Golden Valley Mines Ltd.

Mines de la Vallée de l'Or ltée

Unaudited Interim Consolidated Financial Statements, as at September 30, 2011

Golden Valley Mines Ltd.
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Notice to reader

The attached consolidated financial statements have been prepared by Management of Golden Valley Mines Ltd. and have not been reviewed by the auditors of Golden Valley Mines Ltd.

Golden Valley Mines Ltd.
as at September 30, 2011
(unaudited)

Interim Consolidated Balance Sheets

	Notes	September 30, 2011 Unaudited Non-Vérifié CAN$	December 31, 2010 Audited Vérifié CAN$
ASSETS			
Current assets			
Cash		1,923,012	2,759,136
Cash held for exploration expenses	5	14,042	615,042
Short-term investments	6	834,320	1,756,825
Fees and other accounts receivable		30,426	179,098
Sales taxes recoverable		164,356	199,623
Tax credits and credit on duties receivable		275,919	275,919
Prepaid expenses		132,364	65,007
		3,374,439	5,850,650
Non-current assets			
Property and equipment	7	114,460	140,038
Exploration and evaluation assets	8	18,481,979	14,173,766
		18,596,439	14,313,804
Total assets		21,970,878	20,164,454
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities			
Related companies	15.1	15,760	25,209
Others	10	191,538	489,623
Other liabilities			128,960
Non-Current liabilities			
Deferred income taxes		1,532,133	1,354,188
Total liabilities		1,739,431	1,997,980
EQUITY			
Non-Controlling interest		3,031,132	
Capital stock	11.1	20,360,926	19,830,013
Contributed surplus		3,376,982	1,825,856
Deficit		(6,537,593)	(3,489,395)
Total equity		20,231,447	18,166,474
Total liabilities and equity		21,970,878	20,164,454

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 28, 2011.

"Glenn J. Mullan"	*"Blair F. Morton"*
Glenn J. Mullan	Blair F. Morton
Director	Director

Golden Valley Mines Ltd.
For the three and nine month periods ended September 30, 2011 and 2010
(unaudited)

Interim Consolidated Statement of Comprehensive Income

	Notes	Three-month period ended Sep 30, 2011 CAN$	Three-month period ended Sep 30, 2010 CAN$	Nine-month period ended Sep 30, 2011 CAN$	Nine-month period ended Sep 30, 2010 CAN$
Revenues					
Geological fees		2,021	4,660	23,070	5,836
Options on properties		335,057		335,057	
		337,078	4,660	358,127	5,836
Operating Expenses					
Salaries,employee benefits and office expense	12.1	1,736,890	138,512	2,116,274	336,975
Management fees		9,333	5,250	26,375	24,750
Director's fees				30,000	30,000
Professional and legal fees		301,278	119,118	726,299	357,204
Advertising and exhibitions		73,853	35,319	336,885	249,611
Travelling		49,455	63,776	154,083	124,438
Impairment exploration and evaluation assets		7,395		25,093	
Impairment of property and equipment		20,676		20,676	
Income taxes		1,839	2,491	6,752	6,076
Amortization of property and equipment		8,735	12,960	27,246	39,124
		2,209,454	377,426	3,469,683	1,168,178
Operating loss		(1,872,376)	(372,766)	(3,111,556)	(1,162,342)
Finance income and costs	13	(3,883)	7,621	29,574	23,364
Other revenue		13,000		13,000	
Foreign exchange loss		1,816	(2,140)	(2,938)	(2,140)
Changes in fair value of held-for-trading financial assets		(15,614)	96,311	(196,157)	51,539
		(4,681)	101,792	(156,521)	72,763
Loss before income taxes		(1,877,057)	(270,974)	(3,268,077)	(1,089,579)
Deferred income taxes				48,989	28,276
Loss and total comprehensive loss for the period		(1,877,057)	(270,974)	(3,317,066)	(1,117,855)
Net loss attributable to:					
Shareholders of Golden Valley Mines		(1,310,528)	(270,974)	(2,750,537)	(1,117,855)
Non-controlling interests in Abitibi Royalties Inc		(532,460)		(532,460)	
Non-controlling interests in Nunavik Nickel Mines Ltd		(10,667)		(10,667)	
Non-controlling interests in Uranium Valley Mines Ltd		(23,402)		(23,402)	
Loss per share for Golden Valley Mines shareholders					
Basic and diluted loss per share		(0.018)	(0.004)	(0.038)	(0.017)

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

Golden Valley Mines Ltd.
For the nine month periods ended September 30, 2011 and 2010
(unaudited)

Interim Consolidated Statement of Changes in Equity

	Common shares outstanding	Non-controlling interest	Capital Stock	Contributed Surplus	Retained Deficit	Total Equity
	Number	CAN $	CAN$	CAN$	CAN$	CAN$
Balance at January 1, 2011	71,594,805		19,830,014	1,825,856	(3,489,395)	18,166,474
Share dividend of subsidiaries		2,035,716			(2,035,716)	
Adjustment on dividend shares		(3,408)			3,408	
Shares issued by exercise of stock options	1,830,000		532,000			532,000
Share issue expenses			(1,088)			(1,088)
Share-based payments				1,551,126		1,551,126
Shares issued by a subsidiary		3,300,000				3,300,000
Adjustment on shares issued by a subsidiary		(1,734,648)			1,734,648	0
Transactions with owners	1,830,000	3,597,661	530,912	1,551,126	- 297,660	5,382,038
Loss for the period		(566,529)			(2,750,537)	(3,317,066)
Loss and total comprehensive loss for the period		(566,529)			(2,750,537)	(3,317,066)
Balance at September 30, 2011	73,424,805	3,031,132	20,360,926	3,376,982	(6,537,593)	20,231,447
Balance at January 1, 2010	63,936,138		16,750,206	1,447,273	(3,116,077)	15,081,402
Share issue expense			(370,800)			(370,800)
Share-based payments				20,491		20,491
Transactions with owners	63,936,138		(370,800)	20,491		(350,309)
Loss and total comprehensive loss for the period					(1,117,855)	(1,117,855)
Balance at September 30, 2010	63,936,138		16,379,406	1,467,764	(4,233,932)	13,613,238

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

Golden Valley Mines Ltd.
For the three and nine month periods ended September 30, 2011 and 2010
(unaudited)

Interim Consolidated Statement of Cash Flows

	Three-month period ended		Nine-month period ended	
	Sep 30, 2011	Sep 30, 2010	Sep 30, 2011	Sep 30, 2010
	CAN$	CAN$	CAN$	CAN$
OPERATING ACTIVITIES				
Loss before income taxes	(1,877,057)	(265,270)	(3,268,077)	(1,077,214)
Adjustments				
Amortization of property and equipment	8,735	12,960	27,246	39,124
Impairment on property and equipment	20,676		20,676	
Revenue received in the form of listed shares	(367,000)	(150,000)	(367,000)	(150,000)
Share-based payments	1,541,513	6,914	1,551,125	20,744
Gain on investments disposal			(24,156)	
Changes in fair value of held for trading financial assets	15,614	(96,311)	196,157	(51,539)
Changes in non-cash working capital items				
Fees and other accounts receivable	36,957	(80,368)	148,672	55,095
Accrued interests	-	10,331		22,820
Sales taxes recoverable	(13,609)	33,190	35,267	(57,542)
Prepaid expenses	(44,641)	(29,139)	(67,357)	(48,779)
Accounts payable and accrued liabilities	(154,028)	(18,186)	(307,534)	(96,574)
Cash flows from operating activities	(832,840)	(575,879)	(2,054,981)	(1,343,865)
INVESTING ACTIVITIES				
Cash held for exploration expenses	201,000		601,000	
Acquisition of short-term investments	(776)	(443)	(2,248,617)	(19,971)
Disposal of short-term investments	130,000	202,466	3,366,120	1,378,511
Tax credit receivable		237,146	-	263,272
Exploration and evaluation assets	(479,634)	(63,111)	(1,295,145)	(209,626)
Purchase of property and equipment	(15,310)		(35,413)	(40,651)
Cash flows from investing activities	(164,720)	376,058	387,945	1,371,535
FINANCING ACTIVITIES				
Capital stock	689,000		832,000	-
Long term debt		(2,464)		27,131
Share issue expenses	(813)		(1,088)	
Cash flows from financing activities	688,187	(2,464)	830,912	27,131
Net change in cash and cash equivalents	(309,373)	(202,285)	(836,124)	54,801
Cash, beginning of period	2,232,385	931,115	2,759,136	674,030
Cash, end of period	1,923,012	728,831	1,923,012	728,831

Cash transactions:

Interest received	6		11,574	
Interest paid			17	

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

Additional cash flow information

Amortization of property and equipment charged to exploration and evaluation assets	6,188		13,068	

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

1. *GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION*

Golden Valley Mines Ltd. ("The Corporation" or "Golden Valley Mines") is still in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable.

Although the Corporation has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

On July 19, 2011, the Corporation has effected its plan of arrangement (the “Arrangement”) pursuant the Canada Business Corporations Act, as a result of which Abitibi Royalties Inc. (“Abitibi Royalties”), Nunavik Nickel Mines Ltd. (“Nunavik Nickel”), and Uranium Valley Mines Ltd. (“Uranium Valley”) have become reporting issuers in the provinces of Alberta, British Columbia, Ontario, and Québec. Abitibi Royalties, Nunavik Nickel, and Uranium Valley hold advanced projects and or projects that are peripheral to the Corporation’s core business plan (grassroots exploration) and or outside of its main area of operations (Abitibi Greenstone Belt). As a result of the Arrangement, the Corporation holds an approximate 66.3% interest in Abitibi Royalties, an approximate 70.4% interest in Nunavik Nickel, and an approximate 37.6% in Uranium Valley.

2. *BASIS OF PREPARATION AND ADOPTION OF IFRS*

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting Standards and International Financial Reporting Standards ("IFRS") 1, First-time Adoption of International Financial Reporting Standards, taking into account the accounting policies that the Corporation intends to adopt for its financial statements for the year ending December 31, 2011. Accordingly, these interim consolidated financial statements do not include all of the information required for full annual financial statements required by IFRS. The accounting policies set out below have been applied consistently to all periods presented in these unaudited interim consolidated financial statements except where the Coporation has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Coporation and effects of transition to IFRS are presented in Note 17.1.

The condensed interim consolidated financial statements should be read in conjunction with the Corporation's Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 17 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements and is considered material in understanding the interim consolidated financial statements.

The interim consolidated financial statements have been prepared on the historical cost basis except for the short-term investments in the balance sheet.

Golden Valley Mines Ltd is the 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).

The Corporation 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, Québec, J9P 0B9. Golden Valley Mines Ltd.'s shares are listed on the TSX Venture Exchange.

The interim consolidated financial statements for the reporting period ended September 30, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on November 28, 2011.

3. *SIGNIFICANT ACCOUNTING POLICIES*

The accompanying interim consolidated financial statements have been prepared using the same accounting policies as those used in the Company's condensed interim consolidated financial statements for the three months ended March 31, 2011.

4. *CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS*

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Technical feasibility and commercial viability

Decisions regarding the technical feasibility and commercial viability of the exploration and evaluation assets involves a number of assumptions, such as estimated reserves, resource price forecasts, expected production volumes and discount rates, which could all change significantly in the future.

Impairment of property and equipment and exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and earnings may occur during the next period.

The total impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to $8,757 for the six-month period ended June 30, 2011 and ($1,353,303 for the year ended December 31, 2010. No reversal of impairment losses has been recognized for the reporting periods.

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

Deferred taxes

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Corporation is the Black-Scholes valuation model.

5. *CASH*

Cash includes the following components:

	September 30, 2011 CAN$	December 31 2010 CAN$
Cash at bank and in hand		
CAN$	1,937,054	3,374,178
Less: cash held for exploration expenses (a)	14,042	615,042
Cash	1,923,012	2,759,136

(a) The cash held for exploration expenses represents the balance on flow-through financing not spent according to the restrictions imposed by these financing arrangements. The Corporation has to dedicate these funds to mining properties exploration.

6. *SHORT-TERM INVESTMENTS*

	September 30, 2011 CAN$	December 31 2010 CAN$
Guaranteed investment certificates		
2.8688% interest rate, maturing in March 2011		1,035,989
Money market investment funds	120,503	102,809
Mutual funds	103,295	102,373
Marketable securities in quoted mining exploration companies	243,522	515,654
Undeposited certificates	367,000	
Short-term investments	834,320	1,756,825

7. *PROPERTY AND EQUIPMENT*

	Property and equipment				Exploration equipment				
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$	CAN$
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

All depreciation and impairment charges (or reversals, if any) are included within Depreciation and amortization and Impairment of non-financial assets, and depreciation charges related to specific exploration projects are capitalized as Exploration and evaluation assets.

8. *EXPLORATION AND EVALUATION ASSETS*

The carrying amount can be analyzed as follows:

	Balance as at July 1, 2011	Additions	Tax credits and credit on duties	Impairment	Balance as at September 30 2011
	CAN$	CAN$	CAN$	CAN$	CAN$
Golden Valley Mines Ltd. Properties					
Acquisition and claims maintenance	179,744	5,737			185,481
Drilling, excavation and related costs	844,980	1,605			846,585
Technical and field staff	807,538	132,511			940,049
Airborne Geophysics	49,936				49,936
Geophysics	277,566	39,771			317,337
Line cutting	200,784	42,513			243,297
Sampling and testing	254,620	15,786			270,406
Travel and transport	97,654	17,268			114,922
Program management and consultants	25,797				25,797
Professional Fees	246	153			399
Amortization, insurance and office expenses	64,399	10,953			75,352
Communications	3,323				3,323
Option payments received	(252,500)	(36,943)			(289,443)
Write-down of Mineral properties	(1,353,303)			-	(1,353,303)
Government assistance	(228,661)				(228,661)
Net expenses incurred during the year	972,123	229,354			1,201,477
Balance, beginning of the year	13,124,172				13,124,172
Properties transferred to subsidiaries				(2,511,475)	(2,511,475)
Balance, end of the year	14,096,295	229,354			11,814,174
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining (S.L.) Ltd.)					
Acquisition and claims maintenance	223,648	14,583			238,231
Airborne Geophysics	257,541	108			257,649
Travel and transport	202,780				202,780
Remote Sensing Study	66,356				66,356
Technical and field staff	53,846	579			54,425
Professional Fees	84,232	4,000			88,232
Sampling and testing	4,015	677			4,692
Office expenses	3,590	1,359			4,949
Geophysics	1,320				1,320
Communications	2,534				2,534
Net expenses incurred during the year	899,862	21,306			921,168

8. *EXPLORATION AND EVALUATION ASSETS (Cont'd)*

	Balance as at July 1, 2011	Additions	Tax credits and credit on duties	Impairment	Balance as at September 30 2011
	CAN$	CAN$	CAN$	CAN$	CAN$
Abitibi Royalties Inc. Properties					
Acquisition and claims maintenance	30,838	30			30,868
Technical and field staff		4,208			4,208
Program Management and consultant		379			379
Net expenses incurred during the year	30,838	4,617	-	-	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	49,936	223,961			273,897
Net expenses incurred during the year	1,735,794	225,689	-	-	1,961,483
Uranium Valley Mines Ltd Properties					
Acquisition and claims maintenance	744,566	3,004,399			3,748,965
Technical and field staff	275	459			734
Net expenses incurred during the year	744,841	3,004,858	-	-	3,749,699
Summary					
Mining rights	2,864,654	3,024,749			5,889,403
Exploration	14,642,976	461,075		(2,511,475)	12,592,576
	17,507,630	3,485,824		(2,511,475)	18,481,979

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

	Balance as at July 1, 2010 CAN$	Additions CAN$	Tax credits and credit on duties CAN$	Impairment CAN$	Balance as at September 30 2010 CAN$
All Canadian Properties (Combined)					
Acquisition and claims maintenance	23,956				23,956
Drilling, excavation and related costs	158,506				158,506
Technical and field staff	203,975				203,975
Geophysics	47,706				47,706
Line cutting	50,809				50,809
Sampling and testing	30,676				30,676
Travel and transport	3,903				3,903
Program management and consultants	154				154
Amortization, insurance and office expenses	26,025				26,025
Communications					-
Option payments received	(252,500)				(252,500)
Net expenses incurred during the year	293,210				293,210
Balance, beginning of the year	13,121,171				13,121,171
Balance, end of the year	13,414,381				13,414,381
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining (S.L.) Ltd.)					
Acquisition and claims maintenance	91,565				91,565
Travel and transport	102,336				102,336
Remote Sensing Study	66,356				66,356
Technical and field staff	31,784				31,784
Professional Fees	50,805				50,805
Sampling and testing	266				266
Office expenses	1,790				1,790
Communications	332				332
Total	345,234				345,234
Summary					
Mining rights	115,521				115,521
Exploration	522,923				522,923
	638,445				638,445

All impairment charges (or reversals, if any) are included within Impairment of non-financial assets in profit or loss.

Centremaque Property - Monarch Energy Ltd - Bourlamaque Township, Québec

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

Luciana Prospect - Big North Capital Inc. – Lebel-sur Quévillon, Québec

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

Malartic CHL Prospect - Malartic, Québec (held by the Corporation's subsidiary Abitibi Royalties Inc.)

Abitibi Royalties acquired a 100% interest in the Malartic CHL Prospect (the "Malartic CHL Property") near Malartic, Québec that is subject to an Option Agreement (the "Malartic CHL Property Option") in favour of Osisko Mining Corporation (formerly Osisko Explorations Ltd., hereinafter ("Osisko") pursuant to which Osisko can earn a 70% interest in the Malartic CHL Property. During the quarter, Osisko provided notice to Abitibi Royalties of its intent to exercise the Malartic CHL Property Option. As a result, Abitibi Royalties and Osisko are deemed to have entered into a joint-venture agreement on the property and Abitibi Royalties retains a 30% free carried interest with no further expenditure requirements until the property achieves commercial production.

9. *LEASES*

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

				Minimum lease payments due
	Within 1 year	1 to 5 years	After 5 years	Total
	CAN$	CAN$	CAN$	CAN$
September 30, 2011	62,472	209,059	nil	271,531
December 31, 2010	51,349	14,798	nil	80,945

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

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

Lease payments recognized as an expense during the reporting period amount to $45,205 ($39,615 in 2010). 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.

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10. *ACCOUNTS PAYABLE AND ACCRUED LIABILITIES*

	September 30, 2011	December 31, 2010
	CAN$	CAN$
Trade accounts	141,200	374,965
Wage and salaries payable	820	31,517
Social securities costs	21,700	16,645
Current charges	10,552	41,830
Other	17,266	24,665
Accounts payable and accrued liabilities	191,538	489,623

11. *EQUITY*

11.1 *Capital Stock*

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

Authorized

Unlimited number of 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

	September 30, 2011	December 31, 2010	September 30, 2010
	Number of shares	Number of shares	Number of shares
Shares issued and fully paid			
Shares issued and fully paid, beginning of reporting period	71,594,805	63,936,138	63,936,138
Private placements		6,666,664	
Flow-through private placements		992,003	
Issued on the exercise of stock options	1,830,000		
Total shares issued and fully paid, end of reporting period	73,424,805	71,594,805	63,936,138

On July 19, 2011 (the “Effective Date”), Golden Valley Mines issued as fully paid and non-assessable and at a deemed price of $0.01 per share to each of Abitibi Royalties Inc., Nunavik Nickel Mines Ltd., and Uranium Valley Mines Ltd. (the “Subsidiaries”) 10,000 Series 1 Preferred Shares (the “Preferred Shares”) pursuant to the Arrangement Agreement (see note 1). On the Effective Date, the Preferred Shares were repurchased by the Company and returned to treasury for cancellation, in exchange for the payment to each of the Subsidiaries of $100.00.

11.2 *Warrants*

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

	September 30, 2011		December 31, 2010		September 30, 2010
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
		CAN$		CAN$	
Balance, beginning of reporting period	3,333,329	$ 0.75			
Granted			3,333,329	$ 0.75	
Balance, end of reporting period	3,333,329	$ 0.75	3,333,329	$ 0.75	Nil

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

	September 30, 2011		December 31, 2010		September 30, 2010
Expiry date	Number	Exercise price	Number	Exercise price	Number
		CAN$		CAN$	
June 20, 2012	333,329	$ 0.75	333,329	$ 0.75	
	333,329		333,329		Nil

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12. *EMPLOYEE REMUNERATION*

12.1 *Salaries and employee benefits expense*

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

	Three-month period ended		Nine-month period ended	
	September 30 2011	September 30 2010	September 30 2011	September 30 2010
	CAN$	CAN$	CAN$	CAN$
Salaries and group insurance	204,974	187,408	578,224	284,077
Share-based payments	1,541,513	6,915	1,551,125	20,745
Defined contribution State plans	21,532	13,600	60,192	35,984
	1,768,019	207,923	2,189,541	340,805
Less: salaries capitalized in exploration and evaluation assets	(68,172)	(42,273)	(177,641)	(97,523)
Salaries and employee benefits expense	1,699,847	165,649	2,011,900	243,282

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.

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

	Nine months ended September 30, 2011		Year ended December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CAN$		CAN$
Balance, January 1	6,135,000	0.33	6,196,100	0.33
Granted			1,050,000	0.50
Exercised	(1,830,000)	0.30		
Cancelled	(110,000)	0.34	(456,100)	0.28
Expired	(225,000)	0.30	(655,000)	0.32
Balance, end of reporting period	3,970,000	0.35	6,135,000	0.33

Golden Valley Mines Ltd.

Notes to the interim consolidated financial statements

12.2 *Share-based payments (continued)*

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

	Outstanding options			Exercisable options
Expiry date	Number of options	Weighted average exercise price	Remaining life (years)	Number of options
		CAN$		
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
December 22, 2015	1,015,000	0.50	4.23	990,000
	3,970,000	0.35		3,945,000

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.

On October 5, 2011, the Corporation granted an aggregate 2,850,000 incentive stock options with an exercise price of $0.35 to its directors, officers, consultants and employees. The options are exercisable until October 5, 2016. 2,625,000 options are exercisable immediately, and 225,000 options (in the aggregate) granted to three consultants of the Corporation, two of which provide investor relations services, vest as to 56,250 options (in the aggregate) on a quarterly basis.

13. *FINANCE INCOME*

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

	Three-month period ended		Nine-month period ended	
	September 30 2011	September 30 2010	September 30 2011	September 30 2010
	CAN$	CAN$	CAN$	CAN$
Interest and dividend income from cash and cash equivalents	782	10,779	14,191	28,396
Bank fees	(4,665)	(3,158)	(8,773)	(5,032)
Realized investment gains			24,156	
Finance income	(3,883)	7,621	29,574	23,364

14. *LOSS PER SHARE (for Golden Valley Mines shareholders)*

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

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

	Three-month period ended		Nine-month period ended	
	September 30 2011	September 30 2010	September 30 2011	September 30 2010
	CAN$	CAN$	CAN$	CAN$
Loss and total comprehensive loss for the period	(1,310,528)	(270,974)	(2,750,537)	(1,117,855)
Weighted average number of shares in circulation	72,923,935	63,936,138	72,211,215	63,936,138
Basic and diluted loss per share	(0.018)	(0.004)	(0.038)	(0.017)

15. *RELATED PARTY TRANSACTIONS*

The Corporation's related parties include its joint key management and other related parties, 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:

15.1 *Transaction with other related parties*

	Three-month period ended		Nine-month period ended	
	September 30 2011	September 30 2010	September 30 2011	September 30 2010
	CAN$	CAN$	CAN$	CAN$
Rent	3,000	3,000	9,000	9,000
Director's fees (paid to Calone Mining (S.L.) Ltd.'s independent directors)	30,000	30,000	30,000	30,000

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 above, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of stock options.

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15.2 *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 2011	September 30 2010	September 30 2011	September 30 2010
	CAN$	CAN$	CAN$	CAN$
Short-term employee benefits				
Salaries including bonuses and benefits	86,836	45,150	282,026	103,114
Social security costs	15,490	6,325	51,250	13,336
Total short-term employee benefits	102,326	51,475	333,276	116,450
Other transaction with consultants				
Management Fees	9,333	5,250	26,375	24,750
Professional fees	4,777	12,000	33,620	27,000
Expenses capitalized in exploration and evaluation assets	45,944	41,150	138,600	116,650
Total transactions with consultants	60,054	58,400	198,595	168,400
Share-based payments				
Total remuneration	162,380	109,875	531,871	284,850

16. *CONTINGENCIES AND COMMITMENTS*

The Corporation is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Corporation is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

- Two years following the flow-through placements;
- One year after the Corporation has renounced the tax deductions relating to the exploration work.

Commitments to carry out exploration work that are not respected are subject to a combined tax rate of 30% (Canada and Quebec).

During the year ended December 31, 2010, the Corporation received $615,042 (Nil in 2011) following flow-through placements for which the Corporation renounced tax deductions after December 31, 2010. The Corporation has renounced tax deductions of $177,950 as at February 28, 2011 and management is required to fulfill its commitments within the stipulated deadline of one year from this date. The amount has been presented as Cash held for exploration expenses.

17. *FIRST-TIME ADOPTION OF IFRS*

These are the Corporation's first IFRS condensed interim consolidated financial statements for part of the period covered by the first annual financial statements. The date of transition to IFRS is January 1, 2010.

The Corporation's IFRS accounting policies presented in Note 3 have been applied in preparing the consolidated financial statements for the reporting period ended March 31, 2011, the comparative information and the opening consolidated statement of financial position at the date of transition.

The Corporation has applied IFRS 1 in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are presented in this section and are further explained in the notes that accompany the tables.

17.1 *First-time adoption – exemptions applied*

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Corporation are set out below:

Mandatory exceptions

The estimates established by the Corporation in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets and liabilities that were derecognized before January 1, 2010 pursuant to Canadian GAAP were not recognized under IFRS. The Corporation has early applied the change in IFRS1 in this respect regarding the application date of the exception, i.e. January 1, 2010.

Optional exemptions

The Corporation has chosen not to apply IFRS 2, Share-based Payment, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

The Corporation has elected not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition (January 1, 2010). See Note 17.5 for an explanation of the effect of the exemption.

17.2 *Reconciliation of equity*

Equity at the date of transition and at December 31, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Note 17.5	September 2010 CAN$	December 31, 2010 CAN$
Equity under pre-change accounting standards		16,675,877	20,255,444
Increases (decreases) in equity reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS:			
Shares issued by flow-through private placements	a	(296,470)	(425,431)
Share-based payments			
Income taxes – Income tax impact of above adjustments			
Equity under IFRS		16,379,407	19,830,013

17.3 *Reconciliation of comprehensive loss*

Total comprehensive loss for the reporting period ended September 30, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	Note 17.5	September 2010	December 31, 2010 CAN$
Comprehensive loss under pre-change accounting standards		1,077,214	318,015
Increases (decreases) in total comprehensive income reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS			
Shares issued by flow-through private placements	a	28,276	353,023
Share-based payments	c	12,365	27,028
Income taxes – Income tax impact of above adjustments			
Total comprehensive loss under IFRS		1,117,855	698,066

17.4 *Presentation differences*

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

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The following table shows the total effect of the transition on the consolidated statement of financial position

Pre-change accounting standards description	Note 17.5	September 30, 2010 Previous GAAP	Effect of transition to IFRS	IFRS
		CAN$	CAN$	CAN$
ASSETS				
Current assets				
Cash		728,831		728,831
Fees and other accounts receivable		87,074		87,074
Short-term investments		1,725,418		1,725,418
Sales taxes recoverable		168,895		168,895
Tax credits receivable		98,383		98,383
Prepaid expenses		75,491		75,491
		2,884,092		2,884,092
Exploration funds		340,466		340,466
Property and equipment		122,380		122,380
Mining properties		14,375,385		14,375,385
		14,838,231		14,838,231
		17,722,323		17,722,323
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities				
Related companies		24,823		24,823
Others		184,159		184,159
Future incomes taxes		3,562,737	324,747	3,887,484
		3,771,719	324,747	4,096,466
SHAREHOLDERS' EQUITY				
Capital stock	a	16,675,877	(296,470)	16,379,407
Contributed surplus	c	1,468,018	12,365	1,480,383
Deficit	c	(4,193,291)	(40,641)	(4,233,932)
		13,950,604	(324,747)	13,625,858
		17,722,323	0	17,722,323

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The following table shows the total effect of the transition on the consolidated statement of comprehensive loss

Canadian GAAP description	Note 17.5	Three months ended September 30, 2010 Previous GAAP CAN$	Effect of transition to IFRS CAN$	IFRS CAN$	Nine month ended September 30, 2010 Previous GAAP CAN$	Effect of transition to IFRS CAN$	IFRS CAN$	IFRS description
Revenue								Revenue
Geological Fees		4,660		4,660	5,836		5,836	Geological Fees
Options on properties								
		4,660		4,660	5,836		5,836	
Operating expenses								Operating expenses
Salaries, rent and office expenses; Stock-based compensation; Stock-based payments for services	c	132,808	5,703	138,511	324,610	12,365	336,975	Salaries, employee benefits and office expense
Management fees		5,250		5,250	24,750		24,750	Management fees
Director's fees (Note 15)					30,000		30,000	Director's fees
Professional and legal fees		119,118		119,118	357,204		357,204	Professional and legal fees
Advertising and exhibitions		35,319		35,319	249,611		249,611	Advertising and exhibitions
Travelling		63,776		63,776	124,438		124,438	Travelling
Part XII.6 and other taxes		2,491		2,491	6,076		6,076	Income taxes
Write-down of mineral properties								Impairment exploration and evaluation assets
Amortization of property and equipment		12,960		12,960	39,124		39,124	Amortization of property and equipment
		371,722		377,425	1,155,813		1,168,178	
Operating loss		(367,062)		(372,765)	(1,149,977)		(1,162,342)	**Operating loss**
Other revenue (expenses)								
Interest; Dividend; Bank charges		7,621		7,621	23,364		23,364	Finance income and costs
Loss on exchange		(2,140)		(2,140)	(2,140)		(2,140)	Foreign exchange loss
Gain on investments disposal								
Changes in fair value of held-for-trading financial assets		96,311		96,311	51,539		51,539	Changes in fair value of held-for-trading financial assets
Loss before income taxes		(265,270)		(270,973)	(1,077,214)		(1,089,579)	**Loss before income taxes**
Future income taxes	a					28,276	28,276	Deferred income taxes
Net loss and comprehensive loss		(265,270)		(270,973)	(1,077,214)		(1,117,855)	**Loss and total comprehensive loss for the period**

17.5 *Notes to reconciliation*

a) Shares issued by flow-through placements

Under Pre-change accounting standards, the entire proceeds received on the issuance of flow-through shares were credited to share capital. When the renouncement of the tax deductions related to the resource expenditure for income tax purposes, temporary taxable differences were created and a deferred income tax was recorded, and the related charge was treated as share issue costs.

Under IFRS, issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the obligation to revert the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability using the residual method.

Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability.

As there is no exemption under IFRS 1 for first-time adopters regarding flow-through shares, the treatment under IFRS needs to be applied retrospectively.

The impact on the Corporation's transition to IFRS is to decrease share capital by $425,430 as at December 31, 2010, and increase retained deficit and other liabilities.

b) Business combination

The Group has elected not to restate business combinations that occurred before the date of transition to IFRS. There are only minor differences between the accounting for business combinations under pre-change accounting standards and IFRS. No difference has been recorded for the acquisitions, i.e. there is no adjustments to the acquired identifiable assets and liabilities.

c) Share-based payments

Under pre-change accounting standards, for grants of share-based payments with graded vesting, the total fair value of the awards is recognized on a straight-line basis over the employment period necessary to vest the awards. Moreover, forfeitures of awards are recognized as they occur.

Under IFRS 2, each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. Also, an estimate of the number of share-based payments expected to be forfeited is required, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

As a result, the Corporation adjusted its expense for share-based payments to reflect these accounting method differences, resulting in an adjustment of contributed surplus and the retained earnings in the amount of $27,028.

d) Deferred taxes

Deferred taxes have been adjusted for the changes to net book values arising as a result of the adjustments for first-time adoption of IFRS as discussed above.

17.6 *Consolidated statement of cash flows*

There are no material adjustments to the consolidated statement of cash flows. The components of cash under pre-change accounting standards are similar to those presented under IFRS.

17.7 *Impairment losses recognized at the date of transition*

The Corporation applied IAS 36, *Impairment of assets,* in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses (or reversals) were identified.

The estimates used for this analysis were consistent with the estimates used under pre-change accounting standards at the same date, adjusted for accounting policy differences, if applicable.