Golden Valley Mines Ltd.

Mines de la Vallée de l'Or ltée

Unaudited Interim Consolidated Financial Statements, as at June 30, 2011

Golden Valley Mines Ltd.
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Golden Valley Mines Ltd
as at June 30, 2011
(unaudited)

Interim Consolidated Balance Sheets

	Notes	June 30, 2011 Unaudited Non-Vérifié CAN$	December 31, 2010 Audited Vérifié CAN$
ASSETS			
Current assets			
Cash		2,232,385	2,759,136
Cash held for exploration expenses	5	215,042	615,042
Short-term investments	6	612,160	1,756,825
Fees and other accounts receivable		67,383	179,098
Sales taxes recoverable		150,747	199,623
Tax credits and credit on duties receivable		275,919	275,919
Prepaid expenses		87,723	65,007
		3,641,359	5,850,650
Non-current assets			
Property and equipment	7	134,750	140,038
Exploration and evaluation assets	8	14,996,156	14,173,766
		15,130,906	14,313,804
Total assets		18,772,265	20,164,454
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities			
Related companies	15.1	25,443	25,209
Others	10	335,883	489,623
Other liabilities			128,960
Non-Current liabilities			
Deferred income taxes		1,532,137	1,354,188
Total liabilities		1,893,463	1,997,980
EQUITY			
Capital stock	11.1	19,972,739	19,830,013
Contributed surplus		1,835,467	1,825,856
Deficit		(4,929,404)	(3,489,395)
Total equity		16,878,802	18,166,474
Total liabilities and equity		18,772,265	20,164,454

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 June 28, 2011.

"Glenn J. Mullan"
Glenn J. Mullan
Director

"Blair F. Morton"
Blair F. Morton
Director

Golden Valley Mines Ltd
For the three and six months ended June 30, 2011 and 2010
(unaudited)

Interim Consolidated Statement of Comprehensive Income

	Notes	Three-month period ended June 30, 2011	Three-month period ended June 30, 2010	Six-month period ended June 30, 2011	Six-month period ended June 30, 2010
		CAN$	CAN$	CAN$	CAN$
Revenues					
Geological fees		2,728	107	21,049	1,176
		2,728	107	21,049	1,176
Operating Expenses					
Salaries,employee benefits and office expense	12.1	202,636	103,079	379,384	198,463
Management fees		8,792	11,250	17,042	19,500
Director's fees		30,000		30,000	30,000
Professional and legal fees		293,947	161,386	425,021	238,086
Advertising and exhibitions		187,376	65,134	263,032	214,292
Travelling		55,873	32,921	104,628	60,662
Impairment exploration and evaluation assets		8,941		17,698	
Income taxes		4,913	1,389	4,913	3,585
Amortization of property and equipment		9,296	12,840	18,511	26,164
		801,774	387,999	1,260,229	790,752
Operating loss		(799,046)	(387,892)	(1,239,180)	(789,576)
Finance income and costs	13	(20)	10,306	33,457	15,743
Foreign exchange loss		(2,406)		(4,754)	
Changes in fair value of held-for-trading financial assets		(86,252)	(28,534)	(180,543)	(44,772)
		(88,678)	(18,228)	(151,840)	(29,029)
Loss before income taxes		(887,724)	(406,120)	(1,391,020)	(818,605)
Deferred income taxes		(28,277)		48,989	28,276
Loss and total comprehensive loss for the period		(859,447)	(406,120)	(1,440,009)	(846,881)
Loss per share					
Basic and diluted loss per share		(0.013)	(0.006)	(0.020)	(0.013)

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

Golden Valley Mines Ltd

For the three and six months ended June 30, 2011 and 2010
(unaudited)

Interim Consolidated Statement of Changes in Equity

	Common shares outstanding	Capital Stock	Contributed Surplus	Retained Deficit	Total Equity
	Number	CAN$	CAN$	CAN$	CAN$
Balance at January 1, 2011	71,594,805	19,830,014	1,825,856	(3,489,395)	18,166,474
Shares issued by exercise of stock options	500,000	143,000			143,000
Share issue expenses		(275)			(275)
Share-based payments			9,612		9,612
Transactions with owners	500,000	142,725	9,612	-	152,337
Loss for the period				(1,440,009)	(1,440,009)
Loss and total comprehensive loss for the period				(1,440,009)	(1,440,009)
Balance at June 30, 2011	72,094,805	19,972,739	1,835,467	(4,929,404)	16,878,802
Balance at January 1, 2010	63,936,138	16,750,206	1,447,273	(3,116,077)	15,081,402
Share issue expense		(370,800)			(370,800)
Share-based payments			20,491		20,491
Transactions with owners	63,936,138	(370,800)	20,491		(350,309)
Loss and total comprehensive loss for the period				(846,881)	(846,881)
Balance at June 30, 2010	63,936,138	16,379,406	1,467,764	(3,962,958)	13,884,212

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

Golden Valley Mines Ltd
For the three and six months ended June 30, 2011 and 2010
(unaudited)

Interim Consolidated Statement of Cash Flows

	Three-month period ended		Six-month period ended	
	Jun 30, 2011	Jun 30, 2010	Jun 30, 2011	Jun 30, 2010
	CAN$	CAN$	CAN$	CAN$
OPERATING ACTIVITIES				
Loss before income taxes	(887,724)	(402,577)	(1,391,020)	(811,944)
Adjustments				
Amortization of property and equipment	9,296	12,840	18,511	26,164
Share based payments	5,761	6,915	9,612	13,830
Gain on investments disposal			(24,156)	
Changes in fair value of held for trading financial assets	86,252	28,535	180,543	44,772
Changes in non-cash working capital items				
Fees and other accounts receivable	11,466	63,504	111,715	147,952
Sales taxes recoverable	126,261	(47,347)	48,876	(90,732)
Prepaid expenses	(17,685)	(18,020)	(22,716)	(19,640)
Accounts payable and accrued liabilities	18,334	(32,602)	(153,506)	(78,388)
Cash flows from operating activities	(648,039)	(388,752)	(1,222,141)	(767,986)
INVESTING ACTIVITIES				
Cash held for exploration expenses	120,000	320,175	400,000	461,232
Acquisition of short-term investments	(972)	(924)	(2,247,842)	(19,528)
Disposal of short-term investments	1,100,000	1,176,045	3,236,120	1,176,045
Tax credit receivable			0	26,126
Exploration and evaluation assets	(383,519)	(431,942)	(815,510)	(607,748)
Purchase of property and equipment	(15,000)	(36,246)	(20,103)	(40,651)
Cash flows from investing activities	820,509	1,027,108	552,665	995,476
FINANCING ACTIVITIES				
Capital stock	143,000		143,000	-
Long term debt		29,595		29,595
Share issue expenses	(275)		(275)	
Cash flows from financing activities	142,725	29,595	142,725	29,595
Net change in cash and cash equivalents	315,195	667,951	(526,751)	257,085
Cash, beginning of period	1,917,190	263,164	2,759,136	674,030
Cash, end of period	2,232,385	931,115	2,232,385	931,115

Cash transactions:

Interest received	1,609	10,218	11,568	15,906
Interest paid		15	17	193

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

Additional cash flow information

Amortization of property and equipment charged to exploration and evaluation assets	3,440	4,469	6,880	6,967

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

Golden Valley Mines Ltd
Notes to the interim consolidated financial statements

1. *GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION*

The Corporation is still in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable.

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

On July 19, 2011, the Corporation has effected its plan of arrangement (the "Arrangement") pursuant the Canada Business Corporations Act, as a result of which Abitibi Royalties Inc. ("Abitibi Royalties"), Nunavik Nickel Mines Ltd. ("Nunavik Nickel"), and Uranium Valley Mines Ltd. ("Uranium Valley") have become reporting issuers in the provinces of Alberta, British Columbia, Ontario, and Québec. Abitibi Royalties, Nunavik Nickel, and Uranium Valley hold advanced projects and or projects that are peripheral to the Corporation's core business plan (grassroots exploration) and or outside of its main area of operations (Abitibi Greenstone Belt). As a result of the Arrangement, the Corporation holds an approximate 66.3% interest in Abitibi Royalties, an approximate 70.4% interest in Nunavik Nickel, and an approximate 37.6% in Uranium Valley.

2. *BASIS OF PREPARATION AND ADOPTION OF IFRS*

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting Standards and International Financial Reporting Standards ("IFRS") 1, First-time Adoption of International Financial Reporting Standards, taking into account the accounting policies that the Corporation intends to adopt for its financial statements for the year ending December 31, 2011. Accordingly, these interim consolidated financial statements do not include all of the information required for full annual financial statements required by IFRS. The accounting policies set out below have been applied consistently to all periods presented in these unaudited interim consolidated financial statements except where the Coporation has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Coporation and effects of transition to IFRS are presented in Note 17.1.

The condensed interim consolidated financial statements should be read in conjunction with the Corporation's Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 17 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements and is considered material in understanding the interim consolidated financial statements.

The interim consolidated financial statements have been prepared on the historical cost basis except for the short-term investments in the balance sheet.

Golden Valley Mines Ltd is the parent company of the following subsidiaries: Abitibi Royalties Inc., Calone Mining Ltd., Calone Mining Company (S.L.) 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).

The Corporation 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, Quebec, Canada. The address of Golden Valley Mines Ltd.'s principal place of business is 2864 chemin Sullivan, Val-d'Or, Québec, J9P 0B9. Golden Valley Mines Ltd.'s shares are listed on the TSX Venture Exchange.

The consolidated financial statements for the reporting period ended June 30, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on August 29, 2011.

3. *SIGNIFICANT ACCOUNTING POLICIES*

The accompanying consolidated financial statements have been prepared using the same accounting policies as those used in the Company's condensed interim consolidated financial statements for the three months ended March 31, 2011.

4. *CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS*

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

Technical feasibility and commercial viability

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

Impairment of property and equipment and exploration and evaluation assets

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

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

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

The total impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to $8,757 for the six-month period ended June 30, 2011 and ($1,353,303 for the year ended December 31, 2010. No reversal of impairment losses has been recognized for the reporting periods.

Golden Valley Mines Ltd
Notes to the interim consolidated financial statements

Deferred taxes

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

Share-based payments

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

5. *CASH*

Cash includes the following components:

	June 30, 2011 CAN$	December 31 2010 CAN$
Cash at bank and in hand		
CAN$	2,232,385	3,374,178
Less: cash held for exploration expenses (a)	215,042	615,042
Cash	2,017,343	2,759,136

(a) The cash held for exploration expenses represents the balance on flow-through financing not spent according to the restrictions imposed by these financing arrangements. The Corporation has to dedicate these funds to mining properties exploration.

6. *SHORT-TERM INVESTMENTS*

	June 30, 2011 CAN$	December 31 2010 CAN$
Guaranteed investment certificates		
2.8688% interest rate, maturing in March 2011		1,035,989
Money market investment funds	249,941	102,809
Mutual funds	103,082	102,373
Marketable securities in quoted mining exploration companies	259,137	515,654
Short-term investments	612,160	1,756,825

7. *PROPERTY AND EQUIPMENT*

	Property and equipment				Exploration equipment				
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$
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

All depreciation and impairment charges (or reversals, if any) are included within Depreciation and amortization and Impairment of non-financial assets, and depreciation charges related to specific exploration projects are capitalized as Exploration and evaluation assets.

8. *EXPLORATION AND EVALUATION ASSETS*

The carrying amount can be analyzed as follows:

	Balance as at April 1, 2011	Additions	Tax credits and credit on duties	Impairment	Balance as at June 30 2011
	CAN$	CAN$	CAN$	CAN$	CAN$
All Canadian Properties (Combined)					
Acquisition and claims maintenance	166,435	13,309			179,744
Drilling, excavation and related costs	819,144	25,836			844,980
Technical and field staff	719,383	88,155			807,538
Airborne Geophysics		49,936			49,936
Geophysics	218,921	58,645			277,566
Line cutting	179,111	21,673			200,784
Sampling and testing	224,600	30,020			254,620
Travel and transport	87,841	9,813			97,654
Program management and consultants	25,797				25,797
Professional Fees	246				246
Amortization, insurance and office expenses	54,460	9,939			64,399
Communications	3,323				3,323
Option payments received	(252,500)				(252,500)
Write-down of Mineral properties	(1,353,303)			-	(1,353,303)
Government assistance	(228,661)				(228,661)
Net expenses incurred during the year	664,797	307,326			972,123
Balance, beginning of the year	13,124,172				13,124,172
Balance, end of the year	13,788,969	307,326			14,096,295
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining (S.L.) Ltd.)					
Acquisition and claims maintenance	223,648				223,648
Airborne Geophysics	182,125	75,416			257,541
Travel and transport	202,780				202,780
Remote Sensing Study	66,356				66,356
Technical and field staff	53,466	380			53,846
Professional Fees	82,119	2,113			84,232
Sampling and testing	4,015				4,015
Office expenses	3,590				3,590
Geophysics	1,320				1,320
Communications	809	1,725			2,534
Total	820,228	79,634			899,862
Summary					
Mining rights	390,083	13,309			403,392
Exploration	1,094,942	373,651			1,468,593
	1,485,025	386,960			1,871,985

	Balance as at April 1, 2010 CAN$	Additions CAN$	Tax credits and credit on duties CAN$	Impairment CAN$	Balance as at June 30 2010 CAN$
All Canadian Properties (Combined)					
Acquisition and claims maintenance	14,117	9,839			23,956
Drilling, excavation and related costs	19,615	138,891			158,506
Technical and field staff	71,969	132,006			203,975
Airborne Geophysics					
Geophysics	20,656	27,050			47,706
Line cutting	11,698	39,111			50,809
Sampling and testing	14,269	16,407			30,676
Travel and transport	1,418	2,485			3,903
Program management and consultants		154			154
Professional Fees					-
Amortization, insurance and office expenses	12,032	13,993			26,025
Communications					-
Option payments received		(252,500)			(252,500)
Write-down of Mineral properties					
Government assistance					
Net expenses incurred during the year	165,774	127,436			293,210
Balance, beginning of the year	13,121,171				13,121,171
Balance, end of the year	13,286,945	127,436			13,414,381
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining (S.L.) Ltd.)					
Acquisition and claims maintenance	90,690	875			91,565
Airborne Geophysics					-
Travel and transport	35,004	67,332			102,336
Remote Sensing Study		66,356			66,356
Technical and field staff	15,543	16,241			31,784
Professional Fees	27,431	23,374			50,805
Sampling and testing	266				266
Office expenses	1,464	326			1,790
Geophysics					-
Communications	332				332
Total	170,730	174,504			345,234
Summary					
Mining rights	104,807	10,714			115,521
Exploration	231,697	291,226			522,923
	336,504	301,941			638,445

All impairment charges (or reversals, if any) are included within Impairment of non-financial assets in profit or loss.

9. *LEASES*

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

	Within 1 year	1 to 5 years	After 5 years	Minimum lease payments due Total
	CAN$	CAN$	CAN$	CAN$
June 30, 2011	62,472	211,523	8,768	282,762
December 31, 2010	51,349	14,798	nil	80,945

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 the reporting period amount to $29,698 ($24,766 in 2010). 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.

10. *ACCOUNTS PAYABLE AND ACCRUED LIABILITIES*

	June 30, 2011	December 31, 2010
	CAN$	CAN$
Trade accounts	288,077	374,965
Wage and salaries payable		31,517
Social securities costs	28,073	16,645
Current charges		41,830
Other	19,732	24,665
Accounts payable and accrued liabilities	335,882	489,623

11. *EQUITY*

11.1 *Capital Stock*

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

Authorized

Unlimited number of 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

	June 30 2011	December 31 2010	June 30 2010
	Number of shares	Number of shares	Number of shares
Shares issued and fully paid			
Shares issued and fully paid, beginning of reporting period	71,594,805	63,936,138	63,936,138
Private placements		6,666,664	
Flow-through private placements		992,003	
Issued on the exercise of stock options	500,000		
Total shares issued and fully paid, end of reporting period	72,094,805	71,594,805	63,936,138

11.2 *Warrants*

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

	June 30, 2011		December 31, 2010		June 30, 2010
	Number of warrants	Weighted average exercise price CAN$	Number of warrants	Weighted average exercise price CAN$	Number of warrants
Balance, beginning of reporting period	3,333,329	$ 0.75			
Granted			3,333,329	$ 0.75	
Balance, end of reporting period	3,333,329	$ 0.75	3,333,329	$ 0.75	Nil

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

	June 30, 2011		December 31, 2010		June 30, 2010
Expiry date	Number	Exercise price CAN$	Number	Exercise price CAN$	Number
June 20, 2012	333,329	$ 0.75	333,329	$ 0.75	
	333,329		333,329		Nil

12. *EMPLOYEE REMUNERATION*

12.1 *Salaries and employee benefits expense*

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

	Three-month period ended		Six-month period ended	
	June 30 2011 CAN$	June 30 2010 CAN$	June 30 2011 CAN$	June 30 2010 CAN$
Salaries and group insurance	186,052	50,796	373,250	96,669
Share-based payments	9,612	6,915	9,612	13,830
Defined contribution State plans	24,386	9,363	38,660	22,383
	220,050	67,075	421,522	132,882
Less: salaries capitalized in exploration and evaluation assets	(37,744)	(39,401)	(109,469)	(55,250)
Salaries and employee benefits expense	257,794	106,476	530,990	188,132

12.2 *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:

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Number of options	Weighted average exercise price CAN$	Number of options	Weighted average exercise price CAN$
Balance, January 1	6,135,000	0.33	6,196,100	0.33
Granted			1,050,000	0.50
Exercised	(500,000)	0.29		
Cancelled	(110,000)	0.34	(456,100)	0.28
Expired			(655,000)	0.32
Balance, end of reporting period	5,525,000	0.34	6,135,000	0.33

Golden Valley Mines Ltd

Notes to the interim consolidated financial statements

12.2 *Share-based payments (continued)*

The table below summarizes the information related to share options as at June 30, 2011:

	Outstanding options			Exercisable options	
Expiry date	Number of options	Weighted average exercise price	Remaining life (years)	Number of options	Weighted average exercise price
		CAN$			CAN$
September 27, 2011	1,405,000	0.30	0.49	1,405,000	0.30
August 6, 2012	600,000	0.30	1.35	600,000	0.30
February 7, 2013	795,000	0.35	1.86	795,000	0.35
June 27, 2013	425,000	0.36	2.24	425,000	0.36
December 22, 2013	675,000	0.20	2.73	675,000	0.20
June 22, 2014	300,000	0.30	3.23	300,000	0.30
August 6, 2014	310,000	0.30	3.35	310,000	0.30
December 22, 2015	1,015,000	0.50	4.73	965,000	0.50
	5,525,000	0.34		5,475,000	0.33

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13. *FINANCE INCOME*

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

	Three-month period ended		Six-month period ended	
	June 30 2011	June 30 2010	June 30 2011	June 30 2010
	CAN$	CAN$	CAN$	CAN$
Interest and dividend income from cash and cash equivalents	2,582	11,143	13,409	17,617
Bank fees	(2,433)	(837)	(3,939)	(1,874)
Realized investment gains			24,156	
Finance income	149	10,306	33,626	15,743

14. *LOSS PER SHARE*

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 givenin 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 2011	June 30 2010	June 30 2011	June 30 2010
	CAN$	CAN$	CAN$	CAN$
Loss and total comprehensive loss for the period	(859,447)	(406,120)	(1,440,009)	(846,881)
Weighted average number of shares in circulation	71,800,240	63,936,138	71,699,225	63,936,138
Basic and diluted loss per share	(0.012)	(0.006)	(0.020)	(0.013)

Between the reporting date and the date of authorization of these consolidated interim financial statements, 1,155,000 common shares have been issued pursuant to the exercise of incentive stock options.

15. *RELATED PARTY TRANSACTIONS*

The Corporation's related parties include its joint key management and other related parties, 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:

15.1 *Transaction with other related parties*

	Three-month period ended		Six-month period ended	
	June 30 2011	June 30 2010	June 30 2011	June 30 2010
	CAN$	CAN$	CAN$	CAN$
Rent	3,000	3,000	6,000	6,000
Director's fees				
(paid to Calone Mining (S.L.) Ltd.'s independent directors)	30,000	30,000	30,000	30,000

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 above, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of stock options.

15.2 *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 2011	June 30 2010	June 30 2011	June 30 2010
	CAN$	CAN$	CAN$	CAN$
Short-term employee benefits				
Salaries including bonuses and benefits	96,321	40,335	195,190	57,964
Social security costs	13,420	5,074	35,760	7,011
Total short-term employee benefits	109,741	45,408	230,950	64,975
Other transaction with consultants				
Management Fees	8,792	11,250	17,042	19,500
Professional fees	11,395	6,000	28,843	15,000
Expenses capitalized in exploration and evaluation assets	34,305	36,050	92,656	75,500
Total transactions with consultants	54,492	53,300	138,541	110,000
Share-based payments				
Total remuneration	164,233	98,708	369,491	174,975

16. *CONTINGENCIES AND COMMITMENTS*

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

Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

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

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

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

17. *FIRST-TIME ADOPTION OF IFRS*

These are the Corporation's first IFRS condensed interim consolidated financial statements for part of the period covered by the first annual financial statements. The date of transition to IFRS is January 1, 2010.

The Corporation's IFRS accounting policies presented in Note 3 have been applied in preparing the consolidated financial statements for the reporting period ended March 31, 2011, the comparative information and the opening consolidated statement of financial position at the date of transition.

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

17.1 *First-time adoption – exemptions applied*

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

Mandatory exceptions

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

Financial assets and liabilities that were derecognized before January 1, 2010 pursuant to Canadian GAAP were not recognized under IFRS. The Corporation has early applied the change in IFRS1 in this respect regarding the application date of the exception, i.e. January 1, 2010.

Optional exemptions

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

The Corporation has elected not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition (January 1, 2010). See Note 17.5 for an explanation of the effect of the exemption.

17.2 *Reconciliation of equity*

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

	Note 17.5	June 30, 2010 CAN$	December 31, 2010 CAN$
Equity under pre-change accounting standards		16,675,877	20,255,444
Increases (decreases) in equity reported in accordance with pre-change accounting standards as a result of the following differences between pre-change accounting standards and IFRS:			
Shares issued by flow-through private placements	a	(296,470)	(425,431)
Share-based payments			
Income taxes – Income tax impact of above adjustments			
Equity under IFRS		16,379,407	19,830,013

17.3 ***Reconciliation of comprehensive loss***

Total comprehensive loss for the reporting period ended June 30, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Note 17.5	June 30, 2010	December 31, 2010 CAN$
Comprehensive loss under pre-change accounting standards		811,944	318,015
Increases (decreases) in total comprehensive income reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS			
Shares issued by flow-through private placements	a	28,276	353,023
Share-based payments	c	6,662	27,028
Income taxes – Income tax impact of above adjustments			
Total comprehensive loss under IFRS		846,882	698,066

17.4 ***Presentation differences***

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

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

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

		June 30, 2010		
Pre-change accounting standards description	Note 17.5	Previous GAAP	Effect of transition to IFRS	IFRS
		CAN$	CAN$	CAN$
ASSETS				
Current assets				
Cash		931,115		931,115
Fees and other accounts receivable		17,037		17,037
Short-term investments		1,831,131		1,831,131
Sales taxes recoverable		202,085		202,085
Tax credits receivable		335,529		335,529
Prepaid expenses		46,352		46,352
		3,363,249		3,363,249
Exploration funds		738,768		738,768
Property and equipment		139,695		139,695
Mining properties		13,759,616		13,759,616
		14,638,079		14,638,079
		18,001,328		18,001,328
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities				
Related companies		24,268		24,268
Others		205,364		205,364
Future incomes taxes		3,562,737	324,747	3,887,484
		3,792,369	324,747	4,117,116
SHAREHOLDERS' EQUITY				
Capital stock	a	16,675,877	(296,470)	16,379,407
Contributed surplus	c	1,461,103	6,661	1,467,764
Deficit	c	(3,928,021)	(34,938)	(3,962,959)
		14,208,959	(324,747)	13,884,212
		18,001,328	(0)	18,001,328

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

		Three months ended June 30, 2010			Six month ended June 30, 2010			
Canadian GAAP description	Note 17.5	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS	IFRS description
		CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	
Revenue								Revenue
Geological Fees		107		107	1,176		1,176	Geological Fees
Options on properties								
		107		107	1,176		1,176	
Operating expenses								Operating expenses
Salaries, rent and office expenses Stock-based compensation Stock-based payments for services	c	99,536	3,543	103,079	191,802	6,662	198,464	Salaries, employee benefits and office expense
Management fees		11,250		11,250	19,500		19,500	Management fees
Director's fees (Note 15)					30,000		30,000	Director's fees
Professional and legal fees		161,386		161,386	238,086		238,086	Professional and legal fees
Advertising and exhibitions		65,134		65,134	214,292		214,292	Advertising and exhibitions
Travelling		32,921		32,921	60,662		60,662	Travelling
Part XII.6 and other taxes		1,389		1,389	3,585		3,585	Income taxes
Write-down of mineral properties								Impairment exploration and evaluation assets
Amortization of property and equipment		12,840		12,840	26,164		26,164	Amortization of property and equipment
		384,456		387,999	784,091		790,753	
Operating loss		(384,349)		(387,892)	(782,915)		(789,577)	**Operating loss**
Other revenue (expenses)								
Interest Dividend Bank charges		10,306		10,306	15,743		15,743	Finance income and costs
Loss on exchange								Foreign exchange loss
Gain on investments disposal								
Changes in fair value of held-for-trading financial assets		(28,534)		(28,534)	(44,772)		(44,772)	Changes in fair value of held-for-trading financial assets
Loss before income taxes		(402,577)		(406,120)	(811,944)		(818,606)	**Loss before income taxes**
Future income taxes	a					28,276	28,276	Deferred income taxes
Net loss and comprehensive loss		(402,577)		(406,120)	(811,944)		(846,882)	**Loss and total comprehensive loss for the period**

17.5 *Notes to reconciliation*

a) Shares issued by flow-through placements

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

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.

Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability.

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

The impact on the Corporation's transition to IFRS is to decrease share capital by $425,430 as at December 31, 2010, and increase retained deficit and other liabilities.

b) Business combination

The Group has elected not to restate business combinations that occurred before the date of transition to IFRS. There are only minor differences between the accounting for business combinations under pre-change accounting standards and IFRS. No difference has been recorded for the acquisitions, i.e. there is no adjustments to the acquired identifiable assets and liabilities.

c) Share-based payments

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

Under IFRS 2, each tranche in an award 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.

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

d) Deferred taxes

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

17.6 *Consolidated statement of cash flows*

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

17.7 *Impairment losses recognized at the date of transition*

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

The estimates used for this analysis were consistent with the estimates used under pre-change accounting standards at the same date, adjusted for accounting policy differences, if applicable.

18. *POST-REPORTING DATE EVENTS*

Subsequent to quarter end, the Company entered into an option agreement with Monarch Energy Limited ("Monarch Energy"), in respect of its Centremaque Prospect (the "Property") located in Bourlamaque Township, Québec. Pursuant to the terms of the agreement, Monarch Energy can earn up to a 70% interest in the Centremaque Prospect by incurring aggregate exploration expenditures of $2,250,000 over three years. In addition, Monarch Energy has to complete a Definitive Feasibility Study for the Property at its sole cost within 10 years of signing, leaving Golden Valley Mines with a free carried interest of 30% in the Property. Monarch must also issue to Golden Valley such number of shares in the capital of Monarch Energy as is equal to 9.9% of its issued capital on the later of TSX Venture Exchange approval and August 31, 2011, together with a $35,000 cash payment and reimbursement of its legal expenses due within 6-months of signing. Golden Valley Mines is the operator during the option phase.