



Golden Valley Mines Ltd.

Consolidated Interim Financial Statements, (Unaudited) as at September 30, 2012

Golden Valley Mines Ltd.
152 chemin de la Mine Ecole
Val-d'Or, Québec J9P 7B6
www.goldenvalleymines.com
Tel: 819.824.2808 fax: 819.824.3379

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 September 30, 2012

(unaudited)
(in Canadian dollars)

	Notes	September 30, 2012 \$	December 31, 2011 \$
ASSETS			
Current assets			
Cash	5	1,487,622	1,495,272
Short-term investments	6	314,915	625,936
Fees and other accounts receivable		20,010	35,506
Sales taxes recoverable		109,725	151,570
Tax credits and credit on duties receivable		157,560	224,711
Prepaid expenses		104,796	100,701
Disposal group held-for-sale	16	1	
		<u>2,194,629</u>	<u>2,633,696</u>
Non-current assets			
Property and equipment	7	70,285	105,263
Exploration and evaluation assets	8	15,824,177	15,840,837
		<u>15,894,462</u>	<u>15,946,100</u>
Total assets		<u><u>18,089,091</u></u>	<u><u>18,579,796</u></u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities			
Related parties controlled by a director	15.1	86,785	28,891
Others	10	122,711	450,976
		<u>209,496</u>	<u>479,867</u>
Non-Current liabilities			
Deferred income taxes		1,289,381	1,407,696
Total liabilities		<u>1,498,877</u>	<u>1,887,563</u>
EQUITY			
Capital stock	11.1	22,391,897	20,947,914
Warrants	11.2	27,588	
Contributed surplus		1,991,917	1,937,959
Deficit		(9,832,020)	(8,288,404)
Total equity attributable to owners of the parent company		<u>14,579,382</u>	<u>14,597,469</u>
Non-Controlling interest		2,010,832	2,094,764
Total equity		<u>16,590,214</u>	<u>16,692,233</u>
Total liabilities and equity		<u><u>18,089,091</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 November 29, 2012.

"Glenn J. Mullan"
Director

"Blair F. Morton"
Director

Golden Valley Mines Ltd.
Consolidated Statement of Comprehensive Loss
For the three and nine-month periods ended September 30, 2012

(unaudited)
(in Canadian dollars)

	Notes	Three-month period ended		Nine-month period ended	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
		\$	\$	\$	\$
Revenues					
Geological fees		2,721	2,021	3,551	23,070
Option on properties			335,057		335,057
		<u>2,721</u>	<u>337,078</u>	<u>3,551</u>	<u>358,127</u>
Operating Expenses					
Salaries and other employee benefits	12.1	327,456	1,699,847	565,879	2,011,900
Office expenses		27,086	37,043	135,419	104,374
Management fees		5,625	9,333	29,375	26,375
Director's fees					30,000
Professional and legal fees		67,642	301,278	468,534	726,299
Advertising and exhibitions		7,872	73,853	92,584	336,885
Travelling		7,190	49,461	72,824	154,090
Write-off of exploration and evaluation assets		8,716	7,395	46,429	25,093
Write-off of property and equipment			20,676		20,676
Part XII.6 and other taxes		299	1,839	7,054	6,752
Depreciation of property and equipment		5,517	8,735	16,550	27,246
Foreign exchange loss			(1,816)		2,938
Gain on the disposal of exploration and evaluation assets					
Gain on short-term investment disposal		1,465		4,400	(24,156)
		<u>458,868</u>	<u>2,207,644</u>	<u>1,439,048</u>	<u>3,448,472</u>
Operating loss		<u>(456,147)</u>	<u>(1,870,566)</u>	<u>(1,435,497)</u>	<u>(3,090,345)</u>
Finance income and costs	13	90	(3,883)	(1,046)	5,418
Other revenue			13,000		13,000
Changes in fair value of financial assets at fair value through profit and loss		5,288	(15,614)	(238,220)	(196,157)
		<u>5,378</u>	<u>(6,497)</u>	<u>(239,266)</u>	<u>(177,739)</u>
Loss before income taxes		<u>(450,769)</u>	<u>(1,877,063)</u>	<u>(1,674,763)</u>	<u>(3,268,084)</u>
Deferred income taxes					48,989
Net loss on measurement to fair value less costs to sell investment in Calone Mining Company (SL) Ltd	16			(82,946)	
Net loss and total comprehensive loss for the period		<u>(450,769)</u>	<u>(1,877,063)</u>	<u>(1,757,709)</u>	<u>(3,317,073)</u>
Net loss and total comprehensive loss attributable to:					
Shareholders of Golden Valley Mines		(371,311)	(1,180,692)	(1,543,616)	(2,620,702)
Non-controlling interests		(79,458)	(696,371)	(214,093)	(696,371)
		<u>(450,769)</u>	<u>(1,877,063)</u>	<u>(1,757,709)</u>	<u>(3,317,073)</u>
Loss per share attributable to Golden Valley Mines shareholders					
Basic and diluted loss per share	14	(0.005)	(0.018)	(0.020)	(0.038)

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 and nine-month periods ended September 30, 2012

(unaudited)
(in Canadian dollars)

	Note	Number	Capital Stock	Warrants	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity
			\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2012		73,424,805	20,947,914		1,937,958	(8,288,404)	14,597,469	2,094,764	16,692,233
Share issue expenses			(16,625)				(16,625)		(16,625)
Share-based payments	12.2				10,875		10,875		10,875
Share issued by a private placement	11.1	2,249,999	675,000				675,000		675,000
Transactions with owners		2,249,999	658,375		10,875		669,250		669,250
Net loss and total comprehensive loss for the period						(1,172,305)	(1,172,305)	(134,635)	(1,306,940)
Balance at June 30, 2012		75,674,804	21,606,289		1,948,833	(9,460,709)	14,094,414	1,960,129	16,054,542
Share issue expenses			(133,612)				(133,612)		(133,612)
Share-based payments	12.2				43,084		43,084	130,161	173,245
Share issued by a private placement	11.1	933,333	140,000				140,000		140,000
Share issued by a flow through private placement	11.1	4,329,000	779,220				779,220		779,220
Warrants issued				27,588					
Transactions with owners		5,262,333	785,608	27,588	43,084		828,692	130,161	958,853
Net loss and total comprehensive loss for the period						(371,311)	(371,311)	(79,458)	(450,769)
Balance at September 30, 2012		80,937,137	22,391,897	27,588	1,991,917	(9,832,020)	14,551,795	2,010,832	16,562,626

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
For the three and nine-month periods ended September 30, 2012

(unaudited)
(in Canadian dollars)

	Note	Number	Capital Stock	Warrants	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity
			\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2011		71,594,805	20,142,761		1,771,801	(3,423,341)	18,491,221		18,491,220
Share issued by exercise of stock options		500,000	223,301		(80,301)		143,000		143,000
Share issue expenses			(275)				(275)		(275)
Share-based payments					9,612		9,612		-
Transactions with owners		500,000	142,725		9,612		152,337		142,725
Net loss and total comprehensive loss for the period						(1,440,009)	(1,440,009)		(1,440,009)
Balance at June 30, 2011		72,094,805	20,365,787		1,701,112	(4,863,350)	17,203,548		17,203,548
Share issued by exercise of stock options		1,330,000	589,192		(200,192)		389,000		389,000
Share issue expenses			(813)				(813)		(813)
Share-based payments					5,413		5,413	1,536,100	1,541,513
Shares issued by subsidiaries								1,050,000	1,050,000
Adjustment on shares issued by subsidiaries						297,172	297,172	(297,172)	-
Distribution of non-cash share dividend of subsidiaries						(2,035,716)	(2,035,716)	2,035,716	-
Adjustment on distribution of dividend shares						597,141	597,141	(597,141)	-
Transactions with owners		1,330,000	588,379		(194,779)	(1,141,403)	(747,803)	3,727,503	2,979,700
Net loss and total comprehensive loss for the period						(1,180,692)	(1,180,692)	(696,371)	(1,877,063)
Balance at September 30, 2011		73,424,805	20,954,166		1,506,333	(7,185,445)	15,275,053	3,031,132	18,306,184

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 and nine-month periods ended September 30, 2012

(unaudited)
(in Canadian dollars)

	Three-month period ended		Nine-month period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss before income taxes	(450,769)	(1,877,057)	(1,674,763)	(3,268,077)
Adjustments				
Depreciation of property and equipment	5,517	8,735	16,550	27,246
Write-off of property and equipment		20,676		20,676
Gain on the disposal of exploration and evaluation assets		(367,000)		(367,000)
Share-based payments	162,770	1,541,513	173,645	1,551,125
Write-off of exploration and evaluation assets	8,716		46,429	
Foreign exchange loss				
Gain on disposal of short-term investments	4,400		4,400	(24,156)
Changes in fair value of financial assets at fair value through profit and loss	(5,288)	15,614	238,220	196,157
Changes in working capital items				
Fees and other accounts receivable	(13,546)	36,957	14,275	148,672
Sales taxes recoverable	20,751	(13,609)	41,845	35,267
Prepaid expenses	(39,901)	(44,641)	(4,095)	(67,357)
Accounts payable and accrued liabilities	36,030	(154,028)	(122,805)	(307,534)
Cash flows used in continuing operations	(271,320)	(832,840)	(1,266,299)	(2,054,981)
Cash flows used in discontinued operations			59,664	-
Cash flows from operating activities	(271,320)	(832,840)	(1,206,635)	(2,054,981)
INVESTING ACTIVITIES				
Cash held for exploration activities		201,000		601,000
Acquisition of short-term investments	(357)	(776)	(401,090)	(2,248,617)
Disposal of short-term investments	158,877	130,000	469,490	3,366,120
Tax credit received	67,151		67,151	
Exploration and evaluation assets	(81,807)	(479,634)	(394,121)	(1,295,145)
Purchase of property and equipment		(15,310)	(1,128)	(35,413)
Cash flows used in continuing operations	143,864	(164,720)	(259,698)	387,945
Cash flows used in discontinued operations		-	(12,888)	-
Cash flows from investing activities	143,864	(164,720)	(272,586)	387,945
FINANCING ACTIVITIES				
Issuance of shares by flow-through private placements	779,220		779,220	
Issuance of shares by private placements	140,000	689,000	815,000	832,000
Share issue expenses	(106,023)	(813)	(122,649)	(1,088)
Cash flows from financing activities	813,197	688,187	1,471,571	830,912
Net change in cash	685,741	(309,373)	(7,650)	(836,124)
Cash, beginning of year	801,881	2,232,385	1,495,272	2,759,136
Cash, end of year	1,487,622	1,923,012	1,487,622	1,923,012

Cash transactions:

Dividends received	358	776	1,091	2,617
Interest received	632	6	1,120	11,574
Interest paid	Nil	Nil	17	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)

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 September 30, 2012, the Corporation has a negative deficit of \$9,831,727 (\$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 2012, the Corporation completed three private placements for a total amount of \$2,349,220. See details in Note 11.

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.

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

4. BASIS OF PRESENTATION

These interim financial statements cover the nine month period ended September 30, 2012 and were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 4 - Significant Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2011. The interim of the financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with with the annual financial statements for the year ended December 31, 2011.

5. CASH

There is a balance of \$779,220 on flow-through financing as at September 30, 2012 (none as at September 30, 2011). The Corporation has to dedicate these funds to the exploration of Canadian mining properties exploration.

6. SHORT-TERM INVESTMENTS

	September 30, 2012	September 30, 2011
	CAN\$	CAN\$
Guaranteed investment certificates		
1.2% interest rate, maturing in January 2013	100,000	
Money market investment funds	3,828	120,503
Mutual funds	104,586	103,295
Marketable securities in quoted mining exploration companies	106,501	243,522
Undeposited certificates	Nil	367,000
Short-term investments	<u>314,915</u>	<u>834,320</u>

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

7. 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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount										
Balance at January 1, 2012	1,399	46,284	72,692	60,385	180,760	55,334	27,725	35,087	118,146	298,906
Additions								1,128	1,128	1,128
Disposal group held-for-sale	(1,399)				(1,399)					(1,399)
Balance at September 30, 2012	Nil	46,284	72,692	60,385	179,361	55,334	27,725	36,215	119,274	298,635
Accumulated depreciation and Write-off										
Balance at January 1, 2012	137	22,812	53,055	46,427	122,431	36,113	26,517	8,582	71,212	193,643
Disposal group held-for-sale	(137)				(137)					(137)
Depreciation		5,702	3,480	7,369	16,551	8,243	1,208	8,842	18,293	34,844
Balance at September 30, 2012	Nil	28,514	56,535	53,796	138,845	44,356	27,725	17,424	89,505	228,350
Carrying amount at September 30, 2012	Nil	17,770	16,157	6,589	40,516	10,978	Nil	18,791	29,769	70,285

	Property and equipment					Exploration equipment				
	Automotive equipment	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount										
Balance at January 1, 2011		29,743	52,785	123,458	205,986	55,334	27,725	32,815	115,874	321,860
Additions		15,000	20,892		35,892			2,272	2,272	38,164
Write-off				(63,073)	(63,073)					(63,073)
Balance at September 30, 2011		44,743	73,677	60,385	178,805	55,334	27,725	35,087	118,146	296,951
Accumulated depreciation and impairment										
Balance at January 1, 2011		15,288	50,853	66,469	132,610	26,497	24,100	1,367	51,964	184,574
Impairment				(42,396)	(42,396)					(42,396)
Depreciation		5,623	1,725	19,898	27,246	6,868	1,812	4,386	13,067	40,313
Balance at September 30, 2011		20,911	52,578	43,971	117,460	33,365	25,912	5,753	65,031	182,491
Carrying amount at September 30, 2011		23,832	21,098	16,414	61,345	21,969	1,813	29,334	53,115	114,460

Golden Valley Mines Ltd.**Notes to the interim consolidated financial statements****Unaudited****(in Canadian dollars)****8. EXPLORATION AND EVALUATION ASSETS**

The carrying amount can be analyzed as follows:

	Balance as at January 1, 2012	Additions	Write-off	Balance as at September 30, 2012
	\$	\$	\$	\$
Golden Valley Mines Ltd. Properties				
Acquisition and claims maintenance	4,753,688	29,447		4,783,135
Property option payments	312,500			312,500
Drilling, excavation and related costs	3,238,372	1,314		3,239,686
Technical and field staff	3,740,860	225,202		3,966,062
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	2,369		1,735,504
Program management and consultants	239,376			239,376
Professional Fees	6,978			6,978
Amortization, insurance and office expenses	419,493	31,188		450,681
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	290,466	-	14,716,430
Properties transferred to subsidiaries	(2,453,775)	(10,998)		(2,464,773)
Balance, end of the period	11,972,189	279,468	-	12,251,657
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)				
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)
	-	-	-	-

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance as at January 1, 2012	Additions	Write-off	Balance as at September 30, 2012
	\$	\$	\$	\$
Abitibi Royalties Inc. Properties				
Acquisition and claims maintenance	30,868	150		31,018
Technical and field staff	4,342	2,793		7,135
Program management and consultant	20,386	23,009		43,395
Net expenses incurred during the period	<u>55,596</u>	<u>25,952</u>	-	<u>81,548</u>
Nunavik Nickel Mines Ltd. Properties				
Acquisition and claims maintenance	1,689,450	15,593		1,705,043
Technical and field staff	1,013	1,975		2,988
Program management and consultant	1,326	704		2,030
Airborne Geophysics	273,897	16,407		290,304
Government assistance	(119,730)			(119,730)
Net expenses incurred during the period	<u>1,845,956</u>	<u>34,679</u>	-	<u>1,880,635</u>
Uranium Valley Mines Ltd. Properties				
Acquisition and claims maintenance	1,546,622	18,787		1,565,409
Technical and field staff	1,327	1,080		2,407
Travel and transportation	25,229	16,223		41,452
Program management and consultant	737	271		1,008
Communication	60			60
Net expenses incurred during the period	<u>1,573,975</u>	<u>36,361</u>	-	<u>1,610,336</u>
Summary				
Mining rights	8,258,859	63,977		8,322,836
Exploration and evaluation assets	10,035,753	336,369		10,372,123
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>389,348</u>	-	<u>15,824,177</u>

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance as at January 1, 2011	Additions	Impairment	Balance as at September 30, 2011
	\$	\$	\$	\$
Golden Valley Mines Ltd. Properties				
Acquisition and claims maintenance	4,658,854	73,562		4,732,416
Property option payments	312,500			312,500
Drilling, excavation and related costs	3,129,340	109,032		3,238,372
Technical and field staff	3,237,857	357,397		3,595,254
Airborne Geophysics	671,742	49,936		721,678
Geophysics	2,049,805	189,588		2,239,393
Line cutting	968,819	105,331		1,074,150
Sampling and testing	591,514	94,052		685,566
Travel and transport	1,690,310	33,634		1,723,944
Program management and consultants	214,845			214,845
Professional Fees	6,825	153		6,978
Amortization, insurance and office expenses	373,893	31,845		405,738
Communications	55,434			55,434
Option payments received	(991,561)	(36,943)		(1,028,504)
Write-down of Mineral properties	(2,364,417)			(2,364,417)
Government assistance	(1,287,698)			(1,287,698)
Properties transferred to subsidiaries			(2,511,475)	(2,511,475)
Net expenses incurred during the period	<u>13,318,062</u>	<u>1,007,587</u>	<u>(2,511,475)</u>	<u>11,814,174</u>
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)				
Acquisition and claims maintenance	290,388	(66,740)		223,648
Airborne Geophysics	182,125	75,416		257,541
Travel and transport	181,754	21,026		202,780
Remote Sensing Study	66,356			66,356
Technical and field staff	53,418	428		53,846
Program management and consultants	73,438	10,794		84,232
Sampling and testing	2,695	1,320		4,015
Office expenses	3,590			3,590
Geophysics	1,320			1,320
Communications	620	1,914		2,534
Total	<u>855,704</u>	<u>44,158</u>	<u>-</u>	<u>899,862</u>

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance as at January 1, 2011	Additions	Write-off	Balance as at September 30, 2011
	\$	\$	\$	
Abitibi Royalties Inc. Properties				
Acquisition and claims maintenance	-	30,868		30,868
Technical and field staff		4,208		4,208
Program Management and consultant		379		379
Net expenses incurred during the year	-	35,455		35,455
Nunavik Nickel Mines Ltd. Properties				
Acquisition and claims maintenance	-	1,685,858		1,685,858
Technical and field staff		861		861
Program Management and consultant		867		867
Airborne Geophysics		273,897		273,897
Net expenses incurred during the year	-	1,961,483		1,961,483
Uranium Valley Mines Ltd Properties				
Acquisition and claims maintenance		3,748,965		3,748,965
Technical and field staff		734		734
Net expenses incurred during the year	-	3,749,699		3,749,699
Summary				
Mining rights	4,949,242	5,472,513	(2,511,475)	7,910,280
Exploration	9,224,524	1,325,869		10,550,393
	<u>14,173,766</u>	<u>6,798,382</u>	<u>(2,511,475)</u>	<u>18,460,673</u>

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

The Corporation holds (together with its subsidiaries) 132 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, and (v) James Bay Lowlands of Ontario. During the quarter, 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 see Note 16 herein.

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.

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

West Kirkland Mining Ltd. Options - Island 27 and Plumber Prospects - Matachewan, Kirkland Lake, Ontario

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 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 have been issued to date), 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 governing the grant of the option, a joint venture shall then be formed on each property and the Company will retain a 30% free carried interest in the properties with no further expenditure requirements until the properties achieve commercial production.

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 9,175,008 common shares (issued); (iv) make a \$35,000 cash payment; and (v) reimburse the Company for legal expenses incurred with respect to the grant of the Option. Golden Valley is the operator during the Option phase. Effective November 22, 2012, the Option was terminated and the Corporation retains a 100% interest in the Centremaque Property.

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"). On October 10, 2012, the parties entered in to an amended and restated option agreement. Pursuant to the amended and restated option agreement in order to maintain in force the Option granted to it, Big North must, amongst other things: (i) incur incrementally aggregate exploration expenditures of \$2,000,000 on or before the 3rd anniversary of the Effective date, of which \$250,000 must be incurred on or prior to May 30, 2013, (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 (issued); (iv) make cash payments of \$10,000 in the aggregate (paid); and (v) reimburse Golden Valley for legal expenses incurred with respect to the grant of the Option (paid).

The Corporation is the operator during the Option phase. Upon Big North exercising the Option, the Corporation will retain a 30% free carried interest to production. As of the date hereof the Option is in good standing.

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

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

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

8. EXPLORATION AND EVALUATION ASSETS (continued)***Sirios Resources Ltd. - Shares and Chechoo Joint Venture - James Bay Northern Quebec***

On June 14, 2012, the Corporation granted an option (the "SOI Option") to Sirios Resources Ltd. ("Sirios") to acquire the Corporation's 60% interest in and to the Sharks and Chechoo prospects (the "Properties") located in the James Bay area of Northern Quebec and in which Sirios currently holds a 40% interest. 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 representative of the Corporation in the event that geological tasks are carried out during the Initial Option Period.

In order for Sirios to acquire the Corporation's remaining 55% interest in the Properties, Sirios must (i) on or before June 15, 2013, notify the Corporation in writing of its intent to acquire the 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 the Corporation 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 \$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.

However, Sirios shall have the obligation to pay in cash that portion of the \$500,000 which would result in the Corporation becoming an insider of Sirios. For a period of 3 years from the date of the Option Notice, the Corporation 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. Also, Sirios shall grant to the Corporation a royalty (the "Royalty") equal to 4% of the net returns from all mineral products mined or removed from the Properties; 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 the Corporation. The issuance of the Payment Shares by Sirios shall survive the termination of the Option. As of the date hereof, the Option is in good standing.

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

9. LEASES

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

			Minimum lease
	Within 1 year	1 to 5 years	payments due
	\$	\$	Total
			\$
September 30, 2012	60,412	150,205	210,617
September 30, 2011	62,472	209,059	271,531

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 2012 amount to \$ 47,159 (\$45,205 in 2011). This amount consists of minimum lease payments. No surface payments or contingent rent payments were made or received. The Corporation's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. No sublease income is expected as all assets held under lease agreements are used exclusively by the Corporation.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30,	September 30,
	2012	2011
	\$	\$
Others:		
Trade accounts	54,552	141,200
Wage and salaries payable	48,242	820
Benefits	1,633	21,700
Current charges	10,883	10,552
Other	7,401	17,266
Others	122,711	191,538

11. EQUITY

11.1 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.**Notes to the interim consolidated financial statements****Unaudited***(in Canadian dollars)*

11.1 Capital Stock (continued)**Financings**

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.

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 are, and shares which may be acquired upon the exercise of the share purchase warrants will be, subject to a hold period until January 26, 2013, in accordance with applicable securities legislation.

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

11.1 Capital Stock (continued)

Certain insiders of the Company participated in the private placement, having purchased an aggregate of 333,333 NFT Units and 50,000 FT Units, constituting related party transactions pursuant to TSX Venture Exchange Policy 5.9 and Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The Company relied on Section 5.5(a) of MI 61-101 for an exemption from the formal valuation requirement and Section 5.7(1)(a) of MI 61-101 for an exemption from the minority shareholder approval requirement of MI 61-101 as the fair market value of each of the transactions did not exceed 25% of the Company’s market capitalization.

11.2 Warrants

On January 20, 2012, 1,124,999 warrants were issued at an exercise price of \$0.40. On September 25, 2012, 3,097,833 warrants were issued at an exercise price of \$0.20 and 368,363 agent options were issued at an exercise price of \$0.15. Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	September 30, 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	4,591,195	0.24		
Expired	(3,333,329)	0.75		
Balance, end of reporting period	4,591,195	0.24	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	September 30, 2012		December 31, 2011	
	Number	Exercise price	Number	Exercise price
		\$		\$
June 20, 2012			3,333,329	0.75
July 20, 2013	1,124,999	0.40		
March 25, 2014	3,097,833	0.20		
March 25, 2014	368,363	0.15		
	4,591,195	0.24	3,333,329	0.75

The fair value of the warrants issued as agent options was estimated on the grant date using the Black-Sholes option-pricing model with the following weighted average assumptions:

Share price at date of grant	\$0.17
Expected dividends yield	0%
Expected weighted volatility	74%
Risk-free interest average rate	1.12%
Expected average life	1.5 years

The weighted average fair value of agent options granted is \$0.07 and an expense of \$27,588 is recorded in the share issue expenses.

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

12. EMPLOYEE REMUNERATION

12.1 Salaries and other employee benefits expense

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

	Three-month period ended		Nine-month period ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
	\$	\$	\$	\$
Salaries and group insurance ^{(1) (2)}	189,505	204,974	458,058	578,224
Share-based payments	43,084	1,541,513	53,959	1,551,125
Defined contribution State plans	50,695	21,532	93,575	60,192
	<u>283,284</u>	<u>1,768,019</u>	<u>605,592</u>	<u>2,189,541</u>
Less: salaries capitalized in exploration and evaluation assets	<u>(49,511)</u>	<u>(68,172)</u>	<u>(133,395)</u>	<u>(177,641)</u>
Salaries and other employee benefits expense	<u>233,773</u>	<u>1,699,847</u>	<u>472,197</u>	<u>2,011,900</u>

⁽¹⁾ An amount of \$75,000 has been accrued as an amount due to related parties. This amount represents director's fees which have been deferred and not yet paid.

⁽²⁾ A director fee of \$15,000 was accrued by Abitibi Royalties, and paid in October 2012, 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.

12.2 Share-based payments

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

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

Golden Valley Mines Ltd.
Notes to the interim consolidated financial statements
Unaudited
(in Canadian dollars)
12.2 Share-based payments (continued)

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

	September 30, 2012		December 31, 2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price CAN\$
Outstanding as at January 1	6,820,000	0.33	6,135,000	0.33
Granted	815,000	0.15	2,850,000	0.35
Exercised			(1,830,000)	0.30
Forfeited			(110,000)	0.34
Cancelled	(100,000)	0.35		
Expired	(550,000)	0.30	(225,000)	0.30
Balance, end of reporting period	6,985,000	0.33	6,820,000	0.35

The table below summarizes the information related to share options as at September 30, 2012:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number of options
February 7, 2013	795,000	0.35	0.36	795,000
June 27, 2013	425,000	0.36	0.74	425,000
December 22, 2013	575,000	0.20	1.23	575,000
June 22, 2014	300,000	0.30	1.73	300,000
August 6, 2014	310,000	0.30	1.85	310,000
December 22, 2015	1,015,000	0.50	3.23	1,015,000
October 5, 2016	2,750,000	0.35	4.02	2,687,500
July 23, 2017	815,000	0.15	4.81	765,000
	6,985,000	0.33		6,872,500

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

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	0.85	550,000
February 7, 2013	795,000	0.35	1.36	795,000
June 27, 2013	425,000	0.36	1.74	425,000
December 22, 2013	575,000	0.20	2.23	575,000
June 22, 2014	300,000	0.30	2.73	300,000
August 6, 2014	310,000	0.30	2.85	310,000
Decembre 22, 2015	1,015,000	0.50	4.23	990,000
	3,970,000	0.35		3,945,000

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

Unaudited

(in Canadian dollars)

12.2 Share-based payments (continued)

On July 23, 2012, the Corporation 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 Corporation, one of which provides investor relations services, vest as to 12,500 options (in the aggregate) on a quarterly basis.

The weighted fair value of the granted options of \$0.05 was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Share price at date of grant	\$0.11
Expected dividends yield	0%
Expected weighted volatility	65%
Risk-free interest average rate	1.12%
Expected average life	5 years
Exercise price at date of grant	\$0.15

The underlying expected volatility was determined by reference to historical data of the Corporation's shares over a period of time 60 months. No special features inherent to the options granted were incorporated into measurement of fair value.

On July 25, 2012, Nunavik Nickel Mines Ltd granted an aggregate 875,000 incentive stock options with an exercise price of \$0.20 per share to its directors, officers, and consultants, some of which are also directors and/or officers of the Corporation. The options are fully vested and expire 5 years from the date of grant. The fair value of the stock options granted of \$ 130,160 has been estimated on July 25, 2012, using the Black-Scholes option-pricing model with the following assumptions:

Share price at date of grant	\$0.20
Expected dividends yield	0%
Expected weighted volatility ⁽¹⁾	100%
Risk-free interest average rate (based on 5 years Canada Bonds)	1.12%
Expected average life	5 years
Exercise price at date of grant	\$0.20

⁽¹⁾ In reason of the limited trading history of the Company's common shares, the expected volatility has been set to 100%

On September 29, 2011, Abitibi Royalties granted an aggregate 860,000 incentive stock options with an exercise price of \$2.50 per share to its directors, officers and consultants, some of which are also directors and/or officers of the Corporation. The options are fully vested and will expire 5 years from the date of issue. The fair value of the stock options granted of \$1,536,100 has been estimated on September 29, 2011, using the Black-Scholes option-pricing model.

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

13. FINANCE INCOME AND COSTS

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

	Three-month period ended		Nine-month period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	\$	\$	\$	\$
Interest and dividend income from cash and short-term investments	990	782	2,211	14,191
Bank fees	(900)	(4,665)	(3,257)	(8,773)
	<u>90</u>	<u>(3,883)</u>	<u>(1,046)</u>	<u>5,418</u>

14. 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 Note 11.

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 2012 and 2011.

	Three-month period ended		Nine month period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	\$	\$	\$	\$
Net loss attributable to shareholders of Golden Valley Mines Ltd	(371,018)	(1,319,528)	(1,543,683)	(2,750,537)
Weighted average number of shares in circulation	73,713,944	72,923,935	75,614,590	63,936,138
Basic and diluted loss per share	(0.005)	(0.018)	(0.020)	(0.013)

15. 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.

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

15.1 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.

	Three-month period ended		Nine-month period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses ^{(1) (2)}	116,172	86,836	269,928	282,026
Benefits	6,023	15,490	21,690	51,250
Total short-term employee benefits	122,195	102,326	291,618	333,276
Other transaction with key management				
Rent			5,000	
Management Fees	5,625	9,333	29,375	26,375
Professional fees		4,777	15,000	33,620
Expenses capitalized in exploration and evaluation assets	24,638	45,944	92,280	138,600
Total other transactions with consultants	30,263	60,054	141,655	198,595
Share-based payments	30,636		30,636	
Total remuneration	183,094	162,380	463,909	531,871

⁽¹⁾ An amount of \$75,000 has been accrued as an amount due to related parties. This amount represents director's fees which have been deferred and not yet paid.

⁽²⁾ A director fee of \$15,000 was accrued by Abitibi Royalties, and paid in October 2012, to remunerate Mr. Chad Williams for carrying out his duties as chair or the Technical Committee of the Board of Directors of Abitibi Royalties. Mr. Williams is also a director of Golden Valley Mines.

16. DISPOSAL GROUP HELD FOR SALE

Calone Properties - Sierra Leone, West Africa

During the quarter ended June 30, 2012, the Company's wholly-owned Canadian subsidiary, Calone Mining Ltd. ("**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 Mining Company (S.L.) Ltd. ("**Calone SL**").

As consideration for entering into the SPA, K&K is to fund 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 licences (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 as part of Calone SL's Corporate and Social Responsibility activities in Sierra Leone. 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.

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

16. DISPOSAL GROUP HELD FOR SALE (continued)

Following this announcement the investment in Calone SL, (capital stock of \$3,030 and advances of \$1,365,025) less the net cash expected to be repatriated by the Company (\$121,212), 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 \$168,000 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.

17. SUBSEQUENT EVENTS**Financing**

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.

Shares acquired by the placees are, and shares which may be acquired upon the exercise of the share purchase warrants will be, subject to a hold period until March 9, 2013, in accordance with applicable securities legislation.