



# BRALORNE GOLD MINES LTD.

## Interim Financial Statements

Six Months Ended July 31, 2008

*(unaudited)*

**Notice to Readers:** Under National Instrument 51-102, Part 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 and approved by the Board of Directors of the Company and have not been reviewed by the Company's independent auditor.

**BRALORNE GOLD MINES LTD.**

Balance Sheets

(Prepared by Management)

As at	July 31, 2008	January 31, 2008
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,050,061	\$ 1,560,321
Accounts receivable and prepaid expenses	35,082	21,838
Interest receivable	4,411	30,105
Taxes recoverable	22,496	81,443
	2,112,050	1,693,707
Due from related parties <i>(Note 8(c))</i>	23,411	1,819
Mineral property <i>(Note 5)</i>	20,152,863	18,962,239
Equipment <i>(Note 6)</i>	18,091	20,366
Restricted cash <i>(Note 4)</i>	125,000	125,000
	\$ 22,431,415	\$ 20,803,131
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 162,009	\$ 258,846
Due to related parties <i>(Note 8(d))</i>	47,314	47,686
	209,323	306,532
Site restoration obligation	98,000	98,000
	307,323	404,532
<b>Shareholders' equity</b>		
Share capital <i>(Note 7)</i>	29,071,817	27,286,153
Contributed surplus	3,906,811	3,744,181
Deficit	(10,854,536)	(10,631,735)
	22,124,092	20,398,599
	\$ 22,431,415	\$ 20,803,131

Approved by the Directors:

                  "Louis Wolfin"                   Director                  "William Kocken"                   Director*See the accompanying notes to the financial statements*

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2008	2007	2008	2007
<b>General and administrative expenses</b>				
Administration services	\$ 1,669	\$ 909	\$ 2,911	\$ 1,599
Amortization	1,137	1,238	2,275	2,476
Automobile expense	6,892	6,812	14,068	14,004
Consulting	23,400	22,500	45,973	45,000
Interest	-	-	-	6
Listings and filing fees	3,070	3,183	10,520	8,183
Office, occupancy and miscellaneous	17,905	13,448	32,377	24,349
Professional fees	3,122	5,239	8,962	20,052
Salaries and benefits	41,171	19,268	76,681	32,664
Shareholder information	22,794	34,707	47,224	74,026
Stock-based compensation	5,648	37,300	5,648	51,711
Transfer fees	4,309	4,810	7,225	7,151
Travel and accommodation	5,396	12,527	12,973	18,248
	(136,513)	(161,941)	(266,837)	(299,469)
<b>Other items</b>				
Interest income	29,169	25,928	44,036	60,594
Write-down of receivables	-	-	-	(5,520)
<b>Loss and comprehensive loss for the period</b>	(107,344)	(136,013)	(222,801)	(244,395)
Deficit, beginning of period	(10,747,192)	(10,081,361)	(10,631,735)	(9,972,979)
<b>Deficit, end of period</b>	<b>\$(10,854,536)</b>	<b>\$(10,217,374)</b>	<b>\$(10,854,536)</b>	<b>\$(10,217,374)</b>
<b>Loss per share</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>	<b>\$(0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>16,148,043</b>	<b>13,540,324</b>	<b>15,708,513</b>	<b>13,405,464</b>

See the accompanying notes to the financial statements

**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>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (107,344)	\$ (136,013)	\$(222,801)	\$ (244,395)
Adjustments for items not involving cash:				
Amortization	1,137	1,238	2,275	2,476
Stock-based compensation	5,648	37,300	5,648	51,711
	(100,559)	(97,475)	(214,878)	(190,208)
Changes in non-cash working capital:				
Accounts receivable and prepaid expenses	(14,625)	9,609	(13,244)	17,160
Interest receivable	32,077	70,439	25,694	60,540
Taxes recoverable	25,304	30,657	58,947	(11,122)
Accounts payable and accrued liabilities	(84,210)	(5,682)	(96,837)	43,690
<b>Cash used in operating activities</b>	<b>(142,013)</b>	<b>7,548</b>	<b>(240,318)</b>	<b>(79,940)</b>
<b>INVESTING ACTIVITIES</b>				
Mineral property additions:				
Deferred exploration expenditures, net of non-cash items	(599,784)	(661,723)	(1,239,305)	(1,360,969)
Mine and plant buildings and equipment	(18,484)	(1,412)	(23,392)	(2,704)
Increase in tailings pond	-	-	(18,657)	-
Gold sales prior to commencement of commercial production	90,730	-	90,730	-
Increase in office equipment	-	-	-	(1,799)
Increase in reclamation deposit amount	-	-	-	(2,500)
<b>Cash used in investing activities</b>	<b>(527,538)</b>	<b>(663,135)</b>	<b>(1,190,624)</b>	<b>(1,367,972)</b>
<b>FINANCING ACTIVITIES</b>				
Share subscriptions receivable	-	-	-	650
Issuance of common shares, net	980,790	93,540	1,942,646	405,203
Amounts due to (from) related parties, net	19,316	(145,838)	(21,964)	(18,744)
<b>Cash provided by financing activities</b>	<b>1,000,106</b>	<b>(52,298)</b>	<b>1,920,682</b>	<b>387,109</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>330,555</b>	<b>(707,885)</b>	<b>489,740</b>	<b>(1,060,803)</b>
Cash and cash equivalents, beginning of period	1,719,506	2,417,263	1,560,321	2,770,181
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,050,061</b>	<b>\$ 1,709,378</b>	<b>\$2,050,061</b>	<b>\$1,709,378</b>

*See the accompanying notes to the financial statements*

**BRALORNE GOLD MINES LTD.**

Notes to Interim Financial Statements

July 31, 2008

(Unaudited – Prepared by Management)

**1. Nature of Operations**

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

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

The Company is in the exploration stage. The investment in and expenditures on the mineral property comprise substantially all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern is dependent upon the continued support from its directors, the discovery of economically recoverable reserves, 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 July 31, 2008, the Company had working capital of \$1,902,727 and an accumulated deficit of \$10,854,536.

**2. Basis of Presentation and Recent Accounting Pronouncements****a) Basis of Presentation**

These unaudited interim financial statements have been prepared according to Canadian GAAP and follow the same accounting policies and methods of application as the audited financial statements of the Company for the year ended January 31, 2008 with the exception of the new accounting standards in Note 2(b). These unaudited interim financial statements should be read in conjunction with the audited financial statements and accompanying notes thereto for the fiscal year ended January 31, 2008.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of these interim 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, 2008 are not necessarily indicative of the results that can be expected for the year ended January 31, 2009.

**2. Basis of Presentation and Recent Accounting Pronouncements (Continued)**

**b) Recent Accounting Pronouncements**

Capital Disclosures

Effective February 1, 2008, the Company adopted CICA Section 1535, Capital Disclosure. This section requires the Company to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. See Note 3(b) to these interim consolidated financial statements for disclosure relating to this section.

Financial Instruments – Disclosures and Financial Instruments – Presentation

Effective February 1, 2008, the Company adopted CICA Section 3862, Financial Instruments – Disclosure. This section requires disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. See Note 3(a) to these interim financial statements for disclosure relating to this section.

Going Concern

In April 2007, the CICA approved amendments to Handbook Section 1400, General Standards of Financial Statement Presentation. These amendments require management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The standard was adopted by the Company effective February 1, 2008. See Note 1 to these interim financial statements for disclosure relating to this section.

**c) Future Accounting and Reporting Changes**

International Financial Reporting Standards ("IFRS")

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

**2. Basis of Presentation and Recent Accounting Pronouncements (Continued)**

**c) Future Accounting and Reporting Changes (Continued)**

Goodwill and Intangible Assets

The CICA has also issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of these new accounting standards on its financial statements.

**3. Significant Accounting Policies**

**a) Financial Instruments**

i) Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, interest receivable, accounts receivable, taxes recoverable, accounts payable and accrued liabilities. The carrying amounts of these financial instruments are a reasonable estimate of their fair value because of the short term to maturity.

ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents are exposed to credit risk. The risk is low because the Company is maintaining its cash and cash equivalents with highly rated financial institutions.

iii) Foreign exchange risk

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has minimal exposure to foreign exchange as presently most of its business is in Canadian dollars.

iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash and cash equivalents are currently held in highly liquid short-term investments and therefore management considers the interest rate risk to be minimal.

v) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company ensures that it has sufficient capital to meet short term financial obligations after taking into account its exploration obligations and cash and cash equivalents on hand.

**BRALORNE GOLD MINES LTD.**

Notes to Interim Financial Statements

July 31, 2008

(Unaudited – Prepared by Management)

**3. Significant Accounting Policies (Continued)****b) 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. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents, receivables and current liabilities.

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

**4. Restricted Cash**

The Company has placed a deposit in the amount of \$125,000 at July 31, 2008 [January 31, 2008 - \$125,000], registered in the name of the Ministry of Finance, as security for its mining permit and for reclamation clean-up.

**5. 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, 2008, the Company had inventory of gold and silver dore bars valued at CDN\$456,842. During the period, the Company sold 100 ounces of gold dore bars for proceeds of \$90,730.

The following is a summary of mineral property expenditures for the Bralorne Property at July 31, 2008:

	<b>July 31, 2008</b>	<b>January 31, 2008</b>
Acquisition costs	\$ 2,442,347	\$ 2,442,347
Deferred exploration and development expenditures	16,103,406	14,954,831
Tailings pond	1,020,651	1,011,085
Mine and plant buildings, and equipment	2,280,394	2,247,911
Provision for reclamation	98,000	98,000
	<hr/> 21,944,798	<hr/> 20,754,174
Deduct: concentrate and gold dore sales	(1,791,935)	(1,791,935)
	<hr/> 20,152,863	<hr/> 18,962,239

**BRALORNE GOLD MINES LTD.**  
Notes to Interim Financial Statements  
July 31, 2008  
(Unaudited – Prepared by Management)

**6. Equipment**

	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
<b>July 31, 2008</b>			
Computer equipment	10,982	6,941	4,041
Computer software	5,340	5,340	-
Office equipment	6,518	4,378	2,140
Vehicle	32,191	20,281	11,910
	<u>55,031</u>	<u>36,940</u>	<u>18,091</u>
<b>January 31, 2008</b>			
Computer equipment	10,982	6,229	4,753
Computer software	5,340	5,339	1
Office equipment	6,518	4,140	2,378
Vehicle	32,191	18,957	13,234
	<u>55,031</u>	<u>34,665</u>	<u>20,366</u>

**7. Share Capital**

a) **Authorized:** Unlimited common shares without par value

b) **Issued:**

	Number of Shares	Share Capital Amount	Contributed Surplus
<b>Balance, January 31, 2007</b>	13,215,554	\$25,637,789	\$3,696,838
Private placement	511,738	547,865	40,635
Share issue costs	-	(64,537)	-
Exercise of stock options	139,000	138,740	-
Exercise of warrants	740,868	911,463	-
Stock-based compensation	-	-	121,541
Fair value of stock options exercised	-	114,833	(114,833)
<b>Balance, January 31, 2008</b>	<u>14,607,160</u>	<u>\$27,286,153</u>	<u>\$3,744,181</u>
Private placements	838,261	852,019	156,982
Share issue costs	-	(61,645)	-
Exercise of warrants	995,290	995,290	-
Stock-based compensation	-	-	5,648
<b>Balance, July 31, 2008</b>	<u>16,440,711</u>	<u>\$29,071,817</u>	<u>\$3,906,811</u>

**7. Share Capital (Continued)**

**c) Share Purchase Warrants**

A summary of share purchase warrants transactions for the period ended July 31, 2008 is as follows:

	Underlying Shares	Weighted Average Exercise Price
Balance, January 31, 2008	6,893,817	\$1.61
Issued	569,139	\$1.55
Exercised	(995,290)	\$1.00
<b>Balance, July 31, 2008</b>	<b>6,467,666</b>	<b>\$1.56</b>

As at July 31, 2008, the following share purchase warrants were outstanding:

Number of Warrants Outstanding	Exercise Price Per Share	Expiry Date
1,005,283	\$1.00/\$1.20	June 1, 2008/December 21, 2008
271,900	\$1.00/\$1.20	June 1, 2008/December 28, 2008
424,998	\$1.00/\$1.25	June 1, 2008/December 28, 2008
1,965,000	\$1.00/\$1.20	June 1, 2008/December 28, 2008
255,869	\$1.50/\$2.00	December 31, 2008/December 31, 2009
269,139	\$1.50/\$2.00	February 4, 2009/February 4, 2010
505,284	\$2.60	February 8, 2009
300,000	\$1.60/\$2.00	March 19, 2009/March 19, 2010
470,193	\$3.00	April 26, 2010
1,000,000	\$3.00	April 26, 2010
<b>6,467,666</b>		

**7. Share Capital (Continued)**

**d) Stock Options**

A summary of the stock options granted and exercised at the period ended July 31, 2008 is as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable at January 31, 2007	1,204,500	\$1.14
Issued	153,500	\$1.16
Exercised	(139,000)	\$1.00
Cancelled	(35,000)	\$0.95
Options outstanding and exercisable at January 31, 2008	1,184,000	\$1.16
Issued	42,000	\$1.16
Options outstanding and exercisable at July 31, 2008	1,226,000	\$1.16

A summary of stock options outstanding and exercisable at the period ended July 31, 2008 is as follows:

Range of Exercise Prices	Number Outstanding	Weight Average Remaining Contractual Life (yr)	Weighted Average Exercise Price
\$1.16	1,226,000	2.94	\$1.16

**8. Related Party Transactions**

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

- a) During the six month period ended July 31, 2008, the Company paid, or made provision for the future payment, of the following amounts to related parties:
- i) \$115,637 (2007 - \$74,052) for administrative expenses to Oniva International Services Corp. ("Oniva"), a private company beneficially owned by the Company and five other public companies related through common Directors;
  - ii) \$37,500 to three private companies (2007 - \$45,000) controlled by Directors for management fees; and
  - iii) \$48,000 (2007 - \$48,000) to a private company controlled by the President of the Company for geological consulting and general mine management.

**BRALORNE GOLD MINES LTD.**

Notes to Interim Financial Statements

July 31, 2008

(Unaudited – Prepared by Management)

**8. Related Party Transactions (Continued)**

- b) The Company was billed \$nil (2007 - \$326,181) in drilling expenses from ABC Drilling Services Inc. ("ABC Drilling"), a private drilling company owned by Oniva.
- c) Due from related parties consists of the following:

	<b>July 31, 2008</b>	<b>January 31, 2008</b>
Levon Resources Ltd.	\$ -	\$ 1,819
ABC Drilling	23,411	-
	<u>\$ 23,411</u>	<u>\$ 1,819</u>

- d) Due to related parties consists of the following:

	<b>July 31, 2008</b>	<b>January 31, 2008</b>
Levon Resources Ltd.	\$ -	\$ 19,514
Coral Gold Resources Ltd.	27,998	27,998
Oniva International Services	18,981	-
Frobisher Securities Inc.	335	174
	<u>\$ 47,314</u>	<u>\$ 47,686</u>

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

**9. Commitment**

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

**10. Segmented Information**

The Company is involved in mineral exploration and development activities which are conducted principally in British Columbia. The Company is in the development stage and, accordingly, has no reportable segment revenues for each of the periods ended July 31, 2008 and 2007. Substantially all of the operating losses are attributable to head office expenditures, as the majority of mine site costs are capitalized to the mineral property balance.

The assets of the Company are attributable to head office and mine site as follows:

**BRALORNE GOLD MINES LTD.**

Notes to Interim Financial Statements

July 31, 2008

(Unaudited – Prepared by Management)

**10. Segmented Information (Continued)**

	<b>July 31, 2008</b>		
	<b>Head Office</b>	<b>Mine Site</b>	<b>Total</b>
	\$	\$	\$
Current assets	2,102,155	9,895	2,112,050
Due from related parties	-	23,411	23,411
Mineral property	-	20,152,863	20,152,863
Equipment	18,091	-	18,091
Restricted cash	125,000	-	125,000
	<u>2,245,246</u>	<u>20,186,169</u>	<u>22,431,415</u>

	<b>January 31, 2008</b>		
	<b>Head Office</b>	<b>Mine Site</b>	<b>Total</b>
	\$	\$	\$
Current assets	1,659,324	34,383	1,693,707
Due from related parties	-	1,819	1,819
Mineral property	-	18,962,239	18,962,239
Equipment	20,366	-	20,366
Restricted cash	125,000	-	125,000
	<u>1,804,690</u>	<u>18,998,441</u>	<u>20,803,131</u>

**11. Comparative Figures**

Certain of the comparative figures for the fiscal year ended January 31, 2008 have been reclassified, where applicable, to conform to the presentation adopted for the current year.

The following discussion and analysis of the operations, results and financial position of Bralorne Gold Mines Ltd. (the "Company" or "Bralorne") should be read in conjunction with the Company's unaudited interim financial statements for the six months ended July 31, 2008 and the audited financial statements for the year ended January 31, 2008.

This Management Discussion and Analysis ("MD&A") is dated September 26, 2008 and discloses specified information up to that date. Bralorne is classified as a "venture issuer" for the purposes of National Instrument 51-102. The Company's financial statements are prepared in accordance with generally accepted accounting principles in Canada. Unless otherwise cited, references to dollar amounts are Canadian dollars.

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

### **Business Description**

The Company is a natural resource company, primarily engaged in the acquisition, exploration and development of natural resource properties since its inception. The Company's principal business activity for the last 15 years has been the exploration and development of certain mineral properties located in the Lillooet Mining District of British Columbia in the Bridge River area near Lillooet, specifically referred to as the Bralorne Gold Mine. The Property includes mineral properties that have produced approximately 4 million ounces of gold 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.

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 King-Bralorne-Pioneer gold mine in the historic Bridge River gold mining camp of southwest British Columbia. The entire Bralorne-Pioneer Mine Property covers approximately 2,422 hectares. The Property is located 160 kilometres due north of Vancouver, British Columbia, Canada.

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

### **Overall Performance**

The following is a summary of significant events and transactions during the period ended July 31, 2008 to the date of this MD&A:

The Company announced that two sections of ore grade material, viable for mining blocks, have been intersected within the 640 feet of drifting completed to date along the structure known as the BK zone. This 640 feet represents approximately 1/3 of the distance (See news release: Jan 7, 2008) of the current program. The **first section**, starting at 300 feet from the crosscut and running for a **length of 134 feet**, has an **average width of 5.45**

feet (using historical minimum mining width of 4 feet) with a **weighted average grade of 0.842 oz/ton Au**. The vein structure itself varied from 0.5 to 9 feet in width; averaging 4.09 feet at a weighted grade of 1.21 oz/ton Au. This is followed by 37.5 feet of low grade material, 0.019 oz/ton across 4 feet before the **second zone** with a **length of 81 feet** and using a minimum **4 foot mining width**, which gives a **weighted cut grade of 0.525 oz/ton Au**. (3 of the 10 faces sampled returned assays of: 4.425 oz/t across 1.4 feet; 9.959 oz/t across 2.3 feet; and 13.259 oz/ton across 1.4 feet. These values were cut to 2.916 oz/ton across respective vein widths for the cut grade calculation. The uncut grade is 1.283oz/ton.) Visible gold was noted in several faces bringing nugget effect into play. Assays are being conducted at the Company's on-site lab utilizing conventional fire assay techniques on 30 gram samples. Both the pulp and reject portions of a number of samples have been sent to Eco Tech Labs in Kamloops for confirmation and comparison of results.

- The program is being supervised by Robert "Ned" Reid P. Geo., a qualified person as per NI 43-101.
- In May 2008 the Company announced that it had amended its investor relations agreement dated January 15, 2008 with Momentum IR (the "Agreement"). The amendment extended the term of the Agreement for an additional twelve months; increased the notice of termination from fifteen to thirty days; and granted Momentum IR 42,000 options to purchase shares of the Company at a price of \$1.16 per share exercisable on or before May 14, 2013. All the other terms remained the same. The Company deals with Momentum IR on an arms' length basis, and neither Momentum IR nor any of its principals has any interest, directly or indirectly, in the Company or its securities, or any right or intent to acquire such an interest, other than the above stock option grant.
- In June 2008 the Company reported that metallurgical testing on a grab composite sample of material extracted from the BK zone and placed on stockpile has been completed at PRA Metallurgical Labs in Richmond, BC. The test results indicate the material tested responds to gravity and flotation using the process conditions of the existing mill. A combined gold recovery of 98% was achieved with 41% reporting to the gravity concentrate and 57% to a bulk sulfide concentrate. After 2 stages of cleaning, the combined gold recovery drops to 94.6%. It is important to note that visible gold was present in the sample tested and better agreement in head grade results can be accomplished with a larger size test sample.

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

After two stages of cleaning, the flotation concentrate grade assayed 209.38g Au/t. This grade is much higher than the 75 to 150g Au/ton flotation concentrates produced in 2004 when sold to Barrick Goldstrike, in Nevada. The higher grade concentrate will also result in higher returns. The result is extremely encouraging and indicates no process changes are required to the existing plant to treat the material from the BK zone. The test program was supervised by Jasman Yee P. Eng., a qualified person as per NI43-101.

- As of the date of this MD&A, a surface drill program has commenced to drill 12 new holes in the new Bralorne-King gap, commonly known as the BK zone. The purpose of the program is to test the vertical extent, near surface, or 600 to 900 feet above the mineralized section of the BK zone discovered during the 800 level drifting program. For further information, see the

May 5, 2008 press release. **(292 feet with an indicated grade of 0.591 oz/ton over an average width of 4.66 feet, calculated from numerous face samples)**

The "Company" has applied for and is awaiting permitting for the next stage of our program that will consist of collaring a new portal located on the North-East portion of the Lorgan claim block and driving approximately 1450ft of decline with dimensions of 10ft high by 13ft wide at minus 15% to intersect the BK vein approximately 225ft above the known zone on the 800 level. Upon intersecting the BK vein at the 575 level we will then drift on to the extent of the ore. Once the limits of the mineralized zone have been established on the 575 level we will have two alimak raises driven from the 800 level to the 575 level and equipped as man ways. Then a sub drift will be driven at the 785 level, chutes installed on the 800 level and mining will commence. With positive results from drifting on the 575 level vein, an incline will be driven to the 375 level and a second stopping block established.

### **Results of Operations**

**Three months ended July 31, 2008 compared with the three months ended July 31, 2007.**

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

General and administrative expenses totaled \$136,513 for the three months ended July 31, 2008 compared with \$161,941 for the three months ended July 31, 2007, a decrease of \$25,428. The current quarter had decreases of \$2,117 in professional fees, \$11,913 in shareholder information, \$113 in listing and filing fees, \$501 in transfer fees, \$7,131 in travel and \$31,652 in stock-based compensation. Offsetting these cost reductions were increases of \$900 in consulting, \$4,457 in office and occupancy costs, \$21,903 in salaries and benefits and \$760 in administration services. Shareholder information costs were lower in the current quarter due to lower fees being paid to investor relations service providers. Professional fees were lower in the current quarter due to lower legal costs.

Salaries and benefits expenses increased due to an increase in personnel. More personnel have been required to handle the increasing regulatory and financial reporting demands placed on public companies.

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

Loss for the three months ended July 31, 2008 was \$107,344 compared with a loss of \$136,013 for the three months ended July 31, 2007, a difference of \$28,669. While general and administrative expenses decreased as discussed above, the current quarter had an increase in interest income of \$3,241.

**Six months ended July 31, 2008 compared with the six months ended July 31, 2007.**

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

General and administrative expenses totaled \$266,837 for the six months ended July 31, 2008 compared with \$299,469 for the six months ended July 31, 2007, a decrease of \$32,632. The six month period had decreases of \$11,090 in professional fees, \$26,802 in shareholder information, \$5,275 in travel and \$46,063 in stock-based compensation. Offsetting these cost reductions were increases of \$44,017 in salaries and benefits, \$1,312 in administration services, \$973 in consulting, \$8,028 in office and occupancy cost and \$2,411 in listing, filing and transfer fees. Shareholder information costs were lower in the current period due to lower fees being paid to investor relations service providers. Professional fees were lower in the current quarter due to lower legal costs. Stock-based compensation expense is lower due to fewer options being issued.

Salaries and benefits expenses increased due to an increase in personnel. More personnel have been required to handle the increasing regulatory and financial reporting demands placed on public companies. Associated office and occupancy costs also increased due to increase in staffing.

***Loss for the period***

Loss for the six months ended July 31, 2008 was \$222,801 compared with a loss of \$244,395 for the six months ended July 31, 2007, a difference of \$21,594. While general and administrative expenses decreased as discussed above, the current quarter had a decrease of \$16,558 in interest income.

**Summary of Quarterly Results**

Period ended	Jul 31 2008 Q2	Apr 30 2008 Q1	Jan 31 2008 Q4	Oct 31 2007 Q3	Jul 31 2007 Q2	Apr 30 2007 Q1	Jan 31 2007 Q4	Oct 31 2006 Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net Income (Loss)	(107,344)	(115,457)	(317,726)	(96,635)	(136,013)	(108,382)	613,938	(80,561)
Income (Loss) per Share basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	0.05	(0.01)

Prior to the quarterly periods shown, the Company had taken steps to become more cost efficient. Since Q1-April 30, 2006, quarterly general and administrative costs have become more stable. Factors causing significant changes between quarters have primarily been items such as stock-based compensation which is not experienced in every quarter and other expense and income items. Interest income has been slowly declining over the past eight quarters as a result of the Company using the cash raised through private placements prior to Q1-April 30, 2006. However, interest income is expected to increase due to the raising of cash in recent share issuances.

**Liquidity and Capital Resources**

During the period ended July 31, 2008 the Company has accrued \$1,281,354 towards mineral exploration on its Bralorne Property. As was the case in the previous year, the mill has been shut

down to allow more concentration and total emphasis on our drilling program. In conjunction with the exploration activities, work concerning environmental studies and compliance measures continues. At this time the Company has no operating revenues.

At July 31, 2008, the Company held \$456,842 worth of gold dore bars and silver that were produced during the bulk sampling stage in a prior year in safe-keeping and had working capital of \$1,902,727 and cash and cash equivalents of \$2,050,061. The Company is continuing its exploration drilling program and has outlined a plan to spend approximately \$2.5 million on the BK Zone. The Company has sufficient cash on hand at this time to finance the limited exploration work on its mineral properties and maintain administrative operations through January 31, 2009. During the period, the Company raised \$1,942,646 (net of issuance costs) through a private placement and exercises of warrants. The Company looks to raise additional capital through the exercising of warrants that have expiry dates in December 2008 and if necessary, additional private placements.

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

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

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

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

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

During the six months period ended July 31, 2008, the Company paid, or made provision for the future payment, of the following amounts to related parties:

- i) \$115,637 (2007 - \$74,052) for administrative expenses to Oniva International Services Corp. ("Oniva"), a private company beneficially owned by the Company and five other public companies related through common Directors;
- ii) \$37,500 to three private companies (2007 - \$45,000) controlled by Directors for management fees; and
- iii) \$48,000 (2007 - \$48,000) to a private company controlled by the President of the Company for geological consulting and general mine management.

The Company was billed \$nil (2007 - \$326,181) in drilling expenses from ABC Drilling Services Inc. ("ABC Drilling"), a private drilling company owned by Oniva.

Amounts due from related parties consists of \$23,411 (January 31, 2008 - \$1,819) from companies related by way of common directors.

Amounts due to related parties consist of \$47,314 (January 31, 2008 - \$47,686) 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 six months ended July 31, 2008, \$48,000 was paid to the President for services as director and officer of the Company; \$15,000 was paid to the C.E.O. for services as director and officer of the Company; \$3,375 was paid to the C.F.O for services as an officer of the Company, \$7,500 was paid to the V.P. Finance for services as director and officer of the Company; \$8,082 was paid to the V.P. Operations for services as director and officer of the Company; and \$8,000 was paid to the Secretary for services as an officer of the Company.

### **Critical Accounting Estimates**

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

### **Financial Instruments**

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

The carrying value of cash and cash equivalents, accounts receivable, interest receivable, amounts due from related parties, accounts payable and amounts due to related parties approximate their fair value because of the short-term nature of these instruments. It is not practical to determine the fair value of the amounts due to and from related parties with sufficient reliability due to the nature of the financial instruments, the absence of secondary markets, and the significant cost of obtaining outside appraisals.

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

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

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

### **Recent Canadian Accounting Pronouncements**

Effective February 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a retrospective basis with no restatement of prior period financial statements:

*i) Capital Disclosure*

The Company adopted CICA Section 1535, Capital Disclosure. This section requires the Company to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. See Note 3(b) to these interim consolidated financial statements for disclosure relating to this section.

ii) *Financial Instruments - Disclosure*

Effective February 1, 2008, the Company adopted CICA Section 3862, Financial Instruments – Disclosure. This section requires disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. See Note 3(a) to these interim financial statements for disclosure relating to this section.

iii) *International Financial Reporting Standards (“IFRS”)*

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

**Outstanding Share Data**

The following is the Company’s outstanding share data as at July 31, 2008 and September 26, 2008:

**Common Shares**

16,440,711 at July 31, 2008  
16,440,711 at September 26, 2008.

**Stock Options**

<b>Expiry Date</b>	<b>Exercise Price Per Share</b>	<b>Number of Shares Remaining Subject to Options (July 31/08)</b>	<b>Number of Shares Remaining Subject to Options (Sept. 26/08)</b>
January 16, 2011	\$1.16	1,030,500	1,030,500
July 23, 2012	\$1.16	50,000	50,000
November 29, 2012	\$1.16	103,500	103,500
May 14, 2013	\$1.16	42,000	42,000
		<b>1,226,000</b>	<b>1,226,000</b>

## Warrants

Expiry Date	Exercise Price	Underlying Shares (Jul 31/08)	Underlying Shares (Sept. 26/08)
Jun 1, 2008 / Dec 21, 2008	\$1.00 / \$1.20	1,005,283	1,005,283
Jun 1, 2008 / Dec 28, 2008 <sup>1</sup>	\$1.00 / \$1.20	271,900	271,900
Jun 1, 2008 / Dec 28, 2008 <sup>2</sup>	\$1.00 / \$1.25	424,998	424,998
Jun 1, 2008 / Dec 28, 2008 <sup>3</sup>	\$1.00 / \$1.20	1,965,000	1,965,000
Feb 8, 2009 <sup>4</sup>	\$2.60	505,284	505,284
Dec 31, 2008 / Dec 31, 2009	\$1.50 / \$2.00	255,869	255,869
Feb 4, 2009 / Feb 4, 2010	\$1.50 / \$2.00	269,139	269,139
Mar 19, 2009 / Mar 19, 2010	\$1.60 / \$2.00	300,000	300,000
Apr 26, 2010	\$3.00	470,193	470,193
Apr 26, 2010	\$3.00	1,000,000	1,000,000
		<b>6,467,666</b>	<b>6,467,666</b>

## Commitment

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

## Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company assessed the design of the internal controls over financial reporting as at July 31, 2008 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.

<sup>1</sup> Original expiry date: December, 28, 2007

<sup>2</sup> Original expiry date: December 29, 2007

<sup>3</sup> Original expiry date: December 30, 2007

<sup>4</sup> Original expiry date: February 8, 2008

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended July 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Cautionary Statement**

This MD&A is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of September 26, 2008. 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.