jan 31, 2009
Term deposits	\$ 206,908	\$ 950,000
Cash held in bank accounts	87,977	22,687
Interest receivable	1,531	4,882
Restricted cash	125,000	125,000
	\$ 421,416	\$ 1,102,569

3. Risk Management and Financial Instruments (continued)

(a) Credit risk (continued)

Term deposits currently earn interest at 1.85% and mature in March 2010. 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.

(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 July 31, 2009 in the amount of \$294,885 (2009 - \$972,687) in order to settle current liabilities. All of the Company's financial liabilities have contractual maturities of less than 30 days and subject to normal trade terms with the exception of amounts due to related parties which are due on demand. The Company will require additional equity financing to meet its administrative overhead costs and further exploration activities on its mineral properties in fiscal 2010.

(c) Market risk

Market risks consist 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 consists 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 July 31, 2009. 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.

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 units. 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.

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4. Capital Management (continued)

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.

5. Restricted Cash

The Company has placed deposits in the amount of \$125,000 at July 31, 2009 (2009 – \$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 interest at rates between 0.20% and 2.10% and maturing between August 31, 2009 and April 5, 2010.

6. Mineral Property

The Company owns a 100% undivided interest in certain mineral properties located in the Lillooet Mining Division, Province of 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:

	July 31, 2009	January 31, 2009
Acquisition costs	\$ 2,442,347	\$ 2,442,347
Deferred exploration and development expenditures	16,550,394	16,515,977
Tailings pond	1,020,840	1,020,840
Mine and plant buildings, and equipment	2,328,838	2,303,334
Provision for reclamation	98,000	98,000
	<hr/> 22,440,419	<hr/> 22,380,498
Deduct: concentrate and gold dore sales	(1,320,961)	(1,320,961)
	<hr/> \$ 21,119,458	<hr/> \$ 21,059,537

As at July 31, 2009, the Company had inventory of gold and silver dore bars with a fair market value of \$439,767 (January 31, 2009 - \$493,194). During the period ended July 31, 2009, the Company sold nil ounces of gold dore bars for proceeds of \$nil (January 31, 2009 - \$145,678).

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6. Mineral Property (continued)

Deferred exploration and development expenditures incurred on the Bralorne Property during the period ended July 31, 2009 are as follows:

	July 31, 2009	January 31, 2009
Assays	\$ 17,321	\$ 44,032
Camp operations	38,838	64,642
Field office	47,462	68,749
Drilling	-	1,223,346
General exploration	962,626	680,845
Insurance	-	26,533
Mine power	24,777	76,148
Mining exploration tax credits	(1,069,512)	-
Mill operating	-	353
Taxes and permits	12,905	13,507
Increase in deferred exploration expenditures	34,417	2,198,155
Deferred exploration and development expenditures, beginning of the year	16,515,977	14,317,822
Deferred exploration and development expenditures, end of the period	\$ 16,550,394	\$ 16,515,977

7. Equipment

	July 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 10,982	\$ 8,153	\$ 2,829
Computer software	5,340	5,339	1
Office equipment	6,518	4,806	1,712
Vehicle	48,041	25,677	22,364
	\$ 70,881	\$ 43,975	\$ 26,906
	January 31, 2009		
Computer equipment	\$ 10,982	\$ 7,653	\$ 3,329
Computer software	5,340	5,339	1
Office equipment	6,518	4,616	1,902
Vehicle	48,041	23,191	24,850
	\$ 70,881	\$ 40,799	\$ 30,082

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8. Share Capital

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

(b) Issued

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. The flow-through and super flow-through shares will entitle the investor to the tax benefits of the qualifying Canadian exploration expenses incurred by the Company. In addition, the Company issued 236,500 units at a price of \$0.95 per unit for gross proceeds of \$224,675. 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. 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 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 373,500 of the units and shares sold under the offering, exercisable at \$1.25 per option exercisable 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.

During the period ended July 31, 2009, 120,000 warrants were exercised for gross proceeds of \$120,000.

On March 20, 2008, the Company closed a private placement issuing 300,000 units at a price of \$1.30 per unit for gross proceeds of \$390,000. Of this amount, \$316,500 was attributable to common shares and \$73,500 was attributable to common share purchase warrants, which has been recorded in contributed surplus. Each unit consists of one flow-through common share and one non flow-through share purchase warrant. Each share purchase warrant is exercisable for a term of 24 months into one non flow-through common share at a price of \$1.60 per share until March 19, 2009 and thereafter at \$2.00 per share until March 19, 2010. Share issuance costs were \$8,533 in cash. The fair value of the warrants issued has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.60%, dividend yield of nil, volatility of 59.30% and an expected life of two years.

On February 4, 2008, the Company closed a private placement issuing 512,630 units at a price of \$1.15 per unit for gross proceeds of \$589,525. Of this amount, \$520,756 was attributable to common shares and \$68,769 was attributable to common share purchase warrants, which has been recorded in contributed surplus. Each unit consists of one flow-through common share and one-half non flow-through share purchase warrant. Each share purchase warrant is exercisable for a term of 24 months into one non flow-through common share at a price of \$1.50 per share until February 4, 2009 and thereafter at \$2.00 per share until February 4, 2010. Share issuance costs were \$29,476 in cash, 25,631 units valued at \$29,476 whereby \$26,035 was attributable to common shares and \$3,441 attributable to common share purchase warrants. Each finder's unit consists of one common share of the Company and one-half share purchase warrant with terms consistent with the warrants issued to investors. The fair value of the warrants issued has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.05%, dividend yield of nil, volatility of 60.74% and an expected life of two years.

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8. Share Capital (continued)

(b) Issued (continued)

During the year ended January 31, 2009, 24,000 stock options were exercised for gross proceeds of \$18,000. The Company reallocated the fair value of these options previously recorded in the amount of \$10,020 from contributed surplus to share capital.

During the year ended January 31, 2009, 995,290 warrants were exercised for gross proceeds of \$995,290.

(c) Share purchase warrants and compensation options

A summary of the share purchase warrants and compensation options issued, exercised and expired during the period ended July 31, 2009 and year ended January 31, 2009 is as follows:

	Underlying Shares	Weighted Average Exercise Price
Balance, January 31, 2008	6,893,817	\$1.61
Issued	569,139	\$1.55
Exercised	(995,290)	\$1.00
Balance, January 31, 2009	6,467,666	\$1.67
Issued	266,380	\$1.25
Exercised	(120,000)	\$1.00
Expired	(4,052,465)	\$1.20
Balance, July 31, 2009	2,561,581	\$2.64

As at July 31, 2009 and January 31, 2009, the following share purchase warrants and compensation options were outstanding and exercisable:

Number of Warrants Outstanding and Exercisable		Exercise Price Per Share	Expiry Date
April 30, 2009	January 31, 2009		
-	505,284*	\$2.60	February 8, 2009
-	1,005,283**	\$1.00	April 30, 2009
-	271,900**	\$1.00	April 30, 2009
-	424,998**	\$1.00	April 30, 2009
-	1,965,000**	\$1.00	April 30, 2009
255,869	255,869	\$2.00	December 31, 2009
269,139	269,139	\$1.50/\$2.00	February 4, 2009/February 4, 2010
300,000	300,000	\$1.60/\$2.00	March 19, 2009/March 19, 2010
470,193	470,193	\$3.00	April 26, 2010
1,000,000	1,000,000	\$3.00	April 26, 2010
266,380	-	\$1.25	December 15, 2010
2,561,581	6,467,666		

8. Share Capital (continued)

(c) Share purchase warrants and compensation options (continued)

During the period, 266,380 warrants and compensation options were issued, 120,000 warrants were exercised raising gross proceeds of \$120,000 and 4,052,465 warrants expired unexercised.

*In February 2008, the Company amended the terms of 505,284 warrants by extending their expiry date from February 8, 2008 to February 8, 2009 and re-pricing their exercise price from \$3.25 to \$2.60. The aggregate fair value of the amendments to the warrants of \$nil has been estimated using the Black-Scholes option pricing model with the following assumptions for the fair value of the original warrants at the date of amendment and the fair value of the amended warrants at the date of the amendment respectively: risk-free interest rates of 3.24% and 3.16%, dividend yield of nil and nil, volatility of 9.93% and 55.18% and an expected life of 0.02 years and 1.02 years. During the period, these 505,284 warrants expired unexercised.

**In December 2008, the Company amended the terms of 3,667,181 warrants as follows:

Number of Warrants	Previous Terms			Amended Terms	
	Exercise price to June 1, 2008	Exercise price June 1, 2008 to Expiry	Expiry date	Exercise price	Expiry date
1,005,283	\$1.00	\$1.20	December 21, 2008	\$1.00	April 30, 2009
271,900	\$1.00	\$1.20	December 28, 2008	\$1.00	April 30, 2009
424,998	\$1.00	\$1.25	December 28, 2008	\$1.00	April 30, 2009
1,965,000	\$1.00	\$1.20	December 28, 2008	\$1.00	April 30, 2009

The aggregate fair value of the amendments to the warrants of \$346,182 has been estimated using the Black-Scholes option pricing model with the following assumptions for the fair value of the original warrants at the date of amendment and the fair value of the amended warrants at the date of the amendment respectively: risk-free interest rates of 0.95% and 0.98%, dividend yield of nil and nil, volatility of 63.35% and 117.55% and an expected life of 0.07 years and 0.41 years. During the period, 120,000 of these warrants were exercised and 3,547,181 expired unexercised.

(d) 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.

BRALORNE GOLD MINES LTD.
(an exploration stage company)
Notes to Interim Financial Statements
For the six months ended July 31, 2009
(Unaudited)

8. Share Capital (continued)

(d) Stock options (continued)

A summary of the stock options granted, exercised and forfeited during the period ended July 31, 2009 and the year ended January 31, 2009 is as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 31, 2008	1,184,000	\$1.16
Issued	506,000	\$0.78
Exercised	(24,000)	\$0.75
Forfeited	(117,500)	\$1.14
Options outstanding at January 31, 2009	1,548,500	\$1.04
Issued	110,000	\$0.75
Forfeited	(20,000)	\$1.16
Options outstanding at July 31, 2009	1,638,500	\$1.02

During the period ended July 31, 2009, the Company granted a total of 110,000 stock options to directors, officers, employees and consultants exercisable at a price of \$0.75 per share until July 29, 2014.

During the year ended January 31, 2009, the Company granted a total of 506,000 stock options to directors, officers, employees and consultants. Of the options granted 42,000 are exercisable at a price of \$1.16 per share until May 14, 2013 and 464,000 are exercisable at a price of \$0.75 per share until November 21, 2013.

At July 31, 2009, the Company has 1,638,500 stock options outstanding with a weighted average remaining contractual life of 2.62 years.

As at July 31, 2009 and January 31, 2009, the following stock options were outstanding and exercisable:

Number of Options Outstanding		Number of Options Exercisable		Exercise Price per Share	Expiry Date
Jul 31, 2009	Jan 31, 2009	Jul 31, 2009	Jan 31, 2009		
956,000	956,000	956,000	956,000	\$1.16	January 16, 2011
50,000	50,000	50,000	50,000	\$1.16	July 23, 2012
40,500	60,500	40,500	60,500	\$1.16	November 29, 2012
42,000	42,000	42,000	21,000	\$1.16	May 14, 2013
440,000	440,000	440,000	440,000	\$0.75	November 21, 2013
110,000	-	110,000	-	\$0.75	July 29, 2014
1,638,500	1,548,500	1,638,500	1,527,500		

8. Share Capital (continued)

(e) Stock-based compensation

Stock-based compensation expense is determined using the fair value method. The Company estimated the fair value of options granted during the period ended July 31, 2009 of \$42,964 (2008 - \$5,648) using the Black-Scholes option pricing model with the following weighted-average assumptions:

	July 31, 2009	April 30, 2008
Risk-free interest rate	2.66%	2.57%
Expected dividend yield	0%	0%
Expected stock price volatility	84.70%	82.45%
Expected option life in years	5	5
Forfeiture rate	0%	0%

During the period ended July 31, 2009, the Company recorded stock-based compensation expense on options vesting during the period of \$8,736 (2008 - \$nil). The total amounts expensed were allocated as follows:

	2009	2008
Directors, officers and employees	\$ 35,803	\$ -
Consultants	\$ 15,897	\$ 5,648
	\$ 51,700	\$ 5,648

At July 31, 2009 there is \$nil (2008 - \$21,462) in unrecognized stock-based compensation which will be recognized in future periods as the options vest.

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.

9. 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 July 31, 2009, the Company paid, or made provision for the future payment, of the following amounts to related parties:
- (i) \$100,262 (2008 - \$115,637) for administrative fees, overhead expenses, and reimbursement of out-of-pocket operating expenditures on the Company's behalf and \$538 (2008 - \$nil) for certain mineral property expenses to Oniva International Services Corp. ("Oniva"), a private company beneficially owned by the Company and five other public companies related through common Directors;
 - (ii) \$30,000 (2008 - \$37,500) as consulting fees to two (2008 – three) private companies controlled by Directors for management fees;
 - (iii) \$48,000 (2008 - \$48,000) for general exploration expenses on the mineral property to a private company controlled by the President of the Company for geological consulting and general mine management; and
 - (iv) \$18,500 (2008 - \$nil) for directors fees to certain directors of the Company.
- (b) Due from related parties consists of the following:

	July 31, 2009	Jan 31, 2009
ABC Drilling	\$ 3,411	\$ 3,411
	\$ 3,411	\$ 3,411

The above noted related parties are related through common management and directors.

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

	July 31, 2009	Jan 31, 2009
Coral Gold Resources Ltd.	\$ 27,998	\$ 27,998
Hazeldene Farm Ltd.	9,528	-
Oniva International Services	17,134	15,263
Due to Directors	18,500	-
	\$ 73,160	\$ 43,261

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.

10. 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.

11. Comparative Figures

Certain of the comparative figures for the comparative fiscal year have been reclassified, where applicable, to conform to the presentation adopted for the current year.

12. Mining Exploration Tax Credit ("METC")

The Company recognizes METC receivable amounts 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 period, the Company recorded a \$1,091,314 receivable in relation to METC related to the fiscal years ended January 31, 2004, 2005, 2006, and 2007.

13. Subsequent Events

Subsequent to July 31, 2009, the Company announced a brokered private placement of up to 5,497,075 units consisting of 4,444,444 units at a price of \$0.90 per unit and 1,052,631 flow-through units at a price of \$0.95 per flow-through unit, to raise an aggregate of \$5,000,000. In addition, the Company has granted the Agent an over-allotment option to acquire up to an additional \$2,500,000 worth of units at \$0.90 per Unit, if exercised within 5 business days of the final closing date and completed within 10 business days of the final closing date, to cover over subscriptions.

The 4,444,444 units will consist of one common share and one share purchase warrant ("warrant"). Each warrant will entitle the investor to purchase one additional common share at an exercise price of \$1.25 per share for a period of 24 months from the date of closing. The flow-through units consist of one flow through share and one warrant. The flow through shares will entitle the investor to the income tax benefits of the qualifying Canadian exploration expenses incurred by the Company.

The Company will pay to the Agent a cash commission of 8% of proceeds from the flow-through units and units sold under the offering as well as compensation options equal to 10% of the aggregate number of flow-through units and units sold under the offering. The compensation options will entitle the Agent to purchase one unit at an exercise price of \$0.90 per unit for a period of 24 months from the date of closing.

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 six months ended July 31, 2009 and the audited financial statements for the year ended January 31, 2009.

This Management Discussion and Analysis ("MD&A") is dated September 25, 2009 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.

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

The following is a summary of significant events and transactions during the period ended July 31, 2009 to the date of this MD&A:

Re-Development of the Former Bralorne, Pioneer and King Gold Mines

The Bralorne mine is located 150 air miles from Vancouver, BC. The Company is fully permitted and developing the significant gaps between the former and very successful Bralorne, Pioneer and King gold mines. From 1928 to 1971, these three operations produced 4.15 million ounces of gold from 7.9 million tons of ore (equalling a grade of 16.48 grams per tonne). The Bralorne, Pioneer and King mines represent the largest historic gold producers in the Canadian Cordillera.

- Metallurgical testing on a grab composite sample of material extracted from the BK zone and placed on stockpile was completed at PRA Metallurgical Labs in Richmond, BC. The test results indicate the material tested responds to gravity and flotation using the process conditions of the existing mill. A combined gold recovery of 98% was achieved with 41% reporting to the gravity concentrate and 57% to a bulk sulfide concentrate. After 2 stages of cleaning, the combined gold recovery drops to 94.6%. It is important to note that visible gold was present in the sample tested and better agreement in head grade results can be accomplished with a larger size test sample.

The sample used for testing was a composite made up of several grab samples taken over the surface of the stockpile that was built with the mined material from the BK zone. The combined sample was packaged appropriately for lab testing and weighed in about 20kg. The head assay of the test composite sample obtained at PRA was 16.6g Au/t using the metallic's assay method and screening to 150 mesh.

After two stages of cleaning, the flotation concentrate grade assayed 209.38g Au/t. This grade is much higher than the 75 to 150g Au/ton flotation concentrates produced in 2004 when sold to Barrick Goldstrike, in Nevada. The higher grade concentrate will also result in higher returns. The result is extremely encouraging and indicates no process changes are required to the existing plant to treat the material from the BK zone.

- A surface drill program was initiated in September 2008 to drill 12 new holes in the new Bralorne-King gap, commonly known as the BK zone. The purpose of the program is to test the vertical extent, near surface, or 600 to 900 feet above the mineralized section of the BK zone discovered during the 800 level drifting program. Because of favourable results 4 holes were added to the program making 16 holes in total for 3,376.88 meters.

This highly successful surface drill program was completed in February 2009 in the unexplored areas of the King-Bralorne Gap. The program appears to have successfully extended the known extent of the Alhambra Vein and to have identified three additional vein structures in the King-Bralorne Gap area.

Prior to this program, the company invested a great deal of time and effort into data mining, digitizing historic data and incorporating current information, in an effort to produce a complete, comprehensive 3-dimensional ("3D") model on the mines and the area of unexplored interest. This model resulted in a better understanding of the mineralized zones and will be used to enhance the direction of future exploration and development.

Logging of core and plotting drill intersects in 3D, combined in concert with the 3D mine model has shown that the drilling has intersected numerous quartz structures with mineralization. These coincide with the known King Vein, BK Vein and Alhambra Vein. However, the 2008 drill data and 3D models show the potential for extensions to the BK Zone of approximately 1000 meters in addition to the current strike length of approximately 600 meters and Alhambra Vein appears to have a 1500 meters extension to its existing structure based on modeling and drill intercepts.

In addition, it appears that there is an intermediate structure between the King Vein and BK Vein with an approximate 1200 meters strike length. To the south of the Alhambra Vein extension, there is also strong evidence of a structure with a strike length of approximately 1300 meters and further south but offset to the east of this there appears to be another structure with an approximately 850 meters of strike length.

The reader is cautioned that strike lengths and distances imply continuity and it is not guaranteed that these structures will be completely mineralized or will be eventually resources and/or reserves.

It should be noted that for narrow vein deposits, resource and reserve definition requires closely spacing drilling and underground drift and raise development in order to establish thickness, continuity and grade. This work is still required to establish the structures as reported in this release as resources and/or reserves.

- In April 2009 the Company mobilized its equipment and a skilled team of miners to begin the construction of the new adit on the Lorne block. This new adit will act as an access ramp to the BK vein at the 575 level. The Company previously drifted 500 meters on the BK vein at the 800 level encountering mineralized zones of 40.87 meters of 28.8 g/t of Au with a width of 1.66 meters and 24.70 meters of 17.98 g/t of Au with a width of 1.22 meters. This new access will allow us to further develop the gold resources in the BK zone and to elevate the resource category.
- In June 2009 the Company received its National Instrument 43-101 Technical Report on its Bralorne Pioneer Mine property. The report was prepared by Dr. Matt Ball, P.Geo., an independent consultant, and contains an updated resource estimate for the property that includes an estimate for the new BK Zone. **The total contained gold is estimated at 77,750 ounces/2,418,365 grams (Measured= 9,200oz / 286,262g & Inferred = 68,550oz / 2,132,103g).** The resource estimate is summarized in Table 1 below. All of the resources are located above the 800 Level drift, with the exception of part of the BK Zone.

Table 1. Updated Resource Estimate for the Bralorne Mine Property.

Vein	Measured		Inferred	
	Tonnes	g/T Au	Tonnes	g/T Au
51B FW "A" King	9,566	12.00	4,420	9.35
51B FW "B"			53,142	11.01
51B FW "C"			7,165	19.95
51B FW "D" Taylor			20,578	31.74
BK above 800 Level	3,884	21.26	6,260	21.53
BK below 800 Level	4,176	21.27	10,766	21.53
Total	17,627.00	16.24	142,330	14.98

Abbreviations: Au = gold; g/T = grams per metric tonne; m = meter

The BK estimate (Measured: 8,061 tonnes grading 21.27 grams per tonne gold, plus Inferred: 17,026 tonnes grading 21.53 grams per tonne gold) was done using a classical polygonal approach following the methods empirically developed and reconciled with production at the historic Bralorne mine, which operated for over 40 years and produced more than 4.15 million ounces of gold. The resource grade is based on face chip samples collected in the 800 Level BK drift that was developed in 2008, and the block limits are based on the results of in-fill drilling completed from underground in 2007. The original assays from underground and drill core samples have been verified by check sampling conducted by Dr. Ball and assayed at Assayers Canada in Vancouver, and also by check assaying of re-splits and re-samples done on behalf of BPM at Eco-Tech Laboratory in Kamloops, BC.

Further work is also recommended to address the substantial list of historical resource blocks and otherwise NI 43-101 non-compliant resource blocks that are currently not included in the

mineral inventory. The overall objective of the recommended work is to increase the mineral resource inventory to a practical level that could lead to a production decision.

To view the technical report and further recommendations:
<http://www.bralorne.com/s/TechReport.asp>

The Company remains well funded with no long-term or short-term debt.

Results of Operations

Three months ended July 31, 2009 compared with the three months ended July 31, 2008.

Head office-general and administrative expenses

General and administrative expenses totaled \$168,033 for the three months ended July 31, 2009 compared with \$136,513 for the three months ended July 31, 2008, an increase of \$31,520. Generally administrative expenses are generally lower as compared to the prior year due to a general overall reduction in expenditures with the increases due to stock-based compensation and the addition of directors fees. Stock-based compensation increased by \$38,564 and directors fees increased by \$9,500. The Company authorized payments to the board during the third quarter of the prior year; therefore there was no expense in the first half of fiscal year 2009. Stock-based compensation related to options granted in the prior year and vesting over a year as well as the issuance of new options in the current period. Decreases include \$3,304 in automobile expense, \$8,400 in consulting, \$1,438 in office and \$3,077 in travel.

Loss for the period

The loss for the three months ended July 31, 2009 was \$146,342 compared with a loss of \$107,344 for the three months ended July 31, 2008, an increase of \$38,998. General and administrative expenses increased as discussed above and interest income was lower by \$7,478. Interest income is significantly lower for the current year due to a lower cash balance and lower rates; however the Company recorded \$21,000 in interest income in relation to the refund received for the Mining Exploration Tax Credit ("METC").

Six months ended July 31, 2009 compared with the six months ended July 31, 2008.

Head office-general and administrative expenses

General and administrative expenses totaled \$269,939 for the six months ended July 31, 2009 compared with \$266,837 for the six months ended July 31, 2008, an increase of \$3,102. Generally administrative expenses are lower as compared to the prior year due to a general overall reduction in expenditures. Decreases include \$7,369 in automobile expense, \$15,858 in consulting, \$4,179 in listing and filing fees, \$1,993 in office, \$6,261 in professional fees, \$21,355 in shareholder information, and \$4,330 in travel. These decreases were offset by increases of \$18,500 in directors fees and \$46,052 in stock-based compensation. The Company authorized payments to the board during the third quarter of the prior year; therefore there was no expense in the first half of fiscal year 2009. Shareholder information costs were lower in the current year due to decreased promotional activities and investor relations services. Professional fees were lower in the current year due to lower legal and accounting costs. Stock-based compensation increased primarily with the issuance of stock options in the current period.

Loss for the period

The loss for the six months ended July 31, 2009 was \$243,942 compared with a loss of \$222,801 for the six months ended July 31, 2008, an increase of \$21,141. While the total of the general and administrative expenses remained relatively the same as discussed above, offsetting this was a reduction in the interest income of \$18,039. This is in due to a lower cash balance and significantly lower interest rates.

Summary of Quarterly Results

Period ended	Jul 31 2009 Q2	Apr 30 2009 Q1	Jan 31 2009 Q4	Oct 31 2008 Q3	Jul 31 2008 Q2	Apr 30 2008 Q1	Jan 31 2008 Q4	Oct 31 2007 Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net Income (Loss)	(146,342)	(97,600)	(523,486)	(101,561)	(107,344)	(115,457)	(317,726)	(96,635)
Income (Loss) per Share basic and diluted	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.02)	(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 which is not experienced in every quarter and other expense and income items. Interest income has been slowly declining over the past eight quarters as a result of the Company using the cash raised through private placements and lower interest rates in the current year.

Liquidity and Capital Resources

During the six months ended July 31, 2009 the Company has accrued \$1,129,433 towards mineral exploration on its Bralorne Property; this was offset by the METC amount of \$1,069,512. As was the case in the previous year, the mill has been shut down to allow more concentration and total emphasis on the drilling program. In conjunction with the exploration activities, work concerning environmental studies and compliance measures continues. At this time the Company has no operating revenues.

At July 31, 2009, the Company held \$439,767 worth of gold dore bars and silver that were produced during the bulk sampling stage in a prior year in safe-keeping and had working capital of \$1,036,851 and cash and cash equivalents of \$294,885. The Company is continuing its exploration drilling program and has outlined a plan to spend approximately \$2.5 million on the BK Zone. The Company has sufficient cash on hand at this time to finance the limited exploration work on its mineral properties and maintain administrative operations.

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. The flow-through and super flow-through shares will entitle the investor to the tax benefits of the qualifying Canadian exploration expenses incurred by the Company. In addition, the Company issued 236,500 units at a price of \$0.95 per unit for gross proceeds of \$224,675. 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. 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 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 373,500 of the units and shares sold under the offering, exercisable at \$1.25 per option exercisable 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.

During the period ended July 31, 2009, 120,000 warrants were exercised for gross proceeds of \$120,000.

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 period ended July 31, 2009, the Company paid, or made provision for the future payment, of the following amounts to related parties:

- i) \$100,262 (2008 - \$115,637) for administrative expenses and \$538 (2008 - \$Nil) for certain mineral property expenses to Oniva International Services Corp. ("Oniva"), a private company beneficially owned by the Company and five other public companies related through common Directors;
- ii) \$30,000 (2008 - \$37,500) for consulting fees to two private companies controlled by Directors for management fees;
- iii) \$48,000 (2008 - \$48,000) to a private company controlled by the President of the Company for geological consulting and general mine management; and
- iv) \$18,500 (2008 - \$nil) for directors fees to certain directors of the Company.

Amounts due from related parties consists of \$3,411 (January 31, 2009 - \$3,411) from companies related by way of common directors.

Amounts due to related parties consist of \$73,160 (January 31, 2009 - \$43,261) 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 period ended July 31, 2009, \$48,000 was paid to the Chief Executive Officer and President for services as director and officer of the Company; \$15,000 was paid to the Chairman of the Board for services as director of the Company; \$9,900 was paid to the CFO for services as an officer of the Company, \$15,000 was paid to the V.P. Finance for services as director and officer of the Company; and \$6,480 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. Actual results may differ from those estimates. 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.

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 not practical 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.

Changes in Accounting Policies

Effective February 1, 2009, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Section 3064 Goodwill and Intangible Assets. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The adoption of this standard did not have any material effect on the financial statements.

In March 2009, the CICA issued EIC 174, "Mining Exploration Costs". The EIC provides guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and

when an impairment test of these costs is required. EIC 174 is applicable to fiscal periods ending after the issuance date.

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 of the Company’s Interim Financial Statements for the six months ended July 31, 2009:

- i) Section 1582 Business Combinations
- ii) Section 1601 Consolidated Financial Statements
- iii) Section 1602 Non-controlling Interests
- iv) EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

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 also 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 July 31, 2009 and September 25, 2009:

Common Shares: 16,966,474 as of July 31, 2009 and 16,991,141 as of September 25, 2009

Stock Options

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (Jul 31/09)	Number of Shares Remaining Subject to Options (Sept 25/09)
January 16, 2011	\$1.16	956,000	956,000
July 23, 2012	\$1.16	50,000	50,000
November 29, 2012	\$1.16	40,500	40,500
May 14, 2013	\$1.16	42,000	42,000
November 21, 2013	\$0.75	440,000	416,000
July 29, 2014	\$0.75	110,000	59,333
TOTAL:		1,638,500	1,563,833

Compensation Options

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (Jul 31/09)	Number of Shares Remaining Subject to Options (Sept 25/09)
Dec 15, 2010	\$1.25	29,880	29,880
TOTAL:		29,880	29,880

Warrants

Expiry Date	Exercise Price	Underlying Shares (Jul 31/09)	Underlying Shares (Sept 25/09)
Dec 31, 2008 / Dec 31, 2009	\$1.50 / \$2.00	255,869	255,869
Feb 4, 2009 / Feb 4, 2010	\$1.50 / \$2.00	269,139	269,139
Mar 19, 2009 / Mar 19, 2010	\$1.60 / \$2.00	300,000	300,000
Apr 26, 2010	\$3.00	470,193	470,193
Apr 26, 2010	\$3.00	1,000,000	1,000,000
Dec 15, 2010	\$1.25	236,500	236,500
TOTAL:		2,531,701	2,531,701

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 July 31, 2009 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 quarter ended July 31, 2009 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

Subsequent Event

The Company has arranged a brokered private placement with MGI Securities Inc. of Toronto, Ontario (the "Agent") of up to 5,497,075 Units consisting of 4,444,444 Units at a price of \$0.90 per Unit and 1,052,631 Flow-Through Units at a price of \$0.95 per Flow-Through Unit, to raise an aggregate of \$5,000,000 (the "Offerings"). In addition, the Company has granted the Agent an over-allotment option to acquire up to an additional \$2,500,000 worth of Units at \$0.90 per Unit, if exercised within 5 business days of the final closing date and completed within 10 business days of the final closing date, to cover over subscriptions.

The 4,444,444 Units will consist of one common share and one share purchase warrant ("Warrant"). Each Warrant will entitle the investor to purchase one additional common share at an exercise price of \$1.25 per share for a period of 24 months from the date of closing, provided that if the Company's common shares close at \$2.00 per share or more over 20 consecutive trading days, then the Company will have the right to require conversion of the Warrants.

The Flow-Through Units consist of one flow through share and one Warrant. The flow through shares will entitle the investor to the income tax benefits of the qualifying Canadian exploration expenses incurred by the Company, which will be "flowed-through" to the investor in accordance with Canadian income tax laws.

The Agent will receive from the Company a cash commission of 8% of proceeds from the Flow-Through Units and Units sold under the Offerings and the over allotment option. In addition, the Agent will receive non-transferable compensation options (the "Compensation Options") exercisable to purchase that number of Units equal to 10% of the aggregate number of Flow-Through Units and Units sold under the Offerings and the over allotment option. Each Agent's Compensation Option will entitle the Agent (or any member of the selling group, who is assigned the right to receive a portion of the Compensation Option) to purchase one Unit at an exercise price of \$0.90 per Unit for a period of 24 months from the date of closing.

The net proceeds of the offerings will be used for additional exploration and development work on the Company's mining properties and for general working capital requirements.

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 September 25, 2009. 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.