



Golden Valley Mines Ltd.

Consolidated Interim Financial Statements, as at June 30, 2013 (Unaudited)

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 Statement of Financial Position
As at June 30, 2013
(Unaudited)
(in Canadian dollars)

	Notes	June 30, 2013 \$	December 31, 2012 \$
ASSETS			
Current			
Cash	5	361,750	1,446,989
Short-term financial assets	6	755,134	811,538
Fees and other accounts receivable		20,570	16,181
Sales taxes recoverable		98,065	46,161
Tax credits receivable		152,409	221,959
Prepaid expenses		21,835	44,691
		<u>1,409,763</u>	<u>2,587,519</u>
Non-current			
Property and equipment	7	40,649	58,979
Exploration and evaluation assets	8	13,596,669	13,022,994
		<u>13,637,318</u>	<u>13,081,973</u>
Total assets		<u><u>15,047,081</u></u>	<u><u>15,669,492</u></u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities			
Related parties controlled by directors	15.1	21,452	11,785
Others	10	358,911	278,917
Other Liabilities		19,921	19,921
		<u>400,284</u>	<u>310,623</u>
Non-Current			
Deferred income taxes		712,555	712,555
Total liabilities		<u><u>1,112,839</u></u>	<u><u>1,023,178</u></u>
EQUITY			
Capital stock	11.1	22,743,842	22,743,842
Warrants	11.2	402,781	402,781
Contributed surplus		2,045,825	2,044,115
Deficit		(12,180,071)	(11,551,543)
Total equity attributable to owners of the parent company		<u>13,012,377</u>	<u>13,639,195</u>
Non-Controlling interest		921,865	1,007,119
Total equity		<u>13,934,242</u>	<u>14,646,314</u>
Total liabilities and equity		<u><u>15,047,081</u></u>	<u><u>15,669,492</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 August 29, 2013.

"Glenn J. Mullan"
Director

"Blair F. Morton"
Director

Golden Valley Mines Ltd.
Consolidated Statement of Comprehensive Loss
For the three and six-month period ended June 30, 2013

(unaudited)
(in Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		\$	\$	\$	\$
Revenues					
Geological fees		2,023	360	2,023	830
Operating Expenses					
Salaries and other employee benefits	12.1	147,278	80,705	259,950	238,423
Office expenses		38,673	55,971	80,216	108,333
Management fees		8,250	7,375	21,138	23,750
Professional and legal fees		195,245	201,565	345,868	400,892
Advertising and exhibitions		8,568	27,149	33,273	84,712
Travelling		20,606	15,892	41,875	65,634
Exploration and evaluation expenditures		17,527		25,786	
Write-off of exploration and evaluation assets		(148)	11,837		37,713
Write-off of property and equipment					
Part XII.6 and other taxes		41	2,504	3,049	6,755
Depreciation of property and equipment	7	1,935	5,516	6,940	11,033
Foreign exchange loss					
Gain on the disposal of exploration and evaluation assets		(208,159)		(208,159)	
Loss (gain) on short-term financial assets disposal		754	2,935	754	2,935
		<u>(230,570)</u>	<u>(411,449)</u>	<u>(610,690)</u>	<u>(980,180)</u>
Operating loss		<u>(228,547)</u>	<u>(411,089)</u>	<u>(608,667)</u>	<u>(979,350)</u>
Finance income	13	2,010	(510)	5,461	(1,136)
Change in fair value of financial assets at fair value through profit or loss		(105,972)	(186,907)	(110,576)	(243,508)
		<u>(103,962)</u>	<u>(187,417)</u>	<u>(105,115)</u>	<u>(244,644)</u>
Loss before income taxes		<u>(332,509)</u>	<u>(598,506)</u>	<u>(713,782)</u>	<u>(1,223,994)</u>
Deferred income taxes					
Net loss on measurement to fair value less costs to sell investment in Calone Mining Company (SL) Ltd			(39,329)		(82,946)
Net loss and total comprehensive loss for the year		<u>(332,509)</u>	<u>(637,835)</u>	<u>(713,782)</u>	<u>(1,306,940)</u>
Net loss and total comprehensive loss attributable to:					
Shareholders of Golden Valley Mines		(281,884)	(575,952)	(628,528)	(1,172,305)
Non-controlling interest		(50,625)	(61,883)	(85,254)	(134,635)
		<u>(332,509)</u>	<u>(637,835)</u>	<u>(713,782)</u>	<u>(1,306,940)</u>
Loss per share attributable to Golden Valley Mines shareholders					
Basic and diluted loss per share	14	(0.003)	(0.008)	(0.007)	(0.016)

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 six-month period ended June 30, 2013
(unaudited)
(in Canadian dollars)

	Note	Capital Stock	Warrants	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity	
	Number	\$	\$	\$	\$	\$	\$	\$	
Balance at January 1, 2013		85,859,356	22,743,842	402,781	2,044,115	(11,551,543)	13,639,195	1,007,119	14,646,314
Share-based payments	12.2			1,108		1,108			1,108
Transactions with owners				1,108		1,108			1,108
Net loss and total comprehensive loss for the period					(346,644)	(346,644)	(34,629)		(381,273)
Balance at March 31, 2013		85,859,356	22,743,842	402,781	2,045,223	(11,898,187)	13,293,659	972,490	14,266,149
Share-based payments	12.2			602		602			602
Transactions with owners				602		602			602
Net loss and total comprehensive loss for the year					(281,884)	(281,884)	(50,625)		(332,509)
Balance at June 30, 2013		85,859,356	22,743,842	402,781	2,045,825	(12,180,071)	13,012,377	921,865	13,934,242
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			(16,626)			(16,626)			(16,626)
Share-based payments	12.2			4,229		4,229			4,229
Units issued by private placements	11.1	2,249,999	675,000			675,000			675,000
Compensation warrants issued									
Transactions with owners		2,249,999	658,375		4,229	662,603			662,603
Net loss and total comprehensive loss for the period					(607,222)	(607,222)	(61,883)		(669,105)
Balance at March 31, 2012		75,674,804	21,606,289		1,942,187	(8,895,626)	14,652,851	2,032,881	16,685,731
Share-based payments	12.2			6,646		6,646			6,646
Transactions with owners				6,646		6,646			6,646
Net loss and total comprehensive loss for the period					(565,083)	(565,083)	(72,752)		(637,835)
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

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 six-month period ended June 30, 2013

(unaudited)
(in Canadian dollars)

	Three-month period ended		Six-month period ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss before income taxes:	(332,509)	(598,506)	(713,782)	(1,223,994)
Adjustments				
Depreciation of property and equipment	1,935	5,516	6,940	11,033
Write-off of property and equipment				
Gain on the disposal of exploration and evaluation asset	(208,159)		(208,159)	
Share-based payments	602	6,646	1,710	10,875
Write-off of exploration and evaluation asset	(148)	11,837		37,713
Loss (gain) on disposal of short-term financial asset	754		754	
Changes in fair value of financial assets at fair value through profit or loss	105,972	186,907	110,576	243,508
Changes in working capital items:				
Fees and other accounts receivable	(12,386)	1,522	(4,389)	27,821
Sales taxes recoverable	(34,947)	4,348	(51,904)	21,094
Prepaid expenses	8,610	6,229	22,856	35,806
Accounts payable and accrued liabilities:	89,661	(87,706)	89,661	(158,835)
Cash flows used in continuing operation:	(380,615)	(463,207)	(745,737)	(994,979)
Cash flows used in discontinuing operation	-	70,947		59,664
Cash flows from operating activities:	(380,615)	(392,260)	(745,737)	(935,315)
INVESTING ACTIVITIES				
Acquisition of short-term financial asset:	(362)	(331)	(1,200,571)	(400,732)
Disposal of short-term financial asset:	703,805	110,612	1,353,805	310,612
Tax credits received	1,486		69,550	
Additions to exploration and evaluation asset	(308,223)	(116,960)	(562,286)	(312,314)
Purchase of property and equipment:				(1,128)
Cash flows used in continuing operation:	396,706	(6,678)	(339,502)	(403,562)
Cash flows used in discontinuing operation				(12,888)
Cash flows from investing activities:	396,706	(6,678)	(339,502)	(416,450)
FINANCING ACTIVITIES				
Issuance of units by private placement:				675,000
Share issue expenses				(16,626)
Cash flows from financing activities:				658,374
Net change in cash	16,092	(398,938)	(1,085,239)	(693,391)
Cash, beginning of year:	345,658	1,200,819	1,446,989	1,495,272
Cash, end of year	361,750	801,881	361,750	801,881

Cash transactions:

Dividends received	361	119	571	733
Interest received	2,062	276	4,890	488
Interest paid	1	17	12	17

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

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

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013**(in Canadian dollars)

1. NATURE OF OPERATIONS

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

2. GOING CONCERN ASSUMPTION AND COMPLIANCE WITH IFRS

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 June 30, 2013, the Corporation has a cumulated deficit of \$12,180,071 (\$11,551,543 as at December 31, 2012). 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.

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

3. GENERAL INFORMATION

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

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

For the three and six-month period ended June 30, 2013

(in Canadian dollars)

4. BASIS OF PRESENTATION

These interim financial statements cover the six month period ended June 30, 2013 and were prepared in accordance with International Financing 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, 2012. The interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual financial statements for the year ended December 31, 2012.

5. CASH

The balance on flow-through financings not spent according to the restrictions imposed by these financing arrangements represents \$375,000 (Nil as at June 30, 2012). The Corporation has to dedicate these funds to the exploration of Canadian mining properties exploration.

6. SHORT-TERM FINANCIAL ASSETS

	June 30, 2013	June 30, 2012
	\$	\$
Guaranteed investment certificates		
•1.2% interest rate, maturing in January 2013		200,000
•1.0% interest rate, maturing in January 2014	450,000	
Money market investment fund	3,853	3,820
Mutual funds	105,567	104,237
Marketable securities in quoted mining exploration companies	118,618	164,491
Undeposited certificates	77,096	
Short-term financial assets	<u>755,134</u>	<u>472,548</u>

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013**

(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, 2013		46,284	72,693	60,385	179,362	55,334	27,725	36,215	119,274	298,636
Additions										
Balance at June 30, 2013		46,284	72,693	60,385	179,362	55,334	27,725	36,215	119,274	298,636
Accumulated depreciation										
Balance at January 1, 2013		30,451	57,751	56,252	144,454	47,104	27,725	20,372	95,201	239,655
Depreciation		2,015	2,432	2,493	6,940	5,496		5,896	11,392	18,332
Balance at June 30, 2013		32,466	60,183	58,745	151,394	52,600	27,725	26,268	106,593	257,987
Carrying amount at June 30, 2013		13,818	12,510	1,640	27,968	2,734		9,947	12,681	40,649

	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	46,283	72,693	60,385	180,760	55,334	27,725	35,087	118,146	298,906
Additions								1,128	1,128	1,128
Disposal of a subsidiary	(1,399)				(1,399)					(1,399)
Balance at June 30, 2012		46,283	72,693	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	22,811	53,055	46,427	122,430	36,113	26,517	8,582	71,212	193,642
Disposal of a subsidiary	(137)				(137)					(137)
Depreciation		3,801	2,319	4,913	11,033	5,497	1,209	5,895	12,601	23,634
Balance at June 30, 2012	Nil	26,612	55,374	51,340	133,326	41,610	27,726	14,477	83,813	217,139
Carrying amount at June 30, 2012	Nil	19,671	17,319	9,045	46,035	13,724	Nil	21,738	35,461	81,496

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013****(unaudited)**

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

The carrying amount can be analyzed as follows:

	Balance at January 1, 2013	Additions	Tax credits	Write-off	Balance at June 30, 2013
	\$	\$	\$	\$	\$
Golden Valley Mines Ltd. Properties					
Acquisition and claims maintenance	4,797,667	54,390			4,852,057
Property option payments	312,500				312,500
Drilling, excavation and related costs	3,244,395	182,696			3,427,091
Technical and field staff	4,030,568	200,541			4,231,109
Airborne geophysics	671,742				671,742
Geophysics	2,268,422	1,600			2,270,022
Line cutting	1,097,836	1,240			1,099,076
Sampling and testing	710,017	35,841			745,858
Travel and transport	1,736,342	19,127			1,755,469
Program management and consultants	239,376				239,376
Professional Fees	6,978				6,978
Depreciation, insurance and office expenses	463,986	23,809			487,795
Communications	55,434	690			56,124
Option payments received	(1,068,104)				(1,068,104)
Write-off of exploration and evaluation assets	(3,856,597)				(3,856,597)
Government assistance	(1,447,228)				(1,447,228)
Net expenses incurred during the period	13,263,334	519,934			13,783,268
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)				(2,464,773)
Balance, end of the period	<u>10,798,561</u>	<u>519,934</u>	<u>-</u>	<u>-</u>	<u>11,318,495</u>

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013****(unaudited)**

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1, 2013	Additions	Tax credits	Write-off	Balance at June 30 2013
	\$	\$	\$	\$	\$
Abitibi Royalties Inc. Properties					
Acquisition and claims maintenance	31,018	554			31,572
Technical and field staff	7,232	644			7,876
Program management and consultants	71,862	42,413			114,275
Net expenses incurred during the period	<u>110,112</u>	<u>43,611</u>	<u>-</u>	<u>-</u>	<u>153,723</u>
Nunavik Nickel Mines Ltd. Properties					
Acquisition and claims maintenance	1,739,181	9,308			1,748,489
Technical and field staff	3,062	655			3,717
Program management and consultants	2,031	167			2,198
Airborne geophysics	290,304				290,304
Government assistance	(128,092)				(128,092)
Net expenses incurred during the period	<u>1,906,486</u>	<u>10,130</u>	<u>-</u>	<u>-</u>	<u>1,916,616</u>
Uranium Valley Mines Ltd. Properties					
Acquisition and claims maintenance	1,567,349				1,567,349
Technical and field staff	2,568				2,568
Travel and transport	41,452				41,452
Program management and consultants	1,007				1,007
Communication	60				60
Government assistance	(654)				(654)
Write-off of exploration and evaluation assets	(1,403,948)				(1,403,948)
Net expenses incurred during the period	<u>207,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,834</u>
Summary					
Mining rights	8,373,446	64,252			8,437,698
Exploration and evaluation assets	7,520,330	509,423			8,029,753
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)				(2,464,773)
Disposal of a subsidiary	(406,009)				(406,009)
	<u>13,022,994</u>	<u>573,675</u>	<u>-</u>	<u>-</u>	<u>13,596,669</u>

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013****(unaudited)**

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1, 2012	Additions	Tax credits	Write-off	Balance at June 30 2012
	\$	\$	\$	\$	\$
Golden Valley Mines Ltd. Properties					
Acquisition and claims maintenance	4,753,688	21,044			4,774,732
Property option payments	312,500				312,500
Drilling, excavation and related costs	3,238,372	162			3,238,534
Technical and field staff	3,740,860	155,621			3,896,481
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	2,019			1,735,154
Program management and consultants	239,376				239,376
Professional Fees	6,978				6,978
Depreciation, insurance and office expenses	419,493	25,097			444,590
Communications	55,434				55,434
Option payments received	(1,068,104)				(1,068,104)
Write-off of exploration and evaluation assets	(2,379,275)				(2,379,275)
Government assistance	(1,363,809)				(1,363,809)
Net expenses incurred during the period	14,425,964	204,889			14,630,853
Exploration and evaluation assets transferred to subsidiaries	(2,453,775)	(10,998)			(2,464,773)
Balance, end of the period	<u>11,972,189</u>	<u>193,891</u>			<u>12,166,080</u>

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013****(unaudited)**

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1, 2012	Additions	Tax credits	Write-off	Balance at June 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 consultants	20,386	23,009			43,395
Net expenses incurred during the period	<u>55,596</u>	<u>25,952</u>	<u>-</u>	<u>-</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 consultants	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>-</u>	<u>-</u>	<u>1,880,635</u>
Uranium Valley Mines Ltd. Properties					
Acquisition and claims maintenance	1,546,622	15,221			1,561,843
Technical and field staff	1,327	962			2,289
Travel and transport	25,229	16,223			41,452
Program management and consultants	737	271			1,008
Communication	60				60
Net expenses incurred during the period	<u>1,573,975</u>	<u>32,677</u>	<u>-</u>	<u>-</u>	<u>1,606,652</u>

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013****(unaudited)**

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1, 2012	Additions	Tax credits	Write-off	Balance at June 30 2012
	\$	\$	\$	\$	\$
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)
	<u>15,840,837</u>	<u>300,087</u>			<u>15,734,916</u>
Summary					
Mining rights	8,258,859	52,008			8,310,867
Exploration and evaluation assets	10,035,753	259,077			10,294,831
Exploration and evaluation assets transferred to subsidiaries	(2,453,775)	(10,998)			(2,464,773)
Disposal group held-for-sale					(406,009)
	<u>15,840,837</u>	<u>300,087</u>			<u>15,734,916</u>

All impairment charges are included within Write-off of exploration and evaluation assets. During the year and the previous year, some mining claims and exploration and evaluation assets were written off for the following reasons: abandoned mining claims, negative results obtained after exploration surveys and/or absence of exploration fees over the past three years. Despite its belief in the ore potential of its claims, Uranium Valley, in regard of the moratorium imposed by the Quebec Government on the issuance of exploration and exploitation permits for uranium in the province of Quebec, made the decision to write-off its Otish/Mistassini Prospect.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013***(in Canadian dollars)*

8. EXPLORATION AND EVALUATION ASSETS (continued)

The Corporation holds (together with its subsidiaries) 120 exploration and evaluation properties located in: (i) the Abitibi Greenstone Belt; (ii) the James Bay, Mistassini and Otish regions of northern Quebec; (iii) the Nunavik (Ungava and Labrador) region of northern Quebec; (iv) the Athabasca Basin of Saskatchewan, and (v) James Bay Lowlands of Ontario.

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

On February 21, 2005, the Corporation was granted an option by 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. On January 11, 2012, the Corporation 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, the Corporation and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley Mines/7.5% Integra) in those properties.

The agreement governing the GZZ-I Option was amended and restated by the parties on January 10, 2013. As of the date hereof, the GZZ-I Option and the agreement continue to be in good standing as does the GZZ-I JV. 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, Quebec and Ontario paragraph herein.

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

On October 7, 2010 (the "Effective Date"), the Corporation granted an option (the "Cambrian Option") to Cambrian Corp. ("Cambrian"), a private company, to acquire up to a 70% interest in the Broker's Fee prospect. On April 2, 2013, the parties entered into a third amended and restated mining option agreement with respect to the Cambrian Option. Pursuant to this third further amended and restated agreement, in order to maintain in force the Cambrian Option, Cambrian must incur aggregate exploration expenditures of \$6,000,000 over a six year period, of which \$200,000 must be spent on or before October 7, 2013, issue an aggregate 600,000 common shares (issued), and deliver a definitive feasibility study on the property on or before the 6th anniversary of the Effective Date. Upon the Cambrian Option vesting, the Corporation will retain a 30% free and carried interest to production. As of the date hereof, the agreement and the Cambrian Option are in good standing.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013***(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 2010, West Kirkland Mining Ltd. ("WKM") was granted an option (the "WKM Option") to acquire a 70% interest in each of the Island 27 Prospect (subject to a 2% NSR in favour 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 of the obligations under the agreements, a joint venture shall then be formed on each property and the Corporation will retain a 30% free carried interest in the properties with no further expenditure requirements until the properties achieve commercial production.

As of the date hereof, the agreements and the WKM Option have been terminated; as a result and subject to a 2% NSR in favour of the original vendor, the Corporation retains a 100% interest in each of the Island 27 and the Plumber Prospects.

Luciana Prospect - Big North Graphite Corp. (formerly Big North Capital Inc.) - Lebel-sur Quévillon, Quebec

On August 30, 2011 (the "Effective Date"), the Corporation granted an option (the "Big North Option") to Big North Graphite Corp. ("Big North"), to acquire a 70% interest in the Luciana prospect (the "Big North Option"). On October 10, 2012, the parties entered in to an amended and restated option agreement in respect of the Big North Option. Pursuant to this agreement, in order to maintain in force the Big North Option, 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 (issued); (iv) make cash payments of \$10,000 in the aggregate (paid); and (iv) 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 agreement and the Big North Option have been terminated resulting in the Corporation retaining a 100% interest in the Luciana Prospect.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013***(in Canadian dollars)*

8. EXPLORATION AND EVALUATION ASSETS (continued)***GZZ Properties - Golden Cariboo Resources Ltd. – Abitibi Greenstone Belt, Quebec and Ontario***

On January 11, 2012, the Corporation granted an option to 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 Quebec 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 Corporation), the Corporation and Integra granted an option to GCC to acquire a 70% interest in certain properties located in the Abitibi Greenstone Belt of northwestern Quebec (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 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. On January 10, 2013, the Corporation, Integra and GCC entered into an amended and restated agreement in respect of the Option. In order to maintain in force and 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") (issued), 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 6 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). As of the date hereof, the agreement and the Option are in good standing.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013***(in Canadian dollars)*

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

On June 14, 2012, the Corporation granted an option (the "SOI Option") to Sirios to acquire the Corporation's 60% interest in and to the Sharks and Cheechoo prospects (the "Properties") located in the James Bay area of Northern Quebec. In order for Sirios to acquire 5% of Golden Valley's 60% interest in the Properties, Sirios had to on or before December 31, 2012 (the "Initial Option Period") incur aggregate exploration expenditures on the Properties of \$800,000 (the "Initial Expenditures"). Additionally, Sirios has undertaken to retain and pay for the geological services of at least 1 representative of the Corporation in the event that geological tasks are carried out during the Initial Option Period. As of the date hereof, Sirios has vested in an additional 5% interest in the Properties, thus retaining an aggregate 45% interest in the Properties.

Pursuant to the terms of the SOI Option, Sirios has notified the Corporation of its intent to acquire the Corporation's remaining 55% interest in the Properties (the "Option Notice"). So as to vest in the balance of the Corporation's 55% interest in the Properties, Sirios must (i) within 3 years from the date of the Option Notice (the "Subsequent Option Period"), incur additional exploration expenditures on the Properties of approximately \$4.2 million (the "Subsequent Expenditures"); (ii) 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 (iii) 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. Golden Valley retains a royalty for gold varying between 2.5% and 4% depending on the market price of gold at the time of payment, as well as royalty equal to 4% of the net returns from all other mineral products mined or removed from the Properties.

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, Sirios has incurred the Initial Expenditures and has acquired an addition 5% interest in the Properties, resulting in the Corporation retaining a 55% interest therein. As of the date hereof, the Sirios Option is in good standing.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013***(in Canadian dollars)*

8. EXPLORATION AND EVALUATION ASSETS (continued)***James Bay Properties- Canadian Royalties Inc.- James Bay, Quebec.***

Subject to a 1.5% NSR on the Stake Claims (as hereinafter defined), on September 30, 2005, the Corporation was assigned all of the interest held by Canadian Royalties Inc. ("CRI") in 645 mining claims located in the James Bay area of Quebec of which 374 were acquired directly by staking (the "Staked Claims") and 271 claims were under option to CRI from Sirios (the "Sharks Claims"). As consideration for this transaction, the Corporation transferred to CRI the common shares it held in Sirios, issued 1,500,000 share purchase warrants, and reimbursed CRI in full for previously incurred costs on the property. The Corporation could acquire up to an 80% interest in the Optioned Claims provided that, amongst other things, it incur an aggregate \$1,000,000 in exploration expenditures over a four year period and deliver a bankable feasibility study. The Corporation provided notice to Sirios of its intent to vest as to a 60% interest in the Sharks Claims and a joint venture agreement was entered into by the parties on March 31, 2009. As of the date hereof, the Corporation has granted Sirios an option to acquire the Corporation's 60% interest in the Sharks porperty.

For additional details in respect of this transaction, please refer to the section entitled Sirios Resources Ltd. - Sharks and Chechoo Joint Venture - James Bay Northern Quebec above. CRI retains a 1.5% NSR on the StakedClaims.

Malartic CHL Prospect - Malartic, Quebec

Abitibi Royalties acquired a 100% interest in the Malartic CHL Prospect (the "Malartic CHL Property") located near Malartic, Quebec from the Corporation. The Malartic CHL Property was subject to an option agreement in favour of Osisko pursuant to which Osisko can earn a 70% interest in the Malartic CHL Property by making expenditures of \$2,000,000 (the "Malartic CHL Property Option"). Osisko has provided notice to Abitibi Royalties of its intent to exercise the Malartic CHL Property Option, as a result of which Abitibi Royalties and Osisko are deemed to have entered into a joint venture agreement on the Malartic CHL Property. Abitibi Royalties retains a 30% free carried interest in the Malartic CHL Property with no further expenditure requirements until the property achieves commercial production.

Abitibi Royalties also acquired from the Corporation a 2% net smelter royalty interest in one mining claim held by Osisko and located in the township of Fournière, Registration Division of Abitibi, Province of Quebec.

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9. LEASES

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

	Within 1 year	1 to 5 years	Minimum lease payments due Total
	\$	\$	\$
June 30, 2013	54,995	114,573	169,567
June 30, 2012	53,013	163,458	216,472

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

The Corporation leased one vehicle under a lease which expired in June 2013.

Lease payments recognized as an expense during 2013 amount to \$31,608 (\$31,439 in 2012). This amount consists of minimum lease payments. No surface payments or contingent rent payments were made or received. The Corporation's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. No sublease income is expected as all assets held under lease agreements are used exclusively by the Corporation.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2013	June 30, 2012
	\$	\$
Others		
Trade accounts	114,281	110,093
Wage and salaries payable	243,954	37,457
Benefits	676	815
Other		9,867
	<u>358,911</u>	<u>158,232</u>

Golden Valley Mines Ltd.
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11. EQUITY

11.1 Capital Stock

The Capital Stock of the Corporation consists of fully paid common 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 the Corporation.

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

11.2 Warrants

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

	June 30, 2013		December 31, 2012	
	Number	Weighted	Number	Weighted
	of warrants	average	of warrants	average
		exercise price		exercise price
		\$		\$
Balance, beginning of reporting period	9,426,191	0.22	3,333,329	0.75
Granted			9,426,191	0.22
Expired			(3,333,329)	0.75
Balance, end of reporting period	<u>9,426,191</u>	<u>0.22</u>	<u>9,426,191</u>	<u>0.22</u>

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

	June 30, 2013		December 31, 2012	
<u>Expiry date</u>	Number	Exercise price	Number	Exercise price
		\$		\$
July 20, 2013	1,124,999	0.40	1,124,999	0.40
March 25, 2014	3,097,833	0.20	3,097,833	0.20
March 25, 2014	368,363	0.15	368,363	0.15
November 8, 2014	4,644,441	0.20	4,644,441	0.20
November 8, 2014	190,555	0.15	190,555	0.15
	<u>9,426,191</u>	<u>0.22</u>	<u>9,426,191</u>	<u>0.22</u>

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013***(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		Six-month period ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	\$	\$	\$	\$
Salaries and group insurance	187,205	103,008	334,423	268,553
Share-based payments	602	6,646	1,710	10,875
Defined contribution State plans	19,984	12,723	34,954	42,879
	<u>207,791</u>	<u>122,377</u>	<u>371,087</u>	<u>322,307</u>
Less: salaries capitalized in exploration and evaluation assets	<u>(60,513)</u>	<u>(41,672)</u>	<u>(111,137)</u>	<u>(83,884)</u>
Salaries and other employee benefits expense	<u>147,278</u>	<u>80,705</u>	<u>259,950</u>	<u>238,423</u>

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.

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
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12.2 Share-based payments (continued)

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:

	June 30, 2013		December 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding as at January 1	6,985,000	0.33	6,820,000	0.35
Granted			815,000	0.15
Cancelled	(720,000)	0.34	(100,000)	0.35
Expired	(1,420,000)	0.35	(550,000)	0.30
Outstanding as at June 30	<u>4,845,000</u>	<u>0.33</u>	<u>6,985,000</u>	<u>0.33</u>
Exercisable as at January 1 and June 30	<u>4,838,750</u>	<u>0.33</u>	<u>6,945,000</u>	<u>0.33</u>

The table below summarizes the information related to share options as at June 30, 2013:

Expiry date	Outstanding options			exercisable options
	Number of options	Weighted average exercise price	average remaining contractual life (years)	Number of options
		\$		
December 22, 2013	525,000	0.20	0.48	525,000
August 6, 2014	310,000	0.30	1.10	310,000
December 22, 2015	865,000	0.50	2.48	865,000
October 5, 2016	2,400,000	0.35	3.27	2,400,000
July 23, 2017	745,000	0.15	4.07	738,750
	<u>4,845,000</u>	<u>0.33</u>		<u>4,838,750</u>

On August 1, 2013, the Corporation granted an aggregate 3,275,000 incentive stock options with an exercise price of \$0.10 to its directors, officers, employees and consultants. The options are exercisable for a period of 5 years from the date of grant. 3,075,000 options are exercisable immediately, and 200,000 options (in the aggregate) granted to three consultants of the Corporation, vest as to 50,000 options (in the aggregate) on a quarterly basis.

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13. FINANCE INCOME

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

	Three-month period ended		Six-month period ended	
	June 30	June 30	June 30	June 30
	2013	2012	2013	2012
	\$	\$	\$	\$
Interest and dividend income from cash and short-term financial assets	2,010	(510)	5,461	(1,136)

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential common 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 2013 and 2012.

	Three-month period ended		Six-month period ended	
	June 30	June 30	June 30	June 30
	2013	2012	2013	2012
	\$	\$	\$	\$
Net loss attributable to shareholders of Golden Valley Mines Ltd.	(281,884)	(575,952)	(628,528)	(1,172,305)
Weighted average number of shares in circulation	85,859,356	75,438,616	85,859,356	75,438,616
Basic and diluted loss per share	(0.003)	(0.008)	(0.007)	(0.016)

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2013***(in Canadian dollars)***15. RELATED PARTY TRANSACTIONS**

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

Expenses incurred to related parties, including those expenses incurred following the preceding agreements.

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.

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		Six-month period ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
	\$	\$	\$	\$
Short-term employee benefit				
Salaries including bonuses ⁽¹⁾	45,316	43,407	141,898	153,756
Benefits	6,046	5,078	12,611	15,667
Total short-term employee benefits	51,362	48,485	154,509	169,423
Other transactions with key management				
Rent		2,000		5,000
Management Fees	6,325	7,375	19,213	23,750
Professional fees		9,000	30,000	15,000
Expenses capitalized in exploration and evaluation asset	36,980	35,700	71,485	67,642
Total other transactions with key management	43,305	54,075	120,698	111,392
Total remuneration	94,667	102,560	275,207	280,815

⁽¹⁾ An amount of \$68,208 (Nil in 2012) has been accrued in Wage and salaries payable as an amount due to related parties. This amount represents director's fees which have been deferred and not yet paid.