Management's Discussion and Analysis

Golden Valley Mines Ltd.

For the year ended December 31, 2011

Dated: April 30, 2012

INTRODUCTION

The following is Management's Discussion and Analysis of the financial condition and results of operations of Golden Valley Mines Ltd. (the "**Company**" or "**Golden Valley Mines**") for the year ended December 31, 2011 which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. This discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2011 and the related notes thereto. All figures are in Canadian dollars unless otherwise specified. The technical content in this Management's Discussion & Analysis has been prepared under the supervision of Glenn J. Mullan, P. Geo. (OGQ and APGO (Temporary)) who is a "Qualified Person" as such term is defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

Forward-Looking Statements

This document contains certain forward-looking statements. In some cases, words such as "plans", "expects", or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur, be achieved or continue, have been used to identify these forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict and are not to be interpreted as guarantees for future performance. These forward-looking statements could cause actual events or results to differ materially from those anticipated in such forward-looking statements. All forward-looking statements speak only as of the date hereof and, except as required by law, the Company does not undertake any obligation to update or publicly release any revisions to such forward-looking statements to reflect events, circumstances, or changes in expectations after the date hereof. Accordingly, readers should not place undue reliance on such forward-looking statements.

NATURE OF OPERATIONS

Golden Valley Mines is a mineral exploration company whose assets and those of its subsidiaries (including the New Issuers (as hereinafter defined)), include 136 exploration properties located in the following areas: (i) the Abitibi Greenstone Belt (103 properties are located between Timmins, Matachewan and Kirkland Lake, Ontario and Rouyn-Noranda, Cadillac, Malartic, Val-d'Or and Chibougamau, Québec); (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) the James Bay Lowlands of Ontario; and (vi) additional properties located in the Republic of Sierra Leone, West Africa.

Golden Valley Mines' primary objective is to conduct basic exploration, including initial diamond drilling, while the Company owns 100% of most of its properties. In instances where the exploration results are less than conclusive (such as when favourable geological conditions are encountered, but with no discovery) the Company will typically seek joint-venture partners (normally other public mining companies) to conduct follow-up exploration programs and continue the exploration effort. In most instances, Golden Valley Mines continues to act as the operator during the earn-in phase. In this manner, the Company reduces dilution to its share capital and decreases the amount of self-funded expenditures, while continuing exploration on these same properties with larger budgets than its own initial investment (most of the agreements allow the partner to earn into a property by incurring exploration expenditures over periods of three to five years). Furthermore, in addition to third party disbursements for exploration funding, the Company's option agreements typically provide for receipt by Golden Valley Mines of either cash or shares, or both from its partners. This allows the Company to focus primarily on other early-stage, 100%-owned properties while partners fund exploration on more expansive option/joint ventures and remote projects.

Golden Valley Mines' exploration strategy is based on four principles: (a) majority ownership during the initial early stage exploration program; (b) exploration for a wide variety of commodities including precious and base metals, as well as uranium; (c) drill testing of priority anomalous targets during the early stage grassroots exploration, generally while the properties are 100%-owned; and (d) retention of largest possible interest (carried interest or NSR) following vesting of the option and formation of the joint venture.

On July 19, 2011, the Company effected its plan of arrangement (the "**Arrangement**") pursuant to the *Canada Business Corporations Act*, as a result of which the Company distributed a portion of its interest in Abitibi Royalties Inc. ("**Abitibi Royalties**"), Nunavik Nickel Mines Ltd. ("**Nunavik Nickel**"), and Uranium Valley Mines Ltd. ("**Uranium Valley**") to its shareholders, and each of Abitibi Royalties, Nunavik Nickel, and Uranium Valley (together, the "**New Issuers**") became reporting issuers in the provinces of Alberta, British Columbia, Ontario, and Québec. The New Issuers hold advanced properties and/or projects that are peripheral to the Company's core business plan (grassroots exploration) and/or outside of its main area of operations (Abitibi Greenstone Belt). See section 3 herein, Property Interests Assigned to the New Issuers for additional details.

OVERALL PERFORMANCE

1. Exploration Activity:

A. Abitibi Greenstone Belt ("AGB") Grassroots Exploration Project, located in Québec and Ontario, 100%-owned Projects:

The AGB properties are comprised of gold (52), copper-zinc-silver (33), nickel-copper-PGE (7), molybdenum (9) and cobalt-silver-nickel (2) prospects located in Québec (80) and Ontario (23). Golden Valley Mines' exploration strategy consists of a systematic approach designed to reduce grassroots exploration risk, and increase the possibility of exploration success, through the sequential exploration of a large number of grassroots properties. Preliminary work (grid establishment, prospecting, geophysical and/or geochemical surveys, reconnaissance and grid mapping and channel sampling) is completed on one property while diamond drilling of the highest priority targets is completed on another, with the pattern then consistently being repeated throughout the year.

The exploration budget for the Company's 2011 "AGB" Grassroots Exploration Project was approximately $615,000. The scope of the program included preliminary fieldwork consisting of grid establishment, ground geophysical surveys, "boot and hammer" prospecting, and sampling programs for the purpose of upgrading and advancing each property to the group of "drill-ready" prospects. The 2011 exploration program was primarily directed to gold, copper-rich volcanogenic massive sulphide (VMS) and magmatic nickel-copper-PGE ore deposit model-type targets.

The Company's "AGB" Grassroots Exploration Project continued through the year ending on December 31, 2011 with the establishment of grids and/or the completion of ground geophysical programs on a total of twenty-one (21) separate prospects (includes only 100%-owned properties – the Company's joint venture activities, are discussed below separately), along with ongoing project data compilations and related mandatory assessment work reporting, in-house project generation activities and activities related to current or new property joint venture work.

Over the course of the 2011 exploration program, a total of 18 grids were established on separate properties for a total of 250 line kilometres; and 18 individual property geophysical surveys (ground magnetic: 210 line kilometres, horizontal loop electromagnetic: 86 line kilometres and induced polarization: 91 line kilometres) were completed. Based on these geophysical results (including additional geophysical survey data results from the 2010 exploration program), 43 "higher priority targets" were interpreted and have been proposed for drill testing (approximately 6,020 metres of drilling) on 100%-owned claims.

In addition to the above mentioned exploration work, a summer prospecting and sampling program targeting geophysical anomalies and historical surface showings, over 100%-owned properties acquired by the Company over the last several years was completed. A total of 24 prospects and/or areas of interest were prospected (total of 48 field-days) and sampled, with a total of 102 rock samples submitted for assaying. Highlights from the prospecting and sampling program include 109.0 g/t Au & 22.8 ppm Ag from the Baden Prospect, 5.81 g/t Au & 19.4 ppm Ag from the Gosselin Prospect, 91.0 ppm Ag; 2.10 % Zn; 7670 ppm Pb from the Jonsmith Prospect, 20.4 g/t Au from the Oregon Prospect and 1.900% Mo & 2.9 ppm Ag from the Steeloy Prospect.

B. Henley Prospect - McFauld's Lake "Ring of Fire" – James Bay Lowland, Ontario:

Golden Valley Mines holds a total of 47 claims (655 claim units) covering over 10,480 hectares (approximately 105 km^2) in the area of Noront Resources' Double Eagle nickel-copper-platinum group elements (Ni-Cu-PGE) discoveries in the McFauld's Lake ("**Ring of Fire**") regional exploration play.

The Henley Prospect, comprising three claims, for a total of 32 units or 512 ha, lies along the Western strike extension of the favourable geological trend hosting nickel-copper-platinum group element, chromium and copper-zinc-silver mineralization, known as the "Ring of Fire", approximately 30 km to the west of the Luc Bourdon Prospect West. For details pertaining to the Noront Resources Ltd./White Pine Resources Inc. option (being 44 claims for a total of 655 units or 10,480 ha), please refer to section 3 *New Issuers* under the heading Abitibi Royalties Inc. No exploration fieldwork was completed on the property during the year ended December 31, 2011.

2. Option and Joint Venture Properties Portfolio Review:

Abitibi Greenstone Belt Programs

A. Integra Gold Corp. Joint Venture – AGB:

At the AGB (Québec and Ontario) joint venture (the "**GZZ-I Joint Venture**") with Integra Gold Corp. (formerly Kalahari Resources Inc., hereinafter "**Integra**"), exploration work completed for the year ending December 31, 2011 was focused on the Claw Lake and Munro prospects in Ontario and the Bogside Prospect in Québec. At the Claw Lake Prospect, line-cutting (51 line kilometers) and geophysical surveys (ground magnetic: 59 line kilometres and induced polarization: 54 line kilometres) were completed with the objective of defining possible drill targets for a future diamond drilling program. The results of this work led to the identification of 4 "higher priority targets" for drill testing. A drill core review and re-sampling program was completed at the Munro Prospect with the associated report submitted for work assessment filing. Exploration activities at the Bogside Prospect included line-cutting (6 line kilometres) and geophysical surveys (ground magnetic: 6 line kilometres and induced polarization: 5 line kilometres), with the objective of defining possible drill targets for a future diamond drilling program. In 2008, the Company earned a 70% interest in the group of nine properties located on the AGB (Québec and Ontario) and a joint venture was formed thereon with Integra; the Company is the operator during the joint venture phase. Subsequent to quarter end, the Company and Integra granted an option (the "**GZZ-I Option**") to Golden Cariboo Resources Ltd. ("**Golden Cariboo**") to acquire a 70% interest in some of the properties comprising the GZZ-I Joint Venture. Upon the GZZ-I Option being exercised, Golden Valley Mines Ltd. and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley Mines/7.5% Integra). For additional information with respect to the transaction between the Company and Golden Cariboo, please refer to the *Post-Reporting Date Events* section herein. No exploration work has been conducted on any of the properties following the option grant.

B. West Kirkland Mining Ltd. Options - Island 27 and Plumber Prospects:

West Kirkland Mining Ltd. ("**WKM**") may earn a 70% interest in each of the Island 27 Prospect (subject to a 2% NSR in favor of the original vendor) and the Plumber Prospect, pursuant to and in accordance with the terms of two letter agreements dated March 31, 2011, as amended. Both properties are located in the Matachewan area, west of Kirkland Lake, Ontario. Pursuant to the terms of the amended option agreements, in order to acquire its interest in each property, WKM must, amongst other things, make cash payments totaling $102,500 (paid), issue an aggregate 600,000 shares (of which 300,000 have been issued to date), incur aggregate exploration expenditures of $5,000,000 over a 54 month period, and complete a feasibility study on each property. Upon completing all its obligations under the amended option agreements, a joint venture shall then be formed on each property and the Company will retain a 30% carried interest in the properties with no further expenditure requirements until the properties achieve commercial production.

Subsequent to the year ended December 31, 2011, WKM reported the drilling of four (4) holes totaling 894 metres on the Island 27 Prospect. No significant assay results were reported from these drillholes by the project operator, WKM.

At the Plumber Prospect, project operator WKM reported that no significant amount of exploration work was carried out on the property claims.

C. Cambrian Corp. Option Agreement – Broker's Fee Prospect

Pursuant to a further amended and restated mining option agreement dated April 19, 2012 (the "**Cambrian Option Agreement**"), the Company granted an option to Cambrian Corp. ("**Cambrian**"), a private company, in respect of its Broker's Fee Prospect located in Arnold Township, 20 km northeast of Kirkland Lake, Ontario.

Pursuant to the terms of the Cambrian Option Agreement, Cambrian may earn a 70% undivided interest in the Property by incurring aggregate exploration expenditures of $6,000,000 over a four year period, making a $5,000 cash payment, issuing 600,000 common shares (no later than July 31, 2012), and delivering a definitive feasibility study on the property on or before the 4th anniversary of the effective date of the Cambrian Option Agreement. In the event that the exploration expenditures detailed above are not incurred by their respective due dates, the Company may grant Cambrian up to two (2) twelve (12) month extensions (an "Extension Period") to incur such expenditures, provided that Cambrian advise the Company 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 in the aggregate to the Company up to an additional 400,000 common shares.

No exploration work was conducted on this property during the course of the year ended December 31, 2011.

D. Monarch Energy Limited - Centremaque Prospect

Pursuant to an amended and restated mining option agreement dated March 19, 2012, the Company 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 from July 26, 2011 (the "**July Effective Date**"); (ii) complete a definitive feasibility study at its sole cost on or before the 10th year anniversary of the July Effective Date; (iii) issue to the Company, 9,175,008 common shares equal to 9.9% of Monarch's issued and outstanding share capital (issued); and (iv) on or before April 30, 2012: A) make a $35,000 cash payment; and B) reimburse the Company for legal expenses incurred with respect to the grant of the Option. Golden Valley Mines is the operator during the option phase. Upon Monarch exercising the Option, the Company will retain a 30% free carried interest in the property with no further expenditure requirements until the property achieves commercial production.

The first year's proposed work program is to include compilation of pre-existing exploration data and completion of a 3-D drillhole model of the historical drill data and the drilling of approximately 1,400 metres of new drill core to confirm previous assays and evaluate the new geophysical targets.

No exploration work was conducted on this property during the course of the year ended December 31, 2011.

E. Big North Capital Inc. – Luciana Prospect

On August 30, 2011 (the "**August Effective Date**"), the Company 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 from the August Effective Date; (ii) complete a definitive feasibility study at its sole cost on or before the 10th year anniversary of the August Effective Date; (iii) issue to Golden Valley 396,000 shares in the capital of Big North upon Exchange approval; (iv) make cash payments of $10,000 in the aggregate; and (iv) reimburse Golden Valley Mines for legal expenses incurred with respect to the grant of the Option. Golden Valley Mines is the operator during the option phase. Upon Big North exercising the Option, the Company will retain a 30% free carried interest in the property with no further expenditure requirements until the property achieves commercial production.

No exploration work was conducted on the property to date other than a site visit that was completed in October 2011 by a representative of Big North.

James Bay Properties

F. Sirios Resources Joint Venture – Cheechoo and Sharks Prospects*:*

As agreed between the parties in the third quarter of 2011 an eight-day field program consisting of prospecting, mapping and sampling as per follow-up to the 2010 "boot and hammer" campaign was conducted over the southwest sector of the Cheechoo B Prospect. The objective of the 2010-11 exploration campaign, was designed to follow-up on the anomalous metal values detected by the 2007 and the 2010 (preliminary data) geochemical humus sampling programs, and structural features interpreted from the airborne (2005) and detailed ground magnetic (2010) survey data. Three separate mineralized zones were identified in the process of conducting the described fieldwork.

The 2011 exploration program was designed to identify for additional zones of mineralization outside of the area investigated in 2010 to the northwest and southeast. No significant gold assay results were returned from the fifty-one (51) rock samples (includes four blank samples for QA-QC) submitted for analysis. Currently the report is being finalized for assessment work filing with the MRNF (Resources Naturelles et Faune Québec).

Golden Valley Mines' interest in the Cheechoo gold property was acquired in 2004, following which, in 2005 the Company increased its land position to a total of 1,016 claims covering approximately 53,324 hectares (533 km²) by entering into an agreement with Canadian Royalties Inc. ("**CRI**"), now a private company, pursuant to which Golden Valley Mines' acquired CRI's interest in: (A) the Sharks Gold Property; those claims held by CRI as to a 100% interest and which were acquired through staking (Top Corner Prospect group of properties)**.**

The Cheechoo ("A", "B", and "C") and "Sharks" properties are currently the object of joint ventures (collectively the "**Sharks/Cheechoo JV Agreements**") with Sirios Resources Inc. ("**Sirios**") effective March 31, 2009 (the "**Effective Date**") and under which the Company holds a 60% interest. Pursuant to the terms of the joint venture agreements, the Company could earn an additional 20% interest in each property provided that it give notice to Sirios, prior to March 31, 2012, of its intent to complete at its sole cost a bankable feasibility study on each property and that it pay to Sirios the sum equal to double the amount of expenditures incurred by Sirios under the joint venture agreements from the Effective Date to the date of delivery of the bankable feasibility studies. The Company has not provided such notice to Sirios and retains a 60% interest in each of the Cheechoo and Sharks properties.

Golden Valley Mines completed field programs over the properties from 2005 to 2007. In 2008, 2009, and 2010 the Company completed detailed compilations for all the previous work carried out on the properties for future exploration planning and joint venture reporting. The Company is the project operator.

3. Property Interests Assigned to the New Issuers:

A. Abitibi Royalties Inc.

<u>Malartic CHL Prospect</u>*:*

In contemplation of the Arrangement, the Company assigned its interest in the Malartic CHL Prospect to Abitibi Royalties along with a 2% net smelter royalty interest on a claim block held by Osisko Mining Corporation ("**Osisko**") and covering the Charlie Zone, which is located immediately southeast of the Canadian Malartic deposit held by Osisko. Osisko had the right to acquire a 70% interest in the Malartic CHL Prospect in consideration for $150,000 in cash payments over a four year period (paid) and by completing a minimum $2,000,000 in exploration work over a four year period. Osisko has exercised the option and Osisko and Abitibi Royalties are deemed to have entered into a joint venture agreement in respect of same. Abitibi Royalties retains a 30% free carried interest in the Malartic CHL Prospect until commercial production of the property.

For details on the expenditures made on this property by Osisko, and anticipated timing and costs to take the property to the next stage of the project plan, please refer to Osisko's continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Osisko's issuer profile. Please also refer to Abitibi Royalties' news release dated September 22, 2011 summarizing the exploration activities on the property and the news releases of January 17, 2012 and March 2, 2012 detailing the results of the technical audit completed by Micon International Ltd. on the internal mineral resource estimate prepared by Osisko. Further details can also be accessed from the technical report entitled "*A Review of Osisko Mining Corporation's Mineral Resource Estimate for the Jeffrey Zone, Malartic CHL Joint Venture Property, Val-d'Or, Québec" dated March 1, 2012* (the "**Report**") by accessing Abitibi Royalties' issuer profile through the internet on the SEDAR website (www.sedar.com).

As a result of the completion of the Arrangement, the Company holds an approximate 66.3% interest in Abitibi Royalties. For additional details with respect to the Arrangement, please refer to the *Corporate Development* section herein.

<u>McFauld's Lake ("Ring of Fire") Area</u>*:*

In contemplation of the Arrangement, Golden Valley Mines assigned its 100% interest in the Luc Bourdon and Luc Bourdon West Prospects prospects to Abitibi Royalties. The Luc Bourdon and Luc Bourdon West Prospects prospects were originally staked by the Company in 2008. Golden Valley Mines holds an approximate 66.3% interest in Abitibi Royalties. For additional details with respect to the Arrangement, please refer to the *Corporate Development* section herein.

For details on the expenditures made on the Luc Bourdon and Luc Bourdon West properties and anticipated timing of exploration activities, please refer to Abitibi Royalties' continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Abitibi Royalties' issuer profile.

B. Nunavik Nickel Mines Ltd.:

In contemplation of the Arrangement, Golden Valley Mines assigned its interest in each of the Marymac Prospect (Labrador Trough, Nunavik, Québec), Fortin Prospect, Shoot Out (East and West) Prospect, and the Donnybrook and Overtime Prospects (South Raglan Trend, Nunavik, Québec) to Nunavik Nickel. Golden Valley Mines holds an approximate 70.4% interest in Nunavik Nickel. For additional details with respect to the Arrangement, please refer to the *Corporate Development* section herein. For details on expenditures and anticipated timing of exploration activities of the above mentioned properties held by Nunavik Nickel, please refer to Nunavik Nickel's continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Nunavik Nickel's issuer profile.

C. Uranium Valley Mines Ltd.:

Otish-Mistassini Basins Project

In contemplation of the Arrangement, the Company assigned its interest in the *Otish-Mistassini Project* to Uranium Valley. Until May 12, 2011, the property was the object of a joint venture with Lexam VG Gold Inc. (formerly Lexam Explorations Inc., hereinafter "**Lexam**"). Effective May 12, 2011, Uranium Valley purchased Lexam's interest in the property, as a result of which Uranium Valley now holds a 100% interest in the property and the joint venture with Lexam was terminated.

Ditem Explorations Joint Venture - Beartooth Island Prospect:

The Beartooth Island Prospect (the "**Beartooth Prospect**") located in Saskatchewan is the object of a joint venture with Ditem Explorations Inc. ("**Ditem**") effective July 4, 2008 (the "**Beartooth Island JV**"). In contemplation of the Arrangement, the Company assigned its 40% interest in this property to Uranium Valley, as a result of which Uranium Valley is now a party to the Beartooth Island JV. For additional details with respect to the Arrangement, please refer to the *Corporate Development* section herein.

For details on expenditures and anticipated timing of exploration activities of the Otish-Mistassini Project and the Beartooth Island Prospect, please refer to Uranium Valley's continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Uranium Valley's issuer profile. Golden Valley Mines holds an approximate 37.6% interest in Uranium Valley. For additional details with respect to the Arrangement, please refer to the *Corporate Development* section herein.

4. Calone Mining Company (S.L.) Ltd./Calone Mining Ltd.:

Calone Mining Company (S.L.) Ltd. ("**Calone SL**") made the acquisition of a number of exploration licenses ("**EPL's**") in the Republic of Sierra Leone, West Africa.

The objective behind the formation of Calone SL is to pursue mineral and other business opportunities in the Republic of Sierra Leone. Calone Mining Ltd. (**"Calone Canada**"), Golden Valley Mines' wholly-owned Canadian subsidiary has acquired all of the shares held by the Company in Calone SL. As a result, Golden Valley Mines' interest in Calone SL is now held through Calone Canada.

Reconnaissance Licenses:

During the third quarter of 2011, Renewal of the Calone SL's three reconnaissance licences was completed with the Mines Ministry of Mineral Resources of the Mines Division of Sierra Leone, following the submission of the partially completed 2,950 line-kilometre Geotech Versatile Time-Domain Electromagnetic (VTEM) and Magnetic airborne geophysical survey (due to extreme weather conditions, the survey had to be postponed until after the end of the rainy season).

Corporate Social Responsibility ("CSR") Initiatives:

As part of the Company's on-going CSR initiatives in Sierra Leone, Calone SL has undertaken the construction of a new school, and the reinforcement and repair of several bridges leading into the village of Masimburie (Tonkolili District, east of Makeni). Golden Valley Mines has assisted with this endeavour in accordance with the terms and conditions approved by the board of directors of the Company.

SELECTED ANNUAL INFORMATION [(1)]

	2011	**2010**	**2009**
	IFRS		Canadian GAAP
Total Revenue	$26,197	$12,085	$ 62,603
Net loss and total comprehensive loss for the period	($5,356,399)	($294,871)	($1,066,128)
Basic and diluted net loss per share	($0.052)	($0.005)	($0.02)
Total Assets	$18,579,796	$20,164,454	$18,848,234
Total Liabilities	$1,887,563	$1,673,234	$3,470,362

(1) This table represents selected quarterly information for the Company and its Subsidiaries.

DISCUSSION AND RESULTS OF OPERATIONS

In the year ended December 31, 2011, the Company reported a loss before income taxes of $5,104,404 compared to $2,753,837 in 2010, due to an increase in operating expenses particularly the legal and filing fees related to the completion of the Arrangement, which was completed during the third quarter. Also during the third quarter, Abitibi Royalties granted incentive stock options to its directors and officers valued at $1,536,100 using the Black-Scholes option-pricing model. For additional details with respect to the Arrangement, please see the *Corporate Developments* section herein.

Revenues

The Company's active joint venture properties for 2011 from which revenues were generated are the following: the Cheechoo and Sharks properties in Québec, and the nine Abitibi Greenstone Belt joint venture properties. Accordingly, revenue generated from geological fees totaled $26,197 in 2011.

Other revenue

As a result of the agreements entered into with Monarch and Big North (see section D and E of Option and Joint-Venture Properties Portfolio Review herein), the Company generated gains on the disposal of exploration and evaluation assets, previously called "option revenues", in the aggregate amount of

$340,057 (cash and value of shares received). Other sources of income are interest and dividend income and realized gains on the disposal of short-term investments. As required under IFRS, interest and dividend income ($15,600 in 2011 compared to $37,907 in 2010) are now grouped together and appear under the heading *Finance income*. The Company realized gains of $24,116 on the disposal of short-term investments.

The Company held money market investment and mutual funds having a market value of $207,325 as at December 31, 2011 as well as publicly traded securities comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements having a market value of $418,611 as at December 31, 2011. Additionally, as a result of the Arrangement, the Company holds an aggregate of 16,906,456 common shares in the capital of the New Issuers (the "**New Issuers Shares**") of which 12,679,842 are currently subject to escrow pursuant to the policies of the TSX Venture Exchange (the "**Exchange**"). The market value of the New Issuers Shares is, as at April 23, 2011, $6,774,802 (decreased from $13,325,351 as at November 28, 2011 due to market fluctuation).

The Company recorded a foreign exchange loss of $6,011 in 2011(compared to a loss of $11,229 in 2010.

As a result of an agreement with Canadian Royalties Inc., a private company, with respect to office space, the Company received an amount of $13,000 listed as other revenue.

Non-Exploration Expenditures

Operating expenses increased from $2,998,705 in 2010 to $4,786,533 in 2011. There was an increase in the amount expensed for salaries and other employee benefits ($2,540,981 in 2011 compared to $569,400 in 2010). This expense includes stock-based payments in the form of incentive stock options granted by Abitibi Royalties. For additional details, please refer to the table in Note 15.2 of the annual audited consolidated financial statements. Office expenses increased from $105,917 to $162,995 due to the Company moving into its new offices in Montreal. Advertising and exhibitions increased from $319,663 in 2010 to $586,443 as a result of the Company's contributions to Calone SL's CSR activities (Please see section *Corporate Social Responsibility Initiatives* herein for additional details). Travelling fees ($266,325 compared to $149,094 in 2010) increased. Management fees ($34,625 compared to $33,000 in 2010) remained relatively the same. Calone SL pays three of its directors a collective $30,000 annual fee, tabulated as directors' fees.

As a result of the Arrangement, professional and legal fees increased during 2011 to $909,127 from $474,039 in 2010. This amount also includes fees disbursed in the form of listing fees relating to the New Issuers.

The Company wrote off an amount of $22,333 from property and equipment mainly for its leasehold improvements relating to the Montreal office. As a direct result of this write-off, other operating expenses such as depreciation of property and equipment decreased from $51,437 in 2010 to $32,900 in 2011.

Pursuant to the terms of an Amended and Restated Arrangement Agreement dated May 24, 2011 (the "**Arrangement Agreement**") with Golden Valley and the New Issuers, all costs related to the Arrangement, including all costs related to the listing of the New Issuers' common shares on the Exchange were borne by Golden Valley Mines, up to and including the Trading Date (as herein after defined).

Exploration Activities and Expenditures

For the year ended December 31, 2011, total investments in exploration and evaluation assets increased to an aggregate $15,840,837 from $14,173,766. In accordance with its accounting policies, the Company reviewed certain of its exploration expenses and determined to record an amount of $544,218 as a write-off of exploration and evaluation assets.

The Company's (including those held through its subsidiaries) property interests in Québec, Ontario and Saskatchewan, along with its additional project areas in the Republic of Sierra Leone in West Africa, are considered to be prospective for precious (gold-silver-platinum group metals) and base-metals (nickel, copper, zinc) energy minerals (i.e. uranium), and diamonds. During the last quarter ended December 31, 2011, all of the new property acquisitions were the result of an on-going, project generative program being conducted by the Company's in-house exploration staff.

Over the course of the Company's 2011 program, exploration expenditures were allocated mainly to the following activities: (i) project generation and (ii) grid establishment and geophysical surveys with the objective of generating targets for diamond drill testing and related field costs, but excluding technical/staffing, assaying and travel/transportation.

The primary focus for the Company's project generation activities during the year ending December 31, 2011 was in the AGB region of Québec. A total of three (3) new properties were acquired (47 claims covering 2,551 ha) and additional mining claims were added (37 claims covering 2,224 ha) to five (5) existing properties. Claim acquisition and maintenance fees for the year, on the Company's AGB properties amounted to $50,901 of the combined 2011 total of $94,834 on all properties (including the Cheechoo-Sharks Prospect JV with Sirios and the AGB GZZ-I Joint Venture).

Preliminary fieldwork consisting of grid establishment and/or geophysical surveying and reporting was completed on three (3) AGB properties in addition to the Bogside Prospect (GZZ-I Joint Venture) during the fourth quarter adding to the group of drill ready prospects for the Company's AGB Grassroots Exploration Project. This work included expenditures during the quarter of 52,617 (yearly total of $347,534 on all properties combined) for line-cutting and geophysical work.

Technical and field staff expenditures amounted to, as at quarter end of $145,882 (yearly total of $503,003 on all properties combined) for the Company's self-funded AGB Grassroots Exploration Project, project generation activities, the GZZ-I Joint Venture and Cheechoo B Prospect (JV with Sirios) exploration programs and miscellaneous new joint venture project work or related corporate developments.

No diamond drilling activities were conducted during the fourth quarter of 2011 on the Company's Abitibi Greenstone Belt "Grassroots Exploration Project" (yearly total of $109,032 related to carry over from the 2010 Blue Mountain Prospect drill program). The Company has drilled a total of 183 targets (23,855m) on 49 (47 100%-owned and 2 joint-venture funded properties) in the Abitibi Greenstone Belt (AGB) "Grassroots Exploration Project" since the program was originally initiated in 2003.

Related exploration program expenditures included $13,850 (yearly total of $107,902 on all properties combined) for sampling and testing, and $9,191 (yearly total of $42,825 on all properties combined) for travel and transport.

SUMMARY OF QUARTERLY RESULTS

The following selected financial information is for the eight most recently completed quarters as derived from the Company's respective financial statements and notes thereto. The following information should be read in conjunction with the referenced financial statements, the notes to those statements and "Results of Operations" herein.

	Dec 11	Sep 11	Jun 11	Mar 11	Dec 10	Sep 10	Jun 10	Mar 10
Total revenues	3,127	2,022	2,727	18,321	11,249	4,660	107	1,069
Net gain (loss)...................	(2,605,862)	(1,310,528)	(859,447)	(580,562)	919,789	(270,974)	(406,120)	(440,761)
Basic and diluted net gain (loss) per share..................	(0.013)	(0.018)	(0.013)	(0.008)	0.0143	(0.004)	(0.006)	(0.008)

FINANCIAL CONDITION

Liquidity and Capital Resources

Working capital as at December 31, 2011 was $2,153,829 compared to $5,206,857 as of December 31, 2010 as a result of the sale by the Company of certain short-term investments. The proceeds of the sale were used for normal course of business activities as well as for filing and legal fees resulting from the completion of the Arrangement. During the 2011 fiscal year, the Company collected an aggregate $532,000 from the exercise of incentive stock options.

The Company's liquidity is adequate to cover its exploration commitments for 2012 given that each of the Company and the New Issuers as applicable has an option to participate in any exploration program carried out under the joint venture agreements on each of the Beartooth Island, Cheechoo, Sharks, Otish properties and the nine Integra Gold properties, notwithstanding that should the Company or the New Issuers elect not to participate in such programs, their respective interests in the particular property shall be correspondingly diluted.

Pursuant to the terms of the Sharks/Cheechoo JV Agreement, the Company as the operator, is to prepare a draft work plan and budget for a mining operations program for each calendar year, for consideration by the management committee, such draft program to be delivered to the management committee on or before March 1 of each calendar year to which the draft program relates. The parties had waived the requirement for delivery of a draft program for the period commencing March 1, 2011 and ending February 29, 2012. Notwithstanding the foregoing, the parties did agree to complete a program on the property of $50,000 during the fourth quarter of 2011.

On January 20, 2012, the Company closed a non-brokered private placement with a single strategic investor of 2,000,000 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 and one-half of a share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at a price of $0.40 per common share for a period of eighteen months from January 20, 2012. 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 Exchange.

Concurrently with the above mentioned Strategic Subscription, two insiders of the Company subscribed for 249,999 units, upon the same terms and conditions described above for proceeds of $74,999.70. The Company intends to use the aggregate proceeds raised for general working capital.

Contractual Obligations

		Payments due by period	
Obligation	Total	1 year or less	2 years or more
Office Lease	$ 242,978	$ 53,013	$ 189,965
Mobile Equipment	$ 14,798	$ 9,865	$ 4,933
Total	$ 257,776	$ 62,879	$ 194,898

FOURTH QUARTER

Grant of Incentive Stock Options

The Company granted incentive stock options (the "**Options**") pursuant to its Amended and Restated 2007 Stock Option Incentive Plan (the "**Plan**") to its directors, officers, consultants, and employees to purchase an aggregate 2,850,000 of its common shares. The Options are exercisable at a price of $0.35 until October 5, 2016. 2,625,000 Options are exercisable immediately, and 225,000 Options (in the aggregate) granted to three consultants of the Company, two of which provide investor relations services, vest as to 56,250 Options (in the aggregate) on a quarterly basis. The foregoing grant of Options is subject to the approval of the Exchange, and where applicable the availability of statutory exemptions under Canadian and US securities laws.

CORPORATE DEVELOPMENTS

The Arrangement

On July 15, 2011 ("the **Trading Date**") the New Issuers were listed on the Exchange. On July 19, 2011, Golden Valley Mines effected the Arrangement pursuant to the *Canada Business Corporations Act*, as a result of which each of the New Issuers became reporting issuers in Alberta, British Columbia, Ontario and Québec; each is a "venture issuer" as such term is defined by applicable securities legislation.

As a result of the Arrangement, each Golden Valley Mines shareholder received one common share in the capital of each of the New Issuers for every 25 shares of Golden Valley Mines held by that shareholder on July 19, 2011 and a capital taxable dividend was deemed to be paid to each of the Company's shareholders having received such New Issuers' shares equal to the value of the New Issuers' shares distributed to such Golden Valley Mines shareholders, being $0.16 per common share of Abitibi Royalties, $0.30 per common share of Nunavik Nickel, and $0.235 per common share of Uranium Valley.

Certificates, or a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, representing shares of each of the New Issuers to be issued to the Company's shareholders pursuant to the Arrangement were issued on or about July 22, 2011. No fractional shares of the New Issuers were distributed to Golden Valley Mines shareholders. The residual New Issuers' shares not distributed to Golden Valley Mines registered shareholders as a result of the treatment of fractional interests were surrendered by Golden Valley Mines for cancellation and returned to the treasury of the respective New Issuer.

The shares of the New Issuers issued to shareholders of Golden Valley Mines who are non-residents of Canada were generally subjected to Canadian withholding tax at the rate of 25% of the gross amount of such shares, subject to reduction under the provisions of an applicable income tax treaty or convention between Canada and the country in which the non-resident shareholder is a resident. Registered shareholders of Golden Valley Mines who are non-residents of Canada did not receive their entire allocation of shares of the New Issuers. To provide for the non-resident registered shareholders' obligation to pay tax on the dividend, a percentage of the shares of each of the New Issuers that each non-resident registered shareholder is otherwise entitled to receive was purchased by Golden Valley Mines and Golden Valley Mines, on behalf of the non-resident registered shareholder has remitted to the Canada Revenue Agency to the account of the non-resident registered shareholder's Canadian tax obligation.

The Company holds an approximate 66.3% interest in Abitibi Royalties, an approximate 70.4% interest in Nunavik Nickel, and an approximate 37.6% interest in Uranium Valley. For the details of the New Issuers' property, please refer to section 3 herein - Property Interests Assigned to the New Issuers.

CAPITAL STOCK INFORMATION

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Company's Board of Directors. The holders of the common shares of the Company shall be entitled to vote at all shareholder meetings and to receive such dividends as the Board of Directors of the Company in their discretion shall declare.

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at April 25, 2012:

Common shares: 75,674,804

Preferred Shares: Nil

Escrowed Shares: Nil

Share Purchase Warrants: 3,458,328

Incentive Stock Options:

Expiry Date	Outstanding	Exercise Price
August 6, 2012	550,000	$0.30
February 7, 2013	795,000	$0.35
June 27, 2013	425,000	$0.36
December 22, 2013	575,000	$0.20
June 22, 2014	300,000	$0.30
August 6, 2014	310,000	$0.30
December 22, 2015	1,015,000	$0.50
October 5, 2016	2,850,000	$0.35
TOTAL:	6,820,000	

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance-sheet arrangements.

RELATED PARTIES TRANSACTIONS

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

	Year ended December 31	
	2011	2010
	$	$
Short-term employee benefits		
Salaries including bonuses and benefits	356,796	125,300
Social security costs	37,502	16,118
Total short-term employee benefits (1)	394,298	141,418
Other transaction with consultants		
Rent (2)	12,000	12,000
Management Fees (3)	30,000	30,000
Professional fees (4)	39,500	39,192
Expenses capitalized in exploration and evaluation assets (5)	161,610	198,616
Director's Fees (paid to Calone Mining (S.L.) Ltd.'s directors) (6)	30,000	30,000
Total transactions with consultants	277,735	198,616
Share-based payments	1,781,610	247,880
Total remuneration	2,453,643	702,106

(1) Includes amounts paid to the board of directors of the Company, and to Ms. Annie J. Karahissarian and Ms. Luciana Zannella, who are both officers of the Company.

(2) Amount paid to 2973090 Canada Inc., a company controlled by Glenn J. Mullan who is an officer and a director of the Company.

(3) Aggregate amount paid to 2973090 Canada Inc., a private company controlled by Glenn J. Mullan, an officer and director of the Company, and Rosatelli Exploration Services Enr., a company controlled by Michael P. Rosatelli, an officer of the Company.

(4) Aggregate amount paid to 9184-0876 Quebec Inc., a private company controlled by Dr. C. Jens Zinke, a director of the Company and J. David Allen, the managing director of Calone SL.

(5) Aggregate amount paid to 2973090 Canada Inc., a private company controlled by Glenn J. Mullan, an officer and director of the Company, and Rosatelli Exploration Services Enr., a company controlled by Michael P. Rosatelli, an officer of the Company.

(6) Aggregate Amount paid to the following Calone SL directors: J. David Allen, Arthur Porter Sr., and Vincent Kanu;

The fees detailed above are equivalent to what the Company would otherwise pay to an unrelated third party in the industry and were completed in the normal course of the Company's operations.

OUTLOOK

New Opportunities - Property Acquisitions:

The Company has acquired mineral exploration rights outside of its traditional exploration areas located in the mining jurisdictions of Québec, Ontario, Saskatchewan, Canada, and in the West African country of Sierra Leone through Calone SL, a subsidiary of Calone Canada. The Company is also reviewing other international exploration opportunities, although no new acquisitions have been committed to or completed as of the date hereof.

In addition, the Company is actively searching and evaluating certain strategic business opportunities in the exploration/mining industry due to the current financing conditions in capital markets. A number of internal reviews have recently been completed or are in progress for distressed companies and certain assets, both in Canada and internationally.

Furthermore, the general public market volatility that has continued to affect the overall state of the exploration industry has offered Golden Valley Mines new opportunities for its project generation activities, where previously the demand for prospective land was at a much more competitive state. One of the Company's most important attributes is its ability to identify new high priority exploration opportunities and then utilizing the latest government data and/or historical work reports, to acquire prospective mining claims. The results of this grassroots exploration business model have led to the discoveries of new mineral occurrences (Co-Ag-Ni, Ni-Cu-PGE and Au) in the Abitibi Greenstone Belt on 100%-owned properties and also leading to the successful creation of option/joint ventures agreements on more advanced-stage projects such as the Island 27 and Plumber Prospects (WKM Option JV) and those outside of the Company's primary exploration base in the Abitibi Greenstone Belt in 2011 such as those located in Saskatchewan (Beartooth Island Project: Ditem JV, assigned by the Company to Uranium Valley) and James Bay Lowlands in northern Ontario (Luc Bourdon Prospect, White Pine-Noront Option JV, assigned by the Company to Abitibi Royalties) and the subsequent confirmation and/or new discoveries of uranium at the Otish Project and brand new copper-zinc-silver / nickel-copper-PGE mineralization on the Luc Bourdon Prospect claims.

POST-REPORTING DATE EVENTS

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).

RISKS AND UNCERTAINTIES

The Corporation does not generate income or cash flows from its operations. As at December 31, 2011, the Corporation had a negative cumulated retained 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.

Mineral exploration and mining involve considerable financial and technical risk. Substantial expenditures are usually required to establish ore reserves, to evaluate metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to assure that the current exploration programs planned by the Company will result in profitable commercial mining operations. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or land slides, floods, power outages or fuel shortages, labour disruptions, fires, explosions, and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines. At this point, the Company and the New Issuers have no experience in the development and operation of mines and in the construction of facilities required to bring mines into production, and it has, to date relied, and may continue to rely, upon consultants for expertise with respect to the construction and operation of a mining facility.

The operations of the Company require licenses and permits from various governmental and non-governmental authorities. There can be no assurances that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations for its proposed projects.

The directors and officers of the Company will only devote part of their time and attention to the affairs of the Company and some of them are or will be engaged in other projects or businesses that could give rise to potential conflicts of interest.

The Company may be liable for environmental contamination and natural resource damages relating to properties that it currently owns, operates or have an interest in, or at which environmental contamination occurred while or before it owned, operated or acquired an interest in the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

The Company does not have insurance to adequately protect itself against all or certain risks associated with mineral exploration. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards, these procedures do not guarantee the Company's title. The Company's claims may be subject to unregistered agreements or transfers or third party and native land claims and title may be affected by undetected defects. There is no assurance that the interests of the Company in its properties may not be challenged or impugned.

Future exploration and development activities on the Company's and the New Issuers' properties will require additional financing. There is no assurance that additional funding will be available to the Company or the New Issuers when needed or that, if available, the terms of such financing will be commercially reasonable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests. The effects of these factors cannot be accurately predicted, but any of these issues could impede development or render it uneconomic. The Sierra Leonean operations operated through Calone Canada are also subject to political, regulatory, foreign exchange and currency fluctuation risks.

There can be no assurance that the New Issuers' shares will continue to meet the Exchange's continued listing requirements. There can also be no assurance that an active public market will develop or be sustained following listing of the shares of the New Issuers on the Exchange, or as to the prices at which trading in these shares will occur even if a public market does develop. The lack of an active public market could have a material adverse effect on the price of the shares of the New Issuers.

For additional discussion of risk factors, please refer to the Company's Management Information Circular dated May 26, 2011 and which is available upon request from the Company or on its issuer profile at www.sedar.com.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Accounting Standards Board announced that the accounting framework under which the financial statements are prepared for all publicly accountable companies will be replaced by International Financial Reporting Standards starting January 2011. The first set of yearly financial statements under IFRS will be for the year ending December 31, 2011, including comparative information for the year ending December 31, 2010.

The Company prepared its opening balance sheet in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, as at January 1, 2010, and made the required adjustments to the results for the year ended December 31, 2010. The annual consolidated financial statements for the year ended December, 30, 2011 are incorporated by reference in this MD&A and present information relating to the impact of the transition to IFRS, including a complete set of its significant accounting policies. Disclosure requirements under IFRS are significantly greater than those that were required under former Canadian GAAP.

IFRS 1, First Time Adoption of IFRS, offers the possibility to utilize certain exemptions from full retrospective application of IFRS. The exceptions and exemptions adopted by the Company are as follows: the estimates established by the Company 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. Financial assets and liabilities that were derecognized before January 1, 2010 pursuant to Canadian GAAP were not recognized under IFRS. The Company has early applied the change in IFRS1 in this respect regarding the application date of the exception, i.e. January 1, 2010. The Company 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. See Note 26.1 for an explanation of the effect of the exemption.

Under IFRS, issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the obligation to revert the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability using the residual method.

Under IFRS 2, each tranche in an award of incentive stock options with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant 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.

Some of the adjustments on the balance sheet as at January 1, 2010 and December 31, 2010 were the result of differences in the accounting treatment of the flow-through shares from the 2009 and 2010 flow-through private placements and the difference in accounting treatment of the incentive stock options vested in 2010. These adjustments also had an impact on the statement of income, but did not have a significant impact on the financial performance of the Company.

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flows, except that, under IFRS, cash flows related to interest are classified in a consistent manner as operating, investing or financing activities each period. Under Canadian GAAP, cash flows related to interest received or paid were classified as operating activities. The Company's interest received is all related to its investing activities.

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

The following table shows the total effect of the transition on the consolidated statement of financial position:

Pre-change accounting standards description	January 1, 2010 Previous GAAP	January 1, 2010 Effect of transition to IFRS	January 1, 2010 IFRS	December 31, 2010 Previous GAAP	December 31, 2010 Effect of transition to IFRS	December 31, 2010 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		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	17,046,676	(296,470)	16,750,206	20,255,444	(112,684)	20,142,760	Capital Stock
Contributed surplus	1,447,273	12,393	1,459,666	1,798,828	(27,027)	1,771,801	Contributed surplus
Deficit	(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

ADDITIONAL INFORMATION

Additional information about Golden Valley Mines may be obtained from the Company's website at www.goldenvalleymines.com or on SEDAR at www.sedar.com by accessing the Company's issuer profile.