

**BRALORNE GOLD MINES LTD.**

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**Q2 INTERIM FINANCIAL STATEMENTS**

**FOR PERIOD ENDING JULY 31, 2006**

**Shares Traded**

TSX Venture Exchange

Symbol: BPM

OTCPK

Symbol: BPMSF

Frankfurt/Berlin-Bremen

WKN A0B75M

**Directors and Officers**

Louis Wolfin, Director and Chief Executive Officer

William G. Kocken, Director & President

Lloyd Andrews, Director & Chairman

David Wolfin, Director & VP Finance

Matt Wayrynen, Director & VP Operations

William Glasier, Director

Florian Riedl-Riedenstein, Director

Howard Lonsdale, Director

Gary Robertson, Director

Connie Lillico, Secretary

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**BRALORNE GOLD MINES LTD.**

Balance Sheets

(Prepared by Management)

As at	July 31, 2006	January 31, 2006
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,790,318	\$ 5,216,508
Accounts receivable and prepaid expenses	51,724	38,904
Taxes recoverable	58,422	45,157
Share subscriptions receivable	3,050	3,050
	3,903,514	5,303,619
<b>Due from related parties</b> (Note 6(c))	63,748	89,648
<b>Mineral property</b> (Note 4)	15,850,319	14,718,752
<b>Equipment</b>	25,114	28,150
<b>Restricted cash</b>	117,500	115,000
	\$ 19,960,195	\$ 20,255,169
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 160,789	\$ 349,658
Due to related parties (Note 6(d))	38,927	34,850
	199,716	384,508
<b>Site restoration obligation</b>	134,000	134,000
	333,716	518,508
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 5)	26,465,789	26,465,789
<b>Contributed surplus</b>	3,667,046	3,645,012
<b>Deficit</b>	(10,506,356)	(10,374,140)
	19,626,479	19,736,661
<b>Total Liabilities and Shareholders' Equity</b>	\$ 19,960,195	\$ 20,255,169

**NOTE 1 – NATURE OF OPERATIONS**

Approved by the Directors:

“Louis Wolfin” Director“William Kocken” Director

**BRALORNE GOLD MINES LTD.**Interim Statements of Operations and Deficit  
(Unaudited – Prepared by Management)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2006	2005	2006	2005
<b>General and administrative expenses</b>				
Administration services	\$ 731	\$ 6,390	\$ 2,100	\$ 11,553
Amortization	1,498	2,090	3,036	4,308
Automobile expense	7,255	3,738	8,464	8,545
Consulting	15,000	28,352	32,129	38,352
Interest	-	703	-	769
Listings and filing fees	4,030	4,150	21,330	39,510
Office, occupancy and miscellaneous	(59,865)	29,864	(35,205)	66,598
Professional fees	9,771	31,125	41,232	49,399
Salaries and benefits	13,796	20,003	45,967	46,576
Shareholder information	28,972	59,600	35,144	92,911
Stock-based compensation	22,034	-	22,034	99,200
Transfer fees	4,645	4,053	6,227	6,131
Travel and accommodation	10,459	28,631	29,413	47,147
	(58,326)	(218,699)	(211,871)	(510,999)
<b>Other items</b>				
Interest income	44,916	7,692	90,676	10,865
Foreign exchange gain (loss)	(11,401)	-	(11,021)	440
<b>Loss for the period</b>	(24,811)	(211,007)	(132,216)	(499,694)
<b>Deficit, beginning of period</b>	(10,481,545)	(8,740,889)	(10,374,140)	(8,452,202)
<b>Deficit, end of period</b>	<b>\$(10,506,356)</b>	<b>\$ (8,951,896)</b>	<b>\$(10,506,356)</b>	<b>\$ (8,951,896)</b>
<b>Loss per share</b>	<b>\$(0.00)</b>	<b>\$(0.03)</b>	<b>\$(0.01)</b>	<b>\$(0.08)</b>
<b>Weighted average number of common shares issued and outstanding</b>				
- basic and diluted	13,215,554	7,686,024	13,215,554	6,617,590

**BRALORNE GOLD MINES LTD.**  
Interim Statements of Cash Flows  
(Unaudited – Prepared by Management)

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Cash flows from (used in) operating activities</b>				
Loss for the period	\$ (24,811)	\$ (211,007)	\$ (132,216)	\$ (499,694)
Adjustments for items not involving cash:				
Amortization	1,498	2,090	3,036	4,308
Stock-based compensation	22,034	-	22,034	99,200
	(1,279)	(208,917)	(107,146)	(396,186)
Changes in non-cash working capital:				
Accounts receivable and prepaid expenses	25,066	10,165	(12,820)	105,343
Inventory	-	-	-	76,151
Taxes recoverable	(18,235)	(7,912)	(13,265)	17,727
Share subscriptions receivable	-	-	-	(16,000)
Accounts payable and accrued liabilities	107,287	(453,295)	(188,869)	(461,420)
	112,839	(659,959)	(322,100)	(674,385)
<b>Cash flows used in investing activities</b>				
Deferred exploration expenditures	(891,111)	(1,535,430)	(1,366,943)	(3,001,289)
Mine and plant buildings and equipment	-	(181,299)	-	(189,682)
Increase in reclamation deposit	-	-	(2,500)	-
Gold sales prior to commencement of commercial production	-	-	235,376	84,025
Funds advanced to related parties, net	58,042	-	29,977	-
	(833,069)	(1,716,729)	(1,104,090)	(3,106,946)
<b>Cash flows from (used in) financing activities</b>				
Share subscriptions receivable	-	-	-	(1,102,025)
Funds advanced to related parties, net	-	(39,301)	-	(34,692)
Issuance of common shares, net	-	10,000	-	5,444,678
	-	(29,301)	-	4,307,961
<b>Increase (decrease) in cash and cash equivalents</b>	(720,230)	(2,405,989)	(1,426,190)	526,630
<b>Cash and cash equivalents, beginning of period</b>	4,510,548	3,534,893	5,216,508	602,274
<b>Cash and cash equivalents, end of period</b>	\$ 3,790,318	\$ 1,128,904	\$ 3,790,318	\$ 1,128,904

## **BRALORNE GOLD MINES LTD.**

Notes to Interim Financial Statements

July 31, 2006

(Unaudited – Prepared by Management)

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### **1. Nature of Operations**

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

The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's continued viability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing necessary to complete development, and future profitable production or from the proceeds from the disposition of its mineral property interest.

The Company has positive working capital of \$3,703,798 at July 31, 2006. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from carrying values, as show in the financial statements, should the Company be unable to continue as a going concern

### **2. Basis of Presentation**

These unaudited interim financial statements have been prepared in accordance with the instructions for the preparation of such financial statements contained in the CICA Handbook Section 1751. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such instructions. These unaudited interim financial statements should be read in conjunction with the audited financial statements and accompanying notes thereto for the fiscal year ended January 31, 2006. These interim financial statements have not been reviewed by an auditor.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of these unaudited financial statements have been included and all such adjustments are of a normal recurring nature. Operating results for the six month period ended July 31, 2006 are not necessarily indicative of the results that can be expected for the year ended January 31, 2007.

### **3. Comparative figures**

Certain of the comparative figures for 2005 have been reclassified, where applicable, to confirm to the presentation adopted for the current year.

**BRALORNE GOLD MINES LTD.**

Notes to Interim Financial Statements

July 31, 2006

(Unaudited – Prepared by Management)

**4. Mineral Properties**

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

Inventory of gold floatation 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 inventory produced during the bulk sampling stage and the carrying value of the inventory are deducted against the mineral property costs.

As at July 31, 2006, the Company had inventory of gold and silver dore bars valued at \$420,130.

The following is a summary of mineral property expenditures for the Bralorne Property for the six months ended July 31, 2006:

Mineral property as at January 31, 2006	\$	14,718,752
Assays		20,568
Camp operations		45,940
Field office		69,954
General exploration		1,143,815
Mine power		21,884
Mill operating		6,239
Underground exploration and mill feed		18,521
Tailings pond		20,485
Taxes & permits		19,537
Increase in deferred expenditures		1,366,943
Deduct:		
Proceeds from sale of gold concentrate		(235,376)
Mineral property as at July 31, 2006	\$	15,850,319

**BRALORNE GOLD MINES LTD.**

Notes to Interim Financial Statements

July 31, 2006

(Unaudited – Prepared by Management)

**5. Share Capital**

(a) Authorized Unlimited common shares without par value

(b) Issued

As at January 31, 2006, there were 13,215,554 common shares outstanding for a value of \$26,465,789. There were no changes to the share capital during the six month period ended July 31, 2006.

(c) Share Purchase Warrants

As at July 31, 2006, the following share purchase warrants were outstanding:

Number of Underlying Shares	Exercise Price	Expiry Date
505,284	\$3.25	February 8, 2007
2,130,141	\$1.20	December 21, 2007
428,313	\$1.20	December 28, 2007
474,997	\$1.25	December 29, 2007
1,972,000	\$1.25	December 30, 2007
600,000	\$1.25	January 30, 2008
470,193	\$3.00	April 26, 2010
1,000,000	\$3.00	April 26, 2010
<b>7,580,928</b>		

During the period there were 143,400 warrants at an exercise price of \$8.60 that expired. During the period there were no warrants issued, exercised, or cancelled.

(d) Stock Options

During the three month period ended April 30, 2006, there were no stock options granted by the Company.

During the three month period ended July 31, 2006, the Company granted 25,000 stock options to a consultant of the Company at an exercise price of \$1.16 per share. These stock options vested immediately and expire over 5 years. The Company recorded a total of \$20,900 for stock based compensation expense in the period.

Also during the three month period ended July 31, 2006, the Company granted 100,000 stock options to an investor relations services company at an exercise price of \$0.86 per share. These stock options vest over a period of twelve months from the grant date with no more than one quarter of the options investing in any three month period and expire over 5 years. The Company will record a total of \$59,100 for stock based compensation expense in the periods in which the options become vested.

**5. Share Capital** (continued)

(d) Stock Options (continued)

The fair value of each option granted has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following assumptions: risk-interest rate of 4.32%, dividend yield 0%, volatility in the range of 83.71% to 85.94% and expected lives of 5 years.

A summary of the stock options granted and exercised during the period ended July 31, 2006 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, January 31, 2006	1,092,000	\$1.16
Granted / Exercised / Cancelled	-	-
Balance, April 30, 2006	1,092,000	\$1.16
Granted	125,000	\$0.92
Exercised	-	-
Cancelled	(12,500)	\$1.16
Balance, July 31, 2006	1,204,500	\$1.14

A summary of stock options outstanding and exercisable at the period ended July 31, 2006 is as follows:

Range of Exercise Prices	Number Outstanding	Weight Average Remaining Contractual Life (yr)	Weighted Average Exercise Price
\$0.00 - \$1.00	100,000	4.98	\$0.86
\$1.01 - \$2.00	1,104,500	4.47	\$1.16

## **BRALORNE GOLD MINES LTD.**

Notes to Interim Financial Statements

July 31, 2006

(Unaudited – Prepared by Management)

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### **6. Related Party Transactions**

Related party transactions not disclosed elsewhere in these statements are as follows:

- a) During the six month period ended July 31, 2006, the Company paid, or made provision for the future payment, of the following amounts to related parties:
  - i) \$59,587 for administrative expenses to Oniva International Services Corp. ("Oniva"), a private Company beneficially owned by the Company and a number of other public companies related through common Directors;
  - ii) \$30,000 to two private companies controlled by Directors for management fees; and
  - iii) \$48,000 to a private company controlled by the President of the Company geological consulting and general mine management.
- b) The Company was billed \$949,422 in drilling expenses from a private drilling company with common management for 28,846 feet of drilling. The drilling company reimbursed the Company \$13,939 for supplies, equipment rentals, and administrative expenses incurred.
- c) Due from related parties consists of \$3,146 from Avino Silver & Gold Mines Ltd. and \$5,520 from Mill Bay Ventures Inc., both of which are public companies with common management and common directors and \$55,082 from Oniva referred to in 6.a) i) above.
- d) Due to related parties consists of \$10,929 to three private companies controlled by Directors; and \$27,998 to Coral Gold Resources Ltd., a public company with common management and common directors.

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

### **7. Commitments**

The Company entered into an Investor Relations Agreement with Vantage Communications Ltd. ("Vantage"), to provide investor relations services. The Company will pay \$5,500 per month plus approved expenses for a term of six months with the agreement being effective August 1, 2006. The Company also grants incentive stock options to Vantage for the purchase of 100,000 shares at a price of \$0.86 per share exercisable on or before July 24, 2011. The Agreement can be terminated upon 30 days notice by the Company.

The Company entered into a sponsorship agreement with Raymond James Ltd. for purposes of listing with the Toronto Stock Exchange ("the Exchange"). Pursuant to the terms of the agreement, the Company has a commitment to pay a \$25,000 sponsorship fee, of which \$12,500 has been paid, plus expenses.

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

### **8. Subsequent Event**

Subsequent to July 31, 2006 the Company renewed a 12 month Investor Relations Agreement with Investor Relations Group Inc., formerly called Investors Relations Services Group John Mullen & Partners ("IRS"), to provide investor relations services in Europe. In consideration for the services rendered, the Company has agreed to pay IRS fees totaling \$18,000 plus expenses.

The following discussion and analysis of the operations, results, and financial position of Bralorne Gold Mines Ltd. (the "Company") for the period ended July 31, 2006 should be read in conjunction with the July 31, 2006 financial statements and the related notes. The effective date of this Management Discussion and Analysis is September 26, 2006. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

Except for historical information, the MD&A may contain forward looking statements. These statements involve known and unknown risks, uncertainties, and other factors 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.

### **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 activities for the last 12 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 Gold Mine. The Property includes mineral properties that have produced in the past approximately 4 million ounces of gold over 40 years in the historic Bralorne gold camp of British Columbia.

Geological reports titled "Geological Modeling and Exploration Targeting for the Bralorne-Pioneer Mine Property" dated September 16, 2002, as revised October 10, 2003, prepared by Dr. Matt Ball, Ph.D., P.Geo. of North Vancouver, B.C. (the "Ball Report (2002)"), the update report entitled, "Report on the 2002 and 2003 Drilling and Trenching on the Bralorne Pioneer Mine Property", dated October 15, 2003, prepared by David St. Clair Dunn, P.Geo. of Gibsons, B.C. (the "St. Clair Dunn Report") and "Bralorne Mine Gold Deposit" dated September 2005, prepared by Beacon Hill Consultants (1988) Ltd. are available at [www.sedar.com](http://www.sedar.com).

The Property consists of 154 Crown granted mineral claims, two reverted Crown granted claims and eight metric unit claims that includes the former Bralorne-Pioneer gold mine in the historic Bridge River gold mining camp of southwest British Columbia. The entire Bralorne-Pioneer Mine Property covers approximately 2422 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.

### **Business Overview**

The Company adopted the new mining plan as recommended in the preliminary assessment report by Beacon Hill Consultants (1988) Ltd. dated September 2005.

The report estimated a measured resource at Bralorne of 14,000 tonnes grading 12 grams per tonne Au and inferred resources of 125,300 tonnes grading 14.09 grams per tonne Au. These figures meet the National Instrument 43-101 criteria for resource calculation.

The Company commenced a 10,000 metre surface drilling program in February, 2006 in an unexplored area between the King and Bralorne mines.

Phase 1 of the program was the completion of 4 underground diamond drill holes (BU-06-01 thru BU-06-04; totalling 3,218 feet or 980.85 metres) to test the Cadwallader serpentine contact area in the previously unexplored gap between the King and Bralorne Mines. Assay results from the program were in general disappointing as no new or significant zones were encountered.

Phase 2 of the program was the completion of 9 surface diamond drill holes (SB-06-77 thru SB-06-85; totalling 5,503 feet or 1,677.31 metres) to test a number of MMI geochemical anomalies. Results from the program did not indicate a source for the anomalies, follow-up interpretation work may be required.

Phase 3 was an exploratory hole (SB-06-86; 1,997 feet or 608.69 metres) intended to examine an unexplored portion of Bralorne intrusive rocks near the projection of the Empire fault. The area is located east of the 800-haulage level and within the King-Bralorne gap.

Hole SB-06-86 returned 10 separate alteration/quartz-veining zones, 5 of which returned anomalous gold results ranging from 0.155 oz/ton over 1.6 ft to 0.233 oz/ton over 1 foot. Further drilling in this area is planned.

Phase 4 of the drill program on the Maud's vein, located 1,000 feet southwest of the Peter Vein was the completion of 14 holes (SB-06-87 thru SB-06-100; totalling 7,701 feet or 2,347.26 metres) along 600 feet of strike length on the previously non-drilled Maud's structure. The Maud's structure is interpreted to consist of 2 sub parallel veins associated with splay veining. Eight of the 14 holes from various zones returned values greater than 0.1 oz/ton.

The most eastern hole of the program, SB-06-94 intersected a 53.5-foot alteration zone within a Tuff unit. Of the 43.1-foot interval sampled, 19.7 feet with separate intervals up to 6.7 feet returned values of 0.1 to 0.2 oz/ton Au. This may indicate a somewhat different style of mineralization than the camp is historically known for and warrants further follow up.

Results obtained from the Maud's vein are encouraging in that they are "better" than those obtained from the historical drilling of the Upper Peter zone located 1,000 feet to the northeast, which was partially mined in 2005. Following final compilation of all data a decision for further exploration of the Maud's vein will be made.

Phase five of the drilling program comprised the completion of 11 holes (SB-06-101 through SB-06-109B), totalling 8,897 feet, or 2711.8 meters. The objective of this phase was to explore the previously non-drilled "New Vein - Noelton Vein" area as well as the eastern continuations of structures historically mined in the King Mine area.

Hole SB-06-101 intersected a one foot zone assaying 0.832 oz/ton gold from the Noelton vein. Two additional holes (SB-06-113 & 114) have been drilled 100 feet east of this intercept and results are pending.

Hole SB-06-105 intersected a 1.5 foot zone grading 1.479 oz/ton gold from a previously undeveloped portion of the north vein in the vicinity of the 800 level drift. Further testing of this area is being contemplated from the existing underground workings.

Hole SB-06-109B intersected two feet of 0.463 oz/ton gold on the eastern projection of the previously developed "Shaft vein" and then intersected two zones of "Bonanza" grade gold. A 1.1 foot vein

assaying 11.781 oz/ton gold, followed 40 feet further down hole, by a 1.2 foot vein assaying 7.203 oz/ton gold. These intersects occur within a section of the previously unexplored King Mine - Bralorne Mine Gap, and as they occur within the favorable Bralorne Intrusive rock units are considered by the geological staff to be very significant.

The area of the Bonanza intersects is within 400 feet of existing underground workings, hence the option of further testing of the area by underground drilling is being considered.

Current drilling is a parallel hole 200 feet east to SB-06-86.

### **Results of Operations**

#### **Three months ended July 31, 2006 compared with the three months ended July 31, 2005.**

##### ***Head office-general and administrative expenses***

General and administrative expenses totaled \$58,326 for the quarter ended July 31, 2006 compared with \$218,699 for the quarter ended July 31, 2005, a decrease of \$160,373. A large portion of this decrease is due to a cost recovery of \$75,000 in office, occupancy and miscellaneous in the current quarter and stock based compensation of \$22,034 that was recorded in the current quarter compared to \$nil in the quarter ended July 31, 2005. There were also decreases in administration services, consulting fees, professional fees, salaries, shareholder information and travel costs of \$5,659, \$13,352, \$21,354, \$6,207, \$30,628, and \$18,172 respectively. The decrease in shareholder information and travel costs was because of fewer promotional activities and investor relations consulting services commitments.

##### ***Loss for the period***

Loss for the quarter ended July 31, 2006 was \$24,811 compared with a loss of \$211,007 for the quarter ended July 31, 2005, a decrease of \$186,196. The primary reasons for the increase are the same as those referred to above for general and administrative expenses. Reducing the loss further was higher interest income of \$44,916 for the recent quarter compared to \$7,692 for the quarter ended July 31, 2005, an increase of \$37,224. The interest was earned on the private placement proceeds that were acquired in the last quarter of fiscal 2006. Foreign exchange was \$nil in the quarter ended July 31, 2005 compared to a loss of \$11,401 in the current quarter. This was due to the increase in value of the Canadian dollar compared to the United States Dollar.

#### **Six months ended July 31, 2006 compared with the six months ended July 31, 2005**

##### ***Head office-general and administrative expenses***

General and administrative expenses totalled \$211,871 for the six months ended July 31, 2006 with a comparative expense of \$510,999 for the six months ended July 31, 2005, a decrease of \$299,128. Such as the case with the three month comparison discussed above, there were decreases in just about all expense categories. Most significant is a decrease of \$101,803 in office, occupancy and miscellaneous costs. Once again, a cost recovery of \$75,000 in financing fees was the primary factor. The Company's share of overhead expenses in regards to its cost sharing agreement with Oniva also has been reduced in the current period. As well there was a decrease of \$77,166 in stock-based compensation. Overall decreases in general and administrative expenses are also due to the Company's efforts during the year ended January 31, 2006 to become more efficient and reduce costs.

***Loss for the period***

Loss for the six months ended July 31, 2006 was \$132,216 compared with a loss of \$499,694 for the six months ended July 31, 2005, a decrease of \$367,478. The decrease in general and administrative expenses discussed above account for most of the change. Other items had a net effect of reducing the loss for the year. Interest income was \$90,676 in the current period compared to \$10,865 in the six months ended July 31, 2005, an increase of \$79,811. The only other item was foreign exchange whereas the current period experienced an increase in foreign exchange loss of \$11,461. The Canadian dollar continued to get stronger compared to the U.S. dollar throughout the six month period which caused a foreign exchange loss on U.S. funds held. There were no other extraordinary items recorded in either period.

**Summary of Quarterly Results**

<b>Period ended</b>	<b>Jul 31 2006 Q2</b>	<b>Apr. 30 2006 Q1</b>	<b>Jan 31 2006 Q4</b>	<b>Oct 31 2005 Q3</b>	<b>Jul 31 2005 Q2</b>	<b>Apr 30 2005 Q1</b>	<b>Jan 31 2005 Q4</b>	<b>Oct 31 2004 Q3</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>	-	-	-	-	-	-	-	-
<b>Net Loss</b>	(23,677)	(107,405)	(1,344,131)	(78,113)	(211,007)	(288,687)	(126,569)	(291,624)
<b>Loss per Share</b>	(0.00)	(0.01)	(0.13)	(0.01)	(0.03)	(0.05)	(0.02)	(0.07)

The general trend up to the quarter ending July 31, 2005 has been an increase in overall expenses because of the increase in exploration activities, the start up of the mill in March 2004, the associated support staff, and efforts to promote company awareness and raise funds through private placements. The quarter ending October 31, 2005 experienced a reduction in exploration activities and cost cutting measures were taken to reduce general and administrative expenses. While these costs were being reduced, efforts were being made to investigate and secure additional financing, the proceeds of which came to fruition in the quarter ending January 31, 2006. It was this quarter that the Company cancelled all outstanding stock options and granted new ones which resulted in a stock-based compensation expense of \$1,140,559. The two most recent quarters have seen an increase in overall expenses due to an increase in exploration activities; however, there has been interest revenue of approximately \$45,000 in each quarter which has reduced the loss.

**Liquidity**

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At this time the Company has no operating revenues, and does not anticipate any operating revenues with the completion of the bulk sampling. The mill operations showed good results for recovery of floatation and concentrates, proving the mine material was amenable to our plant operation. At the present time the Company applies any income as a recovery of costs expended on its exploration program.

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During the six month period ended July 31, 2006, the Company paid, or made provision for the future payment, of the following amounts to related parties:

- i) \$30,000 were paid to two private companies owned by directors of the Company for management fees;
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Amounts due from related parties consist of \$3,146 and \$5,520 from two public companies with common management and common directors and \$55,082 from Oniva.

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#### **Critical Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount

of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

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The Company's financial instruments include cash, accounts receivable and prepaid expenses, share subscriptions receivable, accounts payable and accrued liabilities and amounts due from and to related parties. The carrying values of these instruments approximate their fair values.

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

### **Changes in Accounting Policies**

None.

### **Outstanding Share Data**

At July 31, 2006 there were 13,215,554 common shares issued and outstanding.

The following is an analysis of outstanding share options and warrants.

Summary of management incentive options outstanding is as follows:

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>Number of Shares Remaining Subject to Options</b>
\$1.16	January 16, 2011	1,104,500
\$0.86	July 24, 2011	100,000
		<b>1,204,500</b>

Summary of warrants outstanding is as follows:

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Underlying Shares</b>
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\$1.20	December 21, 2007	2,130,141
\$1.20	December 28, 2007	428,313
\$1.25	December 29, 2007	474,997
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\$3.00	April 26, 2010	470,193
\$3.00	April 26, 2010	1,000,000
		<b>7,580,928</b>

### **Commitments**

The Company entered into an Investor Relations Agreement with Vantage Communications Ltd. ("Vantage"), to provide investor relations services. The Company will pay \$5,500 per month plus approved expenses for a term of six months with the agreement being effective August 1, 2006. The Company also grants incentive stock options to Vantage for the purchase of 100,000 shares at a

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Subsequent to July 31, 2006 the Company renewed a 12 month Investor Relations Agreement with Investor Relations Group Inc., formerly called Investors Relations Services Group John Mullen & Partners ("IRS"), to provide investor relations services in Europe. In consideration for the services rendered, the Company has agreed to pay IRS fees totaling \$18,000 plus expenses.

The following discussion and analysis of the operations, results, and financial position of Bralorne Gold Mines Ltd. (the "Company") for the period ended July 31, 2006 should be read in conjunction with the July 31, 2006 financial statements and the related notes. The effective date of this Management Discussion and Analysis is September 26, 2006. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

Except for historical information, the MD&A may contain forward looking statements. These statements involve known and unknown risks, uncertainties, and other factors 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.

### **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 activities for the last 12 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 Gold Mine. The Property includes mineral properties that have produced in the past approximately 4 million ounces of gold over 40 years in the historic Bralorne gold camp of British Columbia.

Geological reports titled "Geological Modeling and Exploration Targeting for the Bralorne-Pioneer Mine Property" dated September 16, 2002, as revised October 10, 2003, prepared by Dr. Matt Ball, Ph.D., P.Geo. of North Vancouver, B.C. (the "Ball Report (2002)"), the update report entitled, "Report on the 2002 and 2003 Drilling and Trenching on the Bralorne Pioneer Mine Property", dated October 15, 2003, prepared by David St. Clair Dunn, P.Geo. of Gibsons, B.C. (the "St. Clair Dunn Report") and "Bralorne Mine Gold Deposit" dated September 2005, prepared by Beacon Hill Consultants (1988) Ltd. are available at [www.sedar.com](http://www.sedar.com).

The Property consists of 154 Crown granted mineral claims, two reverted Crown granted claims and eight metric unit claims that includes the former Bralorne-Pioneer gold mine in the historic Bridge River gold mining camp of southwest British Columbia. The entire Bralorne-Pioneer Mine Property covers approximately 2422 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.

### **Business Overview**

The Company adopted the new mining plan as recommended in the preliminary assessment report by Beacon Hill Consultants (1988) Ltd. dated September 2005.

The report estimated a measured resource at Bralorne of 14,000 tonnes grading 12 grams per tonne Au and inferred resources of 125,300 tonnes grading 14.09 grams per tonne Au. These figures meet the National Instrument 43-101 criteria for resource calculation.

The Company commenced a 10,000 metre surface drilling program in February, 2006 in an unexplored area between the King and Bralorne mines.

Phase 1 of the program was the completion of 4 underground diamond drill holes (BU-06-01 thru BU-06-04; totalling 3,218 feet or 980.85 metres) to test the Cadwallader serpentine contact area in the previously unexplored gap between the King and Bralorne Mines. Assay results from the program were in general disappointing as no new or significant zones were encountered.

Phase 2 of the program was the completion of 9 surface diamond drill holes (SB-06-77 thru SB-06-85; totalling 5,503 feet or 1,677.31 metres) to test a number of MMI geochemical anomalies. Results from the program did not indicate a source for the anomalies, follow-up interpretation work may be required.

Phase 3 was an exploratory hole (SB-06-86; 1,997 feet or 608.69 metres) intended to examine an unexplored portion of Bralorne intrusive rocks near the projection of the Empire fault. The area is located east of the 800-haulage level and within the King-Bralorne gap.

Hole SB-06-86 returned 10 separate alteration/quartz-veining zones, 5 of which returned anomalous gold results ranging from 0.155 oz/ton over 1.6 ft to 0.233 oz/ton over 1 foot. Further drilling in this area is planned.

Phase 4 of the drill program on the Maud's vein, located 1,000 feet southwest of the Peter Vein was the completion of 14 holes (SB-06-87 thru SB-06-100; totalling 7,701 feet or 2,347.26 metres) along 600 feet of strike length on the previously non-drilled Maud's structure. The Maud's structure is interpreted to consist of 2 sub parallel veins associated with splay veining. Eight of the 14 holes from various zones returned values greater than 0.1 oz/ton.

The most eastern hole of the program, SB-06-94 intersected a 53.5-foot alteration zone within a Tuff unit. Of the 43.1-foot interval sampled, 19.7 feet with separate intervals up to 6.7 feet returned values of 0.1 to 0.2 oz/ton Au. This may indicate a somewhat different style of mineralization than the camp is historically known for and warrants further follow up.

Results obtained from the Maud's vein are encouraging in that they are "better" than those obtained from the historical drilling of the Upper Peter zone located 1,000 feet to the northeast, which was partially mined in 2005. Following final compilation of all data a decision for further exploration of the Maud's vein will be made.

Phase five of the drilling program comprised the completion of 11 holes (SB-06-101 through SB-06-109B), totalling 8,897 feet, or 2711.8 meters. The objective of this phase was to explore the previously non-drilled "New Vein - Noelton Vein" area as well as the eastern continuations of structures historically mined in the King Mine area.

Hole SB-06-101 intersected a one foot zone assaying 0.832 oz/ton gold from the Noelton vein. Two additional holes (SB-06-113 & 114) have been drilled 100 feet east of this intercept and results are pending.

Hole SB-06-105 intersected a 1.5 foot zone grading 1.479 oz/ton gold from a previously undeveloped portion of the north vein in the vicinity of the 800 level drift. Further testing of this area is being contemplated from the existing underground workings.

Hole SB-06-109B intersected two feet of 0.463 oz/ton gold on the eastern projection of the previously developed "Shaft vein" and then intersected two zones of "Bonanza" grade gold. A 1.1 foot vein

assaying 11.781 oz/ton gold, followed 40 feet further down hole, by a 1.2 foot vein assaying 7.203 oz/ton gold. These intersects occur within a section of the previously unexplored King Mine - Bralorne Mine Gap, and as they occur within the favorable Bralorne Intrusive rock units are considered by the geological staff to be very significant.

The area of the Bonanza intersects is within 400 feet of existing underground workings, hence the option of further testing of the area by underground drilling is being considered.

Current drilling is a parallel hole 200 feet east to SB-06-86.

### **Results of Operations**

#### **Three months ended July 31, 2006 compared with the three months ended July 31, 2005.**

##### ***Head office-general and administrative expenses***

General and administrative expenses totaled \$58,326 for the quarter ended July 31, 2006 compared with \$218,699 for the quarter ended July 31, 2005, a decrease of \$160,373. A large portion of this decrease is due to a cost recovery of \$75,000 in office, occupancy and miscellaneous in the current quarter and stock based compensation of \$22,034 that was recorded in the current quarter compared to \$nil in the quarter ended July 31, 2005. There were also decreases in administration services, consulting fees, professional fees, salaries, shareholder information and travel costs of \$5,659, \$13,352, \$21,354, \$6,207, \$30,628, and \$18,172 respectively. The decrease in shareholder information and travel costs was because of fewer promotional activities and investor relations consulting services commitments.

##### ***Loss for the period***

Loss for the quarter ended July 31, 2006 was \$24,811 compared with a loss of \$211,007 for the quarter ended July 31, 2005, a decrease of \$186,196. The primary reasons for the increase are the same as those referred to above for general and administrative expenses. Reducing the loss further was higher interest income of \$44,916 for the recent quarter compared to \$7,692 for the quarter ended July 31, 2005, an increase of \$37,224. The interest was earned on the private placement proceeds that were acquired in the last quarter of fiscal 2006. Foreign exchange was \$nil in the quarter ended July 31, 2005 compared to a loss of \$11,401 in the current quarter. This was due to the increase in value of the Canadian dollar compared to the United States Dollar.

#### **Six months ended July 31, 2006 compared with the six months ended July 31, 2005**

##### ***Head office-general and administrative expenses***

General and administrative expenses totalled \$211,871 for the six months ended July 31, 2006 with a comparative expense of \$510,999 for the six months ended July 31, 2005, a decrease of \$299,128. Such as the case with the three month comparison discussed above, there were decreases in just about all expense categories. Most significant is a decrease of \$101,803 in office, occupancy and miscellaneous costs. Once again, a cost recovery of \$75,000 in financing fees was the primary factor. The Company's share of overhead expenses in regards to its cost sharing agreement with Oniva also has been reduced in the current period. As well there was a decrease of \$77,166 in stock-based compensation. Overall decreases in general and administrative expenses are also due to the Company's efforts during the year ended January 31, 2006 to become more efficient and reduce costs.

***Loss for the period***

Loss for the six months ended July 31, 2006 was \$132,216 compared with a loss of \$499,694 for the six months ended July 31, 2005, a decrease of \$367,478. The decrease in general and administrative expenses discussed above account for most of the change. Other items had a net effect of reducing the loss for the year. Interest income was \$90,676 in the current period compared to \$10,865 in the six months ended July 31, 2005, an increase of \$79,811. The only other item was foreign exchange whereas the current period experienced an increase in foreign exchange loss of \$11,461. The Canadian dollar continued to get stronger compared to the U.S. dollar throughout the six month period which caused a foreign exchange loss on U.S. funds held. There were no other extraordinary items recorded in either period.

**Summary of Quarterly Results**

<b>Period ended</b>	<b>Jul 31 2006 Q2</b>	<b>Apr. 30 2006 Q1</b>	<b>Jan 31 2006 Q4</b>	<b>Oct 31 2005 Q3</b>	<b>Jul 31 2005 Q2</b>	<b>Apr 30 2005 Q1</b>	<b>Jan 31 2005 Q4</b>	<b>Oct 31 2004 Q3</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>	-	-	-	-	-	-	-	-
<b>Net Loss</b>	(23,677)	(107,405)	(1,344,131)	(78,113)	(211,007)	(288,687)	(126,569)	(291,624)
<b>Loss per Share</b>	(0.00)	(0.01)	(0.13)	(0.01)	(0.03)	(0.05)	(0.02)	(0.07)

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Summary of management incentive options outstanding is as follows:

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>Number of Shares Remaining Subject to Options</b>
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