



# **Golden Valley Mines Ltd.**

## **Consolidated Interim Financial Statements, (Unaudited) as at March 31, 2012**

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

**Golden Valley Mines Ltd.**  
**Consolidated Balance Sheets**  
**As at March 31, 2012**

(unaudited)  
(in Canadian dollars)

	Notes	March 31, 2012 \$	December 31, 2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	4	1,200,819	1,495,272
Short-term investments	5	769,736	625,936
Fees and other accounts receivable		118,262	35,506
Sales taxes recoverable		134,824	151,570
Tax credits and credit on duties receivable		224,711	224,711
Prepaid expenses		71,127	100,701
Disposal group held-for-sale	15	1	
		<u>2,519,480</u>	<u>2,633,696</u>
<b>Non-current assets</b>			
Property and equipment	6	93,313	105,263
Exploration and evaluation assets	7	15,623,490	15,840,837
		<u>15,716,803</u>	<u>15,946,100</u>
<b>Total assets</b>		<u><u>18,236,283</u></u>	<u><u>18,579,796</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities			
Related parties controlled by director	14.1	25,678	28,891
Others	9	235,494	450,976
		<u>261,172</u>	<u>479,867</u>
<b>Non-Current liabilities</b>			
Deferred income taxes		1,289,381	1,407,696
<b>Total liabilities</b>		<u><u>1,550,553</u></u>	<u><u>1,887,563</u></u>
<b>EQUITY</b>			
Capital stock	10.1	21,606,288	20,947,914
Contributed surplus		1,942,187	1,937,959
Deficit		(8,895,626)	(8,288,404)
<b>Total equity attributable to owners of the parent company</b>		<u>14,652,849</u>	<u>14,597,469</u>
Non-Controlling interest		2,032,881	2,094,764
<b>Total equity</b>		<u>16,685,730</u>	<u>16,692,233</u>
<b>Total liabilities and equity</b>		<u><u>18,236,283</u></u>	<u><u>18,579,796</u></u>

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 30, 2012.

"Glenn J. Mullan"

Director

"Blair F. Morton"

Director

**Golden Valley Mines Ltd.**  
**Consolidated Statement of Comprehensive Loss**  
**For the three-month period ended March 31, 2012**

(unaudited)  
(in Canadian dollars)

	Notes	Three-month period ended	
		March 31, 2012	March 31, 2011
		\$	\$
<b>Revenues</b>			
Geological fees		470	18,321
<b>Operating Expenses</b>			
Salaries and other employee benefits	11.1	157,718	136,815
Office expenses		52,362	39,933
Management fees		16,375	8,250
Professional and legal fees		199,327	131,074
Advertising and exhibitions		57,563	75,656
Travelling		49,742	48,755
Write-off of exploration and evaluation assets		25,876	8,757
Part XII.6 and other taxes		4,251	
Depreciation of property and equipment		5,517	9,215
Foreign exchange loss			2,348
Gain on short-term investment disposal			(24,156)
		<u>568,731</u>	<u>436,647</u>
<b>Operating loss</b>		<u>(568,261)</u>	<u>(418,326)</u>
Finance income and costs	12	(626)	9,321
Changes in fair value of financial assets at fair value through profit and loss		(56,601)	(94,291)
		<u>(57,227)</u>	<u>(84,970)</u>
<b>Loss before income taxes</b>		<u>(625,488)</u>	<u>(503,296)</u>
Deferred income taxes			77,266
Net loss on measurement to fair value less costs to sell investment in Calone Mining Company (SL) Ltd	15	(43,617)	
<b>Net loss and total comprehensive loss for the period</b>		<u><u>(669,105)</u></u>	<u><u>(580,562)</u></u>
Net loss and total comprehensive loss attributable to:			
Shareholders of Golden Valley Mines		(607,222)	(580,562)
Non-controlling interests		(61,883)	
		<u>(669,105)</u>	<u>(580,562)</u>
<b>Loss per share attributable to Golden Valley Mines shareholders</b>			
Basic and diluted loss per share	13	(0.008)	(0.008)

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

**Golden Valley Mines Ltd.**  
**Consolidated Statement of Changes in Equity**  
**For the three-month period ended March 31, 2012**

(unaudited)  
(in Canadian dollars)

	Note	Number	Capital Stock	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non- controlling interest	Total Equity
			\$	\$	\$	\$	\$	\$
<b>Balance at January 1, 2012</b>		73,424,805	20,947,914	1,937,958	(8,288,404)	14,597,469	2,094,764	16,692,233
Share issue expenses			(16,626)			(16,626)		(16,626)
Share-based payments	11.2			4,229		4,229		4,229
Share issued by a private placement	10.1	2,249,999	675,000			675,000		675,000
Transactions with owners		2,249,999	658,374	4,229		662,603		662,603
Net loss and total comprehensive loss for the period					(607,222)	(607,222)	(61,883)	(669,105)
<b>Balance at March 31, 2012</b>		75,674,804	21,606,288	1,942,187	(8,895,626)	14,652,849	2,032,881	16,685,730
<b>Balance at January 1, 2011</b>		71,594,805	20,142,761	1,771,800	(3,423,341)	18,491,220		18,491,220
Share issue expenses								
Share-based payments				3,851				
Transactions with owners				3,851				
Net loss and total comprehensive loss for the period					(580,562)	(580,562)		(580,562)
<b>Balance at March 31, 2011</b>		71,594,805	20,142,761	1,775,651	(4,003,903)	17,910,658		17,910,658

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

**Golden Valley Mines Ltd.**  
**Consolidated Statement of Cash Flows**  
**For the three-month period ended March 31, 2012**

(unaudited)

(in Canadian dollars)

	Three-month period ended	
	March 31 2012	March 31 2011
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Loss before income taxes	(625,488)	(503,296)
Adjustments		
Depreciation of property and equipment	5,517	9,215
Write-off of property and equipment		3,851
Gain on the disposal of exploration and evaluation assets		(24,156)
Share-based payments	4,229	
Write-off of exploration and evaluation assets	25,876	8,757
Changes in fair value of financial assets at fair value through profit and loss	56,601	94,291
Changes in working capital items		
Fees and other accounts receivable	26,299	100,249
Sales taxes recoverable	16,746	(77,385)
Prepaid expenses	29,577	(5,031)
Accounts payable and accrued liabilities	(71,129)	(171,840)
Cash flows used in continuing operations	(531,772)	(565,345)
Cash flows used in discontinued operations	(11,283)	
Cash flows from operating activities	(543,055)	(565,345)
<b>INVESTING ACTIVITIES</b>		
Acquisition of short-term investments	(400,402)	(2,246,870)
Disposal of short-term investments	200,000	2,136,120
Exploration and evaluation assets	(195,354)	(440,748)
Purchase of property and equipment	(1,128)	(5,103)
Cash flows used in continuing operations	(396,884)	(556,601)
Cash flows used in discontinued operations	(12,888)	
Cash flows from investing activities	(409,772)	(556,601)
<b>FINANCING ACTIVITIES</b>		
Issuance of shares by private placements	675,000	
Share issue expenses	(16,626)	
Cash flows from financing activities	658,374	-
<b>Net change in cash</b>	(294,453)	(1,121,946)
Cash, beginning of year	1,495,272	3,374,178
Cash, end of year	1,200,819	2,252,232

**Cash transactions:**

Dividends received	614	869
Interest received	212	9,959
Interest paid	Nil	17

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

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

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**1. NATURE OF OPERATIONS**

Golden Valley Mines Ltd. and its subsidiaries (hereinafter "The Corporation") specialize in the exploration and evaluation of minerals in Canada.

**2. GOING CONCERN ASSUMPTION**

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and on the basis of the going concern assumption, meaning the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Corporation has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Corporation has not yet generated income nor cash flows from its operations. As at March 31, 2012, the Corporation has a negative deficit of \$8,895,626 (\$8,288,404 as at December 31, 2011). These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Corporation has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. In January 2012, the Corporation completed a private placement for a total amount of \$675,000. See details in Note 10.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the consolidated statement of balance sheet have not been adjusted as would be required if the going concern assumption was not appropriate.

**3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE**

Golden Valley Mines Ltd. is the parent company (and the ultimate parent company) of the following subsidiaries: Abitibi Royalties Inc., Calone Mining Ltd., James Bay Gold Corp., Nunavik Nickel Mines Ltd., and Uranium Valley Mines Ltd. With the exception of Calone Mining Company (S.L.) Limited which is incorporate under the laws of Sierra Leone, Golden Valley Mines Ltd.'s other subsidiaries have all been incorporated under the Business Corporations Act (British Columbia).

Golden Valley Mines Ltd. was incorporated on August 15, 2000 under the Business Corporations Act (Canada).

The address of Golden Valley Mines Ltd.'s registered office is 152 Chemin de la Mine École, Val-d'Or, J9P 7B6, Québec, Canada. The address of Golden Valley Mines Ltd.'s principal place of business is 2864 chemin Sullivan, Val-d'Or, Québec, J9P 0B9. Golden Valley Mines Ltd.'s shares are listed on the TSX Venture Exchange.

**4. CASH**

There is no balance on flow-through financing as at March 31, 2012 (\$335,442 as at March 31, 2011). The Corporation has to dedicate these funds to the exploration of Canadian mining properties exploration.

**5. SHORT-TERM INVESTMENTS**

	March 31, 2012	March 31, 2011
	CAN\$	CAN\$
Guaranteed investment certificates		
1% interest rate, maturing in March 2012		1,000,000
Guaranteed investment certificates		
1.2% interest rate, maturing in January 2013	300,000	
Money market investment funds	3,812	349,275
Mutual funds	103,914	102,774
Marketable securities in quoted mining exploration companies	322,410	345,388
Undeposited certificates	39,600	
Short-term investments	<u>769,736</u>	<u>1,797,437</u>

## Golden Valley Mines Ltd.

## Notes to the interim consolidated financial statements

## Unaudited

(in Canadian dollars)

## 6. PROPERTY AND EQUIPMENT

The carrying amount can be analysed as follows:

	Property and equipment					Exploration and evaluation equipment				
	Automotive equipment	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>										
Balance at January 1, 2012	1,399	46,282	72,693	60,385	180,759	55,334	27,725	35,087	118,146	298,905
Additions								1,128	1,128	1,128
Disposal group held-for-sale	(1,399)				(1,399)					(1,399)
Balance at March 31, 2012		46,282	72,693	60,385	179,360	55,334	27,725	36,215	119,274	298,634
<b>Accumulated depreciation and Write-off</b>										
Balance at January 1, 2012	137	22,811	53,055	46,427	122,430	36,113	26,517	8,582	71,212	193,642
Disposal group held-for-sale	(137)				(137)					(137)
Depreciation		1,901	1,160	2,456	5,517	2,748	604	2,947	6,299	11,816
Balance at March 31, 2012		24,712	54,215	48,883	127,810	38,861	27,121	11,529	77,511	205,321
<b>Carrying amount at March 31, 2012</b>		21,570	18,478	11,502	51,550	16,473	604	24,686	41,763	93,313

	Property and equipment					Exploration equipment				
	Automotive equipment	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>										
Balance at January 1, 2011		29,743	52,785	123,458	205,986	55,334	27,725	35,567	118,626	324,612
Additions			2,831		2,831			2,272	2,272	5,103
Balance at March 31, 2011		29,743	55,616	123,458	208,817	55,334	27,725	37,839	120,898	329,715
<b>Accumulated depreciation and impairment</b>										
Balance at January 1, 2011		15,288	50,853	66,469	132,610	26,497	24,100	1,367	51,964	184,574
Depreciation		1,220	330	7,665	9,215	1,374	604	1,462	3,440	12,655
Balance at March 31, 2011		16,508	51,183	74,134	141,825	27,871	24,704	2,829	55,404	197,229
<b>Carrying amount at March 31, 2011</b>		13,235	4,433	49,324	66,992	27,463	3,021	35,010	65,494	132,486

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

The carrying amount can be analyzed as follows:

	Balance as at January 1, 2012	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at March 31 2012
	\$	\$	\$	\$	\$	\$
<b>Golden Valley Mines Ltd. Properties</b>						
Acquisition and claims maintenance	4,753,688	5,887				4,759,575
Property option payments	312,500					312,500
Drilling, excavation and related costs	3,238,372	145				3,238,517
Technical and field staff	3,740,860	80,536				3,821,396
Airborne Geophysics	671,742					671,742
Geophysics	2,268,322	100				2,268,422
Line cutting	1,097,836					1,097,836
Sampling and testing	699,416	846				700,262
Travel and transport	1,733,135	1,275				1,734,410
Program management and consultants	239,376					239,376
Professional Fees	6,978					6,978
Amortization, insurance and office expenses	419,493	12,139				431,632
Communications	55,434					55,434
Option payments received	(1,068,104)					(1,068,104)
Write-down of Mineral properties	(2,379,275)					(2,379,275)
Government assistance	(1,363,809)					(1,363,809)
Net expenses incurred during the period	14,425,964	100,928	-	-	-	14,526,892
Properties transferred to subsidiaries	(2,453,775)	(10,998)				(2,464,773)
Balance, end of the period	11,972,189	89,930	-	-	-	12,062,119



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

**Unaudited**  
**(in Canadian dollars)**

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance as at January 1, 2012	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at March 31 2012
	\$	\$	\$	\$	\$	\$
<b>Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)</b>						
Acquisition and claims maintenance	238,231					238,231
Airborne Geophysics	257,648					257,648
Travel and transport	202,780					202,780
Remote Sensing Study	66,356					66,356
Technical and field staff	55,606					55,606
Program management and consultants	91,449	12,888				104,337
Sampling and testing	4,692					4,692
Office expenses	3,590					3,590
Geophysics	1,320					1,320
Communications	809					809
Write-down of Mineral properties	(529,360)					(529,360)
Net expenses incurred during the period	393,121	12,888	-	-	-	406,009
Disposal group held-for-sale						(406,009)
	-	-	-	-	-	-
<b>Abitibi Royalties Inc. Properties</b>						
Acquisition and claims maintenance	30,868	150				31,018
Technical and field staff	4,342	752				5,094
Program management and consultant	20,386	22,900				43,286
Net expenses incurred during the period	55,596	23,802	-	-	-	79,398
<b>Nunavik Nickel Mines Ltd. Properties</b>						
Acquisition and claims maintenance	1,689,450	12,541				1,701,991
Technical and field staff	1,013	766				1,779
Program management and consultant	1,326	217				1,543
Airborne Geophysics	273,897	16,407				290,304
Government assistance	(119,730)					(119,730)
Net expenses incurred during the period	1,845,956	29,931	-	-	-	1,875,887

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

**Unaudited**  
**(in Canadian dollars)**

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance as at January 1, 2012	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at March 31 2012
	\$	\$	\$	\$	\$	\$
<b>Uranium Valley Mines Ltd. Properties</b>						
Acquisition and claims maintenance	1,546,622	15,221				1,561,843
Technical and field staff	1,327	612				1,939
Travel and transportation	25,229	16,223				41,452
Program management and consultant Communication	737	54				791
	60					60
Net expenses incurred during the period	<u>1,573,975</u>	<u>32,110</u>	-	-	-	<u>1,606,085</u>
<b>Summary</b>						
Mining rights	8,258,859	33,799				8,292,658
Exploration and evaluation assets	10,035,753	165,860				10,201,614
Properties transferred to subsidiaries	(2,453,775)	(10,998)				(2,464,773)
Disposal group held-for-sale						(406,009)
	<u>15,840,837</u>	<u>188,661</u>	-	-	-	<u>15,623,490</u>

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

	Balance as at January 1, 2011	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at March 31 2011
	\$	\$	\$	\$	\$	\$
<b>Golden Valley Mines Ltd. Properties</b>						
Acquisition and claims maintenance	4,658,854	54,516				4,713,370
Property option payments	312,500					312,500
Drilling, excavation and related costs	3,129,340	81,591				3,210,931
Technical and field staff	3,237,857	136,731				3,374,588
Airborne Geophysics	671,742					671,742
Geophysics	2,049,805	91,172				2,140,977
Line cutting	968,819	41,145				1,009,964
Sampling and testing	591,514	48,246				639,760
Travel and transport	1,690,310	6,553				1,696,863
Program management and consultants	214,845					214,845
Professional Fees	6,825					6,825
Amortization, insurance and office expenses	373,893	10,953				384,846
Communications	55,434					55,434
Option payments received	(991,561)					(991,561)
Write-down of Mineral properties	(2,364,417)					(2,364,417)
Government assistance	(1,287,698)					(1,287,698)
Net expenses incurred during the period	13,318,062	470,907	-	-	-	13,788,969

**Golden Valley Mines Ltd.**

**Notes to the interim consolidated financial statements**

**Unaudited**

**(in Canadian dollars)**

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance as at January 1, 2011	Additions	Tax credits and credit on duties	Disposition	Write-off	Balance as at March 31 2011
	\$	\$	\$	\$	\$	\$
<b>Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)</b>						
Acquisition and claims maintenance	290,388	(66,750)				223,638
Airborne Geophysics	182,125					182,125
Travel and transport	181,754	21,026				202,780
Remote Sensing Study	66,356					66,356
Technical and field staff	53,418	48				53,466
Program management and consultants	73,438	8,681				82,119
Sampling and testing	2,695	1,320				4,015
Office expenses	3,590					3,590
Geophysics	1,320					1,320
Communications	620	199				819
<b>Total</b>	<b>855,704</b>	<b>(35,476)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>820,228</b>
<b>Summary</b>						
Mining rights	4,949,242	(12,234)	-	-	-	4,937,008
Exploration and evaluation assets	9,224,524	447,665	-	-	-	9,672,189
	<b>14,173,766</b>	<b>435,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,609,197</b>

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

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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

The Corporation holds (together with its subsidiaries) 137 exploration properties located in: (i) the Abitibi Greenstone Belt; (ii) the James Bay, Mistassini and Otish regions of northern Québec; (iii) the Nunavik (Ungava and Labrador) region of northern Québec; (iv) the Athabasca Basin of Saskatchewan; (v) James Bay Lowlands of Ontario, and (vi) the Republic of Sierra Leone, West Africa. (Please see Note 15 herein for additional information with respect to property interest in Sierra Leone).

***Abitibi Greenstone Belt Properties – Integra Gold Corp. (formerly Kalahari Resources Inc.) – Québec and Ontario***

On February 21, 2005, the Corporation was granted an option by Integra Gold Corp. (formerly Kalahari Resources Inc., hereinafter "Integra") to acquire up to a 85% interest in nine mineral properties provided that, amongst other things, it incur an aggregate \$1,000,000 in exploration expenditures on any one of or a combination of the nine properties (\$500,000 for 70%, completed). The Corporation provided Integra with notice of its intent to vest as to a 70% interest in the properties and, a joint venture agreement was concluded as at December 8, 2008 (the "GZZ-I JV"). The GZZ-I JV is subject to underlying royalties ranging between 3% and 3½% in favour of the original vendors, one of which is a director and an officer of the Corporation. During the quarter, the Company and Integra granted an option (the "GZZ-I Option") to Golden Cariboo Resources Ltd. ("GCC") to acquire a 70% interest in some of the properties comprising the GZZ-I JV. Upon the GZZ-I Option being exercised, Golden Valley Mines and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley Mines/7.5% Integra) in those properties.

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

***Broker's Fee Prospect - Cambrian Corp. - Kirkland Lake, Ontario***

October 7, 2010 (the "Effective Date"), as amended, the Corporation granted an option to Cambrian Corp., a private company, to acquire up to a 70% interest in the Broker's Fee prospect. The parties entered into a further amended and restated mining option agreement with respect to the property. Pursuant to the further amended and restated agreement, in order to maintain in force the option, Cambrian must incur aggregate exploration expenditures of \$6,000,000 over a four year period, issue an aggregate 600,000 common shares on or before July 31, 2012, and deliver a definitive feasibility study on the property on or before the 4th anniversary of the Effective Date.

In the event that the exploration expenditures detailed above are not incurred by their respective due dates, the Corporation may grant Cambrian up to two twelve month extensions (an "Extension Period") to incur such expenditures, provided that Cambrian advise the Corporation in writing of its intent to avail itself of an Extension Period prior to the date by which the expenditures must be incurred, and that Cambrian issue to the Corporation up to an additional 400,000 common shares.

Upon the option vesting, the Corporation will retain a 30% free and carried interest to production. As of the date hereof, this agreement is in good standing.

***Centremaque Property - Monarch Energy Ltd - Bourlamaque Township, Québec***

On July 26, 2011 (the "Effective Date"), the Corporation granted an option to Monarch Energy Ltd. ("Monarch") to acquire a 70% interest in the Centremaque property (the "Option") provided that Monarch: (i) incur aggregate exploration expenditures of \$2,250,000 over a three year period (\$250,000 in year-1; \$500,000 in year-2 and \$1,500,000 in year-3); (ii) complete a definitive feasibility study at its sole cost on or before the 10th year anniversary of the Effective Date; (iii) issue to the Company, on the later of TSX Venture Exchange approval and August 31, 2011, that numbers of common shares equal to 9.9% of Monarch's issued and outstanding share capital; (iv) make a \$35,000 cash payment; and (v) reimburse the Company for of legal expenses incurred with respect to the grant of the Option. Golden Valley is the operator during the Option phase. Upon Monarch exercising the Option, the Company will retain a 30% free carried interest to production. During the quarter the agreement was amended and restated so as to extend to April 30, 2012 the date by which Monarch must make the payments detailed in sections (iv) and (v) above.

## Golden Valley Mines Ltd.

### Notes to the interim consolidated financial statements

#### Unaudited

(in Canadian dollars)

#### 7. EXPLORATION AND EVALUATION ASSETS (continued)

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

On August 30, 2011 (the “Effective Date”), the Corporation granted an option to Big North Graphite Corp. (“Big North”), to acquire a 70% interest in the Luciana prospect (the “Option”) provided that Big North: (i) incur aggregate exploration expenditures of \$2,000,000 over a three year period (\$250,000 in year-1; \$500,000 in year-2 and \$1,250,000 in year-3); (ii) complete a definitive feasibility study at its sole cost on or before the 10th year anniversary of the Effective Date; (iii) issue to Golden Valley 396,000 shares in the capital of Big North upon receipt of TSX Venture Exchange approval; (iv) make cash payments of \$10,000 in the aggregate; and (v) reimburse Golden Valley for legal expenses incurred with respect to the grant of the Option. Golden Valley is the operator during the option phase. Upon Big North exercising the Option, the Company will retain a 30% free carried interest to production.

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

On January 11, 2012, the Corporation granted an option to Golden Cariboo Resources Ltd. (“GCC”) to acquire a 70% interest in certain properties held as to a 100% interest by the Corporation (the “GZZ Option”) and located in the Abitibi Greenstone Belt of northwestern Québec and northeastern Ontario (the “GZZ Properties”). Concurrently, and subject to net smelter return royalty interests and advance royalty interests in favour of the original vendors (one of which is a director and officer of the Company), the Corporation and Integra Gold Corp. (“Integra”) have granted an option to GCC to acquire a 70% interest in certain properties located in the Abitibi Greenstone Belt of northwestern Québec (the “GZZ-I Option”); these properties are held as to a 70% interest by the Corporation and as to a 30% interest by Integra pursuant to a joint venture agreement (the “GZZ-I JV”) between Integra and Golden Valley Mines (the “GZZ-I Properties”). The GZZ Option and the GZZ-I Option are together referred to herein as “the Option”. The Corporation is the operator during the Option phase.

In order to maintain in force the Option granted to it, and to exercise the Option, GCC must: (i) issue to the Corporation such number of common shares (the “GCC Payment Shares”) in the capital of GCC as is equal to 9.9% of GCC’s issued share capital (the “GZZ Share Interest”), calculated forthwith after and taking into account the issuance of the Payment Shares; (ii) incur expenditures in an aggregate amount of \$4,500,000 over a 5 year period (the “Expenditures”) to be allocated between the GZZ Properties and the GZZ-I Properties as GCC may determine provided that no more than \$4,000,000 of the Expenditures shall be incurred with respect to the GZZ Properties and at least \$500,000 of the Expenditures shall be incurred with respect to the GZZ-I Properties; and (iii) reimburse the Corporation for all costs related to the preparation of any technical reports. The Corporation has the right, but not the obligation to participate in future financings of GCC in order to maintain the GZZ Share Interest.

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

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**Notes to the interim consolidated financial statements**  
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**8. LEASES**

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

	Minimum lease payments due		Total
	Within 1 year	1 to 5 years	
	\$	\$	\$
March 31, 2012	62,879	179,178	242,056
March 31, 2011	38,904	12,331	51,235

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

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

Lease payments recognized as an expense during the reporting period amount to \$15,720 (\$14,911 in 2011). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. The Corporation's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. No sublease income is expected as all assets held under lease agreements are used exclusively by the Corporation.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2012	December 31, 2011
	\$	\$
Others:		
Trade accounts	190,627	354,608
Wage and salaries payable	30,719	53,060
Benefits	1,815	24,508
Current charges		4,000
Other	12,333	14,800
Others	235,494	450,976

**10. EQUITY**

**10.1 Capital Stock**

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

**Authorized**

Unlimited number of common shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of Golden Valley Mines Ltd.

Unlimited number of preferred shares, issuable in series with rights and restrictions to be determined by the directors

**Golden Valley Mines Ltd.**  
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**10.1 Capital Stock (continued)**

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

Each Unit consists of one common share (a "Common Share") and one-half of a share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to acquire one additional common share at a price of \$0.40 per common share (a "Warrant Share") for a period of eighteen months from January 20, 2012 (the "Closing Date"). The Common Shares and the Warrants acquired by the placee are subject to a hold period and may not be traded until May 21, 2012 except as permitted by applicable securities legislation and the rules of the TSX Venture Exchange.

Concurrently with the above mentioned Strategic Subscription, two insiders of the Corporation have subscribed for 249,999 Units, upon the same terms and conditions described above for proceeds of \$75,000. The subscription by insiders of the Corporation constitutes a related party transaction for the purposes of TSX Venture Policy 5.9, however is exempt from the minority approval and valuation requirements of such policy. The Corporation intends to use the aggregate proceeds raised for general working capital.

In addition to the Strategic Subscription being subject to standstill provisions for a period of 12 months, the Common Shares and the Warrant Shares issued thereunder are subject to a voting agreement pursuant to which securities held by the strategic investor are to be voted in accordance with the voting recommendations set forth in the proxy-related materials sent in advance of any meeting of shareholders of the Corporation. The provisions of such voting agreement expire the earlier to occur of the date of the Corporation's annual meeting of shareholders in 2013 or on December 31, 2013.

**10.2 Warrants**

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

	March 31, 2012		December 31, 2011	
	Number of warrants	Weighted average exercise price \$	Number of warrants	average exercise price
Balance, beginning of reporting period	3,333,329	0.75	3,333,329	0.75
Granted	1,000,000	0.40		
Balance, end of reporting period	4,333,329	0.67	3,333,329	0.75

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

Expiry date	March 31, 2012		December 31, 2011	
	Number	Exercise price \$	Number	Exercise price \$
June 20, 2012	3,333,329	0.75	3,333,329	0.75
July 20, 2013	1,000,000	0.40		
	4,333,329	0.67	3,333,329	0.75



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

**11.1 Salaries and other employee benefits expense**

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

	March 31 2012	March 31 2011
	\$	\$
Salaries and group insurance	165,545	187,197
Share-based payments	4,229	3,851
Defined contribution State plans	30,156	17,492
	199,930	208,540
Less: salaries capitalized in exploration and evaluation assets	(42,212)	(71,725)
Salaries and other employee benefits expense	<u>157,718</u>	<u>136,815</u>

**11.2 Share-based payments**

The Corporation has in place a stock option plan under which officers, directors, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 11,175,595 shares. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of the Corporation's shares on the trading day immediately prior to the date of grant less any discount permitted by the TSX Venture Exchange; if no sales were reported, it shall be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options shall be determined by the Board of Directors, in accordance with the rules and regulations of the TSX Venture Exchange.

All share-based payments will be settled in equity. The Corporation has no legal or constructive obligation to repurchase or settle the options.

The Corporation's share options are as follows for the reporting periods presented:

	March 31, 2012		December 31, 2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price CAN\$
Outstanding as at January 1 and March 31	<u>6,820,000</u>	<u>0.35</u>	<u>6,820,000</u>	<u>0.35</u>
Exercisable as at January 1 and March 31	<u>6,626,250</u>	<u>0.35</u>	<u>6,570,000</u>	<u>0.35</u>

The table below summarizes the information related to share options as at March 31, 2012:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number of options
August 6, 2012	550,000	0.30	0.35	550,000
February 7, 2013	795,000	0.35	0.86	795,000
June 27, 2013	425,000	0.36	1.24	425,000
December 22, 2013	575,000	0.20	1.73	575,000
June 22, 2014	300,000	0.30	2.23	300,000
August 6, 2014	310,000	0.30	2.35	310,000
December 22, 2015	1,015,000	0.50	3.73	990,000
October 5, 2016	2,850,000	0.35	4.52	2,681,250
	<u>6,820,000</u>	<u>0.35</u>		<u>6,626,250</u>

**Golden Valley Mines Ltd.**  
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**12. FINANCE INCOME AND COSTS**

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

	March 31 2012	March 31 2011
	\$	\$
Interest and dividend income from cash and short-term investments	615	10,827
Bank fees	(1,241)	(1,506)
	<u>(626)</u>	<u>9,321</u>

**13. LOSS PER SHARE AND DIVIDENDS**

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11 and 12.

Both the basic and diluted loss per share have been calculated using the loss attributable to owners of the Corporation as the numerator, i.e. no adjustment to the loss were necessary in 2011 and 2010.

	March 31 2012	March 31 2011
	\$	\$
Net loss attributable to shareholders of Golden Valley Mines Ltd	(607,222)	(580,562)
Weighted average number of shares in circulation	75,180,299	71,594,805
Basic and diluted loss per share	(0.008)	(0.008)

**14. RELATED PARTY TRANSACTIONS**

The Corporation's related parties include its joint key management, as described below.

Expenses incurred to related parties, including those expenses incurred following the preceding agreements, were concluded in the normal course of operations at the exchange amount accepted by the parties and are:

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Other than the related party transactions disclosed below, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of stock options.

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**14.1 Transaction with key management**

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

	March 31 2012	March 31 2011
	\$	\$
Short-term employee benefits		
Salaries including bonuses	110,349	107,760
Benefits	10,589	10,883
Total short-term employee benefits	<u>120,938</u>	<u>118,643</u>
Other transaction with key management		
Rent	3,000	3,000
Management Fees	16,375	8,250
Professional fees	6,000	13,224
Expenses capitalized in exploration and evaluation assets	31,942	49,561
Total other transactions with consultants	<u>57,317</u>	<u>74,035</u>
Total remuneration	<u><u>178,255</u></u>	<u><u>192,678</u></u>

**15. SUBSEQUENT EVENTS**

On May 10, 2012, the Company announced that its wholly owned Canadian subsidiary, Calone Mining Ltd. ("Calone Canada"), had entered into an agreement (the "SPA") with K&K Investment GMBH ("K&K"), an Austrian company, pursuant to which K&K shall acquire, through a special purpose vehicle (the "SPV"), all of Calone Canada's shares held in its Sierra Leonean subsidiary, Calone Mining Company (S.L.) Ltd. ("Calone SL"). Amongst other things, as consideration for entering into the SPA, K&K is to: (i) ensure the funding and completion of an airborne electromagnetic geophysical survey; and (ii) subject to the right to repurchase a portion of the Royalty (as hereinafter defined) 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 Funds currently held and future funds to be received by Calone SL are excluded from the transaction and are to be transferred to Calone Canada.

Following this announcement the investment in Calone SL, (capital stock of \$3,030 and advances of \$1,345,998) less the net cash expected to be repatriated by the Company (\$126,679), has been revalued at the fair value of the 5% royalty (\$1) and classified as asset held-for-sale. The difference between the carrying value of the investment in Calone SL and the fair value of the royalty is presented in the statement of comprehensive income as loss on measurement to fair value less cost to sell investment in Calone SL. A future tax benefit of approximately \$347,000 on the loss realized has not been recorded as it is uncertain that the Company will generate enough taxable income in the future to use it.