Management's Discussion and Analysis

Golden Valley Mines Ltd.

For the period ended June 30, 2012

Dated: August 29, 2012

INTRODUCTION

The following is Management's Discussion and Analysis of the financial condition and results of operations of Golden Valley Mines Ltd. (the "**Company**" or "**Golden Valley Mines**") for the period ended June 30, 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, 2011 and the related notes thereto. All figures are in Canadian dollars unless otherwise specified. The technical content in this Management's Discussion & Analysis has been prepared under the supervision of Glenn J. Mullan, P. Geo. (OGQ and APGO (Temporary)) who is a "Qualified Person" as such term is defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

Forward-Looking Statements

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

NATURE OF OPERATIONS

Golden Valley Mines is a mineral exploration company whose assets and those of its subsidiaries (including the New Issuers (as hereinafter defined)), include 127 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. Subsequent to quarter end, 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., and the Post Reporting Date Events section herein.

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. In this manner, the Company reduces dilution to its share capital and decreases the amount of self-funded expenditures, while continuing exploration on these same properties with larger budgets than its own initial investment (most of the agreements allow the partner to earn into a property by incurring exploration expenditures typically over periods of three to five years). Furthermore, in addition to third party disbursements for exploration funding, the Company's option agreements typically provide for receipt by Golden Valley Mines of either cash or shares, or both from its partners 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 its plan of arrangement (the "**Arrangement**") pursuant to the *Canada Business Corporations Act*, as a result of which the Company distributed a portion of its interest in Abitibi Royalties Inc. ("**Abitibi Royalties**"), Nunavik Nickel Mines Ltd. ("**Nunavik Nickel**"), and Uranium Valley Mines Ltd. ("**Uranium Valley**") to its shareholders, and each of Abitibi Royalties, Nunavik Nickel, and Uranium Valley (together, the "**New Issuers**") became reporting issuers in the provinces of Alberta, British Columbia, Ontario, and Québec. See section 3 herein, Property Interests Assigned to the New Issuers with respect to the News Issuers Property holdings.

OVERALL PERFORMANCE

1. Exploration Activity:

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

The AGB properties are comprised of gold (50), copper-zinc-silver (36), nickel-copper-PGE (5), molybdenum (1) and cobalt-silver-nickel (2) prospects located in Québec (71) and Ontario (23). Golden Valley Mines' exploration strategy consists of a systematic approach designed to reduce grassroots exploration risk, and increase the possibility of exploration success, through the sequential exploration of a large number of grassroots properties. Preliminary fieldwork conducted over the Company's 100%-owned properties included grid establishment, geophysical and/or geochemical surveys, prospecting, reconnaissance and grid mapping and channel sampling is completed on one property with the objective of upgrading and advancing each property to the group to "drill-ready" prospects. This exploration pattern is consistently being repeated throughout the year as much as financial and logistical circumstances permit.

During the quarter ended June 30th, the Company's exploration work focused on the completion of property compilations (for mandatory government assessment report filing and business development purposes) and project generation activities, directed at identifying and evaluating new opportunities.

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

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

The Henley Prospect, comprising three claims, for a total of 32 units or 512 ha, lies along the Western strike extension of the favourable geological trend hosting nickel-copper-platinum group element, chromium and copper-zinc-silver mineralization, known as the "Ring of Fire", approximately 30 km to the west of the Luc Bourdon West Prospect.

No exploration fieldwork was completed on the property during the second quarter of 2012.

For details pertaining to the Noront Resources Ltd./White Pine Resources Inc. option (being 44 claims for a total of 655 units or 10,480 ha), please refer to Section 3 *New Issuers* under the heading Abitibi Royalties Inc.

2. Option and Joint Venture Properties Portfolio Review:

Abitibi Greenstone Belt Programs

A. Integra Gold Corp. 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 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 some of the properties comprising the GZZ-I Joint Venture. 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 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.

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

In March 2011, West Kirkland Mining Ltd. ("**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 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 have been issued to date), incur aggregate exploration expenditures of $5,000,000 over a 54 month period, and complete a feasibility study on each property. Upon completing all its obligations under the agreements 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.

No exploration fieldwork was completed on the Island 27 or the Plumber prospects during the second quarter of 2012, as reported by project operator WKM.

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

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

Pursuant to the terms of the Cambrian Option Agreement, Cambrian may earn a 70% undivided interest in the Property by incurring aggregate exploration expenditures of $6,000,000 over a four year period, making a $5,000 cash payment, issuing 600,000 common shares (received), and delivering a definitive feasibility study on the property on or before the 4th anniversary of the effective date of the Cambrian Option Agreement. In the event that the exploration expenditures detailed above are not incurred by their respective due dates, the Company may grant Cambrian up to two (2) twelve (12) month extensions (an "Extension Period") to incur such expenditures, provided that Cambrian advise the Company in writing of its intent to avail itself of an Extension Period prior to the date by which the expenditures must be incurred, and that Cambrian issue in the aggregate to the Company up to an additional 400,000 common shares. Notwithstanding that Cambrian has not fulfilled its obligations under the Cambrian Option Agreement, given current market conditions, the Company has not taken steps to terminate Cambrian Option Agreement and the option.

No exploration work was conducted on this property during the quarter ending June 30, 2012

D. Monarch Energy Limited - Centremaque Prospect

Pursuant to an amended and restated mining option agreement dated March 19, 2012, the Company granted an option to Monarch Energy Ltd. ("**Monarch**") to acquire a 70% interest in the Centremaque property (the "**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 10th year anniversary of the July Effective Date; (iii) issue to the Company, 9,175,008 common shares equal to 9.9% of Monarch's issued and outstanding share capital (issued); and: 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. Notwithstanding that Monarch has not fulfilled its obligations under the option agreement, given current market conditions, the Company has not taken steps to terminate the option agreement and the Monarch Option.

E. Big North Capital Inc. – Luciana Prospect

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

No exploration work was conducted on the property during the second quarter ending June 30, 2012

F. <u>Golden Cariboo Resources Ltd. – GZZ Properties and GZZ-I Properties</u>

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.

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 5 year period (the "**Expenditures**") to be allocated between the GZZ Properties and the GZZ-I Properties as Golden Cariboo may determine provided that no more than $4,000,000 of the Expenditures shall be incurred with respect to the GZZ Properties and at least $500,000 of the Expenditures shall be incurred with respect to the GZZ-I Properties; and (iii) reimburse Golden Valley Mines for all costs related to the preparation of any technical reports. Golden Valley Mines has the right, but not the obligation to participate in future financings of Golden Cariboo in order to maintain the GZZ Share Interest. Upon the GZZ Option being exercised, Golden Valley Mines shall retain a 30% free carried interest to production in respect of the GZZ Properties. Upon the GZZ-I Option being exercised, Golden Valley Mines and Integra shall retain a combined 30% free carried interest to production (allocated as to 22.5% Golden Valley/7.5% Integra).

No exploration fieldwork was conducted on the group of properties during the second quarter of 2012.

<u>James Bay Properties</u>

G. <u>Sirios Resources Ltd. – Cheechoo and Sharks Prospects Joint Venture</u>*:*

During the quarter, the Company granted an option (the "SOI Option") to Sirios Resources Ltd. ("Sirios") to acquire the Company's 60% interest in and to the Sharks and Cheechoo prospects (the "S&C Properties") located in the James Bay area of Northern Quebec and in which Sirios currently holds a 40% interest.

The terms of the option are as follows:

- In order for Sirios to acquire 5% of Golden Valley's 60% interest in the Properties, Sirios must 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 representative in the event that geological tasks are carried out during the Initial Option Period;

- In order for Sirios to acquire Golden Valley's remaining 55% interest in the Properties, Sirios must (i) on or before June 15, 2013, notify Golden Valley in writing of its intent to acquire Golden Valley's remaining 55% interest in the 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 Properties of $4.2 million (the "Subsequent Expenditures"); and (iii) on or before December 31, 2013, issue to Golden Valley 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 Golden Valley $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 Golden Valley 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

- As additional consideration for the grant of the Option, Sirios shall grant to Golden Valley a royalty (the "**Royalty**") equal to 4% of the net returns from all mineral products mined or removed from the Properties. Notwithstanding the foregoing, the royalty relevant to gold mineral products mined or removed from the Properties (the "**Gold Portion**") may be reduced 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 Golden Valley. The issuance of the Payment Shares by Sirios shall survive the termination of the Option. Sirios must keep the 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.

The exploration program planned on the property as reported by Sirios (June 15, 2012 news release) is as follows: "*Sirios plans on beginning the fieldwork over the next few weeks with line cutting and a geophysical survey followed by a diamond drilling campaign. The fieldwork is mainly concentrated on a region of around 12 km^2, adjacent to the Éléonore* South *property currently held by Mines Opinaca, Eastmain and Azimut. This region is located around 10 km south-east of the future Éléonore gold mine.*" For additional details, on the expenditures made to date by Sirios on this property, please refer to Sirios' continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Sirios' issuer profile.

3. Property Interests Assigned to the New Issuers:

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 block 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) 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. on the internal mineral resource estimate prepared by Osisko. Further details can also be accessed from the technical report entitled "*A Review of Osisko Mining Corporation's Mineral Resource Estimate for the Jeffrey Zone, Malartic CHL Joint Venture Property, Val-d'Or, Québec" dated March 1, 2012* (the "**Report**") by accessing Abitibi Royalties' issuer profile through the internet on the SEDAR website (www.sedar.com).

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

In contemplation of the Arrangement, Golden Valley Mines assigned its 100% interest in the Luc Bourdon and Luc Bourdon West prospects to Abitibi Royalties. The Luc Bourdon and Luc Bourdon West prospects were originally staked by the Company in 2008. Golden Valley Mines holds an approximate 66.3% interest in Abitibi Royalties.

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

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

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) 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.

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) 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 is 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 complete. Closing as contemplated by the SPA completed subsequent to quarter end resulting in Calone Canada divesting of its interest in Calone SL in favour of K&K.

SELECTED QUARTERLY INFORMATION [1]

	2012	2011	2010
Total Revenue	360	2,728	107
Net loss and total comprehensive loss for the period	(637,835)	(859,447)	(406,120)
Basic and diluted net loss per share	(0.008)	(0.0013)	(0.006)
Total Assets	17,517,389	18,772,265	18,001,328
Total Liabilities	1,462,847	1,893,463	4,117,116

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

DISCUSSION AND RESULTS OF OPERATIONS

In the second quarter ended June 30, 2012, the Company reported a net loss and comprehensive loss of $1,306,940 compared to $1,440,009 in 2011, due to the Company having cut down on its operating expenses.

Revenues

The Company's active joint venture properties for the second quarter ended June 30, 2012 from which revenues were generated are the following: the Cheechoo and Sharks properties in Québec. Accordingly, revenue generated from geological fees totaled $830 for the six-month period ended June 30, 2012.

Other revenue

Other sources of income are interest and dividend income and realized gains on the disposal of short-term investments. As required under IFRS, interest and dividend income ($1,221 as at June 30, 2012 compared to $13,409 in 2011) are now grouped together and appear under the heading *Finance income and costs*. The Company sold short-term investments held in its portfolio and realized a loss of $2,935 during the second quarter ended June 30, 2012. The realized gains, on the disposal of short-term investments, for the same period of 2011 were in the amount of $24,156.

The Company held money market investment and mutual funds having a market value of $308,057 as at June 30, 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 $164,491 as at June 30, 2012. Additionally, as a result of the Arrangement, the Company holds an aggregate of 16,906,456 common shares in the capital of the New Issuers (the "**New Issuers Shares**") of which 10,143,873 are currently subject to escrow pursuant to the policies of the TSX Venture Exchange (the "**Exchange**"). The market value of the New Issuers Shares is, as at August 27, 2012, $6,340,406.

Non-Exploration Expenditures

In response to the economic uncertainties which have negatively impacted the markets, making it difficult for exploration companies to finance their exploration and prospecting campaigns the Company has adopted austerity measures to curb and or eliminate, as much as possible, discretionary expenses and maintain its financial position resulting in a decrease in general and administrative expenses in this quarter compared to the corresponding period in 2011. Therefore, all operating expenses decreased during the second quarter ended June 30, 2012. The aggregate amount decreased from $804,183 in 2011 to $411,449 in 2012. Salaries and other employee benefits ($80,705 in 2012 compared to $175,238 in 2011); Advertising and exhibitions ($27,149 compared to $187,376 in 2011); Travelling fees ($15,892 compared to $55,876 in 2011); Management fees ($7,275 compared to $8,792 in 2011); and professional and legal fees ($201,565 compared to $293,947 in 2011). Office expenses ($55,971 in 2012 compared to $27,398 in 2011) increased due to the Company moving into its new offices in Montreal in August of 2011.

Exploration Activities and Expenditures

For the period ended June 30, 2012, total investments in exploration and evaluation assets decreased to an aggregate $15,734,916 from $15,840,837 as at December 31, 2011. In May 2012 the Company made the decision to divest its interest in **Calone SL**. Accordingly, the carrying value of $406,009 of the exploration and development assets of **Calone SL** has been classified as held-for-sale and transferred to current assets at its fair value. For further information please refer to note 15 Disposal group held for sale in the June 30, 2012 consolidated interim financial statements.

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 (uranium), and diamonds. During the first quarter ended June 30, 2012, all of the new property acquisitions were the result of an on-going, project generative program being conducted by the Company’s in-house exploration staff.

The primary focus for the Company’s project generation activities during the second quarter ending June 30, 2012 was in the AGB region of Québec and Ontario. A total of seventeen (17) mining claims were added to four (4) existing properties, covering 1,105 hectares. Claim acquisition and maintenance fees for the first quarter 2012 on the Company’s AGB properties amounted to $15,157.

Exploration activities over the first quarter of 2012 were focused on completing property compilations and maintaining the Company’s project generation activities.

Technical and field staff expenditures amounted to, as at quarter end of $75,085 for the Company’s self-funded AGB Grassroots Exploration Project, project generation activities and Cheechoo B Prospect (JV with Sirios) exploration programs.

Related exploration program expenditures included $744 for travel and transport. Amortization, office and general exploration expenses amounted to $12,958 over the first quarter of 2012.

SUMMARY OF QUARTERLY RESULTS

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

	Jun 12	Mar 12	Dec 11	Sep 11	Jun 11	Mar 11	Dec 10	Sep 10
Total revenues	360	470	3,127	2,022	2,727	18,321	11,249	4,660
Net gain (loss)...................	(637,835)	(669,105)	(2,605,862)	(1,310,528)	(859,447)	(580,562)	919,789	(270,974)
Basic and diluted net gain (loss) per share..................	(0.008)	(0.008)	(0.013)	(0.018)	(0.013)	(0.008)	0.0143	(0.004)

FINANCIAL CONDITION

Liquidity and Capital Resources

Working capital as at June 30, 2012 was $1,527,511 compared to $2,153,829 as of December 30, 2011 as a result of the Company closing a non-brokered private placement in January 2012.

The Company's liquidity is adequate to cover its exploration commitments for 2012 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 elect not to participate in such programs, its respective interests in the particular property shall be correspondingly diluted.

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

Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at a price of $0.40 per common share for a period of eighteen months from January 20, 2012. The common shares and the warrants acquired by the placee are subject to a hold period and may not be traded until May 21, 2012 except as permitted by applicable securities legislation and the rules of the Exchange.

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

Contractual Obligations

		Payments due by period	
Obligation	Total	1 year or less	2 years or more
Office Lease	$ 216,472	$ 53,013	$ 163,458
Mobile Equipment	$ 9,865	$ 9,865	$ 0
Total	$ 226,337	$ 62,879	$ 163,458

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 August 29, 2012:

Common shares: 75,674,804

Preferred Shares: Nil

Escrowed Shares: Nil

Share Purchase Warrants: 1,124,999

Incentive Stock Options:

Expiry Date	Outstanding	Exercise Price
February 7, 2013	795,000	$0.35
June 27, 2013	425,000	$0.36
December 22, 2013	575,000	$0.20
June 22, 2014	300,000	$0.30
August 6, 2014	310,000	$0.30
December 22, 2015	1,015,000	$0.50
October 5, 2016	2,750,000	$0.35
July 23, 2017	815,000	$0.15
TOTAL:	**6,985,000**	

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:

	Three-month period ended June 30	
	2012	2011
	$	$
Short-term employee benefits		
Salaries including bonuses and benefits	43,407	96,321
Social security costs	5,078	13,420
Total short-term employee benefits (1)	48,485	109,741
Other transaction with consultants		
Rent (2)	2,000	3,000
Management Fees (3)	7,375	8,792
Professional fees (4)	9,000	11,395
Expenses capitalized in exploration and evaluation assets (5)	35,700	34,305
Director's Fees (paid to Calone Mining (S.L.) Ltd.'s directors)(6)	0	30,000
Total transactions with consultants	54,075	87,492
Total remuneration	102,560	197,233

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

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

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

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

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

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

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

CORPORATE DEVELOPMENTS

On June 20th, 2012 the Company held its annual meeting of shareholders in Montréal, Québec (the "**Meeting**"). At the Meeting, shareholders approved all resolutions put before them by management, as follows:

Election of Directors

The shareholders re-elected Messrs. Joseph Groia, Blair F. Morton, Glenn J. Mullan, Robert D. Smith, Hon. Dr. Arthur T. Porter, Chad Williams, and Dr. C. Jens Zinke. Each shall serve the Company as directors until the next annual meeting of the shareholders. The board of directors (the "**Board**") continues to be comprised of a majority of independent directors.

Appointment of Auditors

The shareholders re-appointed Raymond Chabot Grant Thornton, LLP, Chartered Accountants as the Company's auditor and authorized the directors to fix the auditor's remuneration.

OUTLOOK

The Company had acquired mineral exploration rights outside of its traditional exploration areas 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) has divested of its interest in Calone SL, 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. For additional details with respect to the transaction involving Calone Canada and Calone SL, please refer to Section 4 herein: Calone Mining Company (S.L.) Limited/Calone Mining Ltd., and the Post Reporting Date Events section herein.

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

Furthermore, the general public market volatility that has continued to affect the overall state of the exploration industry has offered Golden Valley Mines new opportunities for its project generation activities, where previously the demand for prospective land was at a much more competitive state. One of the Company's most important attributes is its ability to identify new high priority exploration opportunities and then utilizing the latest government data and/or historical work reports, to acquire prospective mining claims. The results of this grassroots exploration business model have led to the identification of new mineral occurrences (Co-Ag-Ni, Ni-Cu-PGE and Au) in the Abitibi Greenstone Belt on 100%-owned properties and also leading to the successful creation of option/joint ventures agreements on more advanced-stage projects such as the Island 27 and Plumber Prospects (WKM Option JV) and those outside of the Company’s primary exploration base in the Abitibi Greenstone Belt.

POST-REPORTING DATE EVENTS

Subsequent to quarter end, the transactions contemplated by the SPA between Calone Canada, K&K, and Calone SL closed, resulting in Calone Canada divesting of its interest in Calone SL in favour of K&K. For additional details, please see Section 4 herein: Calone Mining Company (S.L.) Limited/Calone Mining Ltd.

RISKS AND UNCERTAINTIES

The Corporation does not generate income or cash flows from its operations. As at June 30, 2012, the Corporation had a negative cumulated retained deficit of $10,624,605 ($8,288,404 as at December 31, 2011). These material uncertainties cast significant doubt regarding the Corporation’s ability to continue as a going concern.

The Corporation’s ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Corporation has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

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

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

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

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

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

Future exploration and development activities 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.

For additional discussion of risk factors, please refer to the Company's Management Information Circular dated May 16, 2012 and which is available upon request from the Company or on its issuer profile at www.sedar.com.

ADDITIONAL INFORMATION

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