



Golden Valley Mines Ltd.

Consolidated Interim Financial Statements, (Unaudited) as at June 30, 2012

Golden Valley Mines Ltd.
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The attached consolidated interim financial statements have been prepared by Management of Golden Valley Mines Ltd. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Golden Valley Mines Ltd.
Consolidated Balance Sheets
As at June 30, 2012

(unaudited)
(in Canadian dollars)

	Notes	June 30, 2012 \$	December 31, 2011 \$
ASSETS			
Current assets			
Cash	4	801,881	1,495,272
Short-term investments	5	472,548	625,936
Fees and other accounts receivable		6,465	35,506
Sales taxes recoverable		130,476	151,570
Tax credits and credit on duties receivable		224,711	224,711
Prepaid expenses		64,895	100,701
Disposal group held-for-sale	15	1	
		<u>1,700,977</u>	<u>2,633,696</u>
Non-current assets			
Property and equipment	6	81,496	105,263
Exploration and evaluation assets	7	15,734,916	15,840,837
		<u>15,816,412</u>	<u>15,946,100</u>
Total assets		<u><u>17,517,389</u></u>	<u><u>18,579,796</u></u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities			
Related parties controlled by director	14.1	15,234	28,891
Others	9	158,232	450,976
		<u>173,466</u>	<u>479,867</u>
Non-Current liabilities			
Deferred income taxes		1,289,381	1,407,696
Total liabilities		<u>1,462,847</u>	<u>1,887,563</u>
EQUITY			
Capital stock	10.1	21,606,289	20,947,914
Contributed surplus		1,948,833	1,937,959
Deficit		(9,460,709)	(8,288,404)
Total equity attributable to owners of the parent company		<u>14,094,413</u>	<u>14,597,469</u>
Non-Controlling interest		1,960,129	2,094,764
Total equity		<u>16,054,542</u>	<u>16,692,233</u>
Total liabilities and equity		<u><u>17,517,389</u></u>	<u><u>18,579,796</u></u>

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 29, 2012.

"Glenn J. Mullan"

Director

"Blair F. Morton"

Director

Golden Valley Mines Ltd.
Consolidated Statement of Comprehensive Loss
For the three and six-month period ended June 30, 2012

(unaudited)

(in Canadian dollars)

		Three-month period ended		Six-month period ended	
	Notes	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
		\$	\$	\$	\$
Revenues					
Geological fees		360	2,728	830	21,049
Operating Expenses					
Salaries and other employee benefits	11.1	80,705	175,238	238,423	312,053
Office expenses		55,971	27,398	108,333	67,331
Management fees		7,375	8,792	23,750	17,042
Director's fees			30,000		30,000
Professional and legal fees		201,565	293,947	400,892	425,021
Advertising and exhibitions		27,149	187,376	84,712	263,032
Travelling		15,892	55,876	65,634	104,628
Write-off of exploration and evaluation assets		11,837	8,941	37,713	17,698
Write-off of property and equipment	10				4,913
Part XII.6 and other taxes		2,504	4,913	6,755	18,511
Depreciation of property and equipment		5,516	9,296	11,033	
Foreign exchange loss			2,406		4,754
Gain on the disposal of exploration and evaluation assets					
Gain on short-term investment disposal		2,935		2,935	(24,156)
		<u>411,449</u>	<u>804,183</u>	<u>980,180</u>	<u>1,240,827</u>
Operating loss		<u>(411,089)</u>	<u>(801,455)</u>	<u>(979,350)</u>	<u>(1,219,778)</u>
Finance income and costs	12	(510)	(20)	(1,136)	9,301
Changes in fair value of financial assets at fair value through profit and loss		(186,907)	(86,252)	(243,508)	(180,543)
		<u>(187,417)</u>	<u>(86,272)</u>	<u>(244,644)</u>	<u>(171,242)</u>
Loss before income taxes		<u>(598,506)</u>	<u>(887,727)</u>	<u>(1,223,994)</u>	<u>(1,391,020)</u>
Deferred income taxes			(28,277)		48,989
Net loss on measurement to fair value less costs to sell investment in Calone Mining Company (SL) Ltd	15	(39,329)		(82,946)	
Net loss and total comprehensive loss for the period		<u>(637,835)</u>	<u>(859,450)</u>	<u>(1,306,940)</u>	<u>(1,440,009)</u>
Net loss and total comprehensive loss attributable to:					
Shareholders of Golden Valley Mines		(575,952)	(859,450)	(1,172,305)	(1,440,009)
Non-controlling interests		(61,883)		(134,635)	
		<u>(637,835)</u>	<u>(859,450)</u>	<u>(1,306,940)</u>	<u>(1,440,009)</u>
Loss per share attributable to Golden Valley Mines shareholders					
Basic and diluted loss per share	13	(0.008)	0.013	(0.016)	0.020

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

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
For the three and six-month period ended June 30, 2012

(unaudited)
(in Canadian dollars)

	Note	Number	Capital Stock	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity
			\$	\$	\$	\$	\$	\$
Balance at January 1, 2012		73,424,805	20,947,914	1,937,958	(8,288,404)	14,597,469	2,094,764	16,692,233
Share issue expenses			(16,625)			(16,625)		(16,625)
Share-based payments	11.2			10,875		10,875		10,875
Share issued by a private placement	10.1	2,249,999	675,000			675,000		675,000
Transactions with owners		2,249,999	658,375	10,875		669,250		669,250
Net loss and total comprehensive loss for the period					(1,172,305)	(1,172,305)	(134,635)	(1,306,940)
Balance at June 30, 2012		75,674,804	21,606,289	1,948,833	(9,460,709)	14,094,414	1,960,129	16,054,542
Balance at January 1, 2011		71,594,805	20,142,761	1,771,800	(3,423,341)	18,491,220		18,491,220
Share issued by exercise of stock options		500,000	143,000			143,000		143,000
Share issue expenses			(275)			(275)		(275)
Share-based payments				9,612				-
Transactions with owners		500,000	142,725	9,612		142,725		142,725
Net loss and total comprehensive loss for the period					(1,440,009)	(1,440,009)		(1,440,009)
Balance at June 30, 2011		72,094,805	20,285,486	1,781,412	(4,863,350)	17,193,935		17,193,935

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

Golden Valley Mines Ltd.
Consolidated Statement of Cash Flows
For the three and six-month period ended June 30, 2012

(unaudited)

(in Canadian dollars)

	Three-month period ended		Six-month period ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss before income taxes	(598,506)	(887,724)	(1,223,994)	(1,391,020)
Adjustments				
Depreciation of property and equipment	5,516	9,296	11,033	18,511
Write-off of property and equipment		(3,851)		
Gain on the disposal of exploration and evaluation assets				(24,156)
Share-based payments	6,646	9,612	10,875	9,612
Write-off of exploration and evaluation assets	11,837	(8,757)	37,713	
Changes in fair value of financial assets at fair value through profit and loss	186,907	86,252	243,508	180,543
Changes in working capital items				
Fees and other accounts receivable	1,522	11,466	27,821	111,715
Sales taxes recoverable	4,348	126,261	21,094	48,876
Prepaid expenses	6,229	(17,685)	35,806	(22,716)
Accounts payable and accrued liabilities	(87,706)	18,334	(158,835)	(153,506)
Cash flows used in continuing operations	(463,207)	(656,796)	(994,979)	(1,222,141)
Cash flows used in discontinued operations	70,947		59,664	-
Cash flows from operating activities	(392,260)	(656,796)	(935,315)	(1,222,141)
INVESTING ACTIVITIES				
Cash held for exploration activities		120,000		400,000
Acquisition of short-term investments	(331)	(972)	(400,732)	(2,247,842)
Disposal of short-term investments	110,612	1,100,000	310,612	3,236,120
Exploration and evaluation assets	(116,960)	(374,762)	(312,314)	(815,510)
Purchase of property and equipment		(15,000)	(1,128)	(20,103)
Cash flows used in continuing operations	(6,678)	829,266	(403,562)	552,665
Cash flows used in discontinued operations		-	(12,888)	-
Cash flows from investing activities	(6,678)	829,266	(416,450)	552,665
FINANCING ACTIVITIES				
Issuance of shares by private placements	-	143,000	675,000	143,000
Share issue expenses	-	(275)	(16,626)	(275)
Cash flows from financing activities	-	142,725	658,374	142,725
Net change in cash	(398,938)	315,195	(693,391)	(526,751)
Cash, beginning of year	1,200,819	1,917,190	1,495,272	2,759,136
Cash, end of year	801,881	2,232,385	801,881	2,232,385

Cash transactions:

Dividends received	119	972	733	1,841
Interest received	276	1,609	488	11,568
Interest paid	17	Nil	17	17

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

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

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 June 30, 2012, the Corporation has a negative deficit of \$10,624,625 (\$8,288,404 as at December 31, 2011). 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 10.

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.

4. CASH

There is no balance on flow-through financing as at June 30, 2012 (\$215,042 as at June 30, 2011). The Corporation has to dedicate these funds to the exploration of Canadian mining properties exploration.

5. SHORT-TERM INVESTMENTS

	June 30, 2012	June 30, 2011
	CAN\$	CAN\$
Guaranteed investment certificates		
1.2% interest rate, maturing in January 2013	200,000	
Money market investment funds	3,820	249,941
Mutual funds	104,237	103,082
Marketable securities in quoted mining exploration companies	164,491	259,137
Short-term investments	<u>472,548</u>	<u>612,160</u>

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

6. 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, 2012	1,399	46,283	72,693	60,385	180,760	55,334	27,725	35,087	118,146	298,906
Additions								1,128	1,128	1,128
Disposal group held-for-sale	(1,399)				(1,399)					(1,399)
Balance at June 30, 2012		46,283	72,693	60,385	179,361	55,334	27,725	36,215	119,274	298,635
Accumulated depreciation and Write-off										
Balance at January 1, 2012	137	22,811	53,055	46,427	122,430	36,113	26,517	8,582	71,212	193,642
Disposal group held-for-sale	(137)				(137)					(137)
Depreciation		3,801	2,319	4,913	11,033	5,497	1,209	5,895	12,601	23,634
Balance at June 30, 2012	Nil	26,612	55,374	51,340	133,326	41,610	27,726	14,477	83,813	217,139
Carrying amount at June 30, 2012	Nil	19,671	17,319	9,045	46,035	13,724	Nil	21,738	35,461	81,496

	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, 2011		29,743	52,785	123,458	205,986	55,334	27,725	32,815	115,874	321,860
Additions		15,000	5,582		20,582			2,272	2,272	22,854
Balance at June 30, 2011		44,743	58,367	123,458	226,568	55,334	27,725	35,087	118,146	344,714
Accumulated depreciation and impairment										
Balance at January 1, 2011		15,288	50,853	66,469	132,610	26,497	24,100	1,367	51,964	184,574
Depreciation		2,472	709	15,330	18,511	2,747	1,208	2,924	6,879	25,390
Balance at June 30, 2011		17,760	51,562	81,799	151,121	29,244	25,308	4,291	58,843	209,964
Carrying amount at June 30, 2011		26,983	6,805	41,659	75,447	26,090	2,417	30,796	59,303	134,750

Golden Valley Mines Ltd.**Notes to the interim consolidated financial statements**

Unaudited
(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

The carrying amount can be analyzed as follows:

	Balance as at January 1, 2012	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at June 30, 2012
	\$	\$	\$	\$	\$	\$
Golden Valley Mines Ltd. Properties						
Acquisition and claims maintenance	4,753,688	21,044				4,774,732
Property option payments	312,500					312,500
Drilling, excavation and related costs	3,238,372	162				3,238,534
Technical and field staff	3,740,860	155,621				3,896,481
Airborne Geophysics	671,742					671,742
Geophysics	2,268,322	100				2,268,422
Line cutting	1,097,836					1,097,836
Sampling and testing	699,416	846				700,262
Travel and transport	1,733,135	2,019				1,735,154
Program management and consultants	239,376					239,376
Professional Fees	6,978					6,978
Amortization, insurance and office expenses	419,493	25,097				444,590
Communications	55,434					55,434
Option payments received	(1,068,104)					(1,068,104)
Write-down of Mineral properties	(2,379,275)					(2,379,275)
Government assistance	(1,363,809)					(1,363,809)
Net expenses incurred during the period	14,425,964	204,889	-	-	-	14,630,853
Properties transferred to subsidiaries	(2,453,775)	(10,998)				(2,464,773)
Balance, end of the period	11,972,189	193,891	-	-	-	12,166,080

Golden Valley Mines Ltd.**Notes to the interim consolidated financial statements**

Unaudited
(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance as at January 1, 2012	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at June 30, 2012
	\$	\$	\$	\$	\$	\$
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)						
Acquisition and claims maintenance	238,231					238,231
Airborne Geophysics	257,648					257,648
Travel and transport	202,780					202,780
Remote Sensing Study	66,356					66,356
Technical and field staff	55,606					55,606
Program management and consultants	91,449	12,888				104,337
Sampling and testing	4,692					4,692
Office expenses	3,590					3,590
Geophysics	1,320					1,320
Communications	809					809
Write-down of Mineral properties	(529,360)					(529,360)
Net expenses incurred during the period	393,121	12,888	-	-	-	406,009
Disposal group held-for-sale	-	-	-	-	-	(406,009)
	-	-	-	-	-	-
Abitibi Royalties Inc. Properties						
Acquisition and claims maintenance	30,868	150				31,018
Technical and field staff	4,342	2,793				7,135
Program management and consultant	20,386	23,009				43,395
Net expenses incurred during the period	55,596	25,952	-	-	-	81,548
Nunavik Nickel Mines Ltd. Properties						
Acquisition and claims maintenance	1,689,450	15,593				1,705,043
Technical and field staff	1,013	1,975				2,988
Program management and consultant	1,326	704				2,030
Airborne Geophysics	273,897	16,407				290,304
Government assistance	(119,730)					(119,730)
Net expenses incurred during the period	1,845,956	34,679	-	-	-	1,880,635

Golden Valley Mines Ltd.**Notes to the interim consolidated financial statements**

Unaudited
(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance as at January 1, 2012	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at June 30, 2012
	\$	\$	\$	\$	\$	\$
Uranium Valley Mines Ltd. Properties						
Acquisition and claims maintenance	1,546,622	15,221				1,561,843
Technical and field staff	1,327	962				2,289
Travel and transportation	25,229	16,223				41,452
Program management and consultant	737	271				1,008
Communication	60					60
Net expenses incurred during the period	<u>1,573,975</u>	<u>32,677</u>	-	-	-	<u>1,606,652</u>
Summary						
Mining rights	8,258,859	52,008				8,310,867
Exploration and evaluation assets	10,035,753	259,077				10,294,831
Properties transferred to subsidiaries	(2,453,775)	(10,998)				(2,464,773)
Disposal group held-for-sale						(406,009)
	<u>15,840,837</u>	<u>300,087</u>	-	-	-	<u>15,734,916</u>

Golden Valley Mines Ltd.**Notes to the interim consolidated financial statements****Unaudited****(in Canadian dollars)****7. EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance as at January 1, 2011	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at June 30, 2011
	\$	\$	\$	\$	\$	\$
Golden Valley Mines Ltd. Properties						
Acquisition and claims maintenance	4,658,854	67,825				4,726,679
Property option payments	312,500					312,500
Drilling, excavation and related costs	3,129,340	107,427				3,236,767
Technical and field staff	3,237,857	224,886				3,462,743
Airborne Geophysics	671,742	499,366				721,678
Geophysics	2,049,805	149,817				2,199,622
Line cutting	968,819	62,818				1,031,637
Sampling and testing	591,514	78,266				669,780
Travel and transport	1,690,310	16,366				1,706,676
Program management and consultants	214,845					214,845
Professional Fees	6,825					6,825
Amortization, insurance and office expenses	373,893	20,892				394,785
Communications	55,434					55,434
Option payments received	(991,561)					(991,561)
Write-down of Mineral properties	(2,364,417)					(2,364,417)
Government assistance	(1,287,698)					(1,287,698)
Net expenses incurred during the period	13,318,062	778,233	-	-	-	14,096,295

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

**Unaudited
(in Canadian dollars)**

7. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance as at January 1, 2011	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at June 30, 2011
	\$	\$	\$	\$	\$	\$
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)						
Acquisition and claims maintenance	290,388	(66,740)				223,648
Airborne Geophysics	182,125	75,416				257,541
Travel and transport	181,754	21,026				202,780
Remote Sensing Study	66,356					66,356
Technical and field staff	53,418	428				53,846
Program management and consultants	73,438	10,794				84,232
Sampling and testing	2,695	1,320				4,015
Office expenses	3,590					3,590
Geophysics	1,320					1,320
Communications	620	1,914				2,534
Total	855,704	44,158	-	-	-	899,862
Summary						
Mining rights	4,949,242	1,085	-	-	-	4,950,327
Exploration and evaluation assets	9,224,524	821,306	-	-	-	10,045,830
	14,173,766	822,391	-	-	-	14,996,157

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

7. 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. (Please see Note 15 herein for additional information with respect to property interest in Sierra Leone).

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).). 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 "GZZ-I JV"). The GZZ-I JV is subject to underlying royalties ranging between 3% and 3½% in favour of the original vendors, one of which is a director and an officer of the Corporation. During the quarter, the Company and Integra granted an option (the "GZZ-I Option") to Golden Cariboo Resources Ltd. ("GCC") to acquire a 70% interest in some of the properties comprising the GZZ-I JV. Upon the GZZ-I Option being exercised, Golden Valley Mines and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley Mines/7.5% Integra) in those properties.

For additional information with respect to the transaction between the Corporation and GCC, please refer to the GZZ Properties - Golden Cariboo Resources Ltd. – Abitibi Greenstone Belt, Québec and Ontario paragraph herein.

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. The parties entered into a further amended and restated mining option agreement with respect to the property. Pursuant to the further 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 on or before July 31, 2012, 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.

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. During the quarter the agreement was amended and restated so as to extend to April 30, 2012 the date by which Monarch must make the payments detailed in sections (iv) and (v) above.

Golden Valley Mines Ltd.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Luciana Prospect - Big North Graphite Corp. (formerly Big North Capital Inc.) – Lebel-sur Quévillon, Québec

On August 30, 2011 (the “Effective Date”), the Corporation granted an option to Big North Graphite Corp. (“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.

GZZ Properties - Golden Cariboo Resources Ltd. – Abitibi Greenstone Belt, Québec and Ontario

On January 11, 2012, the Corporation granted an option to Golden Cariboo Resources Ltd. (“GCC”) to acquire a 70% interest in certain properties held as to a 100% interest by the Corporation (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), the Corporation and Integra Gold Corp. (“Integra”) have granted an option to GCC 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 the Corporation and as to a 30% interest by Integra pursuant to a joint venture agreement (the “GZZ-I JV”) 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”. The Corporation is the operator during the Option phase.

In order to maintain in force the Option granted to it, and to exercise the Option, GCC must: (i) issue to the Corporation such number of common shares (the “GCC Payment Shares”) in the capital of GCC as is equal to 9.9% of GCC’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 GCC 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 the Corporation for all costs related to the preparation of any technical reports. The Corporation has the right, but not the obligation to participate in future financings of GCC in order to maintain the GZZ Share Interest.

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

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

			Minimum lease
	Within 1 year	1 to 5 years	payments due
	\$	\$	\$
June 30, 2012	53,013	163,458	216,472
June 30, 2011	62,472	211,523	273,995

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

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

Lease payments recognized as an expense during 2012 amount to \$ 31,439 (\$29,698 in 2011). This amount consists of minimum lease payments. No surface 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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2012	June 30, 2011
	\$	\$
Others:		
Trade accounts	110,093	288,077
Wage and salaries payable	37,457	
Benefits	815	28,073
Current charges		
Other	9,867	19,732
Others	<u>158,232</u>	<u>335,882</u>

10. EQUITY**10.1 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

Golden Valley Mines Ltd.**Notes to the interim consolidated financial statements****Unaudited***(in Canadian dollars)***10.1 Capital Stock (continued)**

On January 20, 2012, the Corporation 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.

10.2 Warrants

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

	June 30, 2012		December 31, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	average exercise price
Balance, beginning of reporting period	3,333,329	0.75	3,333,329	0.75
Granted	1,124,999	0.40		
Expired	(3,333,329)	0.75		
Balance, end of reporting period	1,124,999	0.66	3,333,329	0.75

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

Expiry date	June 30, 2012		December 31, 2011	
	Number	Exercise price	Number	Exercise price
June 20, 2012			3,333,329	0.75
July 20, 2013	1,124,999	0.40		
	1,124,999	0.40	3,333,329	0.75

Golden Valley Mines Ltd.

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11. EMPLOYEE REMUNERATION

11.1 Salaries and other employee benefits expense

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

	Three-month period ended		Six-month period ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
	\$	\$	\$	\$
Salaries and group insurance	103,008	186,052	268,553	373,250
Share-based payments	6,646	9,612	10,875	9,612
Defined contribution State plans	12,723	24,386	42,879	38,660
	122,377	220,050	322,307	421,522
Less: salaries capitalized in exploration and evaluation assets	(41,672)	(37,744)	(83,884)	(109,469)
Salaries and other employee benefits expense	80,705	182,306	238,423	312,053

11.2 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:

	June 30, 2012		December 31, 2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price CAN\$
Outstanding as at January 1	6,820,000	0.35	6,135,000	0.33
Granted			2,850,000	0.35
Exercised			(1,830,000)	0.30
Forfeited			(110,000)	0.34
Cancelled	(100,000)	0.35		
Expired			(225,000)	0.30
Balance, end of reporting period	6,720,000	0.35	6,820,000	0.35

The table below summarizes the information related to share options as at June 30, 2012:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number of options
August 6, 2012	550,000	0.30	0.10	550,000
February 7, 2013	795,000	0.35	0.61	795,000
June 27, 2013	425,000	0.36	0.99	425,000
December 22, 2013	575,000	0.20	1.48	575,000
June 22, 2014	300,000	0.30	1.98	300,000
August 6, 2014	310,000	0.30	2.10	310,000
December 22, 2015	1,015,000	0.50	3.48	1,015,000
October 5, 2016	2,750,000	0.35	4.27	2,687,500
	6,720,000	0.35		6,657,500

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12. FINANCE INCOME AND COSTS

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

	Three-month period ended		Six-month period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	\$	\$	\$	\$
Interest and dividend income from cash and short-term investments	606	2,582	1,221	13,409
Bank fees	(1,116)	(2,433)	(2,357)	(4,108)
	<u>(510)</u>	<u>149</u>	<u>(1,136)</u>	<u>9,301</u>

13. 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.

	Three-month period ended		Six-month period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	\$	\$	\$	\$
Net loss attributable to shareholders of Golden Valley Mines Ltd	(575,952)	(406,120)	(1,172,305)	(846,881)
Weighted average number of shares in circulation	75,438,616	63,936,138	75,438,616	63,936,138
Basic and diluted loss per share	(0.008)	(0.006)	(0.016)	(0.013)

14. 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.

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14.1 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.

	Three-month period ended		Six-month period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses	43,407	96,321	153,756	195,190
Benefits	5,078	13,420	15,667	35,760
Total short-term employee benefits	48,485	109,741	169,423	230,950
Other transaction with key management				
Rent	2,000	3,000	5,000	6,000
Director's fees (paid to Calone Mining (S.L.) Ltd.'s independent directors)		30,000		30,000
Management Fees	7,375	8,792	23,750	17,042
Professional fees	9,000	11,395	15,000	28,843
Expenses capitalized in exploration and evaluation assets	35,700	34,305	67,642	92,656
Total other transactions with consultants	54,075	87,492	111,392	174,541
Total remuneration	102,560	197,233	280,815	405,491

15. DISPOSAL GROUP HELD FOR SALE

Calone Properties - Sierra Leone, West Africa

During the quarter ended June 30, 2012, the Company's wholly-owned Canadian subsidiary, Calone Mining Ltd. ("Calone Canada") entered into an amended and restated share purchase agreement (the "SPA") with K&K Investment GmbH ("K&K") pursuant to which K&K is to acquire, all of Calone Canada's shares held in its Sierra Leonean subsidiary, Calone Mining Company (S.L.) Ltd. ("Calone SL").

As consideration for entering into the SPA, K&K is to fund an airborne electromagnetic geophysical survey (the "Survey") on the property located in the Republic of Sierra Leone (Freetown Intrusion and Banana Islands) and over which Calone SL holds three reconnaissance licences (the "Property"). Pursuant to the SPA, upon completion of the Survey, K&K is to comply with all applicable regulatory requirements in order to obtain exploration and mining licenses for the Property.

As additional consideration for entering into the SPA, K&K and Calone SL have agreed to pay to Calone Canada a royalty (the "Royalty") equal to 5% of net returns from mineral products mined or removed from the Property within 10 years of closing of the transactions contemplated by the SPA (the "Closing"). K&K and Calone SL shall have the right to repurchase a portion of the Royalty as follows: (i) 1% for the price of US\$2M leaving Calone Canada with a 4% royalty; or (ii) 2% for the price of US\$4M, leaving Calone Canada with a 3% royalty, or (iii) 3% for the price of US\$6M, thereby leaving Calone Canada with a 2% royalty. Pursuant to the SPA: (i) any funds held by Calone SL and any future funds to be received by Calone SL after the execution of the SPA are to be remitted to Calone Canada; and (ii) Calone Canada would ensure the completion of a school as part of Calone SL's Corporate and Social Responsibility activities in Sierra Leone. Closing as contemplated by the SPA completed subsequent to quarter end.

Following this announcement the investment in Calone SL, (capital stock of \$3,030 and advances of \$1,365,025) less the net cash expected to be repatriated by the Company (\$121,212), has been revalued at the fair value of the 5% royalty (\$1) and classified as asset held-for-sale. The difference between the carrying value of the investment in Calone SL and the fair value of the royalty is presented in the statement of comprehensive income as loss on measurement to fair value less cost to sell investment in Calone SL. A future tax benefit of approximately \$168,000 on the loss realized has not been recorded as it is uncertain that the Company will generate enough taxable income in the future to use it.

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16. SUBSEQUENT EVENTS

On July 23, 2012, the Corporation granted an aggregate 815,000 incentive stock options with an exercise price of \$0.15 to its directors, officers, consultants and employees. The options are exercisable until July 23, 2017. 765,000 options are exercisable immediately, and 50,000 options (in the aggregate) granted to two consultants of the Corporation, one of which provides investor relations services, vest as to 12,500 options (in the aggregate) on a quarterly basis.