



BRALORNE GOLD MINES LTD.

(an exploration stage company)

Audited Financial Statements

For the years ended January 31, 2011 and 2010

<u>Index</u>	<u>Page</u>
Management's Responsibility for Financial Reporting	1
Independent Auditors' Report to the Shareholders	2
Financial Statements	
Balance Sheets	3
Statements of Operations	4
Statements of Shareholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 24

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Bralorne Gold Mines Ltd. (an exploration stage company) are the responsibility of the Company's management. The financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The financial statements as at January 31, 2011 and 2010 and for the years then ended have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the financial statements.

"William Kocken"

William Kocken
CEO

Vancouver, British Columbia
May 30, 2011

"Lisa Sharp"

Lisa Sharp
CFO

INDEPENDENT AUDITORS' REPORT

**TO THE SHAREHOLDERS OF BRALORNE GOLD MINES LTD.
(an exploration stage company)**

We have audited the accompanying financial statements of Bralorne Gold Mines Ltd. (an exploration stage company), which comprise the balance sheets as at January 31, 2011 and 2010, and the statements of operations, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bralorne Gold Mines Ltd. as at January 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
May 30, 2011

BRALORNE GOLD MINES LTD.
(an exploration stage company)

Balance Sheets

As at January 31

	2011	2010
ASSETS		
Current		
Cash and cash equivalents	\$ 1,208,071	\$ 3,717,843
Prepaid expenses	9,160	9,928
Interest receivable	-	7,408
Taxes receivable	55,690	47,207
BC mining exploration tax credit receivable	1,340,088	931,000
	2,613,009	4,713,386
Due from related party (Note 10(b))	658	7,551
Mineral property (Notes 6 and 10)	25,949,937	22,163,467
Equipment (Note 7)	38,750	35,784
Restricted cash (Note 5)	140,000	125,000
	\$ 28,742,354	\$ 27,045,188
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 321,221	\$ 199,522
Due to related parties (Note 10(c))	172,428	39,736
	493,649	239,258
Site restoration obligation (Note 8)	98,000	98,000
	591,649	337,258
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	33,516,957	30,807,988
Contributed surplus	6,833,566	7,797,919
Deficit	(12,199,818)	(11,897,977)
	28,150,705	26,707,930
	\$ 28,742,354	\$ 27,045,188

Commitment (Note 11)

Subsequent Events (Note 15)

Approved on behalf of the Board:

"Gary Robertson"

Gary Robertson

Director

"William Kocken"

William Kocken

Director

The accompanying notes are an integral part of these financial statements

BRALORNE GOLD MINES LTD.
(an exploration stage company)
Statements of Operations
For the Years Ended January 31

	2011	2010
General and administrative expenses		
Administration services	\$ 5,036	\$ 4,501
Amortization	10,031	8,475
Automobile	19,496	14,104
Consulting <i>(Note 10(a)(ii))</i>	205,000	370,115
Directors' fees <i>(Note 10(a)(v))</i>	16,750	27,500
Listing and filing fees	21,073	16,626
Office, occupancy and miscellaneous	52,950	28,165
Professional fees	64,884	37,459
Salaries and benefits	146,790	141,259
Shareholder information, net	40,312	(8,787)
Stock-based compensation <i>(Note 9(f))</i>	-	502,560
Travel and accommodation	28,508	38,519
Loss before other items and future income tax recovery	(610,830)	(1,180,496)
Other items		
Interest income	48,211	280,618
Flow-through share costs	10,795	(93,564)
Loss before future income tax recovery	(551,824)	(993,442)
Future income tax recovery <i>(Note 12)</i>	249,983	575,048
Net loss and comprehensive loss for the year	\$ (301,841)	\$ (418,394)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	23,072,744	18,651,834

The accompanying notes are an integral part of these financial statements

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

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
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 (Notes 9(b)(v), (vi) and (vii))	6,243,047	3,103,478	2,623,913	-	5,727,391
Share issue costs	-	(829,112)	240,967	-	(588,145)
Exercise of stock 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)
Balance, January 31, 2010	22,852,425	30,807,988	7,797,919	(11,897,977)	26,707,930
Common shares issued for cash:					
Private placement (Note 9(b)(i))	689,655	982,553	17,447	-	1,000,000
Share issue costs	-	(80,950)	4,817	-	(76,133)
Exercise of options	837,391	909,556	-	-	909,556
Exercise of warrants and compensation options	133,350	161,176	-	-	161,176
Transfer of contributed surplus to share capital on exercise of stock options, warrants and compensation options	-	986,617	(986,617)	-	-
Income tax effect of flow-through share renunciation	-	(249,983)	-	-	(249,983)
Loss for the year	-	-	-	(301,841)	(301,841)
Balance, January 31, 2011	24,512,821	\$33,516,957	\$6,833,566	\$(12,199,818)	\$28,150,705

The accompanying notes are an integral part of these financial statements

BRALORNE GOLD MINES LTD.
(an exploration stage company)
Statements of Cash Flows
For the Years Ended January 31

	2011	2010
OPERATING ACTIVITIES		
Net loss for the year	\$ (301,841)	\$ (418,394)
Adjustments for items not involving cash:		
Amortization	10,031	8,475
Stock-based compensation	-	502,560
Future income tax recovery	(249,983)	(575,048)
	(541,793)	(482,407)
Changes in non-cash working capital:		
Prepaid expenses	768	9,756
Interest receivable	7,408	(2,526)
Taxes receivable	(8,483)	(24,598)
Accounts payable and accrued liabilities	130,790	(72,903)
Cash used in operating activities	(411,310)	(572,678)
INVESTING ACTIVITIES		
Equipment acquisitions	(12,997)	(14,177)
Restricted cash	(15,000)	-
Mineral property expenditures	(4,976,668)	(3,100,388)
BC mining exploration tax credit	779,570	1,158,178
Cash used in investing activities	(4,225,095)	(1,956,387)
FINANCING ACTIVITIES		
Issuance of common shares, net of issue costs	1,994,599	5,277,746
Amounts due from related parties, net	132,034	(3,525)
Cash provided by financing activities	2,126,633	5,274,221
Increase (decrease) in cash and cash equivalents	(2,509,772)	2,745,156
Cash and cash equivalents, beginning of year	3,717,843	972,687
Cash and cash equivalents, end of year	\$ 1,208,071	\$ 3,717,843

See Note 13 for supplemental cash flow information.

The accompanying notes are an integral part of these financial statements

BRALORNE GOLD MINES LTD.
(an exploration stage company)

Notes to Financial Statements

For the years ended January 31, 2011 and 2010

1. Nature of Operations and Going Concern

Bralorne Gold Mines Ltd. ("Bralorne" or the "Company") was incorporated 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 financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("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 January 31, 2011, the Company had working capital of \$2,119,360 (2010 - \$4,474,128) and a deficit of \$12,199,818 (2010 - \$11,897,977). Management believes the Company has 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 (note 15).

2. Significant Accounting Policies

(a) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments and contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Significant areas requiring the use of management's estimates include the balances of accrued liabilities, amortization rates of equipment, the recoverability of deferred mineral property expenditures, the determination of site restoration and environmental obligations, determination of the assumptions used in the calculation of stock-based compensation, allocation of proceeds for unit offerings and the valuation allowance for future income tax assets. Although management believes its estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(b) Cash equivalents

Cash equivalents consist of cashable highly liquid investments, which are readily convertible into known amounts of cash within 90 days from the date of acquisition.

2. Significant Accounting Policies (continued)

(c) Mineral property

The Company is in the exploration stage and defers all expenditures related to its mineral property until such time as the property is put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral property represent acquisition, exploration and development costs incurred to date, net of recoveries and amounts amortized and/or written off and do not necessarily represent present or future values.

Inventory of gold flotation concentrate, gold dore bars and silver contained within the gold dore bars produced during the bulk sampling development stage are recorded as a component of mineral property costs. Proceeds from the sale of gold produced during the bulk sampling stage are deducted from accumulated mineral property costs.

If the property is put into commercial production, the expenditures will be depleted based upon proven reserves available. If the property is sold or abandoned, the capitalized expenditures will be charged to operations. The Company does not accrue the estimated future costs, such as land or property taxes, of maintaining its mineral property in good standing.

The Company reviews the carrying values of mineral properties, on a property-by-property basis, at least annually to determine if there are any indications of impairment. If impairment is deemed to exist, the mineral property will be written down to its fair value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term that could adversely affect management's estimates and may result in future write-downs of capitalized mineral property carrying values.

(d) Equipment

Equipment is recorded at historical cost less accumulated amortization. Amortization is charged to operations using the declining balance method at the following annual rates:

Computer equipment and software	30%
Office equipment	20%
Vehicle	30%

Mine and plant buildings and equipment will be amortized upon commencement of commercial production.

(e) Site restoration obligation

The Company recognizes the fair value of liabilities for asset retirement obligations (referred to as "site restoration obligations") in the period in which they occur and/or in which a reasonable estimate of such costs can be made. Liabilities include those related to environmental protection and rehabilitation due to environmental law or contracts. The site restoration obligation is recorded as a liability with a corresponding increase to the carrying amount of mineral property interests.

Subsequently, the costs of site restoration are allocated to expenses using a systematic and rational method and are adjusted to reflect period-to-period changes in the liability resulting from the passage of time and/or revisions to either timing or the amount of the original estimate of the undiscounted cash flow.

2. Significant Accounting Policies (continued)

(f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(g) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(h) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The income tax benefits foregone are considered to constitute share issue costs and are reflected in share capital with an offsetting increase to future income tax liability.

(i) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(j) Accounting for equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to warrants based on their fair value determined using the Black-Scholes option pricing model, and the remainder is allocated to common shares.

2. Significant Accounting Policies (continued)

(k) Mineral 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. Such claims are subject to review by taxation authorities and, therefore, the amount ultimately received could be materially different than the amount recorded. Tax credits are recorded using the cost reduction method and, accordingly, are included as a reduction of mineral property expenditures.

(l) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

(m) Future accounting standards

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its April 30, 2011 interim financial statements. 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. The Company has evaluated the impact of the conversion on the Company's financial statements and is quantifying the effects.

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.

The carrying value of financial assets by category at January 31, 2011 and 2010 are as follows:

Financial Assets	2011			2010		
	Held-for-trading	Held-to-maturity	Loans and receivables	Held-for-trading	Held-to-maturity	Loans and receivables
Cash and cash equivalents	\$ 1,208,071	\$ -	\$ -	\$ 3,717,843	\$ -	\$ -
Interest receivable	-	-	-	-	-	7,408
Restricted cash	-	140,000	-	-	125,000	-
Amounts due from related party	-	-	658	-	-	7,551
	\$ 1,208,071	\$ 140,000	\$ 658	\$ 3,717,843	\$ 125,000	\$ 14,959

3. Risk Management and Financial Instruments (continued)

The carrying value of financial liabilities by category at January 31, 2011 and 2010 are as follows:

Financial Liabilities	2011	2010
	Other Financial Liabilities	Other Financial Liabilities
Accounts payable and accrued liabilities	\$ 321,221	\$ 199,522
Amounts due to related parties	172,428	39,736
	\$ 493,649	\$ 239,258

The carrying amounts of cash and cash equivalents, interest receivable, restricted cash, and accounts payable and accrued liabilities are a reasonable estimate of their fair values due to 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, 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 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:

	2011	2010
Term deposits	\$ -	\$ 3,600,000
Cash held in bank accounts	1,208,071	117,843
Interest receivable	-	7,408
Restricted cash	140,000	125,000
	\$ 1,348,071	\$ 3,850,251

The Company held cashable term deposits at January 31, 2010 that earned interest at 1.0% and matured in November 2010.

3. Risk Management and Financial Instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity risk is to forecast its exploration obligations and cash requirements. The Company maintains sufficient cash and cash equivalents at January 31, 2011 in the amount of \$1,208,071 (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 January 31, 2011, the Company had accounts payable excluding accrued liabilities of \$162,081 (2010 - \$154,715), which are due within 30 days.

(c) Market risk

Market risk consists of interest rate risk, foreign currency 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 January 31, 2011. 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. The Company is in the exploration stage and 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 its 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.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this source financing. There were no changes to the Company's capital management approach during the year ended January 31, 2011.

BRALORNE GOLD MINES LTD.
(an exploration stage company)

Notes to Financial Statements

For the years ended January 31, 2011 and 2010

5. Restricted Cash

The Company has placed deposits in the amount of \$140,000 at January 31, 2011 (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 interest at rates between 0.15% and 0.50%, and maturing between February 21, 2011 and November 1, 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:

	2011	2010
Acquisition costs	\$ 2,442,347	\$ 2,442,347
Deferred exploration and development expenditures	21,176,109	17,492,354
Tailings pond	1,020,840	1,020,840
Mine and plant buildings, and equipment	2,533,602	2,430,887
Provision for reclamation	98,000	98,000
	<hr/> 27,270,898	<hr/> 23,484,428
Deduct: accumulated concentrate and gold dore sales to date	(1,320,961)	(1,320,961)
	<hr/> \$ 25,949,937	<hr/> \$ 22,163,467

As at January 31, 2011, the Company had inventory of gold and silver dore bars with a fair market value of \$579,378 (2010 - \$498,715), included at cost in deferred expenditures above. During the year ended January 31, 2011, the Company had no sale of concentrate or gold dore bars.

6. Mineral Property (continued)

Deferred exploration and development expenditures incurred on the Bralorne Property during the years ended January 31, 2011 and 2010 are as follows:

	2011	2010
Assays	\$ 155,109	\$ 39,344
Camp operations	238,485	109,977
Field office	131,554	92,566
Drilling	296,260	451,486
General exploration	3,783,264	2,305,092
Insurance	2,978	-
Mine power	111,005	54,050
Mill operating	129,173	-
Taxes and permits	24,585	13,040
Increase in deferred exploration expenditures	4,872,413	3,065,555
Deferred exploration and development expenditures, beginning of the year	17,492,354	16,515,977
Mining exploration tax credits (note 14)	(1,188,658)	(2,089,178)
Deferred exploration and development expenditures, end of the year	\$ 21,176,109	\$ 17,492,354

Realization of mineral properties

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.

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

	2011		Net Book Value
	Cost	Accumulated Amortization	
Computer equipment	\$ 33,357	\$ 16,050	\$ 17,307
Computer software	5,340	5,339	1
Office equipment	6,518	5,300	1,218
Vehicle	52,841	32,617	20,224
	\$ 98,056	\$ 59,306	\$ 38,750

	2010		Net Book Value
	Cost	Accumulated Amortization	
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
	\$ 85,059	\$ 49,275	\$ 35,784

8. Site Restoration Obligation

Management has estimated that the present value of its site restoration obligation at January 31, 2011 totals \$98,000 (2010 - \$98,000), which amount has been added to the capitalized cost of the mineral property, and recognized as site restoration liability. The present value of the obligation was calculated using a risk-free interest rate of 7.13% (2010 - 7.13%) and an inflation rate of 1.84% (2010 - 2.04%). Reclamation activities are estimated to occur over a three-year period beginning in 2030. The undiscounted value of the obligation is \$110,000 (2010 - \$110,000).

BRALORNE GOLD MINES LTD.
(an exploration stage company)

Notes to Financial Statements

For the years ended January 31, 2011 and 2010

9. Share Capital

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

(b) Issued

- (i) On December 7, 2010, the Company closed a private placement issuing 689,655 units at a price of \$1.45 per unit for gross proceeds of \$1,000,000. Each unit consists of one flow-through common share and one-half share purchase warrant. One whole share purchase warrant is exercisable for a term of six months into one non-flow-through common share at a price of \$1.75 until June 7, 2011.

The Company paid to certain finders a cash commission equal to 6% of the applicable gross proceeds of the financing (\$54,000) and issued compensation options to purchase common shares of the Company equal to 7% of the units sold through the finder (43,448). Each compensation option is exercisable at a price of \$1.45 and entitles the holder to one common share and one-half of one common share purchase warrant, which is exercisable at a price of \$1.75 until June 7, 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 1.69%, dividend yield of nil, volatility of 50.52% and an expected life of six months. Of the \$1,000,000 total aggregate proceeds raised, \$982,553 was attributable to common shares and \$17,447 was attributable to common share purchase warrants, which has been recorded in contributed surplus. The 43,448 compensation options were valued at \$4,817.

- (ii) During the year ended January 31, 2011, 117,600 warrants were exercised for gross proceeds of \$147,000. The Company reallocated the fair value of these warrants previously recorded in the amount of \$44,085 from contributed surplus to share capital.
- (iii) During the year ended January 31, 2011, 15,750 compensation options were exercised for gross proceeds of \$14,176. The Company reallocated the fair value of these compensation units previously recorded in the amount of \$8,434 from contributed surplus to share capital.
- (iv) During the year ended January 31, 2011, 837,391 stock options were exercised for gross proceeds of \$909,556. The Company reallocated the fair value of these options previously recorded in the amount of \$934,098 from contributed surplus to share capital.
- (v) 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 into one common share at a price of \$1.25 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 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 until November 9, 2011.

9. Share Capital (continued)

(b) Issued (continued)

(v) (continued)

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.

(vi) 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 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 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 until 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.

(vii) 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 until 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.

9. Share Capital (continued)

(b) Issued (continued)

(viii) During the year ended January 31, 2010, 120,000 warrants were exercised for gross proceeds of \$120,000.

(ix) 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 options

A summary of compensation options transactions during the years ended January 31, 2011 and 2010 is as follows:

	Underlying Options	Weighted Average Exercise Price
Balance, January 31, 2009	-	-
Issued	443,178	\$0.90
Balance, January 31, 2010	443,178	\$0.90
Issued	43,448	\$1.45
Exercised	(15,750)	\$0.90
Balance, January 31, 2011	470,876	\$0.95

As at January 31, 2011 and 2010, the following compensation options were outstanding and exercisable:

Number of Compensation Options Outstanding and Exercisable		Exercise Price Per Share	Expiry Date	
2011	2010			
349,418	365,168	\$0.90	September 28, 2011	*
78,010	78,010	\$0.90	November 9, 2011	*
43,448	-	\$1.45	June 7, 2011	**
470,876	443,178			

* The compensation options entitle the holder to one common share and one common share purchase warrant.

** The compensation options entitle the holder to one common share and one-half of one common share purchase warrant.

9. Share Capital (continued)

(d) Share purchase warrants

A summary of share purchase warrants transactions during the years ended January 31, 2011 and 2010 is as follows:

	Underlying Shares	Weighted Average Exercise Price
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	360,577	\$1.73
Exercised	(117,600)	\$1.25
Expired	(2,198,112)	\$2.61
Balance, January 31, 2011	6,211,861	\$1.28

As at January 31, 2011 and 2010, the following share purchase warrants were outstanding and exercisable:

Number of Warrants Outstanding and Exercisable		Exercise Price Per Share	Expiry Date
2011	2010		
-	269,139	\$2.00	February 4, 2010
-	300,000	\$2.00	March 19, 2010
-	470,193	\$3.00	April 26, 2010
-	1,000,000	\$3.00	April 26, 2010
-	266,380	\$1.25	December 15, 2010
3,758,434	3,742,684	\$1.25	September 28, 2011
556,000	556,000	\$1.25	September 30, 2011
1,552,600	1,562,600	\$1.25	November 9, 2011
344,827	-	\$1.75	June 7, 2011
6,211,861	8,166,996		

(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.

9. Share Capital (continued)

(e) Stock options (continued)

A summary of stock options transactions during the years ended January 31, 2011 and 2010 is as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 31, 2009	1,548,500	\$1.04
Granted	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
Exercised	(837,391)	\$1.09
Expired	(287,500)	\$1.16
Options outstanding at January 31, 2011	1,083,442	\$0.84

At January 31, 2011, the Company has 1,083,442 stock options outstanding with a weighted average remaining contractual life of 3.52 years.

As at January 31, 2011 and 2010, the following stock options were outstanding and exercisable:

Number of Options Outstanding		Number of Options Exercisable		Exercise Price per Share	Expiry Date
2011	2010	2011	2010		
-	956,000	-	956,000	\$1.16	January 16, 2011
33,500	40,500	33,500	40,500	\$1.16	November 29, 2012
42,000	42,000	42,000	42,000	\$1.16	May 14, 2013
273,000	379,000	273,000	379,000	\$0.75	November 21, 2013
49,000	59,333	49,000	59,333	\$0.75	July 29, 2014
685,942	731,500	685,942	731,500	\$0.85	January 15, 2015
1,083,442	2,208,333	1,083,442	2,208,333		

(f) 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 year ended January 31, 2011 of \$nil (2010 - \$502,560) using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	N/A	2.49%
Expected dividend yield	N/A	0%
Expected stock price volatility	N/A	81.34%
Expected option life in years	N/A	5

9. Share Capital (continued)

(f) Stock-based compensation (continued)

During the year ended January 31, 2011, the Company recorded stock-based compensation expense on options vested of \$nil (2010 - \$502,560), allocated as follows:

	2011	2010
Directors, officers and employees	\$ -	\$ 471,254
Consultants	-	31,306
	\$ -	\$ 502,560

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.

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 financial statements are as follows:

- (a)** During the year ended January 31, 2011, the Company paid, or made provision for the future payment of, the following amounts to related parties:
- (i) \$191,643 (2010 - \$187,005) for administrative fees, overhead expenses and reimbursement of out-of-pocket operating expenditures on the Company's behalf and \$50,026 (2010 - \$19,995) 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) \$205,000 (2010 - \$360,000) as consulting fees to three private companies controlled by directors;
 - (iii) \$106,000 (2010 - \$96,000) 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) \$46,050 (2010 - \$4,500) for general exploration expenses on the mineral property to the Chief Operating Officer;
 - (v) \$16,750 (2010 - \$27,500) for directors' fees to certain directors of the Company; and
 - (vi) \$286,772 (2010 - \$406,092) for drilling expenses by a private drilling company with common management.

10. Related Party Transactions (continued)

(b) Due from related parties consists of the following:

	2011	2010
ABC Drilling	\$ -	\$ 7,551
Frobisher Securities	504	-
Mill Bay Ventures	154	-
	\$ 658	\$ 7,551

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

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

	2011	2010
Hazeldene Farm Ltd.*	\$ 150,000	\$ 9,728
Dr. Matthew Ball	-	4,725
Oniva International Services*	22,428	16,283
Due to directors	-	9,000
	\$ 172,428	\$ 39,736

* 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 are non-interest bearing.

11. Commitment

The Company has a cost sharing agreement to reimburse Oniva for a percentage of its overhead expenses, to 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. The agreement may be terminated with one-month notice by either party. Transactions and balances with Oniva are disclosed in Note 10.

BRALORNE GOLD MINES LTD.
(an exploration stage company)

Notes to Financial Statements

For the years ended January 31, 2011 and 2010

12. Income Taxes

Income tax recovery differs from the amount that would result from applying the Canadian federal and provincial statutory income tax rates to loss before income taxes. For the year ended January 31, 2011 the statutory tax rate is 28.50% (2010 - 30.00%). These differences result from the following items:

	2011	2010
Income tax recovery at the statutory income tax rate	\$ 157,270	\$ 298,033
Non-deductible expenses and other	-	(458,659)
Change in timing differences	(106,410)	781,499
Change in valuation allowance	225,381	128,454
Effect of changes in the tax rates	(26,258)	(174,279)
Future income tax recovery	\$ 249,983	\$ 575,048

The components of the future income tax assets and liabilities, after applying substantively enacted tax rates of 25.00% (2010 - 25.00%) are as follows:

	2011	2010
Non-capital loss carry-forwards	\$ 1,702,676	\$ 1,576,064
Equipment tax cost in excess of book value	177,808	175,300
Share issuance costs and other	150,533	182,400
Future income tax assets	2,031,017	1,933,764
Valuation allowance	(68,253)	(293,634)
Future income tax assets, net	1,962,762	1,640,130
Future income tax liability		
Mineral property expenditures	(1,962,762)	(1,640,130)
Future income taxes, net	\$ -	\$ -

The valuation allowance reflects the Company's estimate that the benefits of the future income tax assets are not more likely than not to be realized.

The Company has accumulated non-capital losses for income tax purposes of approximately \$6,821,000. The losses expire in the following years:

2015	\$ 1,006,000
2026	1,317,000
2027	1,170,000
2028	1,100,000
2029	643,000
2030	835,000
2031	750,000
	\$ 6,821,000

In addition, the Company has accumulated Canadian Exploration and Development Expenses for income tax purposes of approximately \$15,366,611. The expenditures pools can be carried forward indefinitely to be applied against taxable income of future years.

The Company has approximately \$728,979 in pre-production mining expenditures income tax credits, which may be used to offset federal income taxes payable. Credits may be carried forward for a maximum of 20 years to be applied against federal income taxes payable of future years.

12. Income Taxes (continued)

During the year ended January 31, 2011, the Company renounced \$999,931 of qualifying Canadian Exploration and Development Expenditures pursuant to the issuance of flow-through shares.

13. Supplemental Cash Flow Information

	2011	2010
Non-cash transactions for the years ended January 31		
Amounts due from related parties included in mineral property	\$ -	\$ 7,551
BC mining exploration tax credit accrued	\$ 1,188,658	\$ 931,000
Accounts payable and accrued liabilities included in mineral property	\$ 117,970	\$ 127,061
Other supplemental cash flow information:		
Cash paid during the year for		
Interest expense	\$ -	\$ -
Income tax expense	\$ -	\$ -

14. Mining Exploration Tax Credit

During the year ended January 31, 2011, the Company accrued \$1,188,658 (2010 - \$931,000) for METC claims. The Company has received a cash payment during the year ended January 31, 2011 of \$779,570 for its METC for the fiscal years ended January 31, 2008 and 2009. During the year ended January 31, 2010, the Company received \$1,158,178 for its METC related to fiscal years ended January 31, 2004, 2005, 2006 and 2007, which was included in the reduction of deferred exploration expenses.

15. Subsequent Events

The following events occurred subsequent to January 31, 2011:

- (i) There were 157,500 stock options exercised for gross proceeds of \$126,275.
- (ii) The Company granted 850,000 stock options at a price of \$1.16 per share expiring February 4, 2016 to directors, officers, employees and consultants. These options were fully vested.
- (iii) The Company closed three private placements issuing a total of 3,252,746 units for gross proceeds of \$4,228,570. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for a term of six months at a price of \$1.50. The Company paid certain finders a cash commission of 7% of the applicable gross proceeds.
- (iv) There were 215,395 compensation options exercised for gross proceeds of \$193,856.
- (v) There were 92,903 warrants exercised for gross proceeds of \$116,129.

The following discussion and analysis of the operations, results and financial position of Bralorne Gold Mines Ltd. (the "Company" or "Bralorne") for the year ended January 31, 2011 should be read in conjunction with the January 31, 2011 Audited Financial Statements and the notes thereto.

This Management Discussion and Analysis ("MD&A") is dated May 30, 2011 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. The significant policies are outlined in Note 2 to the Financial Statements and have been applied consistently for the twelve months ended January 31, 2011. 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 OTC PK 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 the emphasis was on underground development and trial mining of the BK and North veins, with stockpiling of the material mined for mill feed. Exciting results were obtained from surface diamond drill exploration of the upper BK vein where a new resource was discovered. The following summarizes significant events and transactions during the year ended January 31, 2011 and up to the date of this MD&A:

Exploration and Development

BK Vein

Very positive assay results were obtained in two exploration raises driven up off the 800 level to determine the continuity of the mineralization. In the eastern raise, the average grade of the vein was 20.7 g/T Au (0.604 oz/ton) over a true width of 0.6 meters (1.9 feet), for an average grade over a nominal mining width of 1.2 meters (4 feet) of 11.9 g/T Au (0.348 oz/ton). For the western raise, the average grade of the vein was 35.23 g/T Au (1.028 oz/ton) over a true width of 0.8 meters (2.6 feet), for an average grade over a mining width of 1.2 meters (4.0 feet) of 25.2 g/T Au (0.736 oz/ton) uncut, or 22.9 g/T Au (0.668 oz/ton). The raise results were comparable to the average grade of the mineralization in the 800 Level drift.

An extraction drift and drawpoints were then developed. Stopping commenced in April of 2010 on to extract the BK zone and the first lift was completed on April 30. The first lift was 97 meters in strike length with an average grade of 18.0 g/T Au (0.524 oz/ton) over an average mining width of 1.5 meters (4.8 feet).

Assay results for the entire stope as of the end of March, 2011 averaged 35.3 g/T gold (1.031 oz/ton) over 0.5 meters (1.8 ft) for the vein, and 11.0 g/T (0.320 oz/ton) over 1.6 meters (5.1 ft) for the full mining width. The average grade of muck samples collected to this date was comparable at 12.4 g/T (0.362 oz/ton) gold.

On March 22, 2011 the eastern manway failed and collapsed. Two partial lifts were taken up from this point and the stope was then abandoned. Underground diamond drilling is planned to test the vein above this position to determine if the remaining mineralization is sufficient to justify development from the upper BK decline.

By the end of April, 2011, a total of 6835 tonnes (7535 tons) grading 12.4 g/T (0.362 oz/ton) gold had been extracted from the BK stope. The broken inventory remaining in the stope is estimated at 10,170 tonnes (11,211 tons) grading 14.2 g/T (0.413 oz/ton) gold.

North Vein

Mining was also done to extract a resource located between the 800 and 700 levels on the North vein in the former King mine. This resource was not part of official resource inventory but was indicated by historical records. Assay results obtained for this year's work indicate an average grade of 19.9 g/T gold (0.58 oz/ton) over 0.4 meters (1.2 ft) for the vein, or 6.5 g/T gold (0.19 oz/ton) over 1.3 meters (4.3 ft) for the mined width. A total of 4685 tons grading 14.4 g/T gold (0.419 oz/ton) was extracted and stockpiled at the surface, and mining was completed in mid March of 2011.

400 Level and New Vein

A new adit and cross cut to access the Bralorne 400 Level from surface was completed in 2010. The development encountered a previously unrecognized vein at 60 meters from the portal, just east of historic workings on the Coronation or 77 vein. The vein has a banded texture that is characteristic of ore-bearing veins in the camp, so it was explored by drifting to the east 7m and west 11m from the cross-cut. The grade of the vein 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). The vein is interpreted to

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

Mill Feed Stockpile

The material extracted from the 800 drift, exploration raises and stopes was all stockpiled on surface at the 800 portal for mill feed. By April 30, 2011, a total of 12,879 tonnes (14,197 tons) of material was stockpiled at an estimated average grade of 12.7 grams per tonne (0.370 oz/ton) gold.

All samples were analyzed either at the mine laboratory or at Ecotech Laboratory in Kamloops by the fire assay method using 1 assay ton charges, or by the metallica assay method. Quality control included insertion of blank and standard samples at a frequency of 10%, and repeat assays at Ecotech Laboratory.

Mill Start-up

The Company made application in August of 2010 to the Ministry of Environment (MOE) to re-activate its discharge permit for the gold mill. The MOE responded in mid-October, notifying the company that Public consultation, First Nations engagement, and technical matters need to be addressed in order to complete the application that originally commenced in 2004. The Company was therefore forced to postpone its planned October 2010 start-up for the mill until the review process was completed.

The first draft of the MOE permit was received in January of 2011 and the final version of the permit was completed by April. Test milling commenced shortly afterward, with reduced throughput during the initial start-up phase to ensure all the mill equipment was operating effectively. Mechanical and electrical issues were addressed as soon as these problems surfaced. Downtime, as expected, was high due to breakdowns with the vibrating feeder in the crushing plant and gland water issues with the tailings pumps. The mill was operated continuously as of May, once the production of gravity and flotation concentrates reached a steady state. As a condition of the MOE permit, the Company was required to install a catchment liner, pumping system and new pipeline to the tailings impoundment to handle excess mine drainage caused by seasonal surface water run-off. The planned nominal milling rate is 100 tons per day and the company is looking to increase capacity to 280 tons per day in two or more years if sufficient resources can be confirmed.

The reader is cautioned that the mill is being operated on a trial basis initially. There has been insufficient work done to increase the confidence level of the current mineral resources to the category of mineral reserves, and there is no assurance that mineral reserves will be defined or that current mineral resources will be demonstrated as viable for production. A feasibility study has not been completed. Viable operating and financial projections were made in a Preliminary Economic Assessment by Beacon Hill Consultants Ltd dated 2005, which was updated in 2007 based on a gold price of \$600 per ounce and a milling rate of 280 tons per day. The mill is being started at 100 tons per day to assess the economic parameters and potential viability of the operation at the current gold price. The Company plans to continue milling as resources are developed and will increase the milling rate if and when sufficient resources are defined and developed.

Surface Exploration

Surface diamond drilling intersected a new zone of gold mineralization on the upper part of the BK vein. Holes 165 through 174 were drilled and positive results were obtained for holes 165-169 and 174. Visible gold was noted in five of the holes. The best intercept was in hole 169 which assayed 140.46 g/T gold (4.096 oz/ton) over 0.6 meters. Significant assay results are summarized in Table 1 below. The Company is excited because these results indicate a new mineralized shoot above the one currently being developed. This new zone could be mined from the decline that was initiated in 2009 to explore the BK vein.

All holes were drilled at NQ size and the recovered core was split for sample collection. One half of the core was sent for analysis and the other half is stored at the core facility located at the mine site. Samples were shipped to Eco Tech Laboratory Ltd. at Kamloops BC, and gold geochemical analyses were done by the fire assay method using a 1 assay ton charge. All samples of quartz vein are assayed by the metallics assay method. Quality control is being achieved by inclusion of reference standards and blank samples in 10% of the samples, and by repeat analyses on selected pulps. Additional analyses of selected samples were done at second commercial laboratory as a further check. All assay rejects are being retained at the site for further analysis if required.

Table 1. Significant Drill Hole Assays from Upper BK Zone

Hole	Az.	Inc.	From (m)	To (m)	Core Interval (m)	True Width (m)	Au (oz/ton)	Au (g/T)	Comment	Target
SB-149	360	-45	172.1	173.0	0.9	0.6	1.269	43.51	Vein Zone (50% vein)	BK
SB-151	360	-57	178.7	179.2	0.5	0.2	0.277	9.50	Vein - contains VG	BK
SB-154	360	-54	149.4	150.3	0.8	0.4	0.129	4.42	Vein	BK
SB-158	360	-55	208.1	208.8	0.7	0.3	0.142	4.87	Vein Zone (18% vein)	BK
SB-161	360	-55	163.4	164.7	1.3	0.7	0.156	5.36	Alteration Zone	BK
SB-165	7	-46	171.6	172.6	1.0	0.6	0.736	25.23	Vein	BK
SB-166	6	-53	202.4	204.2	1.8	1.0	0.594	20.37	Vein - contains VG	BK
SB-167	6	-57	234.3	235.2	0.9	0.4	0.759	26.00	Vein - contains VG	BK
SB-168	352	-45	169.0	169.6	0.6	0.4	1.011	34.70	Vein	BK
SB-169	352	-49	194.9	195.5	0.6	0.3	4.096	140.46	Vein - contains VG	BK
SB-170	352	-54	216.9	217.5	0.6	0.4	0.120	4.11	Alteration Zone	BK
SB-171	14.5	-47	166.7	167.5	0.8	0.5	0.241	8.26	Vein+Alt Zone	?
SB-172	358	-61	215.4	216.4	1.0	0.6	0.156	5.35	Vein	BK
SB-173	13.4	-57	206.5	207.1	0.6	0.4	0.163	5.58	Vein+Alt Zone	BK
SB-174	358	-45	167.7	168.1	0.4	0.2	0.028	0.96	Alteration contains VG	BK
SB-174	358	-45	168.1	170.1	2.0	1.2	0.110	3.77	Vein	BK

*abbreviations: m = meter; Au = gold; oz/ton = troy ounce per short ton;
g/T = grams per metric tonne; VG = visible gold.*

Cautionary Note: The Company considers all intercepts assaying 0.1 oz/ton Au or greater as significant, but cautions that these intercept data are preliminary in nature and not conclusive evidence of the likelihood of the occurrence of an economic mineral deposit.

The new "BK-3" zone extends at least 170 meters (550 feet) above the 800 level, is 38 to 130 meters (125-425 feet) in strike length, and is open to the west and upwards. It was divided into upper and lower portions based on planned development. The upper portion of the zone has an average grade of 14.3 g/T gold (0.418 oz/ton) at a minimum mining width of 1.2 meters (4ft), whereas the lower portion averages 5.7 g/T gold (0.167 oz/ton) over the same width (as determined from the drill hole information). Further underground development is required to

better define the grade of this zone, and additional drilling is required to determine the limits of the zone. At this time, the new BK 3 zone has potential to more than replenish what has been mined on the BK vein from the 800 level.

Development of the decline to access the new BK-3 zone commenced in April of 2011. The BK decline will be driven about 300 meters to intersect the zone. Drifting to the limits of the mineralization is then planned. A raise is also currently being driven from the 800 level to connect to the upper drift, which will help to define the grade in the lower part of the zone. Several raises and sublevels are planned to develop mining panels on the vein, connected by ramps driven from the main decline. This will define the grade distribution in the vein and prepare for mining to supply the mill.

Plans for the near future include:

In addition to the development and mining of the upper BK3 zone, the Company is planning to conduct further underground exploration development on the 51BFW vein on the 400 Level. This work will be aimed at developing more sources of mill feed in order to sustain operation.

Surface and Underground diamond drilling will also continue to explore the BK Zone and nearby targets, and underground drilling is planned to explore the 77HW and 52 veins from the 400 Level.

Selected Annual Information

Year Ended	January 31, 2011	January 31, 2010	January 31, 2009
Revenue	\$ —	\$ —	\$ —
Loss before other items	(610,830)	(1,180,496)	(1,042,820)
Income (loss) for the year	(301,841)	(418,394)	(847,848)
Income (loss) per share - basic and diluted	(0.01)	(0.02)	(0.05)
Total Assets	28,742,354	27,045,188	22,237,892
Total Liabilities	591,649	337,258	316,826
Working Capital	2,119,360	4,474,128	801,036

The 2011 fiscal year saw the Company raise net proceeds of \$1,994,599 through the issuance of shares. The proceeds from fiscal 2011 along with the continued exploration on the Bralorne Property increased total assets and liabilities.

The loss before other items remains relatively constant due to the majority of expenditures being deferred to mineral property with the major difference resulting in the fluctuation of non-cash items such as stock-based compensation. The differences in the loss of the three comparative years are primarily attributable to future income tax recovery amounts related to the issuance of flow-through shares and fluctuations in stock-based compensation. During the current year, the Company recorded a recovery of \$249,983 as compared to the prior year of \$575,048.

Results of Operations

Three months ended January 31, 2011 compared with the three months ended January 31, 2010.

Head Office - General and Administrative Expenses

General and administrative expenses totaled \$281,727 for the three months ended January 31, 2011 compared with \$417,831 for the three months ended January 31, 2010, a decrease of \$136,104. This decrease is primarily related to a decrease of \$450,860 in stock based compensation which was offset with increases of \$135,000 in consulting, \$55,644 in shareholder information and \$28,906 in office and occupancy. In the fourth quarter of the prior year, there was a one-time reallocation from office and occupancy to flow-through share costs. Consulting fees increased in the current period with a bonus payable to the CEO and stock based compensation showed a large decrease as there were no stock options granted.

Income / Loss For The Period

The loss for the three months ended January 31, 2011 was \$31,225 compared with a gain of \$71,697 for the three months ended January 31, 2010, a decrease of \$102,922. As noted above, general and administrative expenses were lower by \$136,104. These changes were offset by a difference of \$325,065 in the future income tax recovery. The future income tax recovery was \$249,983 in the current period as compared to \$575,048 in the comparative period.

Twelve months ended January 31, 2011 compared with the twelve months ended January 31, 2010.

Head Office - General and Administrative Expenses

General and administrative expenses totaled \$610,830 for the year ended January 31, 2011 compared with \$1,180,496 for the year ended January 31, 2010, a decrease of \$569,666. There were decreases of \$165,115 in consulting fees, \$502,560 in stock-based compensation, \$10,011 in travel and accommodation, and \$10,750 in directors fees. These decreases were offset with increases of \$5,392 in automobile expenses, \$4,447 in listings fees, \$24,785 in office and occupancy, \$27,425 in professional fees, \$5,531 in salaries and benefits and \$49,099 in shareholder information. Stock-based compensation was lower as there were no stock options granted during the year and directors fees were lower as a result of a fewer number of independent board members. Professional fees were higher due to an increase in legal fees. Consulting fees were lower as a result of smaller management bonuses in the current year. Office occupancy was higher during the year as there was a one-time credit of \$27,998 in the prior year, as was the case with shareholder information. In the prior year, there was a one-time credit of \$75,000 in shareholder information.

Income / Loss For The Period

The loss for the year ended January 31, 2011 was \$301,841 compared with a loss of \$418,394 for the year ended January 31, 2010, a decrease of \$116,553. As discussed above, general and administrative expenses were lower by \$569,666. In addition, there was a decrease in flow through share costs of \$104,359. In the prior year, the Company incurred a cost of \$93,564 whereas the current year had a recovery of \$10,795. These decreases were offset by lower interest income of \$232,407. In the prior year, the Company received one-time interest of \$265,493 for the B.C. Mining Exploration Tax Credit refunds. The future income tax recovery was \$249,983 as compared to \$575,048 in the prior year, a decrease of \$325,065.

Summary of Quarterly Results

Period ended	Jan 31 2011 Q4	Oct 31 2010 Q3	July 31 2010 Q2	Apr 30 2010 Q1	Jan 31 2010 Q4	Oct 31 2009 Q3	Jul 31 2009 Q2	Apr 30 2009 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net Income (Loss)	(31,225)	(102,621)	(72,760)	(95,235)	71,697	(246,149)	(146,342)	(97,600)
Income (Loss) per Share basic and diluted	(0.00)	(0.00)	(0.00)	0.00	0.00	(0.03)	(0.01)	(0.01)

The Company's quarterly general and administrative costs remain relatively stable. Factors causing significant changes between the recent eight quarters have primarily been items such as consulting fees, interest income, stock-based compensation, flow-through share costs and future income tax expenses or recoveries which do not occur in every quarter. The Company saw a fair number of one-time or irregular expenses such as flow-through share costs, management bonuses and interest income. 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.

Liquidity and Capital Resources

The Company has been focused on drilling, development, refurbishing of the mill 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 January 31, 2011, the Company held \$579,378 worth of gold dore bars and silver that were produced during the bulk sampling stage in a prior year in safe-keeping, working capital of \$2,119,360 and cash and cash equivalents of \$1,208,071. 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 year, 837,391 stock options were exercised for gross proceeds of \$909,556, 117,600 warrants were exercised for gross proceeds of \$147,000 and 15,750 compensation options were exercised for gross proceeds of \$14,176.

On December 7, 2010, the Company closed a private placement issuing 689,655 units at a price of \$1.45 per unit for gross proceeds of \$1,000,000. Each unit consists of one flow-through common share and one-half share purchase warrant. One whole share purchase warrant is exercisable for a term of six months into one non-flow-through common share at a price of \$1.75 until June 7, 2011. The Company paid to certain finders a cash commission equal to 6% of the applicable gross proceeds of the financing (\$54,000) and issued compensation options to purchase common shares of the Company equal to 7% of the units sold through the finder (43,448). Each compensation option is exercisable at a price of \$1.45 and entitles the holder to one common share and one-half of one common share purchase warrant, which is exercisable at a price of \$1.75 each until on June 7, 2011.

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 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 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 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 are dependent upon the continued support from its shareholders, 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 year ended January 31, 2011, the Company paid, or made provision for the future payment, of the following amounts to related parties:

- (i) \$191,643 (2010 – 187,005) for administrative fees, overhead expenses and reimbursement of out-of-pocket operating expenditures on the Company's behalf and \$50,026 (2010 - \$19,995) 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) \$205,000 (2010 - \$360,000) as consulting fees to three private companies controlled by directors;
- (iii) \$106,000 (2010 - \$96,000) 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) \$46,050 (2010 - \$4,500) for general exploration expenses on the mineral property to the Chief Operating Officer;
- (v) \$16,750 (2010 - \$27,500) for directors' fees to certain directors of the Company; and
- (vi) \$286,772 (2010 - \$406,092) for drilling expenses from a private drilling company with common management.

Amounts due from related parties consists of \$658 (2010 - \$7,551) from companies with common management and common directors.

Amounts due to related parties consist of \$172,428 (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 year ended January 31, 2011, \$256,000 was paid to the Chief Executive Officer and President for services as director and officer of the Company; \$25,000 was paid to the former Chairman of the Board for services as director of the Company; \$20,900 was paid to the Chief Financial Officer for services as an officer of the Company; \$46,050 was paid to the Chief Operating Officer for services as an officer of the Company; \$30,000 was paid to a director for services as director of the Company; and \$18,900 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 amounts of revenue and expenses during the period. Actual results may differ from those estimates. Significant areas requiring the use of management's estimates include the balances of accrued liabilities, amortization rates of equipment, the recoverability of deferred mineral property expenditures, the determination of site restoration and environmental obligations, determination of the assumptions used in the calculation of stock-based compensation, allocation of proceeds for unit offerings and the valuation allowance for future income tax assets. Although management believes its estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

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, interest receivable, restricted cash and accounts payable and accrued liabilities 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:

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

International Financial Reporting Standards ("IFRS") transition project

The Canadian Accounting Standards Board ("AcSB") has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards ("IFRS") for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is February 1, 2011, at which time Canadian GAAP will cease to apply for Bralorne Gold Mines Ltd. and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at February 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended January 31, 2012 with restated comparatives for the year ended January 31, 2011.

Management is currently developing a project plan for the conversion to IFRS based in the nature of current operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at February 1, 2010, any necessary conversion adjustments and reconciliations, preparation of quarterly financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, the IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared an evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the

first quarter of 2011, management intends to conduct an IFRS discussion session with the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, identified to date by management, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors. In the period leading up to the changeover in 2011, the AcSB has ongoing projects, particularly with respect to the mining industry, and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to monitor new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. Currently, the Company has significant property, plant or equipment and as a result there could be a significant impact on the adoption of IFRS depending on which option is selected by management. The Company will apply IAS 16 and will likely adopt the cost model for PP&E.

In accordance with IAS 16 "Property, Plant and Equipment", the Company will need to allocate an amount initially recognized in respect of an asset to its significant component parts and account for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

Asset Impairment

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

The Company will perform an impairment analysis on significant assets at the transition date however management does not anticipate that significant impairments will be recognized. The Company will adopt IAS 36 and continue to monitor its operations for any changes that may give rise to asset impairment.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses are capitalized.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board (“IASB”) Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or choose to keep the existing Company’s policy, if relevant and reliable.

Management has yet to decide on whether or not to fully adopt IFRS 6, “Exploration and Evaluation of Mineral Properties”, and apply the IASB framework. If management elects to fully adopt IFRS 6, any adjustments will be reflected in accumulated deficit by the same amount reflecting the de-recognized mineral properties.

Share Based Compensation

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based compensation with only a few differences.

Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the graded-vesting method and is compliant with IFRS 2 for all grants and therefore the change to IFRS standards will not have a material impact when transitioning to IFRS.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is currently recognizing forfeitures as they occur therefore management will have to estimate forfeiture rates each reporting period and record any necessary adjustments. The Company typically has very low forfeiture rates therefore recording an estimate of forfeitures in advance on their occurrence will not likely have a significant impact on the financial statements.

Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, Income Taxes will not have a significant impact on the financial statements. However, as events and circumstances of the Company’s operations change that give rise to future income taxes, IAS 12 will be applied.

Reclamation and Closure Cost Obligations

Under IFRS the Company’s obligation for closure and reclamation is based on management’s best estimate of such future expenditures discounted for the country specific risk free rates. Under Canadian GAAP the obligation is determined based on the fair value of future estimated expenses using quoted market prices and discounted using the Company’s current credit adjusted risk free rate. Canadian GAAP requires that only the legal or contractual fair value be reflected in the financial statements however this value could be significantly different than fair values under IFRS.

Management is currently in the process assessing the Company's future reclamation and closure cost obligations however it not expected that a material adjustment will be required. The Company will adopt IFRS 37 "Provisions, Contingent Liabilities, and Contingent Assets" when it transitions to IFRS.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the potential impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS is expected to be available with minimal system changes. In addition, based upon the Company's current operations, it is management's opinion that the adoption of IFRS is not expected to have a significant impact on internal controls and reporting procedures.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required for its financial statements.

The Company currently does not have any debt covenants, capital requirements, compensation arrangements, or material contracts that impact its current business activities that would affect the conversion to IFRS.

Management, members of the board of directors and audit committee have the required financial reporting expertise to ensure the adequate organization and transition to IFRS.

Outstanding Share Data

The following is the Company's outstanding share data as of January 31, 2011 and May 30, 2011:

Common Shares: 24,512,821 as of January 31, 2011 and 28,231,365 as of May 30, 2011

Stock Options

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (January 31/11)	Number of Shares Remaining Subject to Options (May 30/11)
November 29, 2012	\$1.16	33,500	33,500
May 14, 2013	\$1.16	42,000	42,000
November 21, 2013	\$0.75	273,000	246,000
July 29, 2014	\$0.75	49,000	-
January 15, 2015	\$0.85	685,942	604,442
February 4, 2016	\$1.16	-	850,000
TOTAL:		1,083,442	1,775,942

Compensation Options

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (January 31/11)	Number of Shares Remaining Subject to Options (May 30/11)
September 28, 2011	\$0.90	349,418	194,955
November 9, 2011	\$0.90	78,010	17,078
June 7, 2011	\$1.45	43,448	43,448
TOTAL:		470,876	255,481

Warrants

Expiry Date	Exercise Price	Underlying Shares (January 31/11)	Underlying Shares (May 30/11)
September 28, 2011	\$1.25	3,758,434	3,885,439
September 30, 2011	\$1.25	556,000	556,000
November 9, 2011	\$1.25	1,552,600	1,548,087
June 7, 2011	\$1.75	344,827	344,827
August 31, 2011	\$1.50	-	299,231
September 7, 2011	\$1.50	-	812,392
September 24, 2011	\$1.50	-	514,750
TOTAL:		6,211,861	7,960,726

Commitment

The Company has a cost sharing agreement 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. 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 January 31, 2011 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 year ended January 31, 2011 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

Subsequent Events

There were 157,500 stock options exercised for gross proceeds of \$126,275 subsequent to year-end.

The Company granted 850,000 stock options at a price of \$1.16 per share expiring on February 4, 2016 to directors, officers, employees and consultants. These options were fully vested

The Company closed three private placements issuing a total of 3,252,746 units for gross proceeds of \$4,228,570. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for a term of six months at a price of \$1.50. The Company paid certain finders a cash commission of 7% of the applicable gross proceeds.

There were 215,395 compensation options exercised for gross proceeds of \$193,856 subsequent to year-end.

There were 92,903 warrants exercised for gross proceeds of \$116,129 subsequent to year-end.

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 May 30, 2011. 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.