

Bralorne Gold Mines Ltd. (TSX-V: BPM) – Further Success at BK Zone

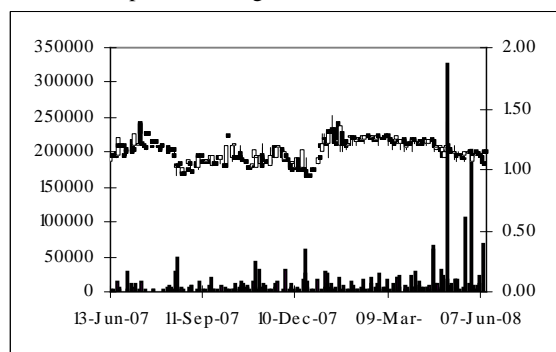
Sector/Industry: Mining

www.bralorne.com

Market Data (as of June 12, 2008)

| | |
|---------------|----------------------|
| Current Price | C\$1.14 |
| Fair Value | C\$1.60 |
| Rating* | BUY |
| Risk* | 5 (High Spec) |
| 52 Week Range | C\$0.95 - C\$1.44 |
| Shares O/S | 16,440,711 |
| Market Cap | C\$18.74 million |
| Current Yield | N/A |
| P/E (forward) | N/A |
| P/B | 0.92 |
| YoY Return | 1.79% |
| YoY TSXV | -15.8% |

*see back of report for rating and risk definitions



Investment Highlights

- Bralorne has brought together three large past producing gold mines in British Columbia's Bridge River Valley into one large land package. This region produced in excess of 4 million ounces of gold with an average grade of 17.95 g/t (0.53 oz/ton) from 1922-1972.
- The company invested \$2.5 million in 2003-2004 to build a 125 tpd mill and associated infrastructure.
- Bralorne consulted with an independent engineering firm to determine an economically viable mining program that could be established with a resource of 500,000 tons grading 12 g/t at a gold price of US\$400/oz CDN.
- We believe the company can delineate this much tonnage in the BK Zone. The company is drifting and sampling this new discovery to determine a NI 43-101 compliant resource estimate suitable for reopening the mine.
- The current NI 43-101 resource estimate is 14,000 tonnes grading 12 g/t gold measured and 125,300 tonnes grading 14 g/t gold inferred. The property has several historic resource estimates.
- We have maintained our BUY rating and valuation on the company.

Key Financial Data (FYE - January 31)

| (C \$) | 2006 | 2007 | 2008 |
|----------------------|-------------|------------|------------|
| Cash | 5,216,508 | 2,770,181 | 1,560,321 |
| Working Capital | 4,919,111 | 2,512,193 | 1,387,175 |
| Mineral Assets & PPE | 14,718,752 | 16,709,529 | 18,982,605 |
| Total Assets | 20,255,169 | 19,898,394 | 20,803,131 |
| Net Income | (1,921,938) | 401,161 | (658,756) |
| EPS | (0.25) | 0.03 | (0.05) |

Bralorne Gold Mines has assembled the largest past producing gold mines in Western Canada into one land package. They are focusing their efforts on delineating resources in under explored regions of the property, and putting the mine back into production.

Company Overview

Bralorne Gold Mines, formerly Bralorne-Pioneer Gold Mines, has built a large continuous land package including all three of the major historic mines of the Bridge River Valley in British Columbia. This region is considered the largest mining camp in Western Canada. Over 4 million ounces were mined from the Bridge River mining camp, at an average grade of 0.53 ounces/ton. Many of the major ore structures on the property have been exploited, but one of the company's strongest benefits is that there are portions of land between historic mines that were never explored because they were not owned by any operational mining company. The company has made a new discovery, the BK Zone, in the unexplored gap between the former Bralorne and King Mines. An underground development program is underway and we believe the results to date suggest the potential for enough resources to reopen the mill.



Source: Bralorne Gold Mines

Bralorne- Pioneer Gold Property

Property Overview: The 100% owned property combines the historic Bralorne, Pioneer, and King Mines. According to experts in quartz gold vein deposits, this property is considered a world-class deposit, as it has produced 130 tonnes of gold.

Mining Infrastructure: In 2004, the company completed construction of their small 100 tpd gravity/flotation processing plant, as they believed they had delineated a resource to recommence mining the property. Thus, the property is very well served for mining infrastructure, as the company invested \$2.5 million in the construction of the processing plant, 5 year capacity tailings pond, laboratory, warehouse, shops, offices, and a 45 person

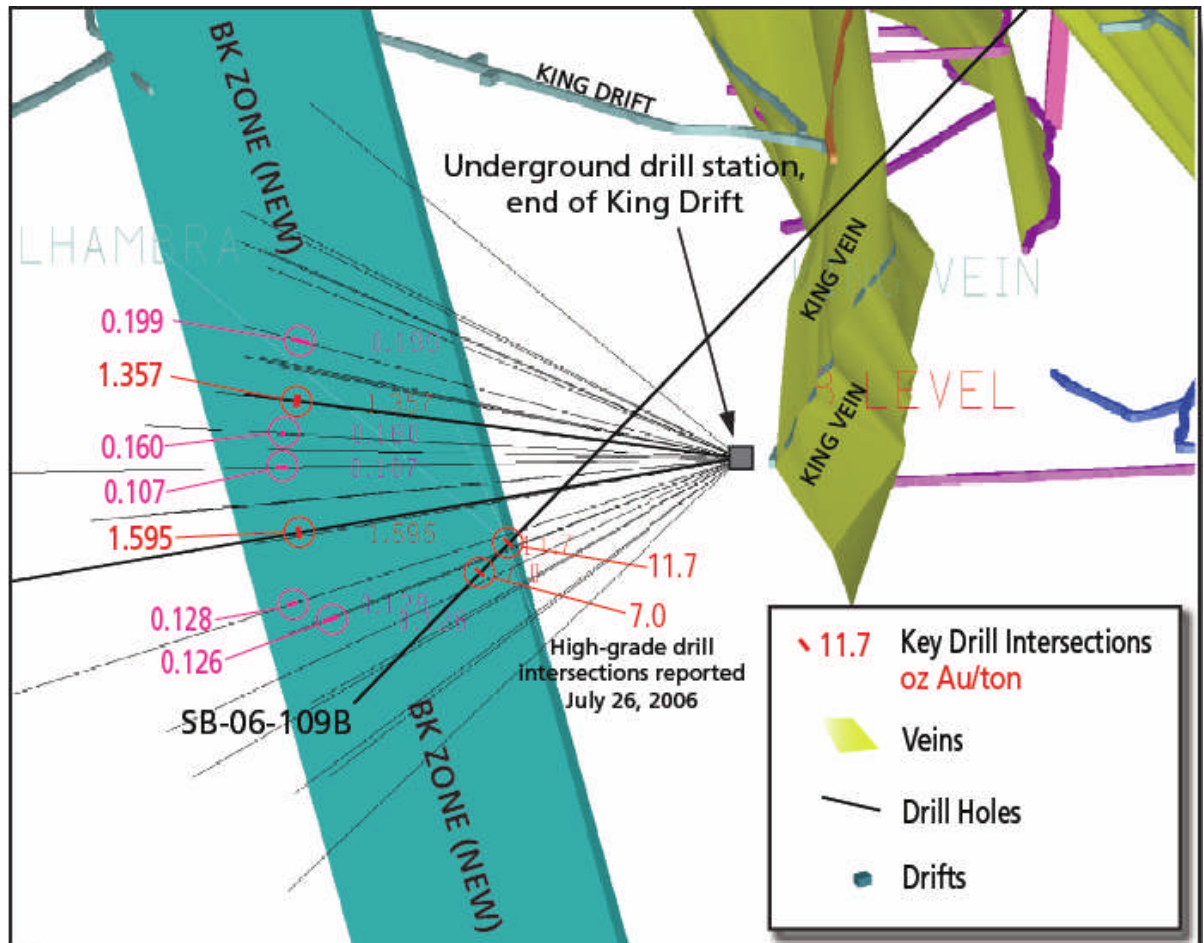
camp to board employees onsite. According to management, they plan to use track mining. All of these facilities are several years old and are operational with minimal start-up costs. Because they were in production, surface and underground mining equipment owned by the company is still available.

Mining and Milling Plan: The plan for future operations at the Bralorne Gold Mine is summarized in Beacon Hill's engineering report dated September 2005. This report considered the economics of the entire project and established the best operating situation for the mill. Beacon Hill established a target resource of 500,000 tonnes grading at least 12 g/t gold to sustain mill operations for at least five years at an operating rate of 280 tonnes/day. The estimated operating cost is approximately \$100/ton. The 12 g/t cut-off grade was established based on a gold price of US\$400/oz, an appropriate price for 2005. Delineating 500,000 tonnes would allow continued exploration and development to further define resources and increase the mine life. This cut-off grade and operating rate were determined based on the minimum to sustain operations and be economically viable.

Geology and Mineralization: The narrow vein structure of this type of gold deposit, while often very high-grade, can pose difficulties for exploration and production. It is difficult to obtain an accurate representation of the grade from drilling, due to the nuggetized nature of the gold mineralization and the pinching and swelling of the vein structures. Diamond drilling is usually only sufficient to establish resources in the inferred category. To establish measured and indicated resources, drifting and development sampling is required to provide a closely spaced understanding of the grade and thickness of mineralization.

**2007 BK Zone
Discovery**

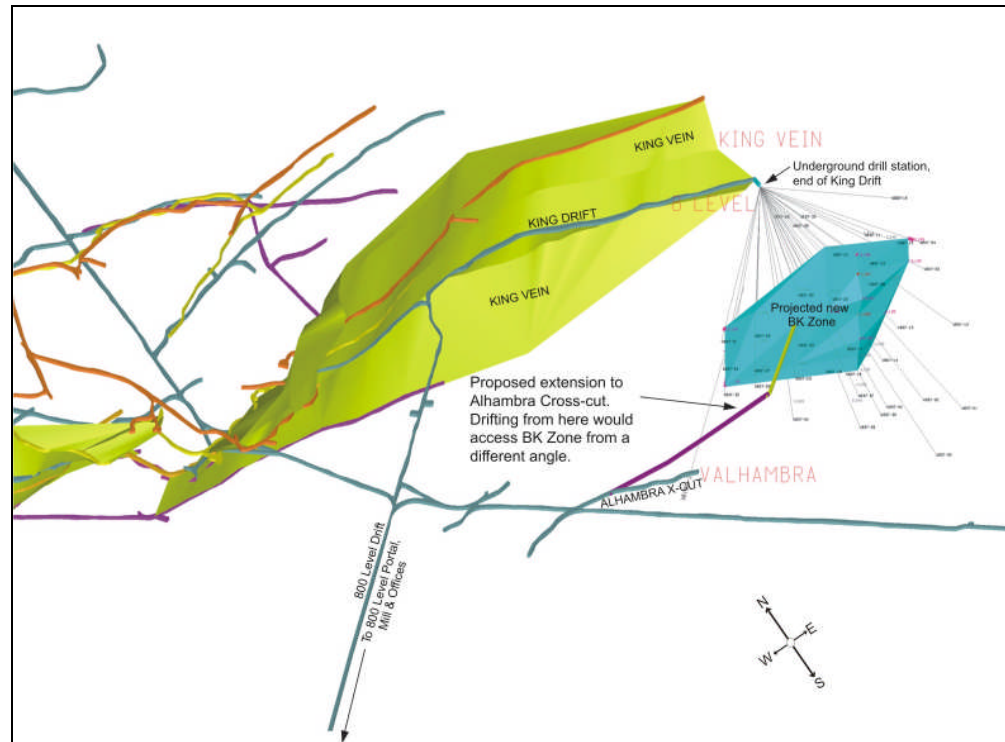
BK Zone Discovery: In 2007, the company focused on drilling under explored areas of the property with little or no historic production, as they believed these had the greatest potential for a mineable resource. The priority for this program was the so-called Gap Zone, or the King-Bralorne Block, where two bonanza grade intersections in SB-06-109B hole were drilled in the King-Bralorne Gap Zone. The drill rig was located at the end of the 800 Level King Mine drift to drill into a new discovery between the Bralorne and King Mines. The 2007 underground drilling program totaled 42 holes targeting the BK Zone discovered in hole SB-06-109B. Highlights from the 2007 drilling program are presented in the image below. These drilling results delineated a horizontal length of 900 feet and a vertical extent of 650 feet, with widths ranging from 2-16 feet. They are presented in visual format, showcasing the gold grades in ounces/ton.



Source: Bralorne Gold Mines Ltd.

Current Status: The successful underground drilling program that identified the BK Zone led the company to focus on advancing this deposit towards a NI 43-101 compliant resource estimate and ultimately production. A second report by Beacon Hill suggested a cross-cut be cut into the BK Zone to commence drifting, sampling, and drilling for a NI 43-101 compliant resource. Permitting for a cross-cut program into the BK Zone was granted in January 2008 and cross cutting commenced immediately. The cross-cut reached the BK Zone in March and commenced a 500 meter drifting program along the BK Zone in the same month. Results from the first 640 feet of the drifting program have encountered 134 feet of high-grade gold vein mineralization with a weighted average grade of 0.842 oz/ton (28 g/t gold) and another 81 feet of high-grade gold vein mineralization with a weighted average 0.54 oz/ton (17 g/t gold) separated by low grade and/or stockwork mineralization. The high grade sections' weighted average grade was calculated based on a minimum mining width of 4 feet (approximately 1 meter). The results have generally confirmed the interpretations from drilling and we believe they are very positive.

Bralorne 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.



Source: Bralorne Gold Mines Ltd.

Resource Estimates

Resource Estimates: Many resource estimates have been made that are not compliant with NI 43-101. The resource estimate cited below, as calculated by Beacon Hill, replaces a NI 43-101 compliant resource estimate of 21,154 tonnes measured and indicated, and 412,702 tonnes inferred at an average grade of 10 g/t released in April 2005. The resource cited below was that determined to be economically mineable based on Beacon Hill's scoping study, while the previous resource estimate was a geologic resource without considering mining operations. The company is drilling to define a larger NI 43-101 resource, based on the Beacon Hill technical report that recommends delineating a resource of 500,000 tonnes measured and indicated grading 12 g/t for a viable mining operation with a 5 year mine life. The current resource is quite small, but with current economic conditions, including the price of gold, it could likely be upgraded.

| NI 43-101 Compliant Resource, released September 2005 | | | |
|---|---------|------------------|--------|
| Zone, Category | Tonnes | Grade (g/t gold) | Ounces |
| 51BFW Vein | | | |
| Measured | 14,000 | 12 | 5,419 |
| Inferred | 20,578 | 31.74 | 20,999 |
| 51B FW Vein | | | |
| Inferred | 53,142 | 11.01 | 18,811 |
| 51 FW | | | |
| Inferred | 7,165 | 19.95 | 4,595 |
| King | | | |
| Inferred | 4,420 | 9.35 | 126 |
| Taylor | | | |
| Inferred | 40,000 | 8.57 | 11,188 |
| | | | |
| Total Measured | 14,000 | 12 | 5,419 |
| Total Inferred | 125,300 | 14.09 | 56,950 |

As previously discussed, resource definition has historically been difficult for this type of deposit. Many successful gold mines of this type operated for decades with one to two years of ore reserves delineated at any time. We believe it is important for investors to understand this fact, and the risk it entails.

Potential: The company is aggressively targeting the BK Zone to add to their NI 43-101 compliant resource estimate. We believe, based on our preliminary calculations, that the company has delineated at least 500,000 tonnes of material in the BK Zone. However, they need to determine that the grades are consistent through the vertical profile. The company is proceeding with the development of the BK Zone and are aiming for production in Q1-2009.

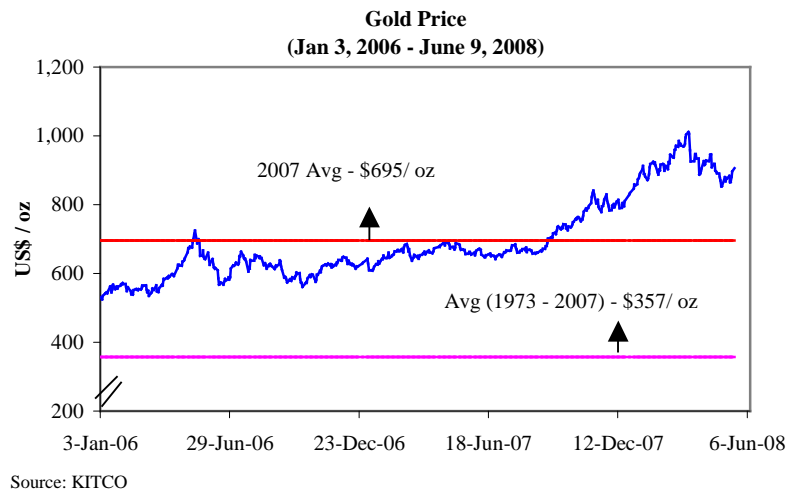
Outlook for Gold

Supply and Demand: The chart below shows supply and demand data from the World Gold Council and GFMS Ltd. Global demand for gold increased by 4% YOY in 2007 (3.40 million tonnes to 3.55 million tonnes), as supply dropped by 3% YOY (3.58 million tonnes to 3.47 million tonnes). The increase in demand, and drop in supply, led the gold market to move from a supply surplus of 182 tonnes in 2006, to a supply deficit of 79 tonnes in 2007.

| | 2005 | 2006 | 2007 | % ch 2007 vs 2006 |
|------------------------------|--------|--------|--------|-------------------------|
| Supply | | | | |
| Mine production | 2,550 | 2,481 | 2,447 | -1 |
| Net producer hedging | -86 | -373 | -400 | ... |
| Total mine supply | 2,464 | 2,108 | 2,047 | -3 |
| Official sector sales | 662 | 367 | 485 | 32 |
| Old gold scrap | 886 | 1,107 | 937 | -15 |
| Total Supply | 4,012 | 3,582 | 3,469 | -3 |
| Demand | | | | |
| Fabrication | | | | |
| Jewellery | 2,707 | 2,283 | 2,426 | 6 |
| Industrial & dental | 431 | 468 | 465 | 2 |
| Sub-total above fabrication | 3,138 | 2,741 | 2,891 | 5 |
| Bar & coin retail investment | 412 | 421 | 441 | 5 |
| Other retail investment | -28 | -22 | -36 | ... |
| ETFs & similar | 208 | 260 | 251 | -4 |
| Total Demand | 3,731 | 3,400 | 3,547 | 4 |
| "Inferred investment" | 280 | 182 | -79 | ... |
| London PM fix (US\$/oz) | 444.45 | 603.77 | 695.39 | 15 |

Source: World Gold Council and GFMS Ltd.

The chart below shows gold prices since January 2006. Gold is currently trading at about US\$893/oz.

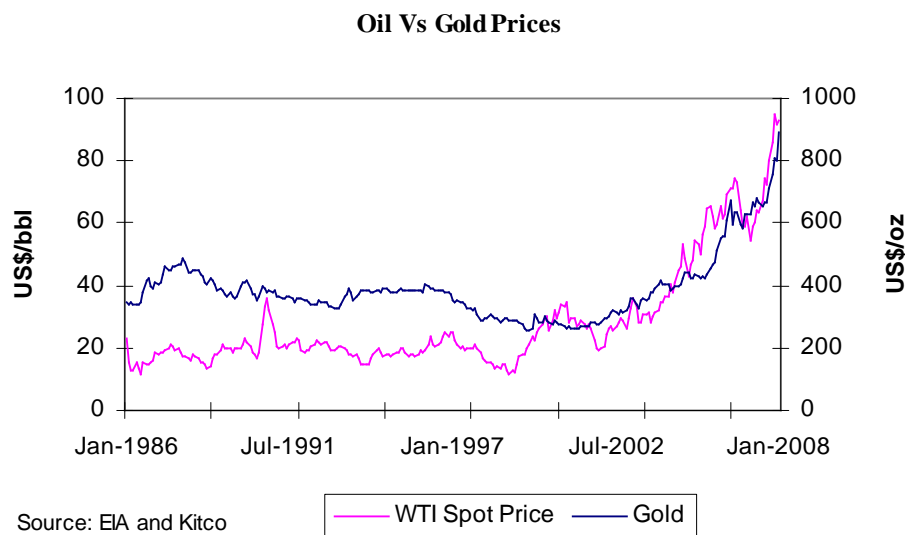


Although gold prices have risen considerably in the second half of 2007, and early 2008, and have achieved record highs, we have maintained our positive outlook on gold. We believe global demand growth will exceed supply growth in 2008 due to the following macro economic conditions.

a) The US\$ is expected to continue to depreciate with respect to other global currencies, based on an expected slow down in the U.S. economy, relatively lower real interest rates in the U.S., and persisting inflationary expectations.

The International Monetary Fund (IMF) expects U.S. GDP to grow at 1.5% in 2008 versus 2.2% in 2007, and the Federal Reserve predicts unemployment rates to increase YOY from 4.6% to 5.2% in 2008. The U.S. Fed cut interest rates from 5.25% to 2.25% in their last seven meetings. These rate cuts imply that there is a possibility that real interest rates in the U.S. could become negative, which is very unfavorable for the US\$. The rate cuts in turn, we believe, will add to inflationary pressures and simultaneously depreciate the value of the US\$. The Fed raised their forecasts for inflation in 2008, up from 1.8 – 2.1% to 2.1 – 2.4%.

b) High Oil Prices: We have also noticed a positive correlation between gold and oil prices in times of high oil prices. High oil prices create inflationary expectations among investors and lead them to drift towards gold. The chart below shows oil and gold prices since 1986. We noticed that the positive correlation between monthly log changes in oil and gold prices increased during January 2006 – January 2008, when oil prices were high, from the historic correlation (1986 – 2006) of 0.18 to 0.53, which is a significant jump.



Oil is currently trading close to US\$123/bbl, and prices are expected to stay above \$80/bbl through at least 2010, which we believe will also have a positive effect on the demand for gold.

c) Investment demand continues to stay strong: As of June 9, 2008, the total ETG (exchange traded gold) assets held by the New York Stock Exchange (NYSE) and the London Stock Exchange (LSE) were up 27% YOY. We believe continued strength in investment demand reflects the fact that gold continues to hold its status as a ‘capital preservation asset’.

Therefore, based on a depreciating U.S dollar, high oil prices and strong investment demand, we continue to be bullish on gold prices. The average consensus forecasts for gold prices are US\$940/oz in 2008, and US\$915/oz in 2009.

Financials

Operations and Liquidity: At the end of January 2008, the company had \$1.56 million and \$1.39 million in cash and working capital, respectively. We estimate the company had a burn rate of \$0.23 million per month in FY2008. The table below shows the company’s cash position and liquidity ratios.

| (C\$) | 2006 | 2007 | 2008 |
|------------------------------------|-----------|-----------|-----------|
| Working Capital | 4,919,111 | 2,512,193 | 1,387,175 |
| Current Ratio | 13.8 | 6.7 | 5.5 |
| LT Debts/ Assets | - | - | - |
| Burn Rate (incl exploration costs) | (475,064) | (232,095) | (228,159) |
| Cash from financing activities | 9,430,530 | 2,400 | 1,530,547 |

Recent Financing: Subsequent to FY2008, the company raised about \$1.05 million through the following financings (based on all disclosed financings).

- The company closed a private placement by issuing 0.30 million units at a price of \$1.30

- per unit to raise net proceeds of \$0.39 million (no share issuance costs).
- The company closed a private placement by issuing 0.51 million units at a price of \$1.15 per unit to raise net proceeds of \$0.56 million (net of share issuance costs of \$0.03 million).
 - 0.10 million warrants were exercised for proceeds of \$0.10 million.

Stock Options and Warrants: At the end of January 2008, the company had 1.18 million stock options outstanding with a weighted average exercise price of \$1.16, and a weighted average remaining contractual life of 3.19 years. The company also had 6.89 million warrants outstanding, with exercise prices ranging between \$1.00 and \$3.25, and expiry dates between February 2008 and April 2010 (4.66 million warrants are currently in the money).

Subsequent to FY2008, the company extended the February 2008 warrants (0.51 million) to February 2009, and decreased their exercise price from \$3.25 to \$2.60.

Conclusion: As at January 31, 2008, the company had \$1.56 million in cash. Based on our discussion with management, it was indicated that the company currently had a cash position of \$3.25 million at the beginning of June 2008 (versus our estimate of \$2.45 million). Therefore, we believe, more in-the-money warrants were exercised in addition to the ones disclosed by the company in the financing section above. Management also indicated that the company has a budget of \$3 million in capital expenditures for the next 12 months. We estimate the company will have to raise \$0.47 million to fund its exploration and development activities and working capital in the next 12 months.

Valuation

We continue to value the company based on our discounted cash flow (DCF) and real options valuation models. Our revised valuation of the company is \$1.59/share, compared with \$1.60/share in our previous report.

| Valuation Summary | |
|-------------------|---------------|
| DCF | \$1.77 |
| Real Options | \$1.42 |
| Average | \$1.59 |

We made the following noteworthy changes in our valuation models.

- Revised Commodity Price – We have increased our gold price forecast from US\$805/oz to US\$915/oz in 2009, and decreased our price forecast from US\$790/oz to US\$774/oz in 2010.
- Revised Exchange Rate – We have raised our C\$/US\$ exchange forecasts to 1.06 in 2009 and 1.11 in 2010, compared to 1.05 in 2009 and 1.10 in 2010.

The company's shares outstanding increased significantly as a result of the recent financings. Our revised estimate of the number of diluted shares is 17 million versus 13.6 million in our previous report (based on the treasury stock method).

Sensitivity Analysis: Our valuation on the company is highly sensitive to our long-term gold price forecasts. Our models currently use a long-term gold price forecast of US\$600/oz. The table below shows that our valuation of the company ranges between \$0.61/share to \$3.89/share as we increase gold prices from US\$400/oz. to US\$1,000/oz.

| Sensitivity Analysis | |
|----------------------|-----------------|
| Gold price (US\$/oz) | Value per share |
| 400 | \$0.61 |
| 500 | \$1.04 |
| 600 | \$1.59 |
| 700 | \$2.16 |
| 800 | \$2.73 |
| 900 | \$3.31 |
| 1000 | \$3.89 |

Conclusions & Rating

We believe Bralorne has made good progress in delineating the BK Zone and we are pleased with the results to date. The company is currently working to establish a NI 43-101 compliant resource and proceed with development. The budget for going back into production is minimal and the timeline is short.

Based on our valuation models and review of the company's progress since our previous report, we maintain our BUY rating on the company and valuation at \$1.60 per share. Our fair value estimate reflects an upside potential of 40% from current price levels.

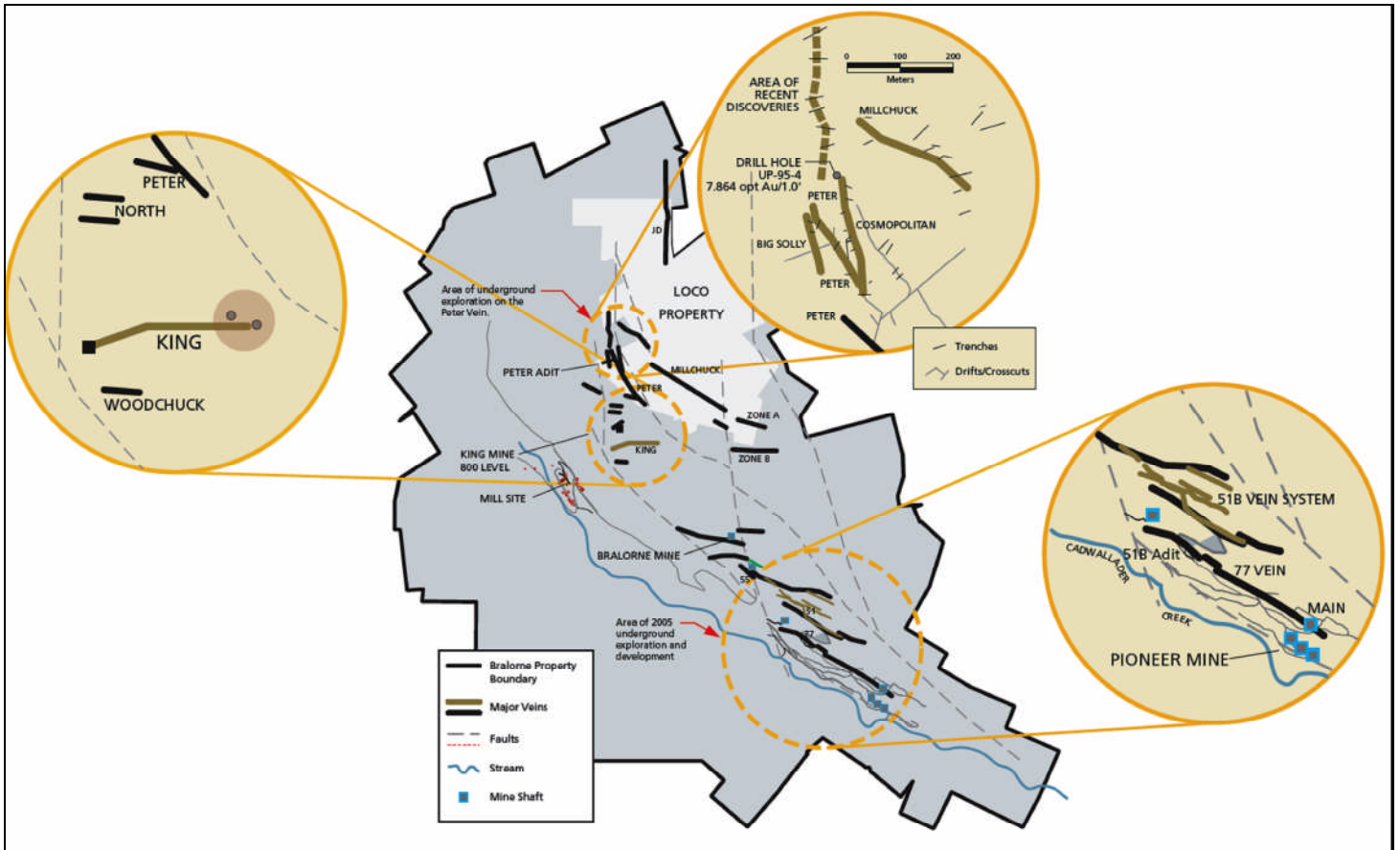
Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The company is exposed to all the risks associated with mineral exploration. Bralorne does not have any operating mines, and hence, does not generate any revenues or positive cash flows. However, this risk is minimized by the mining infrastructure and the ability to go into production relatively quickly.
- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.
- Bralorne's success is dependent on the management and development of its exploration projects.
- The value of the company depends heavily on commodity prices.

We consider Bralorne Gold Mines a high-risk investment opportunity as the company is still in its exploration stage and has not yet achieved commercial production. At this stage, we therefore rate the shares a **RISK of 5 (Highly Speculative)**.

Appendix



*An overview of the Bralorne Property
Source: Bralorne Gold Mines*

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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