Golden Valley Mines Ltd.

Audited Consolidated Annual Financial Statements,
as at December 31, 2011 and 2010

Golden Valley Mines Ltd.
152 chemin de la Mine Ecole
Val-d'Or, Québec J9P 7B6
www.goldenvalleymines.com
Tel: 819.824.2808 fax: 819.824.3379

Independent Auditor's Report

To the Shareholders of
Golden Valley Mines Ltd.

We have audited the accompanying consolidated financial statements of Golden Valley Mines Ltd., which comprise the consolidated statements of balance sheets as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31 2011 and 2010 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Golden Valley Mines Ltd. as at December 31, 2011 and 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards (IFRS).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company has not generated any income or cash flows from operations and as at December 31, 2011 the Corporation has a deficit of $8,288,404. This condition, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton L.L.P. [1]

Val-d'Or
April 30, 2012

[1] Chartered accountant auditor permit no.11903

Golden Valley Mines Ltd.
Consolidated Balance Sheets
(in Canadian dollars)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010
		$	$	$
ASSETS				
Current assets				
Cash	8	1,495,272	3,374,178	1,874,030
Short-term investments	9	625,936	1,756,825	2,882,419
Fees and other accounts receivable		35,506	179,098	164,989
Sales taxes recoverable		151,570	199,623	111,353
Tax credits and credit on duties receivable		224,711	275,919	361,655
Prepaid expenses		100,701	65,007	26,712
		2,633,696	5,850,650	5,421,158
Non-current assets				
Property and equipment	10	105,263	140,038	132,175
Exploration and evaluation assets	11	15,840,837	14,173,766	13,294,901
		15,946,100	14,313,804	13,427,076
Total assets		18,579,796	20,164,454	18,848,234
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities				
Related parties controlled by director	21	28,891	25,210	46,932
Others	13	450,976	489,623	231,493
Other liabilities			128,960	296,470
		479,867	643,793	574,895
Non-Current liabilities				
Deferred income taxes	16	1,407,696	1,029,441	3,191,937
Total liabilities		1,887,563	1,673,234	3,766,832
EQUITY				
Capital stock	14.1	20,947,914	20,142,761	16,750,206
Contributed surplus		1,937,959	1,771,800	1,459,666
Deficit		(8,288,404)	(3,423,341)	(3,128,470)
Total equity attributable to owners of the parent company		14,597,469	18,491,220	15,081,402
Non-Controlling interest		2,094,764		
Total equity		16,692,233	18,491,220	15,081,402
Total liabilities and equity		18,579,796	20,164,454	18,848,234

The accompanying notes are an integral part of the consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2012.

"Glenn J. Mullan"	*"Blair F. Morton"*
Director	Director

Golden Valley Mines Ltd.
Consolidated Statement of Comprehensive Loss
Years ended December 31, 2011 and 2010
(in Canadian dollars)

	Notes	2011	2010
		$	$
Revenues			
Geological fees		26,197	12,085
Operating Expenses			
Salaries and other employee benefits	15.1	2,540,981	569,400
Office expenses		164,568	105,917
Management fees		34,625	33,000
Director's fees		30,000	30,000
Professional and legal fees		909,127	474,039
Advertising and exhibitions		586,443	319,663
Travelling		266,325	149,094
Write-off of exploration and evaluation assets	11	544,218	1,353,303
Write-off of property and equipment	10	22,333	
Part XII.6 and other taxes		13,175	21,566
Depreciation of property and equipment	10	32,900	51,437
Foreign exchange loss		6,011	11,229
Gain on the disposal of exploration and evaluation assets		(340,057)	(5,000)
Gain on short-term investment disposal		(24,116)	(114,943)
		4,786,533	2,998,705
Operating loss		(4,760,336)	(2,986,620)
Finance income	18	15,600	37,907
Changes in fair value of financial assets at fair value through profit and loss		(372,668)	194,876
Other revenue		13,000	
		(344,068)	232,783
Loss before income taxes		(5,104,404)	(2,753,837)
Deferred income taxes		(251,995)	2,458,966
Net loss and total comprehensive loss for the year		(5,356,399)	(294,871)
Net loss and total comprehensive loss attributable to:			
Shareholders of Golden Valley Mines		(3,723,660)	(294,871)
Non-controlling interests		(1,632,739)	
		(5,356,399)	(294,871)
Loss per share attributable to Golden Valley Mines shareholders			
Basic and diluted loss per share	19	(0.052)	(0.005)

The accompanying notes are an integral part of the interim consolidated financial statements.

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
Years ended December 31, 2011 and 2010
(in Canadian dollars)

	Note		Capital Stock	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity
		Number	$	$	$	$	$	$
Balance at January 1, 2010		63,936,138	16,750,206	1,459,666	(3,128,470)	15,081,402		15,081,402
Share issue expense			(93,526)			(93,526)		(93,526)
Share-based payments	15.2			312,135		312,135		312,135
Share issued by a private placement	14.1	6,666,664	2,999,999			2,999,999		2,999,999
Share issued by a flow through private placement	14.1	992,003	486,082			486,082		486,082
Transactions with owners		7,658,667	3,392,555	312,135		3,704,690		3,704,690
Net loss and total comprehensive loss for the year					(294,871)	(294,871)		(294,871)
Balance at December 31, 2010		71,594,805	20,142,761	1,771,801	(3,423,341)	18,491,221		18,491,221
Shares issued by exercise of stock options	15.2	1,830,000	812,492	(280,492)		532,000		532,000
Share issue expenses			(7,339)			(7,339)		(7,339)
Share-based payments	15.2			446,650		446,650	1,536,100	1,982,750
Shares issued by subsidiaries							1,050,000	1,050,000
Adjustment on shares issued of subsidiaries	19				297,172	297,172	(297,172)	
Distribution of non-cash share dividend of subsidiaries	19				(2,035,716)	(2,035,716)	2,035,716	
Adjustment on distribution of dividend shares	19				597,141	597,141	(597,141)	
Transactions with owners		1,830,000	805,153	166,158	(1,141,403)	(170,092)	3,727,503	3,557,411
Net loss and total comprehensive loss for the year					(3,723,660)	(3,723,660)	(1,632,739)	(5,356,399)
Balance at December 31, 2011		73,424,805	20,947,914	1,937,959	(8,288,404)	14,597,469	2,094,764	16,692,233

The accompanying notes are an integral part of the interim consolidated financial statements.

Golden Valley Mines Ltd.
Consolidated Statement of Cash Flows
Years ended December 31, 2011 and 2010
(in Canadian dollars)

	2011	2010
	$	$
OPERATING ACTIVITIES		
Loss before income taxes	(5,104,404)	(2,753,837)
Adjustments		
Depreciation of property and equipment	32,900	51,437
Write-off of property and equipment	22,333	
Gain on the disposal of exploation and evaluation assets	(340,057)	
Share-based payments	1,924,695	219,820
Write-off of exploration and evaluation assets	544,218	1,353,303
Foreign exchange loss	(6,011)	(11,229)
Gain on disposal of short-term investments	(24,116)	(114,943)
Changes in fair value of financial assetsat fair value through profit and loss	372,668	(194,876)
Changes in working capital items		
Fees and other accounts receivable	143,592	(14,109)
Sales taxes recoverable	48,053	(88,270)
Prepaid expenses	(35,694)	(38,295)
Accounts payable and accrued liabilities	(42,708)	82,423
Cash flows from operating activities	(2,464,531)	(1,508,576)
INVESTING ACTIVITIES		
Acquisition of short-term investments	(2,249,171)	(20,518)
Disposal of short-term investments	3,438,108	1,617,163
Tax credit received	247,049	85,736
Additions to exploration and evaluation assets	(1,632,613)	(2,118,952)
Purchase of property and equipment	(39,708)	(76,219)
Cash flows from investing activities	(236,335)	(512,790)
FINANCING ACTIVITIES		
Issuance of shares by flow-through private placements		615,041
Issuance of shares by private placements	-	2,999,999
Issuance of shares by a subsidiaries	300,000	
Issuance of shares by exercise of stock options	532,000	
Share issue expenses	(10,040)	(93,526)
Cash flows from financing activities	821,960	3,521,514
Net change in cash	(1,878,906)	1,500,148
Cash, beginning of year	3,374,178	1,874,030
Cash, end of year	1,495,272	3,374,178

Cash transactions:

Dividends received	3,171	2,700
Interest received	12,429	36,355
Interest paid	18	1,448

Amounts paid or received for interest and dividendare reflected as operating cash flows

1. *NATURE OF OPERATIONS*

Golden Valley Mines Ltd. and its subsidiaries (hereinafter "The Corporation") specialize in the exploration and evaluation of minerals in Canada.

2. *GOING CONCERN ASSUMPTION*

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and on the basis of the going concern assumption, meaning the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Corporation has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Corporation has not yet generated income nor cash flows from its operations. As at December 31, 2011, the Corporation has a negative deficit of $8,288,404 ($3,423,341 as at December 31, 2010). These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Corporation has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. In January 2012, the Corporation completed a private placement for a total amount of $675,000. See details in Note 19.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the consolidated statement of balance sheet have not been adjusted as would be required if the going concern assumption was not appropriate.

3. *GENERAL INFORMATION AND STATEMENT OF COMPLIANCE*

Golden Valley Mines Ltd. is the parent company (and the ultimate parent company) of the following subsidiaries: Abitibi Royalties Inc., Calone Mining Ltd., James Bay Gold Corp., Nunavik Nickel Mines Ltd., and Uranium Valley Mines Ltd. With the exception of Calone Mining Company (S.L.) Limited which is incorporate under the laws of Sierra Leone, Golden Valley Mines Ltd.'s other subsidiaries have all been incorporated under the Business Corporations Act (British Columbia).

Golden Valley Mines Ltd. was incorporated on August 15, 2000 under the Business Corporations Act (Canada).

The address of Golden Valley Mines Ltd.'s registered office is 152 Chemin de la Mine École, Val-d'Or, J9P 7B6, Québec, Canada. The address of Golden Valley Mines Ltd.'s principal place of business is 2864 chemin Sullivan, Val-d'Or, Québec, J9P 0B9. Golden Valley Mines Ltd.'s shares are listed on the TSX Venture Exchange.

The consolidated financial statements of the Corporation have been prepared in accordance with IFRS 1, First-time adoption of International Financial Reporting Standards. These are the Corporation's first financial statements prepared in accordance with IFRS (see Note 26 for explanation of transition to IFRS).

4. *SIGNIFICANT ACCOUNTING POLICIES*

4.1 *Overall considerations and first-time adoption of IFRS*

The consolidated financial statements have been prepared using accounting policies specified by those IFRS that are in effect as at December 31, 2011.

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

These accounting policies have been used throughout all periods presented in the consolidated financial statements, except where the Corporation has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Corporation and the effects of transition to IFRS are presented in Note 26.

4.2 *Basis of evaluation*

These consolidated financial statements are prepared using the historical cost method, except for financial assets at fair value through profit or loss.

4.3 *Presentation of financial statements in accordance with IAS 1*

The consolidated financial statements are presented in accordance with IAS 1, Presentation of Financial Statements. The Corporation has elected to present the consolidated statement of comprehensive income in a single statement.

In accordance with IFRS 1, First-time adoption of international financial reporting standards, the Corporation presents three consolidated statements of balance sheet in its first IFRS consolidated financial statements. In future periods, IAS 1 required two comparative periods to be presented for the consolidated statements of balance sheet only in certain circumstances.

4.4 *Basis of consolidation*

The Corporation's financial statements consolidate the accounts of Golden Valley Mines Ltd. and all of its subsidiaries, including Calon Mining Company (S.L.) Ltd a subsidiaries of Calone Mining Ltd. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. For Uranium Valley Mines Ltd., Golden Valley Mines Ltd. exercises control through its power to appoint all the members of the board of directors. All subsidiaries have a reporting date of December 31. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

(in Canadian dollars)

Subsidiaries

Details of the Company's subsidiaries at December 31, 2011 are as follows:

			Percentage of ownership	
Name of subsidiaries	Principal activity	Country of incorporation	Interest and voting	Power held
Abitibi Royalties Inc.	Mineral exploration in Canada	Canada	66%	66%
Nunavik Nickel Mines Ltd.	Mineral exploration in Canada	Canada	70%	70%
Uranium Valley Mines Ltd.	Mineral exploration in Canada	Canada	38%	38%
Calone Mining Ltd.	Mineral exploration in Africa	Canada	100%	100%
Calone Mining Company (S.L.) Ltd (hold by Calone Mining Ltd)	Mineral exploration in Africa	Serra Leone	99%	99%
James Bay Gold Corp.	Mineral exploration in Canada	Canada	100%	100%

4.5 *Investments in jointly controlled assets, exploration and evaluation activities, and entities*

Jointly controlled assets and exploration activities

Jointly controlled assets involve joint control, and often the joint ownership, by the Corporation and venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

In respect of its interest in jointly controlled assets, the Corporation recognizes in its financial statements its share of jointly controlled assets, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture together with its share of any expenses incurred but the joint venture ; and any expenses that it has incurred in respect of its interest in the joint venture.

The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Where the Corporation’s activities are conducted through jointly controlled exploration and evaluation activities, the consolidated financial statements include the assets that the Corporation controls and the liabilities that its incurs in the course of pursuing the joint operation, and the expenses that the Corporation incurs and its share of the income that it earns from the joint operation.

4.6 *Foreign currency translation*

The consolidated financial statements are presented in canadian dollars, which is also the functional currency of the parent company and all subsidiaries. The functional currency of the entities in the Corporation have remained unchanged during the reporting periods.

Foreign currency transactions are translated into the functional currency of the Corporation, using exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.
Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.7 *Revenue recognition*

The geological fees are measured by reference to the fair value of consideration received or receivable by the Corporation for services provided. They are recognized when there is reasonable evidence that an agreement has occurred, that the services were rendered, that the amount of the fees is fixed or measurable and that the collection is reasonably assured.

Other revenue

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized at the time the rights to exercise payment is established. Gains or losses on the disposal of investments are determined using the average cost method.

4.8 *Basic and diluted loss per share*

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares which include options and warrants. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

For the purpose of calculating diluted loss per share, the Corporation shall assume the exercise of dilutive options and warrants of the Corporation. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants as explained in Note 14 and 15.

4.9 *Financial instruments*

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described:

Financial assets

Financial assets at fair value though profit or loss

Financial assets at fair value though profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at their fair value with gains and losses recognized in profit or loss. All income and expenses relating to financial assets that are recognized in profit and loss are presented within Finance cost or Finance income, if applicable.

The Corporation's money market investment funds, mutual funds, maketable securities and undeposited certificates fall into this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's Cash and guaranteed investment certificates, fees and other accounts receivable fall into this category of financial instruments.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a Corporation of financial assets is impaired.

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial Liabilities

The Corporation's financial liabilities include accounts payable and accrued liabilities. Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges and reported in profit or loss within Finance costs.

4.10 *Tax credits*

The Corporation is entitled to a refundable credit on duties for losses under the *Mining Duties Act*. This refundable credit on duties for losses is applicable on exploration costs incurred in the Province of Québec. The credit on duties for losses is recognized against the exploration cost incurred.

Furthermore, the Corporation is entitled to a refundable tax credit for resources on qualified expenditures incurred. The exploration tax credits are recognized against the cost incurred.

4.11 *Property and equipment*

Property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part of it. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs of day-to-day servicing of property and equipment are recognized in profit or loss when incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts.

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods generally applicable are as follows:

	Useful life
Automotive equipment	3 years
Office furniture	5 years
Computer equipment	3 years
Leasehold improvement	5 years
Exploration and evaluation equipment	3 years

4.11 ***Property and equipment (continued)***

The depreciation expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the depreciation expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

4.12 ***Exploration and evaluation expenditures and exploration and evaluation assets***

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, the costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties less refundable tax credits related to these expenses are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expense is recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.14); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.14) and any impairment loss is recognized in profit or loss before reclassification. To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

Although the Corporation has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Corporation's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Corporation does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash consideration received directly from the acquirer is credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation asset in profit or loss.

4.13 *Operating lease agreement*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged as they are incurred.

4.14 *Impairment of property and equipment and exploration and evaluation assets*

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash generating unit is reviewed for impairment. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluations assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

The impairment loss reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the cash generating unit.

All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.15 *Provisions*

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Corporation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

4.15 *Provisions (continued)*

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Corporation's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes the Corporation operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

As at December 31, 2011 and 2010 and January 1, 2010 there was no provision recognized.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.16 *Employee benefits*

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses) is recognized in the period in which the services are rendered and is not discounted.

4.17 *Income taxes*

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claim form, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Corporation is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

4.17 *Income taxes (continued)*

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Tax related to flow-through placements

According to the provisions of tax legislation relating to flow-through placements, the Corporation has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Corporation has fulfilled its obligation to transfer its right, which happens when the Corporation has incurred eligible expenditures and has renounced (or has the intention to renounce) its right to tax deductions, a deferred tax liability is recognized for taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

4.18 *Equity*

Capital stock represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when options and warrants are exercised, the capital stock account also comprises the compensation costs or warrants value prviously recorded as contributed surplus.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through shares represents in substance an issue of ordinary shares and the sale of the right to tax deduction to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of balance sheet. The proceeds received from flow-through placements are allocated between share capital and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time issuance and the residual proceeds are allocated to the liability. The liability component recorded initially on the issuance of shares is reversed on the renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

Flow-through placements (continued)

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised. The related compensation costs or warrants value is then transferred to capital stock.

Retained deficit includes all current and prior period retained profits or losses.

4.19 *Equity-settled share-based payments*

The Corporation operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Corporation's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or services received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Corporation measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options and warrants, the proceeds received net of any directly attributable transaction costs are recorded as capital stock. The accumulated charges related to the share options and warrants recorded in contributed surplus are then transferred to capital stock.

4.20 *Segmental reporting*

The Corporation's operating segments were determined based on the information regularly reported to the Executive Chairman and the Board of Directors. This information is predominantly based on geographical areas which are managed separately. At December 31, 2011, all the Corporation’s projects are at the exploration stage in Canada and in Africa, and are regarded as separate segments.

The accounting policies of the reportable segments are consistent with the accounting policies of the Corporation as a whole, except that:

- share-based payments;
- profit and loss for exchange differences;
- finance incomes and costs;
- deferred income taxes;

are not included in determining the operating loss of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Corporation’s assets at the head office.

4.21 *Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Corporation*

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Corporation.

Management anticipates that all of the relevant pronouncements will be adopted in the Corporation's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 9, *Financial Instruments* (IFRS 9)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management hasyet to assess the impact that this amendment is likely to have on the financial statements of the Corporation. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

IFRS 10, *Consolidated Financial Statements* (IFRS 10)

This new standard replaces IAS 27, Consolidated and Separate Financial Statements SIC-12, Consolidation—Special Purpose Entities. It revised the definition of control, applicable to all investees to determine the scope of consolidation. The standard provides the framework for consolidated financial statements and their preparation based on the principle of control. This standard is effective for annual periods beginning or after January 1, 2013. The Corporation’s management has yet to assess the impact of these new standards on the Corporation’s consolidated financial statement.

IFRS 11, *Joint Arrangements* (IFRS 11)

IFRS 11 supersedes IAS 31 Interest in Joint Ventures (1AS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31’s option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation’s management has yet to assess the impact of these new standards on the Corporation’s consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities* (IFRS 12)

This new standard provides minimum disclosure requirements when a reporting entity holds an interest in other entities. This standard combines disclosures required for interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities, which were previously located in each applicable individual standard. This standard is effective for annual periods beginning or after January 1, 2013. The Corporation’s management has yet to assess the impact of these new standards on the Corporation’s consolidated financial statement.

IFRS 13, *Fair Value Measurement* (IFRS 13)

This new standard is meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement. This standard is effective for annual periods beginning or after January 1, 2013. The Corporation's management has yet to assess the impact of these new standards on the Corporation's consolidated financial statement.

5. *CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS*

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Technical feasibility and commercial viability

Decisions regarding the technical feasibility and commercial viability of the exploration and evaluation assets involves a number of assumptions, such as estimated reserves, resource price forecasts, expected production volumes and discount rates, which could all change significantly in the future.

Impairment of property and equipment and exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Impairment of property and equipment and exploration and evaluation assets (continued)

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and earnings may occur during the next period.

The total write-off loss of the exploration and evaluation assets recognized in profit or loss amounts to $544,218 for the year ended December 31, 2011 and ($1,353,303 for the year ended December 31, 2010). No reversal of impairment losses has been recognized for the reporting periods.

The total write-off loss of the property and equipment recognized in profit or loss amounts to $22,333 for the year ended December 31, 2011 and (Nil for the year ended December 31, 2010). No reversal of impairment losses has been recognized for the reporting periods.

Deferred taxes

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Corporation is the Black-Scholes valuation model.

6. *ARRANGEMENT*

In 2010, the Corporation formed three subsidiaries to hold advanced projects and/or projects that are peripheral to its core business plan (grassroots exploration) and/or outside of its main area of operations (Abitibi Greenstone Belt) and has made applications for the listing of their shares on the TSX Venture Exchange (the "Exchange"), namely:

(1) Abitibi Royalties Inc. (which holds a 30% free carried interest in the Malartic CHL project, an option/joint venture project with Osisko Mining Corp. ("Osisko"), a 2% NSR on a claim vended to Osisko and adjacent to the Canadian Malartic deposit held by Osisko, and the Luc Bourdon and Luc Bourdon West Projects, an option/joint venture agreement with Noront Resources Ltd. and White Pine Resources Inc.);

(in Canadian dollars)

6. *ARRANGEMENT (continued)*

(2) Nunavik Nickel Mines Ltd. (which holds the Company's advanced nickel-copper PGE projects situated in the Nunavik Region of Québec, including the Fortin property); and

(3) Uranium Valley Mines Ltd. (which holds the Company's 40% interest in the Beartooth Island Project, a joint venture with Ditem Explorations Inc., and the Company's 50% interest in the Otish/Mistassini Project, a joint venture with Lexam VG Gold Inc. (formerly Lexam Explorations Inc.) and which is anticipated to hold other advanced uranium joint venture projects).

The Corporation, at this time, has not made an application to list the common shares of Calone Mining Ltd., one of its subsidiaries, on the Exchange as previously announced.

On July 19, 2011, the Corporation effected its plan of arrangement (the "Arrangement") pursuant the Canada Business Corporation Act, as a result of which Abitibi Royalties Inc. ("Abitibi Royalties"), Nunavik Nickel Mines Ltd. ("Nunavik Nickel"), and Uranium Valley Mines Ltd. ("Uranium Valley") became reporting issuers in the provinces of Alberta, British Columbia, Ontario, and Québec. As a result of the Arrangement, the Corporation now holds 66.3% interest in Abitibi Royalties, 70.4% interest in Nunavik Nickel, and 37.6% in Uranium Valley.

7. *JOINTLY CONTROLLED ASSETS*

Jointly controlled assets

The Corporation and Integra Gold Corp. hold jointly controlled assets, and exploration and activities evaluation pursuant to a 70/30 joint venture agreement. Information on these assets is presented in Note 11 (Abitibi Greenstone Belt properties).

The Corporation and Sirios Resources Inc. hold jointly controlled assets, and exploration and activities evaluation pursuant to a 40/60 joint venture agreement. Information on these assets is presented in Note 11 (Cheechoo property).

8. *CASH*

There is no balance on flow-through financing as at December 31, 2011 ($615,042 as at December 31, 2010 and $1,200,000 as at January 1, 2010). The Corporation has to dedicate these funds to the exploration of Canadian mining properties exploration.

9. *SHORT-TERM INVESTMENTS*

	December 31, 2011	December 31 2010	January 1, 2010
	CAN$	CAN$	CAN$
Guaranteed investment certificates			
2.87% interest rate, maturing in March 2011		1,035,989	1,018,171
Money market investment funds	103,720	102,809	1,376,985
Mutual funds	103,605	102,373	101,542
Marketable securities in quoted mining exploration companies	195,511	515,654	385,721
Undeposited certificates	223,100		
Short-term investments	625,936	1,756,825	2,882,419

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
(in Canadian dollars)

10. *PROPERTY AND EQUIPMENT*

The carrying amount can be analysed as follows:

	Property and equipment					Exploration and evaluation equipment				
	Automotive equipment	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	$	$	$	$	$	$	$	$	$	$
Gross carrying amount										
Balance at January 1, 2011		29,743	55,536	123,458	208,737	55,334	27,725	32,815	115,874	324,611
Additions	1,399	16,539	19,496		37,434			2,272	2,272	39,706
Write-off			(2,339)	(63,073)	(65,412)					(65,412)
Balance at December 31, 2011	1,399	46,282	72,693	60,385	180,759	55,334	27,725	35,087	118,146	298,905
Accumulated depreciation and Write-off										
Balance at January 1, 2011		15,288	50,853	66,469	132,610	26,496	24,100	1,367	51,963	184,573
Write-off			(684)	(42,396)	(43,080)					(43,080)
Depreciation	137	7,523	2,886	22,354	32,900	9,617	2,417	7,215	19,249	52,149
Balance at December 31, 2011	137	22,811	53,055	46,427	122,430	36,113	26,517	8,582	71,212	193,642
Carrying amount at December 31, 2011	1,262	23,471	19,638	13,958	58,329	19,221	1,208	26,505	46,934	105,263

	Property and equipment					Exploration equipment				
	Automotive equipment	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	$	$	$	$	$	$	$	$	$	$
Gross carrying amount										
Balance at January 1, 2010		28,501	50,446	119,358	198,305	22,362	27,725		50,087	248,392
Additions		1,242	5,090	4,100	10,432	32,972		32,815	65,787	76,219
Balance at December 31, 2010		29,743	55,536	123,458	208,737	55,334	27,725	32,815	115,874	324,611
Accumulated depreciation and Write-off										
Balance at January 1, 2010		10,414	34,539	36,220	81,173	13,361	21,683		35,044	116,217
Depreciation		4,874	16,314	30,249	51,437	13,135	2,417	1,367	16,919	68,356
Balance at December 31, 2010		15,288	50,853	66,469	132,610	26,496	24,100	1,367	51,963	184,573
Carrying amount at December 31, 2010		14,455	4,683	56,989	76,127	28,838	3,625	31,448	63,911	140,038
Carrying amount at January 1, 2010		18,087	15,907	83,138	117,132	9,001	6,042		15,043	132,175

All depreciation, write-off and impairment charges (or reversals, if any) are included within accounts, depreciation ($32,900; $51,437 in 2010), write-off and impairment ($22,333; nil in 2010) of property and equipment, except for depreciation charges related to exploration and evaluation equipment used for specific projects which are capitalized as exploration and evaluation assets during the year ($19,249; $16,919 in 2010).

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS*

The carrying amount can be analyzed as follows:

	Balance as at January 1, 2011	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at December 31 2011
	$	$	$	$	$	$
Golden Valley Mines Ltd. Properties						
Acquisition and claims maintenance	4,658,854	94,834				4,753,688
Property option payments	312,500					312,500
Drilling, excavation and related costs	3,129,340	109,032				3,238,372
Technical and field staff	3,237,857	503,003				3,740,860
Airborne Geophysics	671,742					671,742
Geophysics	2,049,805	218,517				2,268,322
Line cutting	968,819	129,017				1,097,836
Sampling and testing	591,514	107,902				699,416
Travel and transport	1,690,310	42,825				1,733,135
Program management and consultants	214,845	24,531				239,376
Professional Fees	6,825	153				6,978
Amortization, insurance and office expenses	373,893	45,600				419,493
Communications	55,434					55,434
Option payments received	(991,561)	(76,543)				(1,068,104)
Write-down of Mineral properties	(2,364,417)				(14,858)	(2,379,275)
Government assistance	(1,287,698)		(76,111)			(1,363,809)
Net expenses incurred during the year	13,318,062	1,198,871	(76,111)		(14,858)	14,425,964
Properties transferred to subsidiaries				(2,453,775)		(2,453,775)
Balance, end of the year	13,318,062	1,198,871	(76,111)	(2,453,775)	(14,858)	11,972,189

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance as at January 1, 2011	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at December 31 2011
	$	$	$	$	$	$
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)						
Acquisition and claims maintenance	290,398	(52,167)				238,231
Airborne Geophysics	182,124	75,524				257,648
Travel and transport	181,754	21,026				202,780
Remote Sensing Study	66,356					66,356
Technical and field staff	53,418	2,188				55,606
Program management and consultants	73,438	18,011				91,449
Sampling and testing	2,695	1,997				4,692
Office expenses	3,590					3,590
Geophysics	1,320					1,320
Communications	610	199				809
Write-down of Mineral properties					(529,360)	(529,360)
Net expenses incurred during the year	855,703	66,778			(529,360)	393,121
Abitibi Royalties Inc. Properties						
Acquisition and claims maintenance	-	30,868				30,868
Technical and field staff		4,342				4,342
Program management and consultant		20,386				20,386
Net expenses incurred during the year	-	55,596	-	-	-	55,596
Nunavik Nickel Mines Ltd. Properties						
Acquisition and claims maintenance	-	1,689,450				1,689,450
Technical and field staff	-	1,013				1,013
Program management and consultant	-	1,326				1,326
Airborne Geophysics	-	273,897				273,897
Government assistance			(119,730)			(119,730)
Net expenses incurred during the year	-	1,965,686	(119,730)	-	-	1,845,956

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance as at January 1, 2011	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at December 31 2011
	$	$	$	$	$	$
Uranium Valley Mines Ltd. Properties						
Acquisition and claims maintenance	-	1,546,622				1,546,622
Technical and field staff	-	1,327				1,327
Travel and transportation		25,229				25,229
Program management and consultant		737				737
Communication		60				60
Net expenses incurred during the year	-	1,573,975	-	-	-	1,573,975
Summary						
Mining rights	4,949,252	3,309,607				8,258,859
Exploration and evaluation assets	9,224,513	1,551,299	(195,841)		(544,218)	10,035,753
Properties transferred to subsidiaries				(2,453,775)		(2,453,775)
	14,173,765	4,860,906	(195,841)	(2,453,775)	(544,218)	15,840,837

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance as at January 1, 2010	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at December 31 2010
	$	$	$	$	$	$
Golden Valley Mines Ltd. Properties						
Acquisition and claims maintenance	4,546,935	111,919				4,658,854
Property option payments	312,500					312,500
Drilling, excavation and related costs	2,391,787	737,553				3,129,340
Technical and field staff	2,655,205	582,652				3,237,857
Airborne Geophysics	543,993	127,749				671,742
Geophysics	1,911,839	137,966				2,049,805
Line cutting	792,465	176,354				968,819
Sampling and testing	510,226	81,288				591,514
Travel and transport	1,664,513	25,797				1,690,310
Program management and consultants	214,599	246				214,845
Professional Fees	6,825					6,825
Amortization, insurance and office expenses	330,386	43507				373,893
Communications	52,111	3,323				55,434
Option payments received	(739,061)	(252,500)				(991,561)
Write-down of Mineral properties	(1,011,114)				(1,353,303)	(2,364,417)
Government assistance	(1,059,037)	(228,661)				(1,287,698)
Net expenses incurred during the year	13,124,172	1,547,193			(1,353,303)	13,318,062

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance as at January 1, 2010	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at December 31 2010
	$	$	$	$	$	$
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)						
Acquisition and claims maintenance	90,690	199,698				290,388
Airborne Geophysics		182,125				182,125
Travel and transport	35,004	146,750				181,754
Remote Sensing Study		66,356				66,356
Technical and field staff	15,543	37,875				53,418
Program management and consultants	27,431	46,007				73,438
Sampling and testing	266	2,429				2,695
Office expenses	1,464	2,126				3,590
Geophysics		1,320				1,320
Communications	332	288				620
Total	170,730	684,974				855,704
Summary						
Mining rights	4,637,625	311,617				4,949,242
Exploration and evaluation assets	8,657,277	1,920,550			(1,353,303)	9,224,524
	13,294,902	2,232,167			(1,353,303)	14,173,766

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

The Corporation holds (together with its subsidiaries) 137 exploration properties located in: (i) the Abitibi Greenstone Belt; (ii) the James Bay, Mistassini and Otish regions of northern Québec; (iii) the Nunavik (Ungava and Labrador) region of northern Québec; (iv) the Athabasca Basin of Saskatchewan; (v) James Bay Lowlands of Ontario, and (vi) the Republic of Sierra Leone, West Africa.

Abitibi Greenstone Belt Properties – Integra Gold Corp. (formerly Kalahari Resources Inc.) – Québec and Ontario

On February 21, 2005, the Corporation was granted an option by Integra Gold Corp. (formerly Kalahari Resources Inc., hereinafter "Integra") to acquire up to a 85% interest in nine mineral properties provided that, amongst other things, it incur an aggregate $1,000,000 in exploration expenditures on any one of or a combination of the nine properties ($500,000 for 70%, completed). Accordingly, the Corporation provided Integra with notice of its intent to vest as to a 70% interest in the properties and, a joint venture agreement was concluded as at December 8, 2008. The joint venture agreement is subject to underlying royalties ranging between 3% and 3½% in favour of the original vendors. Integra acquired its interest in the nine properties (over the past 13 years) from 2 vendors, one of which is an officer and director of the Corporation. As at December 31, 2011, the joint venture agreement is in good standing.

Plumber Property - West Kirkland Mining Ltd. - Matachewan, Ontario

On March 30, 2010, as amended, the Corporation granted an option to West Kirkland Mining Ltd. ("WKM") pursuant to which WKM may earn up to a 70% interest in the Plumber property located in the Matachewan area, West of Kirkland Lake, Ontario provided that it: (i) make a $2,500 cash payment (received); (ii) issue 100,000 common shares (received); (iii) incur an aggregate $2,000,000 in exploration expenditures over a three year period; and (iv) complete a definitive feasibility study on the property. Upon the option vesting, the Corporation will retain a 30% free and carried interest to production. As at December 31, 2011, the option agreement is in good standing.

Island 27 Property - West Kirkland Mining Ltd. - Matachewan, Ontario

On March 30, 2010, as amended, the Corporation granted, subject to a 2% net smelter royalties (with a 1% buy-back for $1,000,000 at any time) in favour of the original vendor, an option to West Kirkland Mining Ltd. ("WKM") pursuant to which WKM may earn up to a 70% interest in the Island 27 property, provided that WKM: (i) make a $100,000 cash payment (received); (ii) issue an aggregate 500,000 common shares (received); (iii) incur aggregate exploration expenditures of $3,000,000 over a three year period; and (iv) complete a definitive feasibility study. Upon the option vesting, the Corporation will retain a 30% free and carried interest to production. As at December 31, 2011, the option agreement is in good standing.

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

Broker's Fee Prospect - Cambrian Corp. - Kirkland Lake, Ontario

October 7, 2010 (the "Effective Date"), as amended, the Corporation granted an option to Cambrian Corp., a private company, to acquire up to a 70% interest in the Broker's Fee prospect. On January 26, 2012, the parties entered into an amended and restated mining option agreement with respect to the property . Pursuant to the amended and restated agreement, in order to maintain in force the option, Cambrian must incur aggregate exploration expenditures of $6,000,000 over a four year period , issue an aggregate 600,000 common shares (issued), and deliver a definitive feasibility study on the property on or before the 4th anniversary of the Effective Date .

In the event that the exploration expenditures detailed above are not incurred by their respective due dates, the Corporation may grant Cambrian up to two twelve month extensions (an "Extension Period") to incur such expenditures, provided that Cambrian advise the Corporation in writing of its intent to avail itself of an Extension Period prior to the date by which the expenditures must be incurred, and that Cambrian issue to the Corporation up to an additional 400,000 common shares.

Upon the option vesting, the Corporation will retain a 30% free and carried interest to production. As of the date hereof, this agreement is in good standing.

Sirios Property (Cheechoo) – Sirios Resources Inc. – James Bay, Québec

On December 3, 2004, the Corporation was granted an option by Sirios Resources Inc. ("Sirios") to acquire up to a 80% interest in the Cheechoo Property provided that, amongst other things, it incurs aggregate exploration expenditures of $1,000,000 over four years, and deliver a bankable feasibility study. The Corporation provided notice to Sirios of its intent to vest as to a 60% interest in the property and a joint venture agreement was entered into by the parties on March 31, 2009. As at December 31, 2011, the joint venture agreement remains in good standing.

James Bay Properties- Canadian Royalties Inc.- James Bay, Québec.

On September 30, 2005, the Corporation was assigned all of the interest of Canadian Royalties Inc. ("CRI") in 645 mining claims located in the James Bay area of Québec of which 374 were acquired directly by staking (the "Staked Claims") and 271 claims were under option to CRI from Sirios (the "Sharks Claims"). As consideration for this transaction, the Corporation transferred to CRI the common shares it held in Sirios, issued 1,500,000 share purchase warrants, and reimbursed CRI in full for previously incurred costs on the property. The Corporation may acquire up to an 80% interest in the Optioned Claims provided that, amongst other things, it incurs an aggregate $1,000,000 in exploration expenditures over a four year period and deliver a bankable feasibility study. The Corporation provided notice to Sirios of its intent to vest as to a 60% interest in the Sharks Claims and a joint venture agreement was entered into by the parties on March 31, 2009. As at December 31, 2011, the joint venture agreement remains in good standing.

CRI retains a 1.5% NSR on the Staked Claims.

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

Centremaque Property - Monarch Energy Ltd - Bourlamaque Township, Québec

On July 26, 2011 (the "Effective Date"), the Corporation granted an option to Monarch Energy Ltd. ("Monarch") to acquire a 70% interest in the Centremaque property (the "Option") provided that Monarch: (i) incur aggregate exploration expenditures of $2,250,000 over a three year period ($250,000 in year-1; $500,000 in year-2 and $1,500,000 in year-3); (ii) complete a definitive feasibility study at its sole cost on or before the 10th year anniversary of the Effective Date; (iii) issue to the Company, on the later of TSX Venture Exchange approval and August 31, 2011, that numbers of common shares equal to 9.9% of Monarch's issued and outstanding share capital; (iv) make a $35,000 cash payment; and (v) reimburse the Company for of legal expenses incurred with respect to the grant of the Option. Golden Valley is the operator during the Option phase. Upon Monarch exercising the Option, the Company will retain a 30% free carried interest to production.

Luciana Prospect - Big North Capital Inc. – Lebel-sur Quévillon, Québec

On August 30, 2011 (the "Effective Date"), the Corporation granted an option to Big North Capital Inc. ("Big North"), to acquire a 70% interest in the Luciana prospect (the "Option") provided that Big North: (i) incur aggregate exploration expenditures of $2,000,000 over a three year period ($250,000 in year-1; $500,000 in year-2 and $1,250,000 in year-3); (ii) complete a definitive feasibility study at its sole cost on or before the 10th year anniversary of the Effective Date; (iii) issue to Golden Valley 396,000 shares in the capital of Big North upon receipt of TSX Venture Exchange approval; (iv) make cash payments of $10,000 in the aggregate; and (iv) reimburse Golden Valley for legal expenses incurred with respect to the grant of the Option. Golden Valley is the operator during the option phase. Upon Big North exercising the Option, the Company will retain a 30% free carried interest to production.

Malartic CHL Prospect - Malartic, Québec

Abitibi Royalties acquired a 100% interest in the Malartic CHL prospect (the "Malartic CHL Property") near Malartic, Québec that is subject to an Option Agreement (the "Malartic CHL Property Option") in favour of Osisko Mining Corporation (formerly Osisko Explorations Ltd., hereinafter ("Osisko") pursuant to which Osisko can earn a 70% interest in the Malartic CHL Property. During the quarter, Osisko provided notice to Abitibi Royalties of its intent to exercise the Malartic CHL Property Option. As a result, Abitibi Royalties and Osisko are deemed to have entered into a joint-venture agreement on the property and Abitibi Royalties retains a 30% free carried interest with no further expenditure requirements until the property achieves commercial production.

12. *LEASES*

The Corporation's future minimum operating lease payments are as follows:

			Minimum lease payments due
	Within 1 year	1 to 5 years	Total
	$	$	$
December 31, 2011	62,879	194,898	257,776
December 31, 2010	51,349	14,798	95,742
January 1, 2010	49,531	41,276	90,807

The Corporation leases its offices under a lease expiring in July 2016.

The Corporation leases one vehicle under a lease expiring in June 2013.

(in Canadian dollars)

12. *LEASES (continued)*

Lease payments recognized as an expense during the reporting period amount to $45,205 ($39,615 in 2010). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. The Corporation's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. No sublease income is expected as all assets held under lease agreements are used exclusively by the Corporation.

13. *ACCOUNTS PAYABLE AND ACCRUED LIABILITIES*

	December 31, 2011	December 31, 2010	January 1, 2010
Others:	$	$	$
Trade accounts	354,608	374,965	200,530
Wage and salaries payable	53,060	31,517	13,495
Benefits	24,509	16,645	6,923
Current charges	4,000	41,830	10,545
Other	14,800	24,665	
Others	450,977	489,623	231,493

14. *EQUITY*

14.1 *Capital Stock*

The Capital Stock of Golden Valley Mines Ltd consists of fully paid ordinary shares.

Authorized

Unlimited number of common shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of Golden Valley Mines Ltd.

Unlimited number of preferred shares, issuable in series with rights and restrictions to be determined by the directors

On July 19, 2011 (the "Effective Date"), Golden Valley Mines Ltd. issued as fully paid and non-assessable and at a deemed price of $0.01 per share to each of Abitibi Royalties Inc., Nunavik Nickel Mines Ltd., and Uranium Valley Mines Ltd. (the "Subsidiaries") 10,000 Series 1 Preferred Shares (the "Preferred Shares") pursuant to the Arrangement Agreement (see note 6). On the Effective Date, the Preferred Shares were repurchased by the Company and returned to treasury for cancellation, in exchange for the payment to each of the Subsidiaries of $100.

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

14.1 *Capital Stock (continued)*

On December 20, 2010 (the "Closing Date"), the Corporation closed a non-brokered private placement consisting of 992,003 flow-through common shares (the "FT Shares") at a subscription price of $0.62 per FT Share and of 6,666,664 units (the "Units") at a subscription price of $0.45 per Unit, resulting in gross aggregate proceeds of $3.61 million. Each Unit consists of one common share (a "Common Share") and one-half of a share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to acquire one additional common share of the Corporation at a price of $0.75 per common share for a period of eighteen months following the "Closing Date". The Common Shares, the Warrants, and the FT Shares acquired by the placees are subject to a hold period of four months plus one day from the Closing Date in accordance with applicable securities legislation. Directors and officers of the Corporation subscribed under the offering.

An amount of nil related to the issued warrants was recorded in contributed surplus. An amount of $128,960 related to the liability component was recorded within other liabilities in the consolidated statements of balance sheet.

14.2 *Warrants*

Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	December 31, 2011		December 31, 2010	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance, beginning of reporting period	3,333,329	0.75	-	
Granted			3,333,329	0.75
Balance, end of reporting period	3,333,329	0.75	3,333,329	0.75

The number of outstanding warrants which could be exercised for an equivalent number of ordinary shares as follows:

	December 31, 2011		December 31, 2010	
Expiry date	Number	Exercise price	Number	Exercise price
		$		$
June 20, 2012	3,333,329	0.75	3,333,329	0.75
	3,333,329	0.75	3,333,329	0.75

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

15. *EMPLOYEE REMUNERATION*

15.1 *Salaries and other employee benefits expense*

Salaries and other employee benefits expense recognized for employee benefits are analyzed below:

	December 31 2011	December 31 2010
	$	$
Salaries and group insurance	694,515	361,193
Share-based payments	1,982,750	312,136
Defined contribution State plans	75,059	52,599
	2,752,324	725,928
Less: salaries capitalized in exploration and evaluation assets	(211,343)	(156,528)
Salaries and other employee benefits expense	2,540,981	569,400

15.2 *Share-based payments*

The Corporation has in place a stock option plan under which officers, directors, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 11,175,595 shares. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of the Corporation's shares on the trading day immediately prior to the date of grant less any discount permitted by the TSX Venture Exchange; if no sales were reported, it shall be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options shall be determined by the Board of Directors, in accordance with the rules and regulations of the TSX Venture Exchange.

All share-based payments will be settled in equity. The Corporation has no legal or constructive obligation to repurchase or settle the options.

The Corporation's share options are as follows for the reporting periods presented:

	December 31, 2011		December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding as at January 1	6,135,000	0.33	6,196,100	0.33
Granted	2,850,000	0.35	1,050,000	0.50
Exercised	(1,830,000)	0.30		
Forfeited	(110,000)	0.34	(456,100)	0.28
Expired	(225,000)	0.30	(655,000)	0.32
Outstanding as at December 31	6,820,000	0.35	6,135,000	0.33
Exercisable as at December 31	6,570,000	0.35	6,035,000	0.33

The weighted average share price at the date of exericse was $0.29 (nil in 2010).

(in Canadian dollars)

15.2 *Share-based payments (continued)*

The table below summarizes the information related to share options as at December 31, 2011:

	Outstanding options			Exercisable options
Expiry date	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
		$		
August 6, 2012	550,000	0.30	0.60	550,000
February 7, 2013	795,000	0.35	1.11	795,000
June 27, 2013	425,000	0.36	1.49	425,000
December 22, 2013	575,000	0.20	1.98	575,000
June 22, 2014	300,000	0.30	2.48	300,000
August 6, 2014	310,000	0.30	2.60	310,000
December 22, 2015	1,015,000	0.50	3.98	990,000
October 5, 2016	2,850,000	0.35	4.77	2,625,000
	6,820,000	0.35		6,570,000

The table below summarizes the information related to share options as at December 31, 2010:

	Outstanding options			Exercisable options
Expiry date	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
		$		
June 16, 2011	300,000	0.31	0.46	300,000
September 27, 2011	1,505,000	0.30	0.74	1,505,000
August 6, 2012	600,000	0.30	1.60	600,000
February 7, 2013	795,000	0.35	2.11	795,000
June 27, 2013	425,000	0.36	2.49	425,000
December 22, 2013	800,000	0.20	2.98	800,000
June 22, 2014	300,000	0.30	3.48	300,000
August 6, 2014	360,000	0.30	3.60	360,000
Decembre 22, 2015	1,050,000	0.50	4.98	950,000
	6,135,000	0.33		6,035,000

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

15.2 *Share-based payments (continued)*

On September 29, 2011, Abitibi Royalties granted an aggregate 860,000 incentive stock options with an exercise price of $2.50 per share to its directors, officers and consultants, some of which are also directors and/or officers of the Corporation. The options are fully vested and will expire 5 years from the date of issue. The fair value of the stock options granted of $1,536,100 has been estimated on September 29, 2011, using the Black-Scholes option-pricing model with the following assumptions:

	December 31 2011
Share price at date of grant	2.41 $
Expected dividends yield	0%
Expected weighted volatility	100%
Risk-free interest average rate	1.45%
Expected average life	5 years
Exercise price at date of grant	2.50 $

On October 5, 2011, the Corporation granted an aggregate 2,850,000 incentive stock options with an exercise price of $0.35 to its directors, officers, consultants and employees. The options are exercisable until October 5, 2016. 2,625,000 options are exercisable immediately, and 225,000 options (in the aggregate) granted to three consultants of the Corporation, two of which provide investor relations services, vest as to 56,250 options (in the aggregate) on a quarterly basis. For options granted to consultants providing investor relations services, the fair value was measured by reference to the fair value of the equity instruments granted, the fair value of services provided cannot be estimated reliably.

The weighted fair value of the granted options of $0.16 ($0.18 to $0.41 in 2010) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	December 31 2011	December 31 2010
Average share price at date of grant	$ 0.285	$ 0.41
Expected dividends yield	0%	0%
Expected weighted volatility	75.36%	89%-93.42%
Risk-free interest average rate	1.46%	2.44%-2.56%
Expected average life	5 years	5 years
Average exercise price at date of grant	$0,35	$0,50

The underlying expected volatility was determined by reference to historical data of the Corporation's shares over a period of time 60 months. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, $1,924,694 of employee and non-employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the year ended December 31, 2011 ($312,135 for the year ended December 31, 2010) and credited to Contributed surplus. An amount of $58,056 ($92,315 in 2010) of employee remuneration was recognized in exploration and evaluation assets in the balance sheet and credited to contributed surplus during the year.

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

16. *INCOME TAXES*

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive income can be reconciled as follows:

	2011	2010
	$	$
Loss before income taxes	(5,104,404)	(2,753,838)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 28.4% (29.9% in 2010)	(1,449,651)	(823,398)
Adjustments for the following items		
Variation of income tax rate	29,331	35,286
Variation between the rates of the foreign subsidiary	(14,918)	(77)
Issuance of flow-through shares	159,496	312,747
Reversal of other liabilities attributable to issuance of flow-through shares	(128,960)	(296,470)
Temporary difference not recorded	1,013,148	7,926
Share-based compensation	563,101	65,726
Variation of nondeductible fair value (nontaxable)	49,494	(46,318)
Others	965	
Non-capital losses expired in the year		75,687
Other non-deductible expenses	29,989	(1,790,075)
	251,995	(2,458,966)

The 2011 reported income tax is different from year 2010 reported income tax due to the federal tax rate variation.

Composition of deferred income taxes in the income statements

	2011	2010
	$	$
Inception and reversal of temporary differences	(840,127)	(726,267)
Income tax rates variation	29,331	35,286
Fiscal impact on expenses incurred for flow-through shares	159,496	312,747
Reversal of other liabilities attributable to issuance of flow-through shares	(128,960)	(296,470)
Difference of previous years adjustments	18,142	(1,792,188)
Others	965	
Temporary difference not recorded	1,013,148	7,926
	251,995	(2,458,966)

Variation of 2011 deferred income taxes

		Deferred income taxes		
	January 1, 2011	Recognized in equity	Recognized in profit and loss	December 31, 2011
	$	$	$	$
Non-capital losses	1,435,792		(697,749)	738,043
Exploration and evaluation assets	(2,556,074)		315,965	(2,240,109)
Property, plant and equipment	56,686		22,583	79,269
Tax credits and credit on duties receivable	(23,326)		2,598	(20,728)
Share issued expenses	57,480	2,701	(24,352)	35,829
	(1,029,442)	2,701	(380,955)	(1,407,696)
Difference between carrying amount and tax basis of exploration and evaluation assets			128,960	
Deferred income tax liability			(251,995)	

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

Variation of 2010 deferred income taxes

	January 1, 2010	Deferred income taxes Recognized in equity	Recognized in profit and loss	December 31, 2010
	$	$	$	$
Non-capital losses	904,992		530,800	1,435,792
Exploration and evaluation assets	(4,204,667)		1,648,593	(2,556,074)
Property, plant and equipment	37,001		19,685	56,686
Tax credits and credit on duties receivable			(23,326)	(23,326)
Share issued expenses	70,737		(13,257)	57,480
	(3,191,937)		2,162,495	(1,029,442)
Difference between carrying amount and tax basis of exploration and evaluation assets			296,470	
Deferred income tax liability			2,458,965	

As at December 31, 2011, the Corporation had deductible temporary differences which it did not record in deferred tax assets:

	$
Deductible temporary differences	
Exploration and evaluation assets	2,188,929
Property, plant and equipment	5,020
Public shares	275,719
Non-capital losses	274,980
	2,744,648

As at December 31, 2010, the Corporation had deductible temporary differences which it did not record in deferred tax assets:

	$
Deductible temporary differences	
Exploration and evaluation assets	2,176,225
Public shares	56,974
Non-capital losses	78,966
	2,312,165

The Corporation has the following tax losses available to reduce future years' taxable income. Taxable losses, for which the total tax effect has not been recorded in the statement of balance sheet, are maturing as follows:

	$
2031	274,980

As at December 31, 2011, the non-capital losses for which the deferred tax income assets has not been recorded for the foreign subsidiary had an amount of $1,044,011 continuable indefinitely.

The Corporation has an amount of $320,989 in investment tax credits that has not been recorded. These credits can be used to reduce federal income tax and will expire in 2025.

The Corporation has an amount of $127,820 in resources tax credit that has not been recorded. These credits can be used to reduce Québec income tax and will expire in 2017.

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
(in Canadian dollars)

17. *FINANCIAL ASSETS AND LIABILITIES*

Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the consolidated statement of balance sheet are as follows

					December 31,		January 1,
			2011		2010		2010
	Notes	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$	$	$
Financial assets							
Loans and receivables							
Cash		1,495,272	1,495,272	3,374,178	3,374,178	1,874,030	1,874,030
Guaranteed investment certificates				1,035,989	1,035,989	1,018,171	1,018,171
Fees and other accounts receivable		35,506	35,506	179,098	179,098	164,989	164,989
At fair value through profit and loss							
Money market investment funds		103,720	103,720	102,809	102,809	1,376,985	1,376,985
Mutual funds		103,605	103,605	102,373	102,373	101,542	101,542
Marketable securities		195,511	195,511	515,654	515,654	385,721	385,721
Undeposited certificates		223,100	223,100				
Financial liabilities							
Financial liabilities measured at amortized cost							
Accounts payable and accrued liabilities - other		450,977	450,977	489,623	489,623	231,493	231,493
Accounts payable and accrued liabilities - related parties controlled by director		28,891	28,891	25,209	25,209	46,932	46,932

17. *FINANCIAL ASSETS AND LIABILITIES (continued)*

The carrying value of cash, guaranteed invesment certificates, fees and other accounts receivable and accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

See Note 4.9 for a description of the accounting policies for each category of financial instruments. The Corporation's financial instruments risks are detailed in Note 25.

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the consolidated statement of balance sheet in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); anc

- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Money market investment funds, mutual funds, marketable securities and undeposited certificates measured at fair value in the consolidated statement of balance sheet as at December 31, 2011 are classified in Level 1.

There have been no significant transfers between Levels 1 and 2 in the reporting periods.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

(in Canadian dollars)

18. *FINANCE INCOME*

Finance income may be analyzed as follows for the reporting periods presented:

	December 31 2011	December 31 2010
	$	$
Interest and dividend income from cash and short-term investments	15,600	37,907

19. *LOSS PER SHARE AND DIVIDENDS*

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11 and 12.

Both the basic and diluted loss per share have been calculated using the loss attributable to owners of the Corporation as the numerator, i.e. no adjustment to the loss were necessary in 2011 and 2010.

	December 31 2011	December 31 2010
	$	$
Net loss attributable to shareholders of Golden Valley Mines Ltd	(3,723,660)	(294,871)
Weighted average number of shares in circulation	72,181,873	64,166,947
Basic and diluted loss per share	(0.052)	(0.005)

On January 20, 2012, the Corporation closed a non-brokered private placement. See details in Note 27.

DIVIDENDS

The Corporation transferred mining properties to the subsidiaries with a fair value of $2,453,775 in exchange of 425,140 Abitibi Royalties' shares (Abitibi), 8,392,724 Nunavik Nickel Mines' shares (Nunavik) and 6,100,000 Uranium Valley Mines' shares (Uranium).

Thereafter, the Corporation transferred $600,000 to each of Abitibi and Nunavik and Uranium in the form of a convertible promissory note, upon conversion of which the Corporation received 8,275,862 Abitibi shares, 1,500,000 Nunavik shares and 1,000,000 Uranium common shares (as $300,000 was repaid in cash).

Furthermore, the Corporation distributed, to the shareholders, one common share in the capital of each of Abitibi, Nunavik, and Uranium for every 25 shares of the Corporation held by that shareholders (aggregate 2,929,088 Abitibi, Nunavik and Uranium shares). A capital taxable dividend has been deemed to be paid to each of the Corporation shareholders having received such shares: $0.16 per Abitibi share, $0.30 per Nunavik share, and $0.235 per Uranium share.

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

DIVIDENDS (continued)

The Corporation distributed 2,929,088 shares of Abitibi for a total fair value of $468,654. The carrying value of these shares was $212,173. The balance of $256,481 between the fair value of the dividend and the carrying amount of the share was recorded against the deficit of the Corporation.

The Corporation distributed 2,929,088 shares of Nunavik for a total fair value of $878,726. The carrying value of these shares was $673,872. The balance of $204,854 between the fair value of the dividend and the carrying amount of the share was recorded against the deficit of the Corporation.

The Corporation distributed 2,929,088 shares of Uranium for a total fair value of $688,336. The carrying value of these shares was $552,530. The balance of $135,806 between the fair value of the dividend and the carrying amount of the share was recorded against the deficit of the Corporation.

20. *SEGMENTAL REPORTING*

For Management reporting purposes, the Corporation has two reportable segments :
exploration projects in Canada and exploration projects in Africa

Management monitors results of these segments separately for the purpose of making decisions about resources allocation and performance assessment.

Segment information can be analysed as follows for the reporting periods:

2011	Canada $	Africa $	Total $
Segment revenues			
Other revenue	26,197	-	26,197
Salaries and other employee benefits	2,540,981	-	2,540,981
Write-off of exploration and evaluation assets	16,431	529,360	545,791
Write-off of property and equipment	22,333	-	22,333
Depreciation of property and equipment	32,763	137	32,900
Gain on disposal of exploration and evaluation assets	(340,057)	-	(340,057)
Gain on disposal of short-term investments	(24,116)	-	(24,116)
Changes in fair value of financial assets at value through profit or loss	(372,668)	-	(372,668)
Other operating expenses	1,978,462	402,907	2,381,369
Segment operating loss	(3,827,932)	(932,404)	(4,760,336)
Capital expenditures	1,632,296	(461,320)	1,170,976
Segment assets	18,171,951	407,845	18,579,796
Segment non-current assets	15,551,717	394,383	15,946,100

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

(in Canadian dollars)

20. ***SEGMENTAL REPORTING (continued)***

2010	Canada	Africa	Total
	$	$	$
Segment revenues			
Other revenue	12,085	-	12,085
Salaries and other employee benefits	569,400	-	569,400
Impairment of exploration and evaluation assets	1,353,303	-	1,353,303
Write-off of property and equipment	-	-	-
Depreciation of property and equipment	51,437	-	51,437
Gain on disposal of exploration and evaluation assets	(5,000)	-	(5,000)
Gain on disposal of short-term investments	(114,943)	-	(114,943)
Changes in fair value of financial assets at value through profit or loss	194,876	-	-
Other operating expenses	881,573	68,059	949,632
Segment operating loss	(2,918,561)	(68,059)	(2,986,620)
Capital expenditures	201,754	684,974	886,728
Segment assets	19,268,760	895,694	20,164,454
Segment non-current assets	13,458,101	855,703	14,313,804

Management does not take liabilities into accounts in the analysis of the various segments

The totals presented for the Corporation's operating segments reconcile to key financial figures as presented in its financial statements as follows:

Revenues	2011	2010
	$	$
Total segment revenues	26,197	12,085
Total revenues of the Corporation	26,197	12,085

Earnings	2011	2010
	$	$
Total operating loss of the Corporation	(4,760,336)	(2,986,620)
Finance income	15,600	37,907
Changes in fair value of financial assets at fair value through profit and loss	(372,668)	194,876
Other revenue	13,000	
Total loss of the Corporation before income taxes	(5,104,404)	(2,753,837)
Deferred income taxes	(251,995)	2,458,966
Total net loss of the Coporation	(5,356,399)	(294,871)

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

21. *RELATED PARTY TRANSACTIONS*

The Corporation's related parties include its joint key management, as described below.

Expenses incurred to related parties, including those expenses incurred following the preceding agreements, were concluded in the normal course of operations at the exchange amount accepted by the parties and are:

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Other than the related party transactions disclosed below, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of stock options.

21.1 *Transaction with key management*

Key management includes directors and senior executives. The compensation paid to key management for employee and consulting services is presented below.

	December 31 2011	December 31 2010
	$	$
Short-term employee benefits		
Salaries including bonuses	356,796	125,300
Benefits	37,502	16,118
Total short-term employee benefits	394,298	141,418
Other transaction with key management		
Rent	12,000	12,000
Director's fees (paid to Calone Mining (S.L.) Ltd.'s independent directors)	30,000	30,000
Management Fees	34,625	33,000
Professional fees	39,500	39,192
Expenses capitalized in exploration and evaluation assets	161,610	198,616
Total other transactions with consultants	277,735	312,808
Share-based payments	1,781,610	247,880
Total remuneration	2,453,643	702,106

22. *ADDITIONAL INFORMATION - CASH FLOWS*

Non-cash musting and financing activities

	2011	2010
	$	$
Tax credits deducted from exploration and evaluation assets	195,841	224,882
Accounts payable related to exploration and evaluation assets	7,744	223,439
Depreciation of equipment charged to exploration and evaluation assets	19,249	16,919
Fair value of options granted for services included in exploration and evaluation assets	58,056	92,315
Write-off of exploration and evaluation assets	545,791	1,353,303
Options on properties received as shares of listed companies included in short-term investments	406,600	150,000

23. *CONTINGENCIES AND COMMITMENTS*

The Corporation is partially financed through the issuance of flow-through exploration shares and, according to tax rules regarding this type of financing, the Corporation is engaged in realizing mining exploration work.

These tax rules set deadlines for carrying out the exploration work which must be performed no later than the first of the following dates:

- Two years following the flow-through placements;
- One year after the Corporation has renounced the tax deductions relating to the exploration work.

Commitments to carry out exploration work that are not respected are subject to a combined tax rate of 30% (Canada and Québec).

However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Corporation is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

During the year ended December 31, 2010, the Corporation received $615,042 (Nil in 2011) following flow-through placements for which the Corporation renounced tax deductions after December 31, 2010. The Corporation has renounced tax deductions of $177,950 as at February 28, 2011 and management is required to fulfill its commitments within the stipulated deadline of one year from this date.

24. *CAPITAL MANAGEMENT POLICIES AND PROCEDURES*

The Corporation’s capital management objectives are:

- to ensure the Corporation’s ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to owners of the parent in the future when exploration assets are taken into production.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Corporation's own means.

The Corporation monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in Note 14 and in the consolidated statement of changes in equity.

The Corporation is not exposed to any externally imposed capital requirements except when the Corporation issues flow-through shares for which an amount should be used for exploration work. See all the details in Notes 14.1 and 23.

24. *CAPITAL MANAGEMENT POLICIES AND PROCEDURES (continued)*

The Corporation sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may return capital to shareholders, issue new shares, or sell assets to reduce payables.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

25. *FINANCIAL INSTRUMENT RISKS*

The Corporation is exposed to various risks in relation to financial instruments. The Corporation's financial assets and liabilities by category are summarized in Note 17. The main types of risks are market risk, credit risk and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation is exposed to the following three types of market risk: currency risk, interest rate risk and other price risk. The Corporation focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. The Corporation does not actively engage in the trading of financial instruments for speculative purposes.

No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

The most significant financial risks to which the Corporation is exposed are described below.

25.1 *Foreign currency sensitivity*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes foreign exchange rates.

Most of the Corporation's transactions are carried out in Canadian dollars. Currency risk arises from the Corporation expenses in foreign currency, which are primarily denominated in U.S. dollars.

The Corporation does not enter into arrangements to hedge its foreign exchange risk.

Foreign currency denominated financial liabilities in U.S. dollars, translated into CA at the closing rate, and which expose the Corporation to the currency risk are as follows:

	short-term exposure
	$
December 31, 2011	
Cash	1,495,272
Financial liabilities	(479,868)
Total exposure	1,015,404

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

(in Canadian dollars)

25.1 *Foreign currency sensitivity (continued)*

	short-term exposure
	$
December 31, 2010	
Cash	3,374,178
Financial liabilities	(514,832)
Total exposure	2,859,346
January 1, 2010	
Cash	1,874,030
Financial liabilities	(278,425)
Total exposure	1,595,605

The following illustrates the sensitivity of loss and equity in regards to the Corporation's cash and financial liabilities in foreign currency at the end of each reporting period and the US/CA exchange rate, all other variables being constant.

It assumes a ± 1% change of the CA/US exchange rate for the reporting period ended December 31, 2011 (1% for the reporting period ended December 31, 2010). This percentage has been determined based on the average market volatility in exchange rates in the previous twelve months.

If the CA dollar had strengthened or weakened against the U.S. dollar by 1% then this would have had the following impact

	Net loss for the period		Equity	
	+ 1%	- 1%	+ 1%	- 1%
	$	$	$	$
December 31, 2011	$ 10,000	$ (10,000)	$ 10,000	$ (10,000)
December 31, 2010	$ 28,600	$ (28,600)	$ 28,600	$ (28,600)

Exposure to foreign exchange rates varies during the year depending on the volume of foreign transactions. Nonetheless, the analysis above is considered to be representative of the Corporation's exposure to currency risk.

25.2 *Interest rate sensitivity*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Interest rate movements may affect the fair value of the fixed interest financial assets. Because these financial assets are recognized at amortized cost the fair value variation has no impact on profit or loss.

(in Canadian dollars)

25.3 *Price risk sensitivity*

The Corporation is exposed to fluctuations in the market prices of its marketable securities in quoted mining exploration companies. The fair value of the marketable securities represents the maximum exposure to price risk.

For the marketable securities in quoted mining exploration companies, the mutual funds and the undeposited certificated an average volatility of 10% has been observed during 2011 (10% in 2010). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities incresased or decreased by the same percentage, other comprehensive income and equity would have changed by $52,222 ($61,803 in 2010).

25.4 *Credit risk*

The Corporation's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below :

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Cash	1,495,272	3,374,178	1,874,030
Short-term investments	625,936	1,756,825	2,882,419
Fees and other accounts receivables	35,506	179,098	164,989
Carrying amounts	2,156,714	5,310,101	4,921,438

The Corporation has no trade accounts. The other accounts receivables are mainly receivables from partners on mineral properties options. The exposure to credit risk for the Corporation's receivable is considered immaterial. The Corporation continuously monitors defaults of counterparties. No impairment loss has been recognized in the periods presented.

The Corporation's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Corporation's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

25.5 *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Corporation has financing sources such as private and public investments for a sufficient amount.

Over the past period, the Corporation has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through financings.

The Corporation's liabilities, which are accounts payable and accrued liabilities have a contractual maturity within less than a year for an amount of $479,958 ($514,852 as at December 31, 2010 and $279,425 as at January 1, 2010).

The Corporation's objective is to maintain cash and short-term investments to meet its liquidity requirements. This objective was met for the reporting periods.

The Corporation considers cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resource and short-term investments. The Corporation's existing cash short-term investments significatly exceeds the current cash outflow requirements.

26. *FIRST-TIME ADOPTION OF IFRS*

These are the Corporation's first IFRS consolidated financial statements prepared in accordance with IFRS. Before the transition to IFRS, the Corporation's consolidated financial statements were prepared using Canadian generally accepted accounting principles effective before the transition to IFRS, hereinafter "pre-change accounting standards" or "previous GAAP". The date of transition to IFRS is January 1, 2010.

The Corporation's IFRS accounting policies presented in Note 4 have been applied in preparing the consolidated financial statements for the reporting period ended December 31, 2011, the comparative information and the opening consolidated statement of balance sheet at the date of transition.

The Corporation has applied IFRS 1 in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are presented in this section and are further explained in the notes that accompany the tables.

26.1 *First-time adoption – exemptions applied*

Upon transition, IFRS 1 dictates certain mandatory exceptions and allows certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Corporation are set out below:

Mandatory exceptions

The estimates established by the Corporation in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

(in Canadian dollars)

Mandatory exceptions (continued)

Financial assets and liabilities that were derecognized before January 1, 2010 under pre-change accounting standards were not recognized under IFRS. The Corporation has early applied the change in IFRS 1 in this respect regarding the application date of the exception, i.e. January 1, 2010.

Optional exemptions

The Corporation has chosen not to apply IFRS 2, Share-based Payment, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

The Corporation has elected not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition (January 1, 2010). See Note 26.5 for an explanation of the effect of the exemption.

26.2 *Reconciliation of equity*

Equity at the date of transition and at December 31, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Note 17.5	December 31 2010	January 1 2010
		$	$
Equity under pre-change accounting standards		15,377,872	18,620,181
Increases (decreases) in equity reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS:			
Shares issued by flow-through private placements	a	(296,470)	(128,961)
Equity under IFRS		15,081,402	18,491,220

(in Canadian dollars)

26.3 *Reconciliation of comprehensive loss*

Total comprehensive loss for the reporting period ended December 31, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Note 17.5	December 31, 2010
		$
Comprehensive loss under pre-change accounting standards		318,015
Increases (decreases) in total comprehensive income reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS:		
Shares issued by flow-through private placements	a	16,277
Share-based payments	b	(39,421)
Total comprehensive loss under IFRS		294,871

26.4 *Presentation differences*

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

26.4 *Presentation differences (continued)*

The following table shows the total effect of the transition on the consolidated statement of balance sheet

		January 1, 2010			December 31, 2010			
Pre-change accounting standards description	Note 26.5	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
		$	$	$	$	$	$	
ASSETS								*ASSETS*
Current assets								Current
Cash		674,030	1,200,000	1,874,030	2,759,136	615,042	3,374,178	Cash
Fees and other accounts receivable		164,989		164,989	179,098		179,098	Fees and other accounts receivable
Short-term investments		2,882,419		2,882,419	1,756,825		1,756,825	Short-term investments
Sales taxes recoverable		111,353		111,353	199,623		199,623	Sales taxes recoverable
Tax credits receivable		361,655		361,655	275,919		275,919	Tax credits and credit on duties receivable
Prepaid expenses		26,712		26,712	65,007		65,007	Prepaid expenses
		4,221,158	1,200,000	5,421,158	5,235,608	615,042	5,850,650	
								Non-current
Exploration funds		1,200,000	(1,200,000)		615,042	(615,042)		
Property and equipment		132,175		132,175	140,038		140,038	Property and equipment
Mining properties		13,294,901		13,294,901	14,173,766		14,173,766	Exploration and evaluation assets
		14,627,076	(1,200,000)	13,427,076	14,928,846	(615,042)	14,313,804	
		18,848,234		18,848,234	20,164,454		20,164,454	Total assets
LIABILITIES								*LIABILITIES*
Current liabilities								Current
Accounts payable and accrued liabilities								Accounts payable and accrued liabilities
Related companies		46,932		46,932	25,209		25,209	Related companies
Others		231,493		231,493	489,623		489,623	Others
Other liabilities	a		296,470	296,470		128,960	128,960	Other liability
Future incomes taxes		3,191,937		3,191,937	1,029,441		1,029,441	Deferred income tax
		3,470,362	296,470	3,766,832	1,544,273	128,960	1,673,233	Total liabilities
SHAREHOLDERS' EQUITY								*EQUITY*
Capital stock	a	17,046,676	(296,470)	16,750,206	20,255,444	(112,684)	20,142,760	Capital Stock
Contributed surplus	b	1,447,273	12,393	1,459,666	1,798,828	(27,027)	1,771,801	Contributed surplus
Deficit	b	(3,116,077)	(12,393)	(3,128,470)	(3,434,091)	10,750	(3,423,341)	Deficit
		15,377,872	(296,470)	15,081,402	18,620,181	(128,961)	18,491,220	Total equity
		18,848,234		18,848,234	20,164,454	(0)	20,164,454	Total liabilities and equity

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
(in Canadian dollars)

26.4 *Presentation differences (continued)*

The following table shows the total effect of the transition on the consolidated statement of comprehensive loss:

Canadian GAAP description	Note 26.5	Year ended December 31, 2010 Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
		$	$	$	
Revenue					Revenue
Geological Fees		12,085		12,085	Geological Fees
Options on properties		5,000	(5,000)		Gain on the disposal of exploration and evaluation assets
		17,085		12,085	
Operating expenses					Operating expenses
Salaries, rent and office expenses	b	450,838	(44,080)	569,401	Salaries, and other employee benefits
Stock-based compensation		256,501		105,917	Office expenses
Stock-based payments for services		2,739			
Management fees		33,000		33,000	Management fees
Director's fees (Note 15)		30,000		30,000	Director's fees
Professional and legal fees		474,039		474,039	Professional and legal fees
Advertising and exhibitions		319,663		319,663	Advertising and exhibitions
Travelling		149,094		149,094	Travelling
Part XII.6 and other taxes		21,566		21,566	Part XII.6 and other taxes
Write-down of mineral properties		1,353,303		1,353,303	Write-off exploration and evaluation assets
Amortization of property and equipment		51,437		51,437	Depreciation of property and equipment
Loss on exchange		11,229		11,229	Foreign exchange loss
			(5,000)	(5,000)	Gain on the disposal of exploration and evaluation assets
Gain on investments disposal		(114,943)		(114,943)	Gain on disposal of short-term investments
		3,038,466		2,998,706	
Operating loss		(3,021,381)		(2,986,621)	Operating loss
Other revenue (expenses)					
Interest		35,207		37,907	Finance income
Dividend		2,700			
Bank charges		(4,660)	4,660		
Changes in fair value of held-for-trading financial assets		194,876		194,876	Changes in fair value of financial assets at fair value through profit and loss
Loss before income taxes		(2,793,258)		(2,753,838)	Loss before income taxes
Future income taxes	a	(2,475,243)	16,276	(2,458,967)	Deferred income taxes
Net loss and comprehensive loss		(318,015)	23,144	(294,871)	Loss and total comprehensive loss for the period

26.5 *Notes to reconciliation*

a) Shares issued by flow-through placements

Under Pre-change accounting standards, the entire proceeds received on the issuance of flow-through shares were credited to share capital. When the renouncement of the tax legislation, tax deductions related to the resource expenditure and temporary taxable differences were created and a deferred income tax was recorded, as well as share issue cost for the same amount.

Under IFRS, issuance of flow-through shares represents an issue of ordinary shares and the sale of tax deductions to the investors. When the flow-through shares are issued, the sale of tax deductions is deferred and presented as other liabilities in the statement of balance sheet. The proceeds received from flow-through placements are allocated between share capital and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the residual proceeds are allocated to the liability. The liability component recorded initially on the issuance of shares is reversed on renouncement of tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

According to the provisions of tax legislation relating to flow-through shares, the Corporation has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. Under IFRS, when the Corporation has fulfilled its obligation to transfer its right, which happens when the Corporation has incurred eligible expenditures and the Corporation has renounced its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

As there is no exemption under IFRS 1 for first-time adopters regarding flow-through shares, the treatment under IFRS needs to be applied retrospectively.

The impact on the Corporation's transition to IFRS is to decrease share capital by $296,470 as at January 1, 2010, and $112,684 as at December 31, 2010 and increase retained deficit and other liabilities.

b) Share-based payments

Under pre-change accounting standards, for grants of share-based payments with graded vesting, the total fair value of the awards was recognized on a straight-line basis over the employment period necessary to vest the awards. Moreover, forfeitures of awards are recognized as they occur.

Under IFRS 2, each portion of an award with graded vesting options must be considered as a separate award of share options with a vesting date and fair value. Each portion is accounted for on that basis. Also, an estimate of the number of share-based payments expected to be forfeited is required, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

As a result, the Corporation adjusted its expense for share-based payments to reflect these accounting method differences, resulting in an adjustment of contributed surplus and the retained earnings in the amount of $39,420.

c) Deferred taxes

Deferred taxes have been adjusted for the changes to net book values arising as a result of the adjustments for first-time adoption of IFRS as discussed above.

26.6 *Consolidated statement of cash flows*

There are no material adjustments to the consolidated statement of cash flows. The components of cash under pre-change accounting standards are similar to those presented under IFRS.

26.7 *Impairment losses recognized at the date of transition*

The Corporation applied IAS 36, *Impairment of assets,* in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses (or reversals) were identified.

27. *SUBSEQUENT EVENTS*

i) On January 20, 2012, the Corporation has closed a non-brokered private placement with a single strategic investor of 2,000,000 units (the "Units") at a subscription price of $0.30 per Unit resulting in proceeds of $600,000 ("Strategic Subscription").

   Each Unit consists of one common share (a "Common Share") and one-half of a share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to acquire one additional common share at a price of $0.40 per common share (a "Warrant Share") for a period of eighteen months from January 20, 2012 (the "Closing Date"). The Common Shares and the Warrants acquired by the placee are subject to a hold period and may not be traded until May 21, 2012 except as permitted by applicable securities legislation and the rules of the TSX Venture Exchange.

   Concurrently with the above mentioned Strategic Subscription, two insiders of the Corporation have subscribed for 249,999 Units, upon the same terms and conditions described above for proceeds of $75,000. The subscription by insiders of the Corporation constitutes a related party transaction for the purposes of TSX Venture Policy 5.9, however is exempt from the minority approval and valuation requirements of such policy. The Corporation intends to use the aggregate proceeds raised for general working capital.

   In addition to the Strategic Subscription being subject to standstill provisions for a period of 12 months, the Common Shares and the Warrant Shares issued thereunder are subject to a voting agreement pursuant to which securities held by the strategic investor are to be voted in accordance with the voting recommendations set forth in the proxy-related materials sent in advance of any meeting of shareholders of the Corporation. The provisions of such voting agreement expire the earlier to occur of the date of the Corporation's annual meeting of shareholders in 2013 or on December 31, 2013.

27. *SUBSEQUENT EVENTS (continued)*

ii) Subsequent to year end, the Company granted an option to Golden Cariboo to acquire a 70% interest in certain properties held as to a 100% interest by the Company (the "GZZ Option") and located in the Abitibi Greenstone Belt of northwestern Québec and northeastern Ontario (the "GZZ Properties"). Concurrently, and subject to net smelter return royalty interests and advance royalty interests in favour of the original vendors (one of which is a director and officer of the Company), Golden Valley Mines and Integra have granted an option to Golden Cariboo to acquire a 70% interest in certain properties located in the Abitibi Greenstone Belt of northwestern Québec (the "GZZ-I Option"); these properties are held as to a 70% interest by Golden Valley Mines and as to a 30% interest by Integra pursuant to a joint venture agreement between Integra and Golden Valley Mines (the "GZZ-I Properties"). The GZZ Option and the GZZ-I Option are together referred to herein as "the Option". Golden Valley Mines is the operator during the Option phase.

In order to maintain in force the Option granted to it, and to exercise the Option, Golden Cariboo must: (i) issue to the Company such number of common shares (the "GCC Payment Shares") in the capital of Golden Cariboo as is equal to 9.9% of Golden Cariboo's issued share capital (the "GZZ Share Interest"), calculated forthwith after and taking into account the issuance of the Payment Shares; (ii) incur expenditures in an aggregate amount of $4,500,000 over a 5 year period (the "Expenditures") to be allocated between the GZZ Properties and the GZZ-I Properties as Golden Cariboo may determine provided that no more than $4,000,000 of the Expenditures shall be incurred with respect to the GZZ Properties and at least $500,000 of the Expenditures shall be incurred with respect to the GZZ-I Properties; and (iii) reimburse Golden Valley Mines for all costs related to the preparation of any technical reports. Golden Valley Mines has the right, but not the obligation to participate in future financings of Golden Cariboo in order to maintain the GZZ Share Interest.

Upon the GZZ Option being exercised, Golden Valley Mines shall retain a 30% free carried interest to production in respect of the GZZ Properties. Upon the GZZ-I Option being exercised, Golden Valley Mines and Integra shall retain a combined 30% free carried interest to production (allocated as to 22.5% Golden Valley/7.5% Integra).