

## ***Management's Discussion and Analysis***

### ***Golden Valley Mines Ltd.***

***For the period ended December 31, 2012***

***Dated: April 30, 2013***

#### **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 period ended December 31, 2012 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, 2012 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 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 Reporting Subsidiaries (as hereinafter defined)), include 132 exploration properties located in the following areas: (i) the Abitibi Greenstone Belt (Ontario and 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; and (v) the James Bay Lowlands of Ontario. During the quarter ended September 30, 2012, Golden Valley Mines' wholly owned Canadian subsidiary Calone Mining Ltd. ("Calone Canada") divested of its interest in Calone Mining Company (S.L.) Limited ("Calone SL") as a result of K&K Investment GMBH ("K&K") acquiring all of the shares held in Calone SL by Calone Canada. For additional information with respect to the foregoing transaction, please refer to Section 4 herein: Calone Mining Company (S.L.) Limited/Calone Mining Ltd.

Golden Valley Mines' primary objective is to conduct basic exploration 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 without an economically significant 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 thus allowing the Company to reduce dilution to its share capital and decrease 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 typically over periods of three to six 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 and the retention of a free-carried interest or an NSR royalty. 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; 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 a 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 "Reporting Subsidiaries") became reporting issuers in the provinces of Alberta, British Columbia, Ontario, and Québec. See section 3 herein, Property Interests Assigned to the Reporting Subsidiaries with respect to the News Issuers' Property holdings.

## **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 (51), copper-zinc-silver (36), nickel-copper-PGE (6), molybdenum (2) and cobalt-silver-nickel (2) prospects located in Québec (73) and Ontario (24). 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 fieldwork conducted over the Company's 100%-owned properties includes grid establishment, geophysical and/or geochemical surveys, prospecting, reconnaissance and grid mapping and sampling, with the objective of upgrading and advancing each property to the group of "drill-ready" prospects. This exploration pattern is consistently being repeated throughout the year as much as financial and logistical circumstances permit.

During the year ended December 31, 2012, the Company's exploration work focused primarily on: (i) the completion of regional property compilation maps and reports (for mandatory government assessment report filing and business development purposes); and (ii) project generation activities, directed at identifying and evaluating new opportunities. In the fourth quarter of 2012, field activities related to the Abitibi Greenstone Belt drill program resumed following the completion by the Company of two private placements in September and November of 2012 (for details, please see Financial Conditions section below).

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

The Henley Prospect consists of three (3) claims totaling 32 units or 512 ha. This property lies along the western strike extension of the favourable geological trend hosting nickel-copper-platinum group element (Ni-Cu-PGE), chromium (Cr) and copper-zinc-silver (Cu-Zn-Ag) mineralization, known as the McFauld's Lake ("Ring of Fire") regional exploration play. The Bourdon West Prospect held by Abitibi Royalties, the Company's subsidiary is located about 30 km to the east.

No exploration fieldwork was completed on the property during 2012.

**2. Option and Joint Venture Properties Portfolio Review:**

**Abitibi Greenstone Belt Programs**

**A. Integra Gold Corp. ("Integra") Joint Venture – AGB:**

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 "GZZ-I JV"). The Company is the operator during the joint venture phase. In January 2012, the Company and Integra granted an option (the "GZZ-I Option") to Golden Cariboo Resources Ltd. ("Golden Cariboo") to acquire a 70% interest in certain properties comprising the GZZ-I JV. Upon the GZZ-I Option being exercised, Golden Valley Mines and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley Mines/7.5% Integra. For additional information with respect to the transaction between the Company, Integra, and Golden Cariboo, and the exploration activities conducted on the properties under option by the Company and Integra to Golden Cariboo, please refer to Section F herein. As of the date hereof, the GZZ-I JV is in good standing.

**B. West Kirkland Mining Ltd. ("WKM") Options - Island 27 and Plumber Prospects:**

In March 2010, WKM was granted an option to acquire 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. Both these prospects are located in the Matachewan area, west of Kirkland Lake, Ontario. Pursuant to and in accordance with the terms of the agreements, as they have been amended, 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 issued), incur aggregate exploration expenditures of \$5,000,000 over a 66 month period, and complete a feasibility study on each property. Upon completing all its obligations under the agreements (as amended) governing the grant of the option, 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, 2012, WKM advised the Company of its intent to terminate the option on each of the Island 27 and Plumber prospects, effective April 19, 2013. Pursuant to information provided to the Company by WKM, aggregate expenditures incurred by WKM

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on the Island 27 Prospect amounted to \$815,385, inclusive of acquisition costs. Expenditures incurred by WKM totaled \$59,839.64 on the Plumber Prospect, inclusive of acquisition costs. Exploration work completed consisted of sixteen (16) drill holes totaling 3,639.70 metres pursuant to 3 different drill campaigns, in addition to geochemical mapping and sampling on the Island 27 Prospect and reconnaissance mapping on the Plumber Prospect. Subject to a 2% NSR in favor of the original vendor, the Company retains a 100% interest in each of the Island 27 and Plumber Prospects.

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

Pursuant to a Third Amended and Restated Mining Option Agreement dated April 2, 2013 (the "Cambrian Option Agreement") Cambrian Corp. ("Cambrian"), a private company, holds an option on the Company's 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 six year period, of which \$200,000 must be spent on or before October 7, 2013, making a \$5,000 cash payment (paid), issuing 600,000 common shares (issued), and delivering a definitive feasibility study on the property on or before the 6<sup>th</sup> anniversary of the effective date of the Cambrian Option Agreement. The Cambrian Option Agreement is in good standing as of the date hereof.

No exploration work was conducted on this property during the year ended December 31, 2012.

**D. Monarch Energy Limited - Centremaque Prospect**

Pursuant to a further amended and restated mining option agreement, Monarch Energy Ltd. ("Monarch") was granted an option to acquire a 70% interest in the Centremaque property (the "Monarch 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 10<sup>th</sup> 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: A) make a \$35,000 cash payment; and B) reimburse the Company for legal expenses incurred with respect to the grant of the Monarch Option. Golden Valley Mines is the operator during the option phase. Upon Monarch exercising the Monarch Option, the Company will retain a 30% free carried interest in the property with no further expenditure requirements until the property achieves commercial production. Given that Monarch did not fulfill its obligations under the option agreement governing the grant of the Monarch Option; same was terminated by the Company effective November 22, 2012; the Company retains a 100% interest in the property.

**E. Big North Graphite Corp. – Luciana Prospect**

Pursuant to an amended and restated mining option agreement date October 10, 2012, Big North Graphite Corp. (formerly Big North Capital Inc., hereinafter ("Big North")) was granted an option to acquire a 70% interest in the Luciana Prospect (the "Big North Option") provided that Big North: (i) incur aggregate exploration expenditures of \$2,000,000 over a three year period from August 30, 2012 (the "August Effective Date"), of which \$250,000 must be spent on or before May 30, 2013; (ii) complete a definitive feasibility study at its sole cost on or before the 10<sup>th</sup> year anniversary of the August Effective Date; (iii) issue to Golden Valley Mines 396,000 shares in the capital of Big North upon Exchange approval (issued); (iv) make cash payments of \$10,000 (paid) in the aggregate; and (v) reimburse Golden Valley Mines for legal expenses incurred with respect to the grant of the Option

(reimbursed). Golden Valley Mines is the operator during the option phase. Upon Big North exercising the Big North 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 Big North Option is in good standing as of the date hereof.

No exploration fieldwork was conducted on the property during the year 2012.

**F. Golden Cariboo Resources Ltd. – GZZ Properties and GZZ-I Properties**

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 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.

The agreement governing the Option was amended and restated by the parties on January 10, 2013. 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 GCC Payment Shares; (ii) incur expenditures in an aggregate amount of \$4,500,000 over a 6 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 Mines/7.5% Integra). The agreement governing the Option is in good standing as of the date hereof.

No exploration fieldwork was conducted on this group of properties during the year ended December 31, 2012.

**James Bay Properties**

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

On June 12, 2012, the Company granted an option (the "SOI Option") to Sirios Resources Ltd. ("Sirios") to acquire the Company's 60% interest in the Sharks and Cheechoo prospects (the "S&C Properties") located in the James Bay area of Northern Quebec and in which Sirios now holds a 45% interest following completion of the Initial Expenditures (as defined below).

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The terms of the option are as follows:

- In order for Sirios to acquire 5% of the Company's 60% interest in the S&C Properties, Sirios had to on or before December 31, 2012 (the "Initial Option Period") incur aggregate exploration expenditures on the Properties of \$800,000 (the "Initial Expenditures"). Additionally, Sirios has undertaken to retain and pay for the geological services of at least 1 Golden Valley Mines representative in the event that geological tasks are carried out during the Initial Option Period;
- In order for Sirios to acquire the Company's remaining 55% interest in the S&C Properties, Sirios must (i) on or before June 15, 2013, notify the Company in writing of its intent to acquire the remaining 55% interest in the S&C Properties (the "Option Notice"); and (ii) within 3 years from the date of the Option Notice (the "Subsequent Option Period"), incur additional exploration expenditures on the S&C Properties of \$4.2 million (the "Subsequent Expenditures"); and (iii) on or before December 31, 2013, issue to Golden Valley Mines a number of common shares equal to the lesser of (a) an amount of \$1,000,000 based on the weighted average price per common share for the 20 consecutive trading days before the date of issuance or (b) 9.9% of Sirios' issued and outstanding share capital (the "Payment Shares"); and (iv) no later than the date which is 3 years from the date of the Option Notice, pay to the Company \$500,000 in cash or in securities of Sirios, based on the weighted average price per common share on the 20 consecutive trading days before the date of the issuance, at the sole discretion of Sirios. Notwithstanding the foregoing, Sirios shall have the obligation to pay in cash that portion of the \$500,000 which would result in the Company becoming an insider of Sirios. For a period of 3 years from the date of the Option Notice, the Company shall have the right, but not the obligation to maintain its share interest in Sirios by subscribing for securities of Sirios, on the same terms and conditions as the other subscribers for a particular financing; and
- The Company retains a royalty (the "**Royalty**") equal to 4% of the net returns from all mineral products mined or removed from the S&C Properties. Notwithstanding the foregoing, the royalty relevant to gold mineral products only mined or removed from the S&C Properties (the "**Gold Portion**") may vary between 2.5% and 4% depending on the market price of Gold at the time of the payment of the Gold Portion.

Sirios is the operator during the Initial Option Period and the Subsequent Option Period and the Initial Expenditures and Subsequent Expenditures shall include an amount representing 10% of same in lieu of the payment of operator's fees in cash by the Company. The issuance of the Payment Shares by Sirios shall survive the termination of the Option. Sirios must keep the S&C Properties in good standing during the Option period and for a period of at least one year from the lapse or termination of the Option.

On February 12, 2013, Sirios, operator of the program on the S&C Properties provided an exploration update via news release with respect to drilling results from their 2012 drill program. For additional details with respect to the exploration and filed work completed to date or to be completed on the S&C Properties, as well as for the details on the expenditures made to date by Sirios on the S&C Properties property, please refer to Sirios' continuous disclosure documents available for viewing by the public through the internet at the SEDAR website ([www.sedar.com](http://www.sedar.com)) by accessing Sirios' issuer profile. As of the date hereof, the Sirios Option is in good standing.

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### **3. Property Interests Assigned to the Reporting Subsidiaries:**

#### **A. Abitibi Royalties Inc.**

##### **Malartic CHL Prospect:**

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 (the "Royalty Claim") held by Osisko Mining Corporation ("Osisko"), which is located immediately southeast of the Canadian Malartic deposit held by Osisko. The Malartic CHL Prospect is the object of a joint venture between Osisko and Abitibi Royalties. 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](http://www.sedar.com)) by accessing Osisko's issuer profile. Please also refer to Abitibi Royalties' news releases dated January 17, 2012, and March 2, 2012, detailing the results of the technical audit completed by Micon International Ltd. ("Micon") on the internal mineral resource estimate prepared by Osisko. Further details thereon can also be retrieved 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 by accessing Abitibi Royalties' issuer profile at [www.sedar.com](http://www.sedar.com). With respect to the details pertaining to the initial gold resource estimates received by Abitibi Royalties on the portion of the Charlie and Gouldie Gold deposits that lie within the Royalty Claim, please refer to Abitibi Royalties' news release dated September 20, 2012 for details.

For details in respect of the year-end 2012 gold reserve and resource estimate completed by Osisko in respect of Abitibi Royalties' interest in the Malartic CHL Prospect and the claim in respect of which Abitibi Royalties' holds a 2% net smelter return royalty please refer to Abitibi Royalties' news release of March 6, 2013. With respect to the details of the technical audit completed by Micon in respect of the of the year-end 2012 gold reserve and resource estimate completed by Osisko and limited to the Mammoth/Barnat and Jeffrey zones located on the Malartic CHL Prospect, amongst other things, please refer to Abitibi Royalties' news release dated April 19, 2013; further details can also be retrieved from the technical report entitled: "*A Mineral Resource Update And Mineral Reserve Estimate For Abitibi Royalties Inc.'s Malartic CHL Property Joint-Venture*", dated April 17, 2013 by accessing Abitibi Royalties' issuer profile at [www.sedar.com](http://www.sedar.com).

##### **McFauld's Lake ("Ring of Fire") Area:**

In contemplation of the Arrangement, Golden Valley Mines assigned its 100% interest in the Luc Bourdon and Bourdon West prospects to Abitibi Royalties. The Luc Bourdon and Bourdon West prospects were originally staked by the Company in 2008. For details on the expenditures made on the Luc Bourdon and Bourdon West prospects 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](http://www.sedar.com)) by accessing Abitibi Royalties' issuer profile.

Golden Valley Mines holds an approximate 66.3% interest in Abitibi Royalties.

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**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 Prospect, and the Donnybrook and Overtime Prospects (South Raglan Trend, Nunavik, Québec) to Nunavik Nickel. 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](http://www.sedar.com)) by accessing Nunavik Nickel's issuer profile.

Golden Valley Mines holds an approximate 70.4% interest in Nunavik Nickel.

**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. As of December 31, 2012, despite its belief in the ore potential of its claims, Uranium Valley, as a result of the moratorium imposed by the Québec Government on the issuance of exploration and exploitation permits for uranium in the province of Québec, made the decision to write-off its Otish/Mistassini Prospect.

**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 details on expenditures and anticipated timing of exploration activities of the properties described above and held by Uranium Valley, 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](http://www.sedar.com)) by accessing Uranium Valley's issuer profile.

Golden Valley Mines holds an approximate 37.6% interest in Uranium Valley.

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

Calone Canada, Golden Valley Mines' wholly-owned Canadian subsidiary acquired all of the shares held by the Golden Valley Mines in Calone SL. During the quarter ended June 30, 2012, Calone Canada entered into an amended and restated share purchase agreement (the "SPA") with K&K Investment GMBH ("K&K") pursuant to which K&K was to acquire, all of Calone Canada's shares held in its Sierra Leonean subsidiary, Calone SL.

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



applicable regulatory requirements in order to obtain exploration and mining licenses for the Property. As additional consideration for entering into the SPA, K&K and Calone SL have agreed to pay to Calone Canada a royalty (the "Royalty") equal to 5% of net returns from mineral products mined or removed from the Property within 10 years of closing of the transactions contemplated by the SPA (the "Closing"). K&K and Calone SL shall have the right to repurchase a portion of the Royalty as follows: (i) 1% for the price of US\$2M leaving Calone Canada with a 4% royalty; or (ii) 2% for the price of US\$4M, leaving Calone Canada with a 3% royalty, or (iii) 3% for the price of US\$6M, thereby leaving Calone Canada with a 2% royalty. Pursuant to the SPA: (i) any funds held by Calone SL and any future funds to be received by Calone SL after the execution of the SPA are to be remitted to Calone Canada; and (ii) Calone Canada would ensure the completion of a school, the construction of which was commenced as part of Calone SL's Corporate and Social Responsibility activities in Sierra Leone, and which is now complete. Closing as contemplated by the SPA completed during the quarter ended September 30, 2012 resulting in Calone Canada divesting of its interest in Calone SL in favour of K&K, subject to the retention of the Royalty.

### SELECTED ANNUAL INFORMATION <sup>(1)</sup>

	2012	2011	2010
Total Revenue	\$8,184	\$26,197	\$12,085
Net loss and total comprehensive loss for the period	(\$4,480,944)	(\$5,356,399)	(\$294,871)
Basic and diluted net loss per share	(\$0.042)	(\$0.052)	(\$0.005)
Total Assets	\$15,669,492	\$18,579,796	\$20,164,454
Total Liabilities	\$1,023,178	\$1,887,563	\$1,673,234

<sup>(1)</sup> This table represents selected annual information for the Company and its Subsidiaries.

### DISCUSSION AND RESULTS OF OPERATIONS

In the year ended December 31, 2012, the Company reported a loss before income taxes of \$5,128,029 compared to \$5,104,404 in 2011, due to the Company having written-off some of its exploration and evaluation assets.

#### Revenues

The Company's active joint venture properties for 2012 from which revenues were generated are the following: Cheechoo and Sharks properties in Quebec, and the nine Abitibi Greenstone Belt joint venture properties. Accordingly, revenue generated from geological fees totaled \$8,184 in 2012.

#### Other revenue

Other sources of income are interest and dividend income and realized gains on the disposal of short-term investments. Finance income totaled \$4,956 as at December 31, 2012 compared to \$15,600 in 2011. The Company sold short-term investments held in its portfolio and realized a loss of \$3,815 for the year ended December 31, 2012 (gain of \$24,116 in 2011).

The Company held money market investment and mutual funds having a market value of \$108,848 as at December 31, 2012 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 \$102,690 at December 31, 2012. The Company also has invested \$600,000

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of the funds received from its private placements into guaranteed investment certificates (\$100,000 at an interest rate of 1.2% matured in January 2013 and \$500,000 at an interest rate of 0.95% maturing in October 2013). Additionally, as a result of the Arrangement, the Company holds an aggregate of 16,906,456 common shares in the capital of the Reporting Subsidiaries (the "Subsidiary Shares") of which 7,607,904 are currently subject to escrow pursuant to the policies of the TSX Venture Exchange (the "Exchange"). The market value of the Subsidiary Shares is, as at April 19, 2013, \$2,744,864.

### **Non-Exploration Expenditures**

In response to the economic uncertainties which have negatively impacted the markets, in 2012 the Company adopted austerity measures (asset conservation plan) to curb and eliminate as much as possible, discretionary expenses and maintains its financial position resulting in a decrease in general and administrative expenses compared to the corresponding period in 2011. Therefore, most of the operating expenses decreased during the year ended December 31, 2012. The aggregate amount increased from \$4,786,533 in 2011 to \$4,901,763 in 2012, as a result of the exploration and evaluation assets that were written-off in the last quarter of the year. Salaries and other employee benefits (\$746,803 in 2012 compared to \$2,540,981 in 2011); Office expenses (\$172,915 compared to \$164,568 in 2011); Director's fees (Nil compared to \$30,000 in 2011, see Related Parties section herein for additional information); Advertising and exhibitions (\$110,144 compared to \$586,443 in 2011); Travelling fees (\$84,074 compared to \$266,325 in 2011); and professional and legal fees (\$379,509 compared to \$909,127 in 2011). Management fees remained the same (\$35,000 compared to \$34,625 in 2011). Exploration and evaluation expenditures increased from nil to \$50,869 in 2012. Effective January 17, 2013, and as a result of the completion of 2 private placements in September and November of 2012, the austerity measures imposed in 2012 have been lifted, notwithstanding that the Company continues to monitor its expenses so as to conserve its financial position.

### **Exploration Activities and Expenditures**

For the year ended December 31, 2012, total investments in exploration and evaluation assets decreased to an aggregate \$13,022,994 from \$15,840,837. In accordance with its accounting policies, the Company reviewed certain of its exploration expenses and determined to record an amount of \$2,881,270 (\$1,403,948 in Uranium Valley and \$1,477,322 in Golden Valley Mines) 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 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, 2012, all of the new property acquisitions were the result of an on-going, project generative program conducted by the Company's in-house exploration staff.

Over the course of the Company's 2012 program, exploration expenditures were allocated mainly to the following activities: (i) regional and property compilation maps and reports for mandatory government assessment report filing and business development purposes; and (ii) project generation activities, directed at identifying and evaluating new opportunities.

The primary focus for the Company's project generation activities during the year ending December 31, 2012 was in the Abitibi Greenstone Belt ("AGB") region of Québec and Ontario. 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 as of the fourth quarter of 2012 and for the year ended 2012 on the Company's AGB properties amounted to \$14,458 and \$43,979 respectively.

Technical and field staff expenditures amounted to, as at quarter end to \$54,697 (yearly total of \$289,708 on all properties combined) for the Company's self-funded AGB Grassroots Exploration Project, project generation activities, the GZZ-I Joint Venture and S&C Properties (Option with Sirios) exploration programs and miscellaneous new joint venture project work or related corporate developments.

During the 4<sup>th</sup> quarter of 2012, drilling activities resumed on the Company's AGB Grassroots Exploration Project related to drill permitting and drill trail/pad construction for a total cost of \$4,710 (2012 year total of \$6,023). The Company has drilled a total of 183 targets (23,855m) on 49 (47 100%-owned and 2 joint-venture funded properties) in the AGB Grassroots Exploration Project since the program was originally initiated in 2003.

Related exploration program expenditures included \$13,305 (yearly total of \$44,493 on all properties combined) for sampling and testing, and \$564 (yearly total of \$3,207 on all properties combined) for travel and transport.

On July 2, 2012, the Company through its subsidiary Calone Canada made the decision to divest its interest in Calone SL. There was no consideration received relatively to the transaction. Accordingly, the carrying value of \$407,271 of the property and equipment and the exploration and development assets of Calone SL has resulted in a loss on disposal of \$407,271. For further information please refer to Note 26 Disposal of a Subsidiary in the December 31, 2012 consolidated financial statements.

## SUMMARY OF QUARTERLY RESULTS

The following selected financial information is for the 12 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 12	Sep 12	Jun 12	Mar 12	Dec 11	Sep 11	Jun 11	Mar 11
Total revenues .....	4,633	2,721	360	470	3,127	2,022	2,727	18,321
Net loss .....	(2,802,693)	(371,311)	(637,835)	(669,105)	(2,605,862)	(1,310,528)	(859,447)	(580,562)
Basic and diluted net loss per share .....	(0.021)	(0.005)	(0.008)	(0.008)	(0.013)	(0.018)	(0.013)	(0.008)

## FOURTH QUARTER

The Company closed a non-brokered private placement on November 8, 2012. For additional details, please refer to the *Financial Condition* section below.

## FINANCIAL CONDITION

### Liquidity and Capital Resources

Working capital as at December 31, 2012 was \$2,276,896 compared to \$2,153,829 as of December 30, 2011. The Company closed three private placements in the year ended December 31, 2012, namely:

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***A. Non-brokered private placement, closed January 20, 2012:***

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. 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 \$75,000. The Company used the aggregate proceeds raised from this financing for general working capital.

***B. Brokered private placement, closed September 25, 2012:***

On September 25, 2012 the Company closed a brokered private placement of 4,329,000 flow-through units (each, a "FT Unit") at a price of \$0.18 per FT Unit and 933,333 non-flow through units (each, a "NFT Unit") at a price of \$0.15 per NFT Unit for aggregate gross proceeds of \$919,220, of which \$779,220 are proceeds derived from the sale of FT Units. Each FT Unit consists of one common share issued on a flow-through basis and one-half of one non-transferable share purchase warrant (each whole warrant, a "Warrant"), and each NFT Unit consists of one non-flow-through common share and one Warrant. Each Warrant entitles the holder to purchase one additional non-flow-through common share of the Company at a per share price of \$0.20 until March 25, 2014.

Industrial Alliance Securities Inc. ("IAS") acted as the exclusive lead manager with respect to the private placement. IAS was paid a commission of \$62,596 and received 368,363 compensation options, each of which entitles the holder to purchase one non-flow-through common share of the Company at a per share price of \$0.15 until March 25, 2014.

Shares acquired by the placees, two of which are insiders of the Company and the shares which may be acquired upon the exercise of the share purchase warrants were subject to a hold period until January 26, 2013, in accordance with applicable securities legislation. The gross proceeds raised from issuance of the FT Units will be used by the Company to incur exploration expenditures on its properties, such expenditures to constitute "Canadian exploration expenses" and "flow through mining expenditures" as defined in the *Income Tax Act* (Canada), which will be renounced to purchasers for the 2012 taxation year under Canadian federal, and Québec and Ontario provincial, tax legislation. Net proceeds raised from issuance of the NFT Units will be used by the Company for general corporate purposes.

***C. Non-Brokered private placement, closed November 8, 2012:***

On November 8, 2012 the Company closed a non-brokered private placement of 555,554 flow-through units (each, a "FT Unit") at a price of \$0.18 per FT Unit and 4,366,665 non-flow through units (each, a "NFT Unit") at a price of \$0.15 per NFT Unit for aggregate gross proceeds of \$755,000. Each FT Unit consists of one common share issued on a flow-through basis and one-half of one non-transferable share purchase warrant (each whole warrant, a "Warrant"), and each NFT Unit consists of one non-flow-through common share and one Warrant. Each Warrant entitles the holder to purchase one additional non-flow-through common share of the Company at a per share price of \$0.20 until November 8, 2014.

Additionally, a cash finder's fee of \$40,600 was paid, and warrants ("Finder's Warrants") to acquire 190,555 common shares of the Company were issued, to an arm's length finder who introduced the Company to investors. Each Finder's Warrant shall entitle the holder to purchase one additional common share of the Company at a per share price of \$0.15 until November 8, 2014.

Additionally, the Company's liquidity is adequate to cover its exploration commitments for 2013 given that the Company has an option to participate in any exploration program carried out under its the joint venture agreements, notwithstanding that should the Company elect not to participate in such programs, its respective interests in the particular property shall be correspondingly diluted. The Company also has flow-through funds on hand as a result of the sale of the FT Units detailed in sections B and C above.

### Contractual Obligations

Obligation	Total	Payments due by period	
		1 year or less	2 years or more
Office Lease	\$ 197,065	\$ 54,995	\$ 142,070
Mobile Equipment	\$ 4,933	\$ 4,933	\$ 0
Total	\$ 201,997	\$ 59,927	\$ 142,070

### 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 30, 2013:

*Common shares:* 85,859,356

*Preferred Shares:* Nil

*Escrowed Shares:* Nil

*Share Purchase Warrants:* 9,426,191

*Incentive Stock Options:*

Expiry Date	Outstanding	Exercise Price
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	2,750,000	\$0.35
July 23, 2017	815,000	\$0.15
<b>TOTAL:</b>	<b>6,190,000</b>	

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

## 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	
	2012	2011
		\$
Short-term employee benefits		
Salaries including bonuses and benefits <sup>(1)</sup>	329,884	356,796
Benefits	17,533	37,502
Total short-term employee benefits <sup>(2)</sup>	347,417	394,298
Other transaction with consultants		
Rent <sup>(3)</sup>	5,000	12,000
Management Fees <sup>(4)</sup>	29,375	34,625
Professional fees <sup>(5)</sup>	15,000	39,500
Expenses capitalized in exploration and evaluation assets <sup>(4)</sup>	92,280	161,610
Director's Fees (paid to Calone Mining (S.L.) Ltd.'s independent directors) <sup>(6)</sup>		30,000
Total transactions with consultants	141,655	277,735
Share-based payments	160,796	1,781,610
Total remuneration	649,868	2,453,643

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- (1) An amount of \$112,500 has been accrued as an amount due to related parties. This amount represents director's fees which have been deferred and not yet paid as a result of the adoption by the Company of austerity measures in 2012. Notwithstanding that austerity measures were lifted by the Board of Director during the 1<sup>st</sup> quarter of 2013, director's fees continue to be accrued indefinitely until the Board resolves otherwise. An amount of \$15,000 was paid by Abitibi Royalties, to remunerate Mr. Chad Williams for carrying out his duties as chair of the Technical Committee of the Board of Directors of Abitibi Royalties. Mr. Williams is also a director of Golden Valley Mines.
- (2) 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.
- (3) Amount paid to 2973090 Canada Inc., a company controlled by Mr. Glenn J. Mullan who is an officer and a director of the Company.

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- (4) Aggregate amount paid to 2973090 Canada Inc., a private company controlled by Mr. Glenn J. Mullan, an officer and director of the Company, and Rosatelli Exploration Services Enr., a company controlled by Mr. Michael P. Rosatelli, an officer of the Company.
  - (5) Aggregate amount paid to 9184-0876 Quebec Inc., a private company controlled by Mr. C. Jens Zinke, a director of the Company.
  - (6) Aggregate amount paid to the following Calone SL directors: J. David Allen, Arthur Porter Sr., and Vincent Kanu up to an including the date on which Calone Canada, the Company's wholly owned subsidiary divested of its interest in Calone SL.

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.

## **CORPORATE DEVELOPMENTS**

Additionally, subsequent to quarter end, the Company announced that the Hon Dr. Arthur T. Porter, as a result of recent health issues, tendered his resignation to the Board of Directors of the Company, effective as of March 21, 2013. Following Dr. Porter's resignation, the Company's board of directors continues to be comprised of a majority of independent directors. Dr. Porter will be replaced by Dr. C. Jens Zinke as a member of the Audit Committee, by Mr. Blair F. Morton as a member of the Compensation and Corporate Governance Committee, and by Mr. Chad Williams, as a member of the Company's Environmental Excellence in Exploration and Corporate Social Responsibility Committee.

Additionally, subsequent to year end, the Company announced the adoption by its Board of Directors of an amendment to its by-laws to include advance notice provisions (the "Advance Notice By-law") requiring that advance notice be given to the Company in circumstances where a shareholder wishes to nominate a person for election as a director of the Company. The Advance Notice By-law as adopted by Golden Valley's Board is effective immediately and will be placed before the shareholders of the Company for confirmation at the annual and special meeting of shareholders scheduled to be held in Montréal on June 12, 2013. A full description of the Advance Notice By-law will be included in the Information Circular prepared by Golden Valley's management for this meeting. Assuming the Advance Notice By-law is confirmed by shareholders at the meeting, it will be filed with regulators and available for viewing under Golden Valley's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). For additional details with respect to the Advance Notice By-Law, please refer to the Company's news release dated April 26, 2013.

## **OUTLOOK**

The Company had previously acquired mineral exploration rights outside of its traditional exploration areas (Canada) located in the West African country of Sierra Leone through Calone SL, a subsidiary of Calone Canada. Notwithstanding that Calone Canada (a wholly owned subsidiary of the Company) divested of its interest in Calone SL as of the 3rd Quarter, 2012, the Company continues to review other international exploration opportunities, although no new acquisitions have been committed to, or have completed as of the date hereof.

In addition, the Company is actively searching and evaluating certain strategic business opportunities and potential acquisitions in the exploration/mining industry due to the current volatile 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

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("PGEN") 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 flexibility to adapt quickly to changing market conditions. Our exploration team routinely assesses government data and/or historical work reports to acquire prospective mining claims. The results of this grassroots exploration generative business model have led to the identification of new mineral occurrences (Co-Ag-Ni, Ni-Cu-PGE and Au-VMS) in the Abitibi Greenstone Belt on 100%-owned properties; it has also assisted the Company in the successful creation of several option/joint venture agreements allowing for diamond drilling, in particular on those projects on which reconnaissance work had already been completed to identify prospective drill targets. In this manner, the Company remains focused on its core business of early-stage acquisitions PGEN and drill target definition, while working with partners to conduct the more expensive and detailed drill-based exploration programs.

### **POST-REPORTING DATE EVENTS**

Please refer to Corporate Developments herein.

### **RISKS AND UNCERTAINTIES**

The Company does not generate income or cash flows from its operations. As at December 31, 2012, the Company had a cumulated retained deficit of \$11,551,543 (\$8,288,404 as at December 31, 2011). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company'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 Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

#### **Nature of Mineral Exploration and Mining**

There is no known mineral resource on the Company's properties. Development of the Company's properties will occur only if satisfactory exploration results are obtained. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is, therefore, no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. The long-term profitability of any of the Company's operations will be, in part, directly related to the cost and success of their respective exploration programs, which may be affected by a number of factors out of the Company's control. Substantial expenditures are required to establish reserves through drilling and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations, or at all, or that the funds required for development can be obtained on a timely basis. Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome.

#### **Mineral Deposits and Production Costs; Metal Prices**

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations, and fluctuations in the sales price of products. The value of the Company's mineral property interests is heavily influenced by metal prices. Metal prices can and do change by substantial amounts over short periods of time, and are affected by numerous factors beyond the control of the Company, including changes in the level of supply and demand, international



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economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production arising from improved mining and production methods and new discoveries. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's properties can be mined profitably. The grade of any ore ultimately mined from a mineral deposit may differ from that predicted from drilling results. Production volumes and costs can be affected by such factors as the proximity and capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of operations. Moreover, there can be no assurance that any gold or other minerals recovered in small scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental pollution and consequent liability.

#### **Exploration and Development Risks**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital. 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, as few properties that are explored are ultimately developed into producing mines. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or landslides, 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. The Company has no experience in the development and operation of mines and in the construction of facilities required to bring mines into production. The Company will rely upon consultants for expertise with respect to the construction and operation of a mining facility.

#### **Additional Financing**

Future exploration and development activities will require additional financing. There is no assurance that additional funding will be available to the Company 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. Further, revenues, financings and profits, if any, will depend upon various factors,

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including the success, if any, of exploration programs and general market conditions for natural resources. Any additional equity financing will cause dilution to shareholders and may result in a change of control.

#### **Stress in the Global Economy**

Reduction in credit, combined with reduced economic activity and the fluctuations in the United States dollar and the price of metals, may adversely affect businesses and industries that purchase commodities, affecting commodity prices in more significant and unpredictable ways than the normal risks associated with commodity prices. The availability of services such as drilling contractors and geological service companies and/or the terms on which these services are provided may be adversely affected by the economic impact on the service providers. The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Company is dependent upon the capital markets to raise financing. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's businesses, operating results, and financial condition.

#### **Global Financial Condition**

Global financial conditions have been subject to increased volatility. Access to financing has been negatively impacted by various factors and the liquidity crisis affecting the asset-backed commercial paper market. As such, the Company is subject to counterparty risk and liquidity risk. The Company is exposed to various counterparty risks including, but not limited to: (i) through financial institutions that hold the Company's cash; (ii) through companies that have payables to the Company's; and (iii) through the Company's insurance providers. The Company is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Company's shares could be adversely affected.

#### **Permits and Licenses**

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.

#### **Competition**

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company's, in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with the competition in acquiring such properties or prospects.

#### **No Assurance of Title to Property**

While Golden Valley Mines has conducted title searches on its properties, and to the best of its knowledge, title its properties are in good standing this should not be construed as a guarantee of title. The Company's claims may be subject to prior unregistered agreements or transfers or third party and

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native land claims and title may be affected by undetected defects. If any such title issues arise and are unresolved, any mineral prospect or mineral deposit defined or delineated may fail to meet the definition of a "mineral reserve" pursuant to applicable legislation. Furthermore, there is no assurance that the interests of the Company's may not be challenged or impugned.

#### **Dependence on Key Individuals**

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. The Company does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of their exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

#### **Environmental and other Regulatory Requirements**

The operations of the Company require permits from various levels of government. Such operations are subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Golden Valley Mines believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations, particularly environmental permits, will be obtainable on reasonable terms or that compliance with such laws and regulations would not have an adverse effect on the profitability of any mining project that the Company may undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. 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. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

#### **Unknown Environmental Risks for Past Activities**

Exploration and mining operations involve a potential risk of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. The Company may be liable for environmental contamination and natural resource damages relating to properties that they

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currently own, operate or have an interest in, or at which environmental contamination occurred while or before they 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.

**Political Regulatory Risks**

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as their ability to continue to explore, develop and operate those properties in which they have an interest or in respect of which they have obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

**Currency Risk**

Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in U.S. dollars. The Company's costs are incurred primarily in Canadian dollars.

**Conflicts of Interest**

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. Some of the directors and officers of the Company are also directors and officers of other companies, some of which are in the same business as the Golden Valley Mines. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

**Insurance**

The Company does not have insurance to adequately protect itself against certain risks associated with mineral exploration. Even if they were to obtain insurance, the Company will remain at risk and will be potentially subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of premium costs or other reasons. In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

**Influence of Third Party Stakeholders**

The lands in which the Company hold interests, or the exploration equipment and road or other means of access which the Company intend to utilize in carrying out work programs or general exploration mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the work programs of the Company may be delayed

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even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for the Company.

**Fluctuation in Market Value of Shares**

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the entity, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The future effect of these and other factors on the market price of Company's shares on the Exchange cannot be predicted.

**ADDITIONAL INFORMATION**

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