



BRALORNE GOLD MINES LTD.

(an exploration stage company)

Interim Financial Statements

For the nine months ended October 31, 2009

(Unaudited)

Notice to Readers

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

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

	October 31, 2009	January 31, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 3,911,851	\$ 972,687
Amounts receivable and prepaid expenses	38,896	19,684
Interest receivable	-	4,882
Mining tax credit receivable (Note 12)	-	-
GST receivable	46,720	22,609
	3,997,467	1,019,862
Due from related parties (Note 9(b))	447	3,411
Mineral property (Notes 6 and 9)	22,022,655	21,059,537
Equipment (Note 7)	32,210	30,082
Restricted cash (Note 5)	125,000	125,000
	\$ 26,177,779	\$ 22,237,892
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 368,792	\$ 175,565
Due to related parties (Note 9(c))	200,157	43,261
	568,949	218,826
Site restoration obligation	98,000	98,000
	666,949	316,826
Shareholders' equity		
Share capital (Note 8)	30,726,933	28,959,672
Share subscriptions received in advance	16,150	-
Contributed surplus	6,737,421	4,440,977
Deficit	(11,969,674)	(11,479,583)
	25,510,830	21,921,066
	\$ 26,177,779	\$ 22,237,892

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

Approved by the Directors on behalf of the Board:

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

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

	Three months ended October 31,		Nine months ended October 31,	
	2009	2008	2009	2008
		<i>(Note 11)</i>		<i>(Note 11)</i>
General and administrative expenses				
Administration services <i>(Note 9(a)(i))</i>	\$ 1,037	\$ 1,668	\$ 3,294	\$ 4,579
Amortization	1,856	1,930	5,032	4,205
Automobile	4,396	5,980	11,095	20,048
Consulting <i>(Note 9(a)(ii))</i>	315,000	6,600	345,115	52,573
Directors fees <i>(Note 9(a)(iv))</i>	4,500	9,000	23,000	9,000
Listing and filing fees	1,640	1,190	15,206	18,935
Office, occupancy and miscellaneous	103,274	19,985	133,658	52,362
Professional fees	258	9,150	2,959	18,112
Salaries and benefits	26,527	35,004	102,856	111,685
Shareholder information	14,163	4,740	40,302	51,964
Stock-based compensation <i>(Note 8(e))</i>	-	6,778	51,700	12,426
Travel and accommodation	20,075	10,699	28,718	23,672
Loss before other items	(492,726)	(112,724)	(762,665)	(379,561)
Other items				
Interest income	246,577	11,163	272,574	55,199
	(246,149)	11,163	272,574	55,199
Loss and comprehensive loss for the period	\$ (246,149)	\$ (101,561)	\$ (490,091)	\$ (324,362)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding	18,567,698	16,440,711	17,282,480	15,954,360

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

	Number of Common Shares	Share Capital	Shares Subscriptions Received in Advance	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, January 31, 2008	14,607,160	\$27,286,153	\$-	\$3,744,181	\$(10,631,735)	\$20,398,599
Common shares issued for cash:						
Private placement <i>(Note 8(b))</i>	812,630	837,256		142,269	-	979,525
Share issue costs	25,631	(41,450)		3,441	-	(38,009)
Exercise of stock options	24,000	18,000		-	-	18,000
Exercise of warrants	995,290	995,290		-	-	995,290
Transfer of contributed surplus to share capital on exercise of stock options	-	10,020		(10,020)	-	-
Stock-based compensation	-	-		561,106	-	561,106
Income tax effect of flow-through share renunciation	-	(145,597)		-	-	(145,597)
Loss for the year	-	-		-	(847,848)	(847,848)
Balance January 31, 2009	16,464,711	28,959,672	-	4,440,977	(11,479,583)	21,921,066
Common shares issued for cash:						
Private placement <i>(Note 8(b))</i>	381,763	302,669		88,796	-	391,465
Share issue costs		(37,882)		11,219	-	(26,663)
Private placement <i>(Note 8(b))</i>	4,298,684	1,950,521		1,959,718	-	3,910,239
Share issue costs		(597,044)		195,509	-	(401,535)
Shares subscriptions received in advance			16,150			16,150
Exercise of options	24,667	18,500		-	-	18,500
Exercise of warrants	120,000	120,000		-	-	120,000
Transfer of contributed surplus to share capital on exercise of stock options	-	10,498		(10,498)	-	-
Stock-based compensation	-	-		51,700	-	51,700
Loss for the period	-	-		-	(490,091)	(490,091)
Balance October 31, 2009	21,289,825	\$30,726,933	\$16,150	\$6,737,421	\$(11,969,674)	\$25,510,830

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

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

	Three months ended		Nine months ended	
	October 31,		October 31,	
	2009	2008	2009	2008
		<i>(Note 11)</i>		<i>(Note 11)</i>
OPERATING ACTIVITIES				
Loss for the period	\$ (246,149)	\$ (101,561)	\$ (490,091)	\$ (324,362)
Adjustments for items not involving cash:				
Amortization	1,856	1,930	5,032	4,205
Stock-based compensation	-	6,778	51,700	12,426
	(244,293)	(92,853)	(433,359)	(307,731)
Changes in non-cash working capital:				
Amounts receivable and prepaid expenses	(2,365)	15,748	(19,212)	2,504
Interest receivable	1,531	(1,516)	4,882	24,178
Taxes recoverable	4,029	(14,657)	(24,111)	44,290
Accounts payable and accrued liabilities	25,596	(794)	193,227	(97,631)
Cash used in operating activities	(215,502)	(94,072)	(278,573)	(334,390)
INVESTING ACTIVITIES				
Office equipment acquisitions	(7,161)	(15,850)	(7,161)	(15,850)
Equipment acquisitions	(64,934)	(2,772)	(90,438)	(44,821)
Mineral property expenditures, net of gold sales	231,249	(483,826)	(872,680)	(1,632,401)
Cash used in investing activities	159,154	(502,448)	(970,279)	(1,693,072)
FINANCING ACTIVITIES				
Issuance of shares and units, net of issue costs	3,527,204	-	4,012,006	1,942,646
Shares subscriptions received in advance	16,150	-	16,150	-
Amounts due to (from) related parties, net	129,960	6,840	159,860	(15,124)
Cash provided by financing activities	3,673,314	6,840	4,188,016	1,927,522
Decrease in cash and cash equivalents	3,616,966	(589,680)	2,939,164	(99,940)
Cash and cash equivalents, beginning of period	294,885	2,050,061	972,687	1,560,321
Cash and cash equivalents, end of period	\$ 3,911,851	\$ 1,460,381	\$ 3,911,851	\$ 1,460,381

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BRALORNE GOLD MINES LTD.
(an exploration stage company)

Notes to Interim Financial Statements
For the nine months ended October 31, 2009
(Unaudited)

1. Nature of Operations and Going Concern

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

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

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

As at October 31, 2009, the Company had working capital of \$3,428,518 (2009 - \$801,036) and an accumulated deficit of \$11,969,674 (2009 - \$11,479,583). Management of the Company believes that it has raised sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year as they fall due, and to fund cash payments for planned exploration programs.

2. Basis of Presentation and Recent Accounting Pronouncements

(a) Basis of Presentation

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

(b) Recent Accounting Pronouncements

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

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

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

(b) Recent Accounting Pronouncements (continued)

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

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

(v) CICA Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests* replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*. These new standards require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. The Company has not yet determined the impact of the adoption of this change on its consolidated financial statements.

(vi) In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The IFRS standards will be effective for the Company for interim and fiscal period reporting commencing February 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended January 31, 2011 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Risk Management and Financial Instruments

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

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(an exploration stage company)

Notes to Interim Financial Statements
For the nine months ended October 31, 2009
(Unaudited)

3. Risk Management and Financial Instruments (continued)

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

Financial Assets	October 31, 2009		January 31, 2009	
	Held-for-trading	Loans and receivables	Held-for-trading	Loans and receivables
Cash and cash equivalents	\$ 3,911,851	\$ -	\$ 972,687	\$ -
Interest receivable	-	-	-	4,882
Restricted cash	125,000	-	125,000	-
Amounts due from related parties	-	447	-	3,411
	\$ 4,036,851	\$ 447	\$ 1,097,687	\$ 8,293

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

Financial Liabilities	October 31, 2009		Jan 31, 2009	
	Other Financial Liabilities		Other Financial Liabilities	
Accounts payable and accrued liabilities	\$	368,792	\$	175,565
Amounts due to related parties		200,157		43,261
	\$	568,949	\$	218,826

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

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

(a) Credit risk

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

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

	October 31, 2009	Jan 31, 2009
Term deposits	\$ -	\$ 950,000
Cash held in bank accounts	3,911,851	22,687
Interest receivable	-	4,882
Restricted cash	125,000	125,000
	\$ 4,036,851	\$ 1,102,569

3. Risk Management and Financial Instruments (continued)

(a) Credit risk (continued)

The credit risk associated with cash and term deposits held in Canada is minimized by ensuring that these financial assets are placed with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to provide reasonable assurance that it has sufficient capital to meet short-term financial obligations after taking into account its exploration obligations and cash and cash equivalents on hand. The Company maintains sufficient cash and cash equivalents at October 31, 2009 in the amount of \$3,911,851 (2009 - \$972,687) in order to settle current liabilities. All of the Company's financial liabilities have contractual maturities of less than 30 days and subject to normal trade terms with the exception of amounts due to related parties which are due on demand.

(c) Market risk

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

Interest rate risk

The Company's cash and cash equivalents and restricted cash consists of cash held in bank accounts, fixed income investments and guaranteed investment certificates that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of October 31, 2009. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

4. Capital Management

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

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

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

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

Notes to Interim Financial Statements

For the nine months ended October 31, 2009

(Unaudited)

4. Capital Management (continued)

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to the current difficult market conditions.

5. Restricted Cash

The Company has placed deposits in the amount of \$125,000 at October 31, 2009 (2009 – \$125,000), registered in the name of the Ministry of Finance of British Columbia, as security for its mining permit and for reclamation. Deposits consist of Guaranteed Investment Certificates earning interest at rates between 0.15% and 0.60% and maturing between February 2, 2010 and November 1, 2010.

6. Mineral Property

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

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

	October 31, 2009	January 31, 2009
Acquisition costs	\$ 2,442,347	\$ 2,442,347
Deferred exploration and development expenditures	17,388,657	16,515,977
Tailings pond	1,022,619	1,020,840
Mine and plant buildings, and equipment	2,391,993	2,303,334
Provision for reclamation	98,000	98,000
	<u>23,343,616</u>	<u>22,380,498</u>
Deduct: concentrate and gold dore sales	(1,320,961)	(1,320,961)
	<u>\$ 22,022,655</u>	<u>\$ 21,059,537</u>

As at October 31, 2009, the Company had inventory of gold and silver dore bars with a fair market value of \$486,744 (January 31, 2009 - \$493,194). During the period ended October 31, 2009, the Company sold nil ounces of gold dore bars for proceeds of \$nil (January 31, 2009 - \$145,678).

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

6. Mineral Property (continued)

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

	October 31, 2009	January 31, 2009
Assays	\$ 28,673	\$ 44,032
Camp operations	60,613	64,642
Field office	65,534	68,749
Drilling	288,958	1,223,346
General exploration	1,540,033	680,845
Insurance	-	26,533
Mine power	33,089	76,148
Mining exploration tax credits	(1,158,178)	-
Mill operating	1,053	353
Taxes and permits	12,905	13,507
Increase in deferred exploration expenditures	872,680	2,198,155
Deferred exploration and development expenditures, beginning of the year	16,515,977	14,317,822
Deferred exploration and development expenditures, end of the period	\$ 17,388,657	\$ 16,515,977

7. Equipment

	October 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 18,142	\$ 8,671	\$ 9,471
Computer software	5,340	5,339	1
Office equipment	6,518	4,901	1,617
Vehicle	48,041	26,920	21,121
	\$ 78,042	\$ 45,831	\$ 32,211
	January 31, 2009		
Computer equipment	\$ 10,982	\$ 7,653	\$ 3,329
Computer software	5,340	5,339	1
Office equipment	6,518	4,616	1,902
Vehicle	48,041	23,191	24,850
	\$ 70,881	\$ 40,799	\$ 30,082

BRALORNE GOLD MINES LTD.
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Notes to Interim Financial Statements
For the nine months ended October 31, 2009
(Unaudited)

8. Share Capital

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

(b) Issued

On September 28, 2009, the Company closed a private placement issuing 3,470,222 non flow-through shares at a price of \$0.90 per unit for gross proceeds of \$3,123,200 and 828,462 flow-through shares at a price of \$0.95 per unit for gross proceeds of \$787,039. Each non flow-through unit consists of one common share and one share purchase warrant. Each flow-through unit consists of one flow-through share and one share purchase warrant. The flow-through shares will entitle the investor to the tax benefits of the qualifying Canadian exploration expenses incurred by the Company. Each share purchase warrant is exercisable for a term of 24 months into one common share at a price of \$1.25 per share until September 28, 2011.

Of the \$3,910,239 total aggregate proceeds raised, \$1,950,521 was attributable to common shares and \$1,959,718 was attributable to common share purchase warrants, which has been recorded in contributed surplus.

The Company paid a cash finder's fee equal to 8% of the applicable gross proceeds of the financing (\$324,743) and issued compensation options to purchase common shares of the Company equal to 10% of the units and shares sold under the offering (365,168). Each compensation option is exercisable at \$0.90 per option and entitles the holder to one common share and one common share purchase warrant, which is exercisable for \$1.25 for 24 months expiring on September 28, 2011. The compensation options were valued at \$195,509. The fair value of the warrants and compensation options issued have been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.26%, dividend yield of nil, volatility of 97.97% and an expected life of 24 months.

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

The Company paid a cash finder's fee equal to 6% of the applicable gross proceeds of the financing (\$22,943) and issued compensation options to purchase common shares of the Company equal to 8% of 373,500 of the units and shares sold under the offering, exercisable at \$1.25 per option exercisable for 18 months expiring on December 15, 2010. The compensation options were valued at \$11,219. The fair value of the warrants and compensation options issued have been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.27%, dividend yield of nil, volatility of 110.64% and an expected life of 18 months.

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

During the period ended October 31, 2009, 24,667 stock options were exercised for gross proceeds of \$18,500. The Company reallocated the fair value of these options previously recorded in the amount of \$10,498 from contributed surplus to share capital.

8. Share Capital (continued)

(b) Issued (continued)

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

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

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

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

(c) Share purchase warrants and compensation options

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

	Underlying Shares	Weighted Average Exercise Price
Balance, January 31, 2008	6,893,817	\$1.61
Issued	569,139	\$1.55
Exercised	(995,290)	\$1.00
Balance, January 31, 2009	6,467,666	\$1.67
Issued	4,930,232	\$1.25
Exercised	(120,000)	\$1.00
Expired	(4,052,465)	\$1.20
Balance, October 31, 2009	7,225,433	\$1.68

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(an exploration stage company)
Notes to Interim Financial Statements
For the nine months ended October 31, 2009
(Unaudited)

8. Share Capital (continued)

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

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

Number of Warrants Outstanding and Exercisable		Exercise Price Per Share	Expiry Date
October 31, 2009	January 31, 2009		
-	505,284*	\$2.60	February 8, 2009
-	1,005,283**	\$1.00	April 30, 2009
-	271,900**	\$1.00	April 30, 2009
-	424,998**	\$1.00	April 30, 2009
-	1,965,000**	\$1.00	April 30, 2009
255,869	255,869	\$2.00	December 31, 2009
269,139	269,139	\$1.50/\$2.00	February 4, 2009/February 4, 2010
300,000	300,000	\$1.60/\$2.00	March 19, 2009/March 19, 2010
470,193	470,193	\$3.00	April 26, 2010
1,000,000	1,000,000	\$3.00	April 26, 2010
266,380	-	\$1.25	December 15, 2010
4,107,852	-	\$1.25	September 28, 2011
556,000	-	\$1.25	September 30, 2011
7,225,433	6,467,666		

During the period, 4,930,232 warrants issued, 120,000 warrants were exercised raising gross proceeds of \$120,000 and 4,052,465 warrants expired unexercised.

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

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

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

8. Share Capital (continued)

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

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

Number of Compensation Options Outstanding and Exercisable		Exercise Price Per Unit	Expiry Date
October 31, 2009	January 31, 2009		
-	-		
365,168***	-	\$0.90	September 28, 2011
365,168	-		

***On September 28, 2009, the Company issued compensation units in relation to a private placement. These units are exercisable for \$0.90 into one common share and one warrant.

(d) Stock options

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

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

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 31, 2008	1,184,000	\$1.16
Issued	506,000	\$0.78
Exercised	(24,000)	\$0.75
Forfeited	(117,500)	\$1.14
Options outstanding at January 31, 2009	1,548,500	\$1.04
Issued	110,000	\$0.75
Exercised	(24,667)	\$0.75
Forfeited	(147,000)	\$0.95
Options outstanding at October 31, 2009	1,486,833	\$1.04

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

8. Share Capital (continued)

(d) Stock options (continued)

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

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

At October 31, 2009, the Company has 1,486,833 stock options outstanding with a weighted average remaining contractual life of 2.21 years.

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

Number of Options Outstanding		Number of Options Exercisable		Exercise Price per Share	Expiry Date
Oct 31, 2009	Jan 31, 2009	Oct 31, 2009	Jan 31, 2009		
956,000	956,000	956,000	956,000	\$1.16	January 16, 2011
-	50,000	-	50,000	\$1.16	July 23, 2012
40,500	60,500	40,500	60,500	\$1.16	November 29, 2012
42,000	42,000	42,000	21,000	\$1.16	May 14, 2013
389,000	440,000	389,000	440,000	\$0.75	November 21, 2013
59,333	-	59,333	-	\$0.75	July 29, 2014
1,486,833	1,548,500	1,486,833	1,527,500		

(e) Stock-based compensation

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

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

8. Share Capital (continued)

(e) Stock-based compensation (continued)

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

	2009	2008
Directors, officers and employees	\$ 35,803	\$ -
Consultants	\$ 15,897	\$ 12,426
	\$ 51,700	\$ 12,426

At October 31, 2009 there is \$nil (2008 - \$17,524) in unrecognized stock-based compensation which will be recognized in future periods as the options vest.

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

9. Related Party Transactions

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

- (a)** During the period ended October 31, 2009, the Company paid, or made provision for the future payment, of the following amounts to related parties:
- (i) \$142,644 (2008 - \$165,342) for administrative fees, overhead expenses, and reimbursement of out-of-pocket operating expenditures on the Company's behalf and \$16,880 (2008 - \$12,896) for certain mineral property expenses to Oniva International Services Corp. ("Oniva"), a private company beneficially owned by the Company and five other public companies related through common Directors;
 - (ii) \$345,000 (2008 - \$52,500) as consulting fees to three private companies controlled by Directors for management fees;
 - (iii) \$72,000 (2008 - \$72,000) for general exploration expenses on the mineral property to a private company controlled by the President and Chief Executive Officer of the Company for geological consulting and general mine management;
 - (iv) \$23,000 (2008 - \$9,000) for directors fees to certain directors of the Company; and
 - (v) \$260,446 (2008 - \$285,894) for drilling expenses from a private drilling company with common management.

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

9. Related Party Transactions (continued)

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

	October 31, 2009	Jan 31, 2009
ABC Drilling	\$ -	\$ 3,411
Levon Resources Ltd.	447	-
	<u>\$ 447</u>	<u>\$ 3,411</u>

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

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

	October 31, 2009	Jan 31, 2009
ABC Drilling Services Inc.	\$ 141,939	\$ -
Coral Gold Resources Ltd.	27,998	27,998
Frobisher Securities Ltd.	312	-
Hazeldene Farm Ltd.	9,437	-
Oniva International Services	15,970	15,263
Due to Directors	4,500	-
	<u>\$ 200,156</u>	<u>\$ 43,261</u>

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

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

10. Commitment

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

11. Comparative Figures

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

12. Mining Exploration Tax Credit ("METC")

The Company recognizes METC receivable amounts from the government and records those amounts as a recovery in the period in which recoverability can be established and the amount quantified. During the period, the Company received cash payment of \$1,423,672 for the METC and interest related to the fiscal years ended January 31, 2004, 2005, 2006, and 2007.

BRALORNE GOLD MINES LTD.
(an exploration stage company)

Notes to Interim Financial Statements
For the nine months ended October 31, 2009
(Unaudited)

13. Subsequent Events

Subsequent to October 31, 2009, the Company closed the final tranche of the brokered private placement first announced on July 13, 2009. The Company issued 1,175,600 non flow-through units at a price of \$0.90 per unit for gross proceeds of \$1,058,040 and 387,000 flow-through units at a price of \$0.95 per unit for gross proceeds of \$367,650. Each non flow-through unit consists of one common share and one share purchase warrants. Each flow-through unit consists of one flow-through share and one share purchase warrant. Each share purchase warrants is exercisable for a term of 24 months into one common share at a price of \$1.25 per share until November 9, 2011.

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

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 nine months ended October 31, 2009 and the audited financial statements for the year ended January 31, 2009.

This Management Discussion and Analysis ("MD&A") is dated December 23, 2009 and discloses specified information up to that date. Bralorne is classified as a "venture issuer" for the purposes of National Instrument 51-102. The Company's financial statements are prepared in accordance with generally accepted accounting principles in Canada. Unless otherwise cited, references to dollar amounts are Canadian dollars.

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

Business Description

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

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

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

Overall Performance

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

A review of the 2008 surface drill program results in 3D was performed by Garth Kirkham of Beacon Hill Consultants early in the year. This review included inspection of the drill core and sending samples to Eco-Tech in Kamloops, BC for independent assays. The drilling results combined with the 3D modelling suggested 3 new possible parallel structures may be present in addition to the known BK and Alambra veins. Confirmation drilling has been recommended.

This recommendation was then followed by an updated NI 43-101 report prepared by Dr. Matt Ball in June 2009. The resource estimate for the property was updated with all the information from the most recent drifting program completed in late 2008. It includes an estimate for the new BK Zone at the 800 level. The updated resource estimate is summarized in the Table below. According to Dr Ball, **the total contained gold is estimated at 77,750 ounces/2,418,365 grams (Measured= 9,200oz / 286,262g & Inferred = 68,550oz / 2,132,103g).**

Updated Resource Estimate for the Bralorne Mine Property

Vein	Measured		Inferred	
	Tonnes	g/T Au	Tonnes	g/T Au
51B FW "A" King	9,566	12.00	4,420	9.35
51B FW "B"			53,142	11.01
51B FW "C"			7,165	19.95
51B FW "D"			20,578	31.74
Taylor			40,000	8.57
BK above 800 Level	3,884	21.26	6,260	21.53
BK below 800 Level	4,176	21.27	10,766	21.53
Total	17,627.00	16.24	142,330	14.98

Based on the findings of the 2008 drilling program, the 2009 drilling program was then developed by Dr. Ball. The objective of the program is provided below:

- a. Further define the BK vein above the 800 level. A number of diamond drill holes were designed to test the vein above the sublevel currently being developed at the 575 Level and to test extensions to the east and west.
- b. Test parallel structures such as the Alhambra vein and other inferred structures lying both south and north of the BK vein, above 800 level. This will allow the Company to confirm the three new interpreted vein structures and test their resource potential.
- c. Test for new structures extending from or between intercepts, in the under-explored BK Gap area above 800 level and south of Alhambra structure.

This program consists of both surface and underground drilling. Permits were applied for and granted. The surface program was initiated in September to test continuity between the 800 and 575 levels and results for the first 3 holes were reported. There were several significant drill intercepts with the highest being 43.51g/t over 0.6m true width for hole number SB09-149.

In addition to the exploration and drilling program, mine development was started in April of 2009 on the new BK portal from the surface to intersect the 575 level. Due to the difficult ground conditions the advance has been slow. Corrective action had to be taken and Roktek Services was contracted for this service and the work of stabilizing the ground was successfully completed by November.

While the repairs were being done on the new BK portal the mine crew mobilized equipment and initiated work on the new Taylor portal when the permit was granted in October. This work consisted of upgrading the access road and driving 228 meter cross cut from the surface to the 400 level to access the 51B FW and Taylor veins.

Plans for the near future include:

- 1) Driving 2 raises from the 800 level of approximately 100 feet in ore to prepare for the mining of the BK Zone and stock piling of the ore.

- 2) Drive the Taylor cross cut to the 400 level to access the 51B Footwall and the Taylor Zone where we have inferred resources. Continue development in these zones to prove up tonnage and prepare for mining.
- 3) Continue the decline to the 575 level to access the upper BK resource.
- 4) Complete the surface drilling program to extend the limits of the BK zone to the east and to the west.
- 5) Commence the underground drill program in early 2010.

Results of Operations

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

Head Office-General And Administrative Expenses

General and administrative expenses totaled \$492,726 for the three months ended October 31, 2009 compared with \$112,724 for the three months ended October 31, 2008, an increase of \$380,002. Generally administrative expenses are generally lower as compared to the prior year due to a general overall reduction in expenditures with the increases due to consulting and office and miscellaneous. Consulting fees increased by \$308,400. This increase is related to one-time payments to the Company's Chairman and CEO of \$150,000 each. During the period, the Company was audited by the Canada Revenue Agency ("CRA") in relation to the Mining Exploration Tax Credit ("METC"). This resulted in a large refund for the METC and an \$88,000 expense related to the Part 12.6 tax for a prior flow-through financing. Decreases include \$1,584 in automobile expense, \$4,500 in director fees, \$8,892 in professional fees, \$8,477 in salaries and \$6,778 in stock-based compensation.

Loss For The Period

The loss for the three months ended October 31, 2009 was \$246,149 compared with a loss of \$101,561 for the three months ended October 31, 2008, an increase of \$144,588. General and administrative expenses increased by \$380,002 as discussed above. This was offset by interest income of \$246,577 as compared to \$11,163 in the prior year, an increase of \$235,414. The Company received \$265,493 in interest income in relation to the refund received for the Mining Exploration Tax Credit ("METC").

Nine months ended October 31, 2009 compared with the nine months ended October 31, 2008.

Head Office-General And Administrative Expenses

General and administrative expenses totaled \$762,665 for the nine months ended October 31, 2009 compared with \$379,561 for the nine months ended October 31, 2008, an increase of \$383,104. As discussed in the three month comparative above, this increase is attributable to one-time payments of \$300,000 to management and \$88,000 to the CRA. Generally administrative expenses are lower as compared to the prior year due to a general overall reduction in expenditures. Decreases include \$8,953 in automobile expense, \$3,729 in listing and filing fees, \$15,153 in professional fees, and \$11,932 in shareholder information. These decreases were offset by increases of \$14,000 in director's fees and \$39,274 in stock-based compensation. The Company authorized payments to the Board during the third quarter of the prior year; therefore there was no expense in the first half of fiscal year 2009. Shareholder information costs were lower in the current year due to decreased promotional activities and investor relations services. Professional fees were lower in the current year due to lower legal and accounting costs. Stock-based compensation increased primarily with the issuance of stock options in the current period.

Loss For The Period

The loss for the nine months ended October 31, 2009 was \$490,091 compared with a loss of \$324,362 for the nine months ended October 31, 2008, an increase of \$165,729. While general and administrative expenses increased by \$383,104 as discussed above, this was offset with an increase in interest income of \$217,375 which primarily relates to one-time interest income from the CRA for the METC refunds.

Summary of Quarterly Results

Period ended	Oct 31 2009 Q3	Jul 31 2009 Q2	Apr 30 2009 Q1	Jan 31 2009 Q4	Oct 31 2008 Q3	Jul 31 2008 Q2	Apr 30 2008 Q1	Jan 31 2008 Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net Income (Loss)	(246,149)	(146,342)	(97,600)	(523,486)	(101,561)	(107,344)	(115,457)	(317,726)
Income (Loss) per Share basic and diluted	(0.03)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.02)

The Company's quarterly general and administrative costs remain relatively stable. Factors causing significant changes between quarters have primarily been items such as stock-based compensation which is not expensed in every quarter and other expense and income items. Interest income has been slowly declining over the past eight quarters as a result of the Company using the cash raised through private placements and lower interest rates in the current year.

Liquidity and Capital Resources

During the period ended October 31, 2009 the Company received over \$1.3M for mineral exploration on its Bralorne Property. As was the case in the previous year, the mill has been shut and the Company has been focused on drilling, development and exploration. In conjunction with

exploration activities work concerning environmental studies and compliance measures continues. At this time the Company has no operating revenues.

At October 31, 2009, the Company held \$486,744 worth of gold dore bars and silver that were produced during the bulk sampling stage in a prior year in safe-keeping and working capital of \$3,428,518 and cash and cash equivalents of \$3,911,851. 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 exploration work on its mineral properties and maintain administrative operations.

On September 28, 2009, the Company closed a private placement issuing 3,470,222 non flow-through shares at a price of \$0.90 per unit for gross proceeds of \$3,123,200 and 828,462 flow-through shares at a price of \$0.95 per unit for gross proceeds of \$787,039. Each non flow-through unit consists of one common share and one share purchase warrant. Each flow-through unit consists of one flow-through share and one share purchase warrant. The flow-through shares will entitle the investor to the tax benefits of the qualifying Canadian exploration expenses incurred by the Company. Each share purchase warrant is exercisable for a term of 24 months into one common share at a price of \$1.25 per share until September 28, 2011.

Of the \$3,910,239 total aggregate proceeds raised, \$1,950,521 was attributable to common shares and \$1,959,718 was attributable to common share purchase warrants, which has been recorded in contributed surplus.

The Company paid a cash finder's fee equal to 8% of the applicable gross proceeds of the financing (\$324,743) and issued compensation options to purchase common shares of the Company equal to 10% of the units and shares sold under the offering (365,168). Each compensation option is exercisable at \$0.90 per option and entitles the holder to one common share and one common share purchase warrant, which is exercisable for \$1.25 for 24 months expiring on September 28, 2011. The compensation options were valued at \$195,509. The fair value of the warrants and compensation options issued have been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.26%, dividend yield of nil, volatility of 97.97% and an expected life of 24 months.

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

The Company paid a cash finder's fee equal to 6% of the applicable gross proceeds of the financing (\$22,943) and issued compensation options to purchase common shares of the Company equal to 8% of 373,500 of the units and shares sold under the offering, exercisable at \$1.25 per option and for 18 months expiring on December 15, 2010. The compensation options were valued at \$11,219. The fair value of the warrants and compensation options issued have been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.27%, dividend yield of nil, volatility of 110.64% and an expected life of 18 months.

During the period ended October 31, 2009, 120,000 warrants were exercised for gross proceeds of \$120,000 and 24,667 stock options were exercised for gross proceeds of \$18,500.

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

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

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

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

- i) \$142,644 (2008 - \$165,342) for administrative expenses and \$16,880 (2008 - \$12,896) for certain mineral property expenses to Oniva International Services Corp. ("Oniva"), a private company beneficially owned by the Company and five other public companies related through common Directors;
- ii) \$345,000 (2008 - \$52,500) for consulting fees to three private companies controlled by Directors for management fees;
- iii) \$72,000 (2008 - \$72,000) to a private company controlled by the President and CEO of the Company for geological consulting and general mine management;
- iv) \$23,000 (2008 - \$9,000) for directors fees to certain directors of the Company; and
- v) \$260,446 (2008 - \$285,894) for drilling expenses from a private drilling company with common management.

Amounts due from related parties consists of \$447 (January 31, 2009 - \$3,411) from companies related by way of common directors.

Amounts due to related parties consist of \$200,156 (January 31, 2009 - \$43,261) to companies with common management and common directors.

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

Disclosure of Management Compensation

During the period ended October 31, 2009, \$222,000 was paid to the Chief Executive Officer and President for services as director and officer of the Company; \$172,500 was paid to the Chairman of the Board for services as director of the Company; \$14,850 was paid to the CFO for services as an officer of the Company, \$22,500 was paid to the V.P. Finance for services as director and officer of the Company; and \$10,260 was paid to the Secretary for services as an officer of the Company.

Critical Accounting Estimates

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

Financial Instruments

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

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

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

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

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

Changes in Accounting Policies

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

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

Recent Canadian Accounting Pronouncements

Recent Canadian accounting pronouncements that have been issued but are not yet effective, and which may affect the Company's financial reporting are summarized below. For details of the specific accounting changes, refer to Note 2 of the Company's Interim Financial Statements for the nine months ended October 31, 2009:

- i) Section 1582 Business Combinations
- ii) Section 1601 Consolidated Financial Statements

- iii) Section 1602 Non-controlling Interests
- iv) EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

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

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

Outstanding Share Data

The following is the Company’s outstanding share data as of October 31, 2009 and December 23, 2009:

Common Shares: 21,289,825 as of October 31, 2009 and 22,852,425 as of December 23, 2009

Stock Options

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (Oct 31/09)	Number of Shares Remaining Subject to Options (Dec 23/09)
January 16, 2011	\$1.16	956,000	956,000
November 29, 2012	\$1.16	40,500	40,500
May 14, 2013	\$1.16	42,000	42,000
November 21, 2013	\$0.75	389,000	379,000
July 29, 2014	\$0.75	59,333	59,333
TOTAL:		1,486,833	1,476,833

Compensation Options

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (Oct 31/09)	Number of Shares Remaining Subject to Options (Dec 23/09)
Dec 15, 2010	\$1.25	29,880	29,880
Sept 28, 2011	\$0.90	365,168	365,168
Nov 9, 2011	\$0.90	-	78,010
TOTAL:		395,048	473,058

Warrants

Expiry Date	Exercise Price	Underlying Shares (Oct 31/09)	Underlying Shares (Dec 23/09)
Dec 31, 2008 / Dec 31, 2009	\$1.50 / \$2.00	255,869	255,869
Feb 4, 2009 / Feb 4, 2010	\$1.50 / \$2.00	269,139	269,139
Mar 19, 2009 / Mar 19, 2010	\$1.60 / \$2.00	300,000	300,000
Apr 26, 2010	\$3.00	470,193	470,193
Apr 26, 2010	\$3.00	1,000,000	1,000,000
Dec 15, 2010	\$1.25	236,500	236,500
Sept 28, 2011	\$1.25	4,107,852	4,107,852
Sept 30, 2011	\$1.25	556,000	556,000
Nov 9, 2011	\$1.25	-	1,640,610
TOTAL:		7,195,553	8,836,163

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 October 31, 2009 and concluded that there are material weaknesses in internal controls over financial reporting, which are as follows:

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

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

There have been no changes in the Company's internal controls over financial reporting occurring during the quarter ended October 31, 2009 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

Subsequent Event

Subsequent to October 31, 2009, the Company closed the final tranche of the brokered private placement first announced on July 13, 2009. The Company issued 1,175,600 non flow-through units at a price of \$0.90 per unit for gross proceeds of \$1,058,040 and 387,000 flow-through units at a price of \$0.95 per unit for gross proceeds of \$367,650. Each non flow-through unit consists of one common share and one share purchase warrants. Each flow-through unit consists of one flow-through share and one share purchase warrant. Each share purchase warrants is exercisable for a term of 24 months into one common share at a price of \$1.25 per share until November 9, 2011.

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

The total gross proceeds raised, including the previous closings, was \$5,335,929 and a total of 1,215,462 flow-through units and 4,645,822 non flow-through units.

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 December 23, 2009. Except for historical information or statements of fact relating to the Company, this document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.