Golden Valley Mines Ltd.
Mines de la Vallée de l'Or ltée

April 30, 2013

FILED VIA SEDAR – PROJECT NO. 2052774

To: Autorité des marchés financiers
Alberta Securities Commission
British Columbia Securities Commission
Ontario Securities Commission
TSX Venture Exchange

Re: Golden Valley Mines Ltd. (the "Company")
– Re-filing Annual Consolidated Financial Statements for Year Ended December 31, 2012 – SEDAR Project No. 2052774

The Company is re-filing its audited consolidated annual financial statements for the year ended December 31, 2012, as the originally filed version inadvertently excluded the Statement of Consolidated Financial Position.

GOLDEN VALLEY MINES LTD.

By: *(s) "Annie J. Karahissarian"*

Annie J. Karahissarian
Chief Financial Officer

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Golden Valley Mines Ltd.

Audited Consolidated Annual Financial Statements, as at December 31, 2012 and 2011

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Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Golden Valley Mines Ltd.

We have audited the accompanying consolidated financial statements of Golden Valley Mines Ltd., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2012 and December 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Golden Valley Mines Ltd. as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Corporation has not generated any income or cash flows from operations and the Corporation's deficit amount to $11,551,543 as at December 31, 2012. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

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Raymond Chabot Grant Thornton L.L.P.

Val-d'Or
April 29, 2013

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[1] CPA auditor, CA public accountancy permit no. A107240

Golden Valley Mines Ltd.
Consolidated Statement of Financial Position
(in Canadian dollars)

	Notes	December 31, 2012	December 31, 2011
		$	$
ASSETS			
Current			
Cash	8	1,446,989	1,495,272
Short-term financial assets	9	811,538	625,936
Fees and other accounts receivable		16,181	35,506
Sales taxes recoverable		46,161	151,570
Tax credits receivable		221,959	224,711
Prepaid expenses		44,691	100,701
		2,587,519	2,633,696
Non-current			
Property and equipment	10	58,979	105,263
Exploration and evaluation assets	11	13,022,994	15,840,837
		13,081,973	15,946,100
Total assets		15,669,492	18,579,796
LIABILITIES			
Current			
Accounts payable and accrued liabilities			
Related parties controlled by directors	21	11,785	28,891
Others	13	278,917	450,976
Other Liabilities		19,921	
		310,623	479,867
Non-Current			
Deferred income taxes	16	712,555	1,407,696
Total liabilities		1,023,178	1,887,563
EQUITY			
Capital stock	14.1	22,743,842	20,947,914
Warrants	14.2	402,781	
Contributed surplus		2,044,115	1,937,959
Deficit		(11,551,543)	(8,288,404)
Total equity attributable to owners of the parent company		13,639,195	14,597,469
Non-Controlling interest		1,007,119	2,094,764
Total equity		14,646,314	16,692,233
Total liabilities and equity		15,669,492	18,579,796

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2013.

"Glenn J. Mullan"
Director

"Blair F. Morton"
Director

Golden Valley Mines Ltd.
Consolidated Statement of Comprehensive Loss
(in Canadian dollars)

	Notes	December 31, 2012	December 31, 2011
		$	$
Revenues			
Geological fees		8,184	26,197
Operating Expenses			
Salaries and other employee benefits	15.1	746,803	2,540,981
Office expenses		172,915	164,568
Management fees		35,000	34,625
Director's fees			30,000
Professional and legal fees		379,509	909,127
Advertising and exhibitions		110,144	586,443
Travelling		84,074	266,325
Exploration and evaluation expenditures		50,869	
Write-off of exploration and evaluation assets	11	2,881,270	544,218
Write-off of property and equipment	10		22,333
Part XII.6 and other taxes		7,932	13,175
Depreciation of property and equipment	10	22,161	32,900
Loss on a subsidiary disposal	26	407,271	
Foreign exchange loss			6,011
Gain on the disposal of exploration and evaluation assets			(340,057)
Loss (gain) on short-term financial assets disposal		3,815	(24,116)
		(4,901,763)	(4,786,533)
Operating loss		(4,893,579)	(4,760,336)
Finance income	18	4,956	15,600
Other revenue			13,000
Change in fair value of financial assets at fair value through profit or loss		(239,406)	(372,668)
Loss before income taxes		(5,128,029)	(5,104,404)
Deferred income taxes		647,085	(251,995)
Net loss and total comprehensive loss for the year		(4,480,944)	(5,356,399)
Net loss and total comprehensive loss attributable to:			
Shareholders of Golden Valley Mines		(3,263,139)	(3,723,660)
Non-controlling interest		(1,217,805)	(1,632,739)
		(4,480,944)	(5,356,399)
Loss per share attributable to Golden Valley Mines shareholders			
Basic and diluted loss per share	19	(0.042)	(0.052)

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

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
(in Canadian dollars)

	Note	Number	Capital Stock $	Warrants $	Contributed Surplus $	Deficit $	Total attributable to owners of the parent company $	Non-controlling interest $	Total Equity $
Balance at January 1, 2011		71,594,805	20,142,761		1,771,801	(3,423,341)	18,491,221		18,491,221
Shares issued by exercise of stock options	15.2	1,830,000	812,492		(280,492)		532,000		532,000
Share issue expenses			(7,339)				(7,339)		(7,339)
Share-based payments	15.2				446,650		446,650	1,536,100	1,982,750
Shares issued by subsidiaries								1,050,000	1,050,000
Adjustment on shares issued of subsidiaries						297,172	297,172	(297,172)	
Distribution of non-cash share dividend of subsidiaries	19					(2,035,716)	(2,035,716)	2,035,716	
Adjustment on distribution of dividend shares						597,141	597,141	(597,141)	
Transactions with owners		1,830,000	805,153		166,158	(1,141,403)	(170,092)	3,727,503	3,557,411
Net loss and total comprehensive loss for the year						(3,723,660)	(3,723,660)	(1,632,739)	(5,356,399)
Balance at December 31, 2011		73,424,805	20,947,914		1,937,959	(8,288,404)	14,597,469	2,094,764	16,692,233
Share issue expenses			(167,378)				(167,378)		(167,378)
Share-based payments	15.2				106,156		106,156	130,160	236,316
Units issued by private placements	14.1	7,549,997	1,204,000	266,000			1,470,000		1,470,000
Units issued by flow-through private placements	14.1	4,884,554	759,306	99,992			859,298		859,298
Compensation warrants issued	14.2			36,789			36,789		36,789
Transactions with owners		12,434,551	1,795,928	402,781	106,156		2,304,865	130,160	2,435,025
Net loss and total comprehensive loss for the period						(3,263,139)	(3,263,139)	(1,217,805)	(4,480,944)
Balance at December 31, 2012		85,859,356	22,743,842	402,781	2,044,115	(11,551,543)	13,639,195	1,007,119	14,646,314

Share issue expenses were reduced by deferred income taxes of $48,056 ($2,701 in 2011).

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

Golden Valley Mines Ltd.
Consolidated Statement of Cash Flows
(in Canadian dollars)

	December 31, 2012	December 31, 2011
OPERATING ACTIVITIES	$	$
Loss before income taxes	(5,128,029)	(5,104,404)
Adjustments		
Depreciation of property and equipment	22,161	32,900
Write-off of property and equipment		22,333
Gain on the disposal of exploration and evaluation assets		(340,057)
Share-based payments	219,039	1,924,695
Write-off of exploration and evaluation assets	2,881,270	544,218
Loss on a subsidiary disposal	407,271	
Foreign exchange loss		(6,011)
Loss (gain) on disposal of short-term financial assets	3,815	(24,116)
Changes in fair value of financial assets at fair value through profit or loss	239,406	372,668
Changes in working capital items		
Fees and other accounts receivable	19,325	143,592
Sales taxes recoverable	105,409	48,053
Prepaid expenses	56,010	(35,694)
Accounts payable and accrued liabilities	(233,799)	(42,708)
Cash flows from operating activities	(1,408,122)	(2,464,531)
INVESTING ACTIVITIES		
Acquisition of short-term financial assets	(901,524)	(2,249,171)
Disposal of short-term financial assets	472,701	3,438,108
Tax credits received	95,187	247,049
Additions to exploration and evaluation assets	(475,971)	(1,632,613)
Purchase of property and equipment	(1,128)	(39,708)
Cash flows from investing activities	(810,735)	(236,335)
FINANCING ACTIVITIES		
Issuance of units by flow-through private placements	879,219	
Issuance of units by private placements	1,470,000	
Issuance of shares by a subsidiaries		300,000
Issuance of shares by exercise of stock options		532,000
Share issue expenses	(178,645)	(10,040)
Cash flows from financing activities	2,170,574	821,960
Net change in cash	(48,283)	(1,878,906)
Cash, beginning of year	1,495,272	3,374,178
Cash, end of year	1,446,989	1,495,272

See Note 22 for additional information on cash flows

Cash transactions:		
Dividends received	1,525	3,171
Interest received	3,431	12,429

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

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 December 31, 2012, the Corporation has a cumulated deficit of $11,551,543 ($8,288,404 as at December 31, 2011). These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

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

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.

4. *SUMMARY OF ACCOUNTING POLICIES*

4.1 *Overall considerations*

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

(in Canadian dollars)

4.2 *Basis of evaluation*

These consolidated financial statements are prepared using the historical cost method, except for financial assets at fair value through profit or loss which are measured at fair value.

4.3 *Basis of consolidation*

The Corporation's financial statements consolidate the accounts of Golden Valley Mines Ltd. and all of its subsidiaries. Subsidiaries are entities over which the Corporation has the power to control the financial and operating policies. For Uranium Valley Mines Ltd., Golden Valley Mines Ltd. exercises control through its power to appoint all the members of the board of directors. All subsidiaries have a reporting date of December 31. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Profit and loss of subsidiaries acquired or disposed of during the reporting period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

Subsidiaries

Details of the Corporation's subsidiaries at December 31, 2012 are as follows:

			Percentage of ownership	
Name of subsidiaries	Principal activity	Country of incorporation	Interest and voting	Power held
Abitibi Royalties Inc. ("Abitibi Royalties")	Mineral exploration in Canada	Canada	66%	66%
Nunavik Nickel Mines Ltd. ("Nunavik Nickel")	Mineral exploration in Canada	Canada	70%	70%
Uranium Valley Mines Ltd. ("Uranium Valley")	Mineral exploration in Canada	Canada	38%	38%
Calone Mining Ltd. ("Calone")	Mineral exploration in Africa	Canada	100%	100%
James Bay Gold Corp. ("James Bay")	Mineral exploration in Canada	Canada	100%	100%

During the year, the Corporation wholly owned Canadian subsidiary Calone divested of its interest in Calone Mining Company (S.L.) Limited ("Calone SL") as a result of K&K Investment GMBH ("K&K") acquiring all of the shares held in Calone SL by Calone. For additional information with respect to the foregoing transaction, please see Note 26 herein.

4.4 *Jointly controlled exploration and evaluation activities*

The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Where the Corporation's activities are conducted through jointly controlled exploration and evaluation activities, the consolidated financial statements include the assets that the Corporation controls and the liabilities that it incurs in the course of pursuing the joint venture operation, and the expenses that the Corporation incurs and its share of the income that it earns from the joint operation.

4.5 *Foreign currency translation*

The consolidated financial statements are presented in canadian dollars, which is also the functional currency of the parent company and all subsidiaries. The functional currency of the entities in the Corporation have remained unchanged during the reporting periods.

Foreign currency transactions are translated into the functional currency of the Corporation, using exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.
Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.6 *Revenue recognition*

The geological fees are measured by reference to the fair value of consideration received or receivable by the Corporation for services provided. They are recognized when there is reasonable evidence that an agreement has occurred, that the services were rendered, that the amount of the fees is fixed or measurable and that the collection is reasonably assured.

Other revenue

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized at the time the rights to exercise payment is established. Gains or losses on the disposal of investments are determined using the average cost method.

4.7 *Basic and diluted loss per share*

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the parent company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the parent company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

4.8 *Financial instruments*

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

For the purpose of subsequent measurement, financial assets are classified for the Corporation into the following categories upon initial recognition:

- Financial assets at fair value through profit or loss;
- Loans and receivables.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance income or Finance cost, if applicable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at their fair value with all finance income or loss and gains and losses recognized in profit or loss.

The Corporation's money market investment funds, mutual funds, undeposited certificates and marketable securities in quoted mining exploration companies fall into this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash, guaranteed investment certificates and fees and other accounts receivable fall into this category of financial instruments.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables when they occur is presented in profit or loss within write-off of receivables, if applicable.

Financial Liabilities

The Corporation's financial liabilities include accounts payable and accrued liabilities (excluding Wages and salaries payable and Benefits). Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are reported in profit or loss within Finance costs, if applicable.

4.9 *Tax credits receivable*

The Corporation is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the *Mining Tax Act*. These tax credits are recognized against the exploration and evaluation expenditures incurred.

4.10 *Property and equipment*

Property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part of it. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the Mining assets under construction category are then transferred to Mining assets.

Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods generally applicable are as follow:

	Useful life
Automotive equipment	3 years
Office furniture	5 years
Computer equipment	3 years
Leasehold improvement	5 years
Exploration and evaluation equipment	3 years

The depreciation expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the depreciation expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

4.11 *Exploration and evaluation expenditures and exploration and evaluation assets*

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, the costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties less refundable tax credits related to these expenses are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expense is recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.13); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.13) and any impairment loss is recognized in profit or loss before reclassification. To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

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

Disposal of interest in connection with option agreement

On the disposal of interest in connection with an option agreement, the Corporation does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the share consideration received directly from the acquirer is credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation asset in profit or loss.

4.12 *Operating lease agreement*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged as they are incurred.

4.13 *Impairment of property and equipment and exploration and evaluation assets*

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Impairment reviews for exploration and evaluation assets are carried out on a project by project basis with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluations assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.14 *Provisions*

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Corporation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

4.15 *Provisions (continued)*

The Corporation's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Corporation's operations are in compliance with current laws and regulations. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

As at December 31, 2012 and 2011, there was no provision recognized in the statement of financial position.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 *Employee benefits*

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses) is recognized in the year in which the services are rendered and is not discounted.

The expected cost of compensated absences is recognized in profit or loss as the employees render services that increase their entitlement. The cost of bonus payments is recognized in profit or loss when there is a legal or constructive obligation to make such payments as a result of past performance.

4.16 *Income taxes*

When applicable, tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. However, since the Corporation is in the exploration stage there is no taxable income, the tax cost recognized in profit or loss represents solely deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claim form, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

4.16 *Income taxes (continued)*

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Tax related to flow-through placements

According to the provisions of tax legislation relating to flow-through placements, the Corporation has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Corporation has fulfilled its obligation to transfer its right, which happens when the Corporation has incurred, eligible expenditures and has renounced (or has the intention to renounce) its right to tax deductions, a deferred tax liability is recognized for taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

4.17 *Equity*

Capital stock

Capital stock represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. In addition, if shares are issued when options and warrants are exercised, the capital stock account also comprises the compensation costs and the fair value of the options and warrants value previously recorded as contributed surplus and warrants.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued 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 warrants.

Flow-through placements

Issuance of flow-through shares units represents in substance an issue of common shares, warrants and the sale of a right to tax deduction to the investors. When the flow-through share units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through units placements are allocated between common shares, warrants and other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance then to warrants according to their fair value at the time of issuance and the residual proceeds are allocated to the other liabilities. The fair value of warrants is determined using the Black-Scholes evaluation model. The other liabilities component recorded initially on the issuance of shares is reversed on the renouncement or the intention of renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

Other elements of equity

Contributed surplus includes charges related to share options until such equity instruments are exercised and charges related to warrants expired. When options are exercised corresponding compensation costs are transferred to capital stock.

Warrants included expenses relating to warrants until the exercise of the warrants. When the warrants are exercised corresponding compensation costs are transferred to capital stock. When the warrants are expired, corresponding charges are transferred to contributed surplus.

Deficit includes all current and prior period retained profits or losses.

4.19 *Share-based payments*

The Corporation operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Corporation's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or services received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Corporation measured the fair value of the services received by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and exclused the impact of non-market vesting conditions.

All equity-settled share-based payments (except compensation warrants) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Compensation warrants, in respect of an equity financing, are recognized as shares issue expenses of the equity instruments with a corresponding credit to warrants, in equity.

4.19 *Share-based payments (continued)*

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.20 *Segmental reporting*

The Corporation's operating segments were determined based on the information regularly reported to the Executive Chairman and the Board of Directors. This information is predominantly based on geographical areas which are managed separately. At December 31, 2012, all the Corporation's projects are at the exploration stage in Canada and Africa are regarded as separate segment.

The accounting policies of the reportable segments are consistent with the accounting policies of the Corporation as a whole, except that:

- share-based payments;
- foreign exchange loss;
- finance incomes;
- deferred income taxes;

are not included in determining the operating loss of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Corporation’s assets at the head office.

4.21 *Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Corporation*

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Corporation. These standards will be adopted at the effective date.

Management anticipates that all of the pronouncements will be adopted in the Corporation's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 9, *Financial Instruments* (effective from January 1, 2015)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management has not yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Corporation. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

IFRS 10, *Consolidated Financial Statements* (effective from January 1, 2013)

This new standard replaces IAS 27, Consolidated and Separate Financial Statements SIC-12, Consolidation—Special Purpose Entities. It revised the definition of control, applicable to all investees to determine the scope of consolidation. The standard provides the framework for consolidated financial statements and their preparation based on the principle of control. The Corporation’s management does not anticipate impact on the Corporation's consolidated financial statements for this standard.

IFRS 11, *Joint Arrangements* (effective from January 1, 2013)

IFRS 11 supersedes IAS 31 Interest in Joint Ventures (1AS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31’s option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. The Corporation’s management does not anticipate impact on the Corporation’s consolidated financial statements except maybe for the disclosure.

IFRS 12, *Disclosure of Interests in Other Entities* (effective from January 1, 2013)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structures entities. The Corporation's management does not anticipate impact on the Corporation's consolidated financial statements.

Transition guidance for IFRS 10, 11, 12

Subsequent to issuing the new standards the IASB made some changes to the transitional provisions in IFRS 10, IFRS 11 and IFRS 12. The guidance confirms that the Corporation is note required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance makes changes to IFRS 11 and IFRS 12 which provide relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

The new guidance is also effective for annual periods on or after January 1, 2013.

IFRS 13, *Fair Value Measurement* (effective from January 1, 2013)

This new standard is meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurements. This new standard should not have any significant impact on the Corporation's consolidated financial position, results and cash flows.

5. *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.

5.1 ***Significant management judgement***

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 Corporation has the right to explore in the specific area has expired 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 Corporation 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.

No testing for impairment was conducted on the properties not devaluated of Golden Valley, Abitibi Royalties, Nunavik Nickel and on the Beartooth Island prospect for Uranium Valley despite the fact that the carrying value of the Corporation's net asset is superior to its market capitalization and despite the fact that no significant fieldwork was undertaken on these properties during the year. Management judged that there was no testing for impairment required this year on these properties despite an unfavorable change of the overall climate of the sector as well as the general situation of the economy that have had an impact on the Corporation's capacity to raise additional capital in order to pursue its exploration activities coupled with a decrease in the share price. The Corporation has sufficient funds to respect its short term obligations and has both the intention and capacity to keep the properties until the economic context improves and the Corporation can pursue its exploration activities on the properties after raising additional capital.

Deferred income 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. To date, management has not recognized any tax assets in excess of existing temporary differences expected to reverse within the carry-forward period.

5.2 *Estimation uncertainty*

Impairment of property and equipment and exploration and evaluation assets

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. There was no impairment loss of property and equipment recognized in profit and loss for the year ended December 31, 2012 ($22,333 for the year ended December 31, 2011). The impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to $2,881,270 for the year ended December 31, 2012 ($544,218 for the year ended December 31, 2011). No reversal of impairment losses has been recognized for the reporting periods.

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 shares, 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.

6. *ARRANGEMENT*

On July 19, 2011, the Corporation effected its plan of arrangement (the “Arrangement”) pursuant the Canada Business Corporation Act, as a result of which Abitibi Royalties, Nunavik Nickel, and Uranium Valley became reporting issuers in the provinces of Alberta, British Columbia, Ontario, and Québec. As a result of the Arrangement, the Corporation now holds 66.3% interest in Abitibi Royalties, 70.4% interest in Nunavik Nickel, and 37.6% in Uranium Valley.

7. *JOINTLY CONTROLLED EXPLORATION AND EVALUATION ACTIVITIES*

Subject to the terms of an amended and restated mining option agreement dated January 10, 2013 between the Corporation, Integra Gold Corp. (hereinafter “Integra”), and Golden Cariboo Resources Ltd., the Corporation and Integra jointly controlled exploration and evaluation activities pursuant to a 70/30 joint venture agreement. Information on these activities are presented in Note 11 (Abitibi Greenstone Belt properties).

Subject to the terms of a binding term sheet dated June 4, 2012 (the “Term Sheet”), Sirios Resources Inc. ("Sirios") may acquire a 100% interest in the Sharks and Cheechoo properties in which the Corporation and Sirios jointly controlled exploration and evaluation activities. The Corporation controls 55% and Sirios 45%. Should Sirios fail to acquire the Corporation’s remaining 55% interest in the Sharks and Cheechoo, the properties will once again be subject to the terms of a joint venture agreement, the terms of which are to be consistent with the terms of the joint venture agreements entered into by the parties prior to the signing of the Term Sheet. Information on these assets is presented in Note 11 (Sirios Resources Ltd - Sharks and Cheechoo Joint Venture).

Abitibi Royalties and Osisko Mining Corporation (formerly Osisko Explorations Ltd., hereinafter "Osisko") jointly controlled exploration and evaluation activities, pursuant to a 30/70 joint venture agreement on Malartic CHL Prospect. Information on these assets is presented in the Note 11 (Malartic CHL Prospect).

Uranium Valley and Ditem Explorations Inc. ("Ditem") jointly controlled exploration and evaluation activities, pursuant to a 40/60 joint venture agreement on Beartooth Island Prospect. Information on these assets is presented in the Note 11 (Beartooth Island Prospect).

(in Canadian dollars)

8. *CASH*

The balance on flow-through financings not spent according to the restrictions imposed by these financing arrangements represents $802,005 ($nil as at December 31, 2011). The Corporation has to dedicate these funds to the exploration of Canadian mining properties exploration.

9. *SHORT-TERM FINANCIAL ASSETS*

	December 31, 2012	December 31, 2011
	$	$
Guaranteed investment certificates		
·1.2% interest rate, maturing in January 2013	100,000	
·0.95% interest rate, maturing in October 2013	500,000	
Money market investment funds	3,836	103,720
Mutual funds	105,012	103,605
Marketable securities in quoted mining exploration companies	102,690	195,511
Undeposited certificates		223,100
Short-term financial assets	811,538	625,936

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
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10. *PROPERTY AND EQUIPMENT*

The carrying amount can be analysed as follows:

	Property and equipment					Exploration and evaluation equipment				
	Automotive equipment	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	$	$	$	$	$	$	$	$	$	$
Gross carrying amount										
Balance at January 1, 2012	1,399	46,282	72,693	60,385	180,759	55,334	27,725	35,087	118,146	298,905
Additions								1,128	1,128	1,128
Disposal of a subsidiary	(1,399)				(1,399)					(1,399)
Balance at December 31, 2012		46,282	72,693	60,385	179,360	55,334	27,725	36,215	119,274	298,634
Accumulated depreciation										
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		7,640	4,696	9,825	22,161	10,991	1,208	11,790	23,989	46,150
Balance at December 31, 2012		30,451	57,751	56,252	144,454	47,104	27,725	20,372	95,201	239,655
Carrying amount at December 31, 2012		15,831	14,942	4,133	34,906	8,230		15,843	24,073	58,979

	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, 2011		29,743	55,536	123,458	208,737	55,334	27,725	32,815	115,874	324,611
Additions	1,399	16,539	19,496		37,434			2,272	2,272	39,706
Write-off			(2,339)	(63,073)	(65,412)					(65,412)
Balance at December 31, 2011	1,399	46,282	72,693	60,385	180,759	55,334	27,725	35,087	118,146	298,905
Accumulated depreciation and Write-off										
Balance at January 1, 2011		15,288	50,853	66,469	132,610	26,496	24,100	1,367	51,963	184,573
Write-off			(684)	(42,396)	(43,080)					(43,080)
Depreciation	137	7,523	2,886	22,354	32,900	9,617	2,417	7,215	19,249	52,149
Balance at December 31, 2011	137	22,811	53,055	46,427	122,430	36,113	26,517	8,582	71,212	193,642
Carrying amount at December 31, 2011	1,262	23,471	19,638	13,958	58,329	19,221	1,208	26,505	46,934	105,263

All depreciation and write-off charges (or reversals, if any) are included within, depreciation of property and equipment ($22,161; $32,900 at December 31, 2011) and write-off of property and equipment ($nil; $22,333 at December 31, 2011), except for depreciation charges related to exploration and evaluation equipment used for specific projects which are capitalized as exploration and evaluation assets during the year ($23,989; $19,249 at December 31, 2011).

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS*

The carrying amount can be analyzed as follows:

	Balance at January 1, 2012	Additions	Tax credits	Disposition	Write-off	Balance at December 31, 2012
	$	$	$	$	$	$
Golden Valley Mines Ltd. Properties						
Acquisition and claims maintenance	4,753,688	43,979				4,797,667
Property option payments	312,500					312,500
Drilling, excavation and related costs	3,238,372	6,023				3,244,395
Technical and field staff	3,740,860	289,708				4,030,568
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	10,601				710,017
Travel and transport	1,733,135	3,207				1,736,342
Program management and consultants	239,376					239,376
Professional Fees	6,978					6,978
Depreciation, insurance and office expenses	419,493	44,493				463,986
Communications	55,434					55,434
Option payments received	(1,068,104)					(1,068,104)
Write-off of exploration and evaluation assets	(2,379,275)				(1,477,322)	(3,856,597)
Government assistance	(1,363,809)		(83,419)			(1,447,228)
Net expenses incurred during the period	14,425,964	398,111	(83,419)		(1,477,322)	13,263,334
Exploration and evaluation assets transferred to subsidiaries	(2,453,775)			(10,998)		(2,464,773)
Balance, end of the period	11,972,189	398,111	(83,419)	(10,998)	(1,477,322)	10,798,561

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

December 31, 2012 and 2011
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11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2012	Additions	Tax credits	Disposition	Write-off	Balance at December 31, 2012
	$	$	$	$	$	$
Abitibi Royalties Inc. Properties						
Acquisition and claims maintenance	30,868	150				31,018
Technical and field staff	4,342	2,890				7,232
Program management and consultants	20,386	51,476				71,862
Net expenses incurred during the period	55,596	54,516	-	-	-	110,112
Nunavik Nickel Mines Ltd. Properties						
Acquisition and claims maintenance	1,689,450	49,731				1,739,181
Technical and field staff	1,013	2,049				3,062
Program management and consultants	1,326	705				2,031
Airborne geophysics	273,897	16,407				290,304
Government assistance	(119,730)		(8,362)			(128,092)
Net expenses incurred during the period	1,845,956	68,892	(8,362)	-		1,906,486
Uranium Valley Mines Ltd. Properties						
Acquisition and claims maintenance	1,546,622	20,727				1,567,349
Technical and field staff	1,327	1,241				2,568
Travel and transport	25,229	16,223				41,452
Program management and consultants	737	270				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	1,573,975	38,461	(654)	-	(1,403,948)	207,834

Golden Valley Mines Ltd.

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11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2012	Additions	Tax credits	Disposition	Write-off	Balance at December 31, 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-off of exploration and evaluation assets	(529,360)					(529,360)
Net expenses incurred during the period	393,121	12,888	-	-	-	406,009
Disposal of a subsidiary				(406,009)		(406,009)
	393,121	12,888	-	(406,009)	-	-
Summary						
Mining rights	8,258,859	114,587				8,373,446
Exploration and evaluation assets	10,035,753	458,282	(92,435)		(2,881,270)	7,520,330
Exploration and evaluation assets transferred to subsidiaries	(2,453,775)			(10,998)		(2,464,773)
Disposal of a subsidiary				(406,009)		(406,009)
	15,840,837	572,869	(92,435)	(417,007)	(2,881,270)	13,022,994

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

December 31, 2012 and 2011
(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2011	Additions	Tax credits	Disposition	Write-off	Balance at December 31 2011
	$	$	$	$	$	$
Golden Valley Mines Ltd. Properties						
Acquisition and claims maintenance	4,658,854	94,834				4,753,688
Property option payments	312,500					312,500
Drilling, excavation and related costs	3,129,340	109,032				3,238,372
Technical and field staff	3,237,857	503,003				3,740,860
Airborne geophysics	671,742					671,742
Geophysics	2,049,805	218,517				2,268,322
Line cutting	968,819	129,017				1,097,836
Sampling and testing	591,514	107,902				699,416
Travel and transport	1,690,310	42,825				1,733,135
Program management and consultants	214,845	24,531				239,376
Professional Fees	6,825	153				6,978
Depreciation, insurance and office expenses	373,893	45,600				419,493
Communications	55,434					55,434
Option payments received	(991,561)	(76,543)				(1,068,104)
Write-off of exploration and evaluation assets	(2,364,417)				(14,858)	(2,379,275)
Government assistance	(1,287,698)		(76,111)			(1,363,809)
Net expenses incurred during the period	13,318,062	1,198,871	(76,111)		(14,858)	14,425,964
Exploration and evaluation assets transferred to subsidiaries				(2,453,775)		(2,453,775)
Balance, end of the period	13,318,062	1,198,871	(76,111)	(2,453,775)	(14,858)	11,972,189

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

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(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2011	Additions	Tax credits	Disposition	Write-off	Balance at December 31 2011
	$	$	$	$	$	$
Abitibi Royalties Inc. Properties						
Acquisition and claims maintenance	-	30,868				30,868
Technical and field staff		4,342				4,342
Program management and consultants		20,386				20,386
Net expenses incurred during the period	-	55,596	-	-	-	55,596
Nunavik Nickel Mines Ltd. Properties						
Acquisition and claims maintenance	-	1,689,450				1,689,450
Technical and field staff	-	1,013				1,013
Program management and consultants	-	1,326				1,326
Airborne geophysics	-	273,897				273,897
Government assistance			(119,730)			(119,730)
Net expenses incurred during the period	-	1,965,686	(119,730)	-	-	1,845,956
Uranium Valley Mines Ltd. Properties						
Acquisition and claims maintenance	-	1,546,622				1,546,622
Technical and field staff	-	1,327				1,327
Travel and transport		25,229				25,229
Program management and consultants		737				737
Communication		60				60
Net expenses incurred during the period	-	1,573,975	-	-	-	1,573,975

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2011	Addition	Tax credits	Disposition	Write-off	Balance at December 31 2011
	$	$	$	$	$	$
Sierra Leone Properties (held by the Corporation's subsidiary: Calone Mining Ltd.)						
Acquisition and claims maintenance	290,398	(52,167)				238,231
Airborne geophysics	182,124	75,524				257,648
Travel and transport	181,754	21,026				202,780
Remote Sensing Study	66,356					66,356
Technical and field staff	53,418	2,188				55,606
Program management and consultants	73,438	18,011				91,449
Sampling and testing	2,695	1,997				4,692
Office expenses	3,590					3,590
Geophysics	1,320					1,320
Communications	610	199				809
Write-off of exploration and evaluation assets					(529,360)	(529,360)
Net expenses incurred during the period	855,703	66,778			(529,360)	393,121
Summary						
Mining rights	4,949,252	3,309,607				8,258,859
Exploration and evaluation assets	9,224,513	1,551,299	(195,841)		(544,218)	10,035,753
Exploration and evaluation assets transferred to subsidiaries				(2,453,775)		(2,453,775)
	14,173,765	4,860,906	(195,841)	(2,453,775)	(544,218)	15,840,837

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.

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

The Corporation holds (together with its subsidiaries) 132 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. Owned properties in Sierra Leone have been disposed during the year. For additional information with respect to the foregoing transaction, please see Note 26 herein.

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 continues 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.

11. *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 favor of the original vendor) and the Plumber Prospect. Both these prospects are located in the Matachewan area, west of Kirkland Lake, Ontario. Pursuant to and in accordance with the terms of the agreements, as they have been amended, in order to acquire its interest in each property, WKM must, amongst other things, make cash payments totaling $102,500 (paid), issue an aggregate 600,000 shares (of which 300,000 have been issued to date), incur aggregate exploration expenditures of $5,000,000 over a 66 month period, and complete a feasibility study on each property. Upon completing all its obligations under the agreements governing the grant of the option, a joint venture shall then be formed on each property and the 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 favor of the original vendor, the Corporation retains a 100% interest in each of the Island 27 and the Plumber Prospects.

Centremaque Property - Monarch Energy Ltd - Bourlamaque Township, Quebec

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 “Monarch Option”) provided that Monarch: (i) incur aggregate exploration expenditures of $2,250,000 over a three year period; (ii) complete a definitive feasibility study at its sole cost on or before the 10th year anniversary of the Effective Date; (iii) issue to the Company 9,175,008 common shares (issued); (iv) make a $35,000 cash payment; and (v) reimburse the Corporation for legal expenses incurred with respect to the grant of the Option. Golden Valley is the operator during the Option phase. Effective November 22, 2012, the Option was terminated and the Corporation retains a 100% interest in the Centremaque Property.

Luciana Prospect - Big North Graphite Corp. (formerly Big North Capital Inc.) – Lebel-sur Quévillon, 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 are in good standing.

11. *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"), 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.

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

Sirios Resources Ltd. - Sharks and Chechoo 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 and in which Sirios currently holds a 40% interest. In order for Sirios to acquire 5% of Golden Valley’s 60% interest in the Properties, Sirios must on or before December 31, 2012 (the "Initial Option Period") incur aggregate exploration expenditures on the Properties of $800,000 (the "Initial Expenditures"). Additionally, Sirios has undertaken to retain and pay for the geological services of at least 1 representative of the Corporation in the event that geological tasks are carried out during the Initial Option Period.

In order for Sirios to acquire the Corporation's remaining 55% interest in the Properties, Sirios must (i) on or before June 15, 2013, notify the Corporation in writing of its intent to acquire the remaining 55% interest in the Properties (the "Option Notice"); and (ii) within 3 years from the date of the Option Notice (the "Subsequent Option Period"), incur additional exploration expenditures on the Properties of $4.2 million (the "Subsequent Expenditures"); and (iii) on or before December 31, 2013, issue to the Corporation a number of common shares equal to the lesser of (a) an amount of $1,000,000 based on the weighted average price per common share for the 20 consecutive trading days before the date of issuance or (b) 9.9% of Sirios’ issued and outstanding share capital (the "Payment Shares"); and (iv) no later than the date which is 3 years from the date of the Option Notice, pay $500,000 in cash or in securities of Sirios, based on the weighted average price per common share on the 20 consecutive trading days before the date of the issuance, at the sole discretion of Sirios.

However, Sirios shall have the obligation to pay in cash that portion of the $500,000 which would result in the Corporation becoming an insider of Sirios. For a period of 3 years from the date of the Option Notice, the Corporation shall have the right, but not the obligation to maintain its share interest in Sirios by subscribing for securities of Sirios, on the same terms and conditions as the other subscribers for a particular financing. The Corporation retains a royalty (the “Royalty”) equal to 4% of the net returns from all mineral products mined or removed from the Properties; the Royalty relevant to gold mineral products mined or removed from the Properties only (the "Gold Portion") may vary between 2.5% and 4% depending on the market price of Gold at the time of the payment of the Gold Portion.

Sirios is the operator during the Initial Option Period and the Subsequent Option Period and the Initial Expenditures and Subsequent Expenditures shall include an amount representing 10% of same in lieu of the payment of operator’s fees in cash by the Corporation. The issuance of the Payment Shares by Sirios shall survive the termination of the Option. As of the date hereof, 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

December 31, 2012 and 2011
(in Canadian dollars)

11. *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 of 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 may acquire up to an 80% interest in the Optioned Claims provided that, amongst other things, it incurs 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. - Shares and Chechoo Joint Venture - James Bay Northern Quebec above. CRI retains a 1.5% NSR on the staked Claims.

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"). During the period, Osisko 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 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.

Otish/Mistassini Prospect - North Central Quebec

On March 31, 2011, Uranium Valley acquired the Corporation's 50% interest in the Otish/Mistassini Prospect and on July 15, 2011, it acquired the 50% interest held by Lexam in the property. As a result, Uranium Valley now holds a 100% interest in the Otish/Mistassini Prospect.

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

Beartoth Island Prospect - Athabaska Basin, Saskatchewan

On March 31, 2011, Uranium Valley acquired Golden Valley 40% interest in the Beartooth Island Prospect. This property is the object of a joint venture with Ditem. Ditem can acquire an additional 6% interest in the property by advising Uranium Valley of its intent to complete and by completing a feasibility study at its sole cost within the perioc of 6 years from the operative date, subject to and in accordance with the terms of the joint venture agreement. Following the final vesting Uranium Valley will retain an aggregate 34% undivided interest in the property. As of the date here of Uranium Valley retains a 40% interest therein; Ditem is the operator.

Marymac Prospect - Labrador Trough, Quebec

The Marymac Prospect located in the Labrador Trough of Quebec, consists of 215 Map Designated Units (each an "MDU") that collectively encompass approximatively 10,000 hectares. Nunavik Nickel holds a 100% interest in the Marymac Prospect. The Marymac Prospect is subject to a 2% net smelter royalty ("NSR")interest in favour of Capex Group Inc.(formerly 862539 Alberta Ltd.), which was granted to 862539 Alberta Ltd. pursuant to an agreement dated March 1, 2001.

12. *LEASES*

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

	Within 1 year	1 to 5 years	Minimum lease payments due Total
	$	$	$
December 31, 2012	59,927	142,070	201,997
December 31, 2011	62,879	194,898	257,776

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 $62,879 ($45,205 in 2011). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. The Corporation's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. No sublease income is expected as all assets held under lease agreements are used exclusively by the Corporation.

13. *ACCOUNTS PAYABLE AND ACCRUED LIABILITIES*

	December 31, 2012	December 31, 2011
Others	$	$
Trade accounts	97,513	354,608
Wage and salaries payable	175,653	53,060
Benefits	816	24,509
Current charges		4,000
Other	4,935	14,799
	278,917	450,976

14. *EQUITY*

14.1 *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.

On July 19, 2011 (the "Effective Date"), Golden Valley Mines Ltd. issued as fully paid and non-assessable and at a deemed price of $0.01 per share to each of Abitibi Royalties, Nunavik Nickel and Uranium Valley (the "Subsidiaries") 10,000 Series 1 Preferred Shares (the "Preferred Shares") pursuant to the Arrangement Agreement (see note 6). On the Effective Date, the Preferred Shares were repurchased by the Corporation and returned to treasury for cancellation, in exchange for the payment to each of the Subsidiaries of $100.

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

Each Unit consists of one common share (a "Common Share") and one-half of a share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to acquire one additional common share at a price of $0.40 per common share (a "Warrant Share") for a period of eighteen months from January 20, 2012 (the "Closing Date"). The Common Shares and the Warrants acquired by the placee are subject to a hold period and may not be traded until May 21, 2012 except as permitted by applicable securities legislation and the rules of the TSX Venture Exchange. An amount of $120,000 relating to the warrants portion was recognized as an increase to warrants in equity.

Concurrently with the above mentioned Strategic Subscription, two insiders of the Corporation have subscribed for 249,999 Units, upon the same terms and conditions described above for proceeds of $75,000. The subscription by insiders of the Corporation constitutes a related party transaction for the purposes of TSX Venture Policy 5.9, however is exempt from the minority approval and valuation requirements of such policy. The Corporation intends to use the aggregate proceeds raised for general working capital. An amount of $15,000 relating to the warrants portion was recognized as an increase to warrants in equity.

14.1 *Capital Stock (continued)*

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

On September 25, 2012 the Corporation closed a brokered private placement of 4,329,000 flow-through units (each, a "FT Unit") at a price of $0.18 per FT Unit and 933,333 non-flow through units (each, a "NFT Unit") at a price of $0.15 per NFT Unit for aggregate gross proceeds of $919,220, of which $779,220 are proceeds derived from the sale of FT Units. Each FT Unit consists of one common share issued on a flow-through basis and one-half of one non-transferable share purchase warrant (each whole warrant, a "Warrant"), and each NFT Unit consists of one non-flow-through common share and one Warrant. Each Warrant entitles the holder to purchase one additional non-flow-through common share of the Corporation at a per share price of $0.20 until March 25, 2014. An amount of $86,580 relating to the warrants portion was recognized as an increase to warrants in equity.

Industrial Alliance Securities Inc. ("IAS") acted as the exclusive lead manager with respect to the private placement. IAS was paid a commission of $62,596 and received 368,363 compensation warrants each of which entitles the holder to purchase one non-flow-through common share of the Corporation at a per share price of $0.15 until March 25, 2014.

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

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

(in Canadian dollars)

14.1 *Capital Stock (continued)*

On November 8, 2012 the Corporation closed a non-brokered private placement of 555,554 flow-through units (each, a “FT Unit”) at a price of $0.18 per FT Unit and 4,366,665 non-flow through units (each, a “NFT Unit”) at a price of $0.15 per NFT Unit for aggregate gross proceeds of $755,000.

Each FT Unit consists of one common share issued on a flow-through basis and one-half of one non-transferable share purchase warrant (each whole warrant, a “Warrant”), and each NFT Unit consists of one non-flow-through common share and one Warrant. Each Warrant entitles the holder to purchase one additional non-flow-through common share of the Corporation at a per share price of $0.20 until November 8, 2014. An amount of $144,412 relating to the warrant portion was recognized as an increase to warrants in equity and an amount of $19,921 relating to the liabilities portion was recognized as an increase to other liabilities in the statement of financial position.

Additionally, a cash finder’s fee of $40,600 was paid, and 190,555 compensation warrants to acquire 190,555 common shares of the Corporation were issued, to an arm’s length finder who introduced the Corporation to investors. Each compensation warrant shall entitle the holder to purchase one additional common share of the Corporation at a per share price of $0.15 until November 8, 2014.

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

14.2 *Warrants*

On January 20, 2012, 1,124,999 warrants were issued at an exercise price of $0.40. On September 25, 2012, 3,097,833 warrants were issued at an exercise price of $0.20 and 368,363 compensation warrants were issued at an exercise price of $0.15. On November 25, 2012, 4,644,441 warrants were issued at an exercise price of $0.20 and 190,555 compensation warrants were issued at an exercise price of $0.15. No warrant was issued in 2011. Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	December 31, 2012		December 31, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance, beginning of reporting period	3,333,329	0.75	3,333,329	0.75
Granted	9,426,191	0.22		
Expired	(3,333,329)	0.75		
Balance, end of reporting period	9,426,191	0.22	3,333,329	0.75

(in Canadian dollars)

14.2 *Warrants (continued)*

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

	December 31, 2012		December 31, 2011	
Expiry date	Number	Exercise price	Number	Exercise price
		$		$
June 20, 2012			3,333,329	0.75
July 20, 2013	1,124,999	0.40		
March 25, 2014	3,097,833	0.20		
March 25, 2014	368,363	0.15		
November 8, 2014	4,644,441	0.20		
November 8, 2014	190,555	0.15		
	9,426,191	0.22	3,333,329	0.75

When granted, the fair value of the 558,918 warrants issued as compensation warrants was measured by the reference to the fair value of the equity instruments granted, the fair value of services received cannot be estimated reliably. The fair value of $36,789 was recorded as an increase of share issue expenses and increase of warrants.

The fair value of $0.07 of the warrants issued as compensation warrants was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2012
Share price at date of grant	$0.15
Expected dividends yield	0%
Expected weighted volatility	71%
Risk-free interest average rate	1.12%
Expected average life	2 years
Exercice price at date of grant	$0.15

The fair value of $0.04 of the warrants issued as flow-through placements was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions :

	2012
Share price at date of grant	$0.16
Expected dividends yield	0%
Expected weighted volatility	70%
Risk-free interest average rate	1.12%
Expected average life	2 years
Exercice price at date of grant	$0.20

The underlying expecting volatilities were determined by reference to historical data of Golden Valley Mines Ltd. shares of a period of 24 months.

(in Canadian dollars)

15. *EMPLOYEE REMUNERATION*

15.1 *Salaries and other employee benefits expense*

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

	December 31 2012	December 31 2011
	$	$
Salaries and group insurance	678,060	769,574
Share-based payments	236,316	1,982,750
	914,376	2,752,324
Less: salaries capitalized in exploration and evaluation assets	(167,573)	(211,343)
Salaries and other employee benefits expense	746,803	2,540,981

15.2 *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.

(in Canadian dollars)

15.2 *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:

	December 31, 2012		December 31, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding as at January 1	6,820,000	0.35	6,135,000	0.33
Granted	815,000	0.15	2,850,000	0.35
Exercised			(1,830,000)	0.30
Forfeited			(110,000)	0.34
Cancelled	(100,000)	0.35		
Expired	(550,000)	0.30	(225,000)	0.30
Outstanding as at December 31	6,985,000	0.33	6,820,000	0.35
Exercisable as at December 31	6,947,500	0.33	6,570,000	0.35

The weighted average share price at the date of exercise was $0.3 in 2011.

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

	Outstanding options			Exercisable options
Expiry date	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
		$		
February 7, 2013	795,000	0.35	0.10	795,000
June 27, 2013	425,000	0.36	0.49	425,000
December 22, 2013	575,000	0.20	0.98	575,000
June 22, 2014	300,000	0.30	1.47	300,000
August 6, 2014	310,000	0.30	1.60	310,000
December 22, 2015	1,015,000	0.50	2.98	1,015,000
October 5, 2016	2,750,000	0.35	3.76	2,750,000
July 23, 2017	815,000	0.15	4.56	777,500
	6,985,000	0.33		6,947,500

(in Canadian dollars)

15.2 *Share-based payments (continued)*

The table below summarizes the information related to share options as at December 31, 2011:

	Outstanding options			Exercisable options
Expiry date	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
		$		
August 6, 2012	550,000	0.30	0.60	550,000
February 7, 2013	795,000	0.35	1.11	795,000
June 27, 2013	425,000	0.36	1.49	425,000
December 22, 2013	575,000	0.20	1.98	575,000
June 22, 2014	300,000	0.30	2.48	300,000
August 6, 2014	310,000	0.30	2.60	310,000
December 22, 2015	1,015,000	0.50	3.98	990,000
October 5, 2016	2,850,000	0.35	4.77	2,625,000
	6,820,000	0.35		6,570,000

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, employees and consultants. 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. For options granted to consultants providing investor relations services, the fair value was measured by reference to the fair value of the equity instruments granted, the fair value of services provided cannot be estimated reliably.

On July 23, 2012, the Corporation granted an aggregate 815,000 incentive stock options with an exercise price of $0.15 to its directors, officers, employees and consultants. The options are exercisable until July 23, 2017. 765,000 options are exercisable immediately, and 50,000 options (in the aggregate) granted to two consultants of the Corporation, one of which provides investor relations services, vest as to 12,500 options (in the aggregate) on a quarterly basis.

(in Canadian dollars)

15.2 *Share-based payments (continued)*

The weighted fair value of the granted options of $0.09 ($0.16 in 2011) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2012	2011
Share price at date of grant	$0.12	$0.29
Expected dividends yield	0%	0%
Expected weighted volatility	108.6%	75.4%
Risk-free interest average rate	1.12%	1.46%
Expected average life	5 years	5 years
Exercise price at date of grant	$0.15	$0.35

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

On July 25, 2012, Nunavik Nickel granted an aggregate 875,000 incentive stock options with an exercise price of $0.20 per share to its directors, officers, and consultants, some of which are also directors and/or officers of the Corporation. The options are fully vested and expire 5 years from the date of grant. An amount of $130,160 of share-based payments expense was included in profit and loss for the period ended December 31, 2012 ($nil for the period ended December 31, 2011) and credited to non-controlling interest. The fair value of the stock options granted of $0.15 has been estimated on July 25, 2012, using the Black-Scholes option-pricing model with the following assumptions:

	2012
Share price at date of grant	$0.20
Expected dividends yield	0%
Expected weighted volatility	100%
Risk-free interest average rate	1.12%
Expected average life	5 years
Exercise price at date of grant	$0.20

In reason of the limited trading history of Nunavik Nickel's common shares, the underlying expected volatility was determined by reference to historical data of comparable mining exploration companies' share on the TSX Venture Exchange over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

(in Canadian dollars)

15.2 *Share-based payments (continued)*

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. An amount of $1,536,100 of share-based payments expense was included in profit and loss for the period ended December 31, 2011 and credited to non-controlling interest. The fair value of the stock options granted of $1.79 has been estimated on September 29, 2011, using the Black-Scholes option-pricing model with the following assumptions:

	2011
Share price at date of grant	$2.41
Expected dividends yield	0%
Expected weighted volatility	100%
Risk-free interest average rate	1.45%
Expected average life	5 years
Exercise price at date of grant	$2.50

In reason of the limited trading history of Abitibi Royalties' common shares, the underlying expected volatility was determined by reference to historical data of comparable mining exploration companies' share on the TSX Venture Exchange over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, $219,039 of employee and non-employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the year ended December 31, 2012 ($1,924,695 for the year ended December 31, 2011) and credited to Contributed surplus. An amount of $17,277 ($58,056 in 2011) of employee remuneration was recognized in exploration and evaluation assets in the consolidated statement of financial position and credited to Contributed surplus.

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16. *INCOME TAXES*

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive income can be reconciled as follows:

	2012	2011
	$	$
Loss before income taxes	(5,128,029)	(5,104,404)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9% (28.4% in 2011)	(1,379,440)	(1,449,651)
Adjustments for the following items		
Variation of income tax rate		29,331
Variation between the rates of the foreign subsidiary		(14,918)
Issuance of flow-through shares	20,292	159,496
Reversal of other liabilities attributable to issuance of flow-through shares		(128,960)
Temporary difference not recorded	640,455	1,013,148
Share-based payments	58,921	563,101
Variation of non deductible fair value	32,713	49,494
Other non deductible expenses	(20,026)	30,954
	(647,085)	251,995

The statutory tax rate of December 31, 2012 is lower than the statutory tax rate of December 31, 2011 since the federal statutory tax rate has decreased from 16.5% to 15%.

Composition of deferred income taxes in the income statements

	2012	2011
	$	$
Inception and reversal of temporary differences	(1,276,907)	(839,162)
Income tax rates variation		29,331
Fiscal impact on expenses incurred for flow-through shares	20,292	159,496
Reversal of other liabilities attributable to issuance of flow-through shares		(128,960)
Difference of previous years adjustments	(30,925)	18,142
Temporary difference not recorded	640,455	1,013,148
	(647,085)	251,995

Variation of 2012 deferred income taxes

	January 1, 2012	Deferred income taxes Recognized in equity	Recognized in profit or loss	December 31, 2012
	$	$	$	$
Exploration and evaluation assets	(2,240,109)		482,324	(1,757,785)
Property and equipment	79,269		13,346	92,615
Tax credits receivable	(20,728)		11,196	(9,532)
Share issued expenses	35,829	48,056	(27,863)	56,022
Non-capital losses	738,043		168,082	906,125
	(1,407,696)	48,056	647,085	(712,555)
Reversal of liabilities related to flow-through shares				
Deferred income taxes liability			647,085	

(in Canadian dollars)

Variation of 2011 deferred income taxes

	January 1, 2011	Recognized in equity	Recognized in profit or loss	December 31, 2011
	$	$	$	$
Exploration and evaluation assets	(2,556,074)		315,965	(2,240,109)
Property and equipment	56,686		22,583	79,269
Tax credits receivable	(23,326)		2,598	(20,728)
Share issued expenses	57,480	2,701	(24,352)	35,829
Non-capital losses	1,435,792		(697,749)	738,043
	(1,029,442)	2,701	(380,955)	(1,407,696)
Reversal of liabilities related to flow-through shares			128,960	
Deferred income tax liability			(251,995)	

As at December 31, 2012, the Corporation had deductible temporary differences which it did not record in deferred tax assets:

	$
Exploration and evaluation assets	3,702,489
Property, plant and equipment	6,480
Public shares	309,551
Capital losses	87,778
Non-capital losses	833,569
	4,939,867

As at December 31, 2011, the Corporation had deductible temporary differences which it did not record in deferred tax assets:

	$
Exploration and evaluation assets	2,188,929
Property, plant and equipment	5,020
Public shares	275,719
Non-capital losses	274,980
	2,744,648

The Corporation has the following tax losses available to reduce future years' taxable income. Taxable losses, for which the total tax effect has not been recorded in the statement of balance sheet, are maturing as follows:

2030	$972
2031	$207,167
2032	$625,430

The Corporation has an amount of $317,876 ($320,989 in 2011) in investment tax credits that has not been recorded. These credits can be used to reduce federal income tax and will expire in 2025

The Corporation has an amount of $127,820, as at December 31, 2012 and 2011, in resources tax credit that has not been recorded. These credits can be used to reduce Québec income tax and will expire in 2017.

(in Canadian dollars)

17. *FINANCIAL ASSETS AND LIABILITIES*

Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the consolidated statement of financial position are as follows:

				December 31
		2012		2011
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Loans and receivables				
Cash	1,446,989	1,446,989	1,495,272	1,495,272
Guaranteed investment certificates	600,000	600,000		
Fees and other accounts receivable	16,181	16,181	35,506	35,506
At fair value through profit and loss				
Money market investment funds	3,836	3,836	103,720	103,720
Mutual funds	105,012	105,012	103,605	103,605
Marketable securities in quoted mining exploration companies	102,690	102,690	195,511	195,511
Undeposited certificates			223,100	223,100
Financial liabilities				
Financial liabilities measured at amortized cost				
Accounts payable and accrued liabilities - related parties controlled by directors	11,785	11,785	28,891	28,891
Accounts payable and accrued liabilities - others	102,448	102,448	373,407	373,407

17. *FINANCIAL ASSETS AND LIABILITIES (continued)*

The carrying value of loans and receivables and financial liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

See Note 4.8 for a description of the accounting policies for each category of financial instruments. The Corporation's financial instruments risks are detailed in Note 25.

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the assets or liabilities that are not based on observable market data

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Money market investment funds, mutual funds, marketable securities in quoted mining exploration companies and undeposited certificates measured at fair value in the consolidated statement of financial position as at December 31, 2012 and 2011 are classified in Level 1.

There have been no significant transfers between Levels 1 and 2 in the reporting periods.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

(in Canadian dollars)

18. *FINANCE INCOME*

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

	December 31 2012	December 31 2011
	$	$
Interest and dividend income from cash and short-term financial assets	4,956	15,600

19. *LOSS PER SHARE AND DIVIDENDS*

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential 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 14 and 15.

Both the basic and diluted loss per share have been calculated using the loss attributable to owners of the Corporation as the numerator, i.e. no adjustment to the loss were necessary in 2012 and 2011.

	December 31 2012	December 31 2011
Net loss attributable to shareholders of Golden Valley Mines Ltd.	(3,263,139)	(3,723,660)
Weighted average number of shares in circulation	77,659,296	72,181,873
Basic and diluted loss per share	$(0.042)	$(0,052)

DIVIDENDS

In 2011, the Corporation transferred mining properties to the subsidiaries with a fair value of $2,453,775 in exchange of 425,140 Abitibi Royalties' shares, 8,392,724 Nunavik Nickel's shares and 6,100,000 Uranium Valley's shares.

Thereafter, the Corporation transferred $600,000 to each of Abitibi Royalties and Nunavik Nickel and Uranium Valley in the form of a convertible promissory note, upon conversion of which the Corporation received 8,275,862 Abitibi Royalties shares, 1,500,000 Nunavik Nickel shares and 1,000,000 Uranium Valley shares (as $300,000 was repaid in cash).

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DIVIDENDS (continued)

Furthermore, the Corporation distributed, to the shareholders, one common share in the capital of each of Abitibi Royalties, Nunavik Nickel, and Uranium Valley for every 25 shares of the Corporation held by shareholders (aggregate 2,929,088 Abitibi Royalties, Nunavik Nickel and Uranium Valley shares). A capital taxable dividend has been deemed to be paid to each of the Corporation shareholders having received such shares: $0.16 per Abitibi Royalties share, $0.30 per Nunavik Nickel share, and $0.235 per Uranium Valley share.

The Corporation distributed 2,929,088 shares of Abitibi Royalties for a total fair value of $468,654. The carrying value of these shares was $212,173. The balance of $256,481 between the fair value of the dividend and the carrying amount of the share was recorded against the deficit of the Corporation.

The Corporation distributed 2,929,088 shares of Nunavik Nickel for a total fair value of $878,726. The carrying value of these shares was $673,872. The balance of $204,854 between the fair value of the dividend and the carrying amount of the share was recorded against the deficit of the Corporation.

The Corporation distributed 2,929,088 shares of Uranium Valley for a total fair value of $688,336. The carrying value of these shares was $552,530. The balance of $135,806 between the fair value of the dividend and the carrying amount of the share was recorded against the deficit of the Corporation.

20. *SEGMENTAL REPORTING*

For Management reporting purposes, the Corporation has two reportable segments :
exploration projects in Canada and exploration projects in Africa.

Management monitors results of these segments separately for the purpose of making decisions about resources allocation and performance assessment.

Segment information can be analysed as follows for the reporting periods:

	December 31, 2012		
	Canada	Africa	Total
	$	$	$
Segment revenues			
Geological fees	(8,184)		(8,184)
Salaries and other employee benefits	527,764		527,764
Write-off of exploration and evaluation assets	2,881,270		2,881,270
Depreciation of property and equipment	22,161		22,161
Loss on short-term financial assets disposal	3,815		3,815
Loss on a subsidiary disposal		407,271	407,271
Changes in fair value of financial assets at fair value through profit or loss	239,406		239,406
Other operating expenses	772,484	67,959	840,443
Segment operating loss	(4,438,716)	(475,230)	(4,913,946)
Addition to non-current assets	464,211	12,888	477,099
Segment non-current assets	13,081,973	-	13,081,973

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20. ***SEGMENTAL REPORTING (continued)***

	December 31, 2011		
	Canada	Africa	Total
	$	$	$
Segment revenues			
Geological fees	(26,197)	-	(26,197)
Salaries and other employee benefits	616,286	-	616,286
Write-off of exploration and evaluation assets	14,858	529,360	544,218
Write-off of property and equipment	22,333	-	22,333
Depreciation of property and equipment	32,763	137	32,900
Gain on disposal of exploration and evaluation assets	(340,057)	-	(340,057)
Gain on disposal of short-term financial assets	(24,116)	-	(24,116)
Changes in fair value of financial assets at fair value through profit or loss	372,668	-	372,668
Other revenue	(13,000)		(13,000)
Other operating expenses	1,601,356	402,907	2,004,263
Segment operating loss	(2,256,894)	(932,404)	(3,189,298)
Addition to non-current assets	1,632,296	(461,320)	1,170,976
Segment non-current assets	15,551,717	394,383	15,946,100

Management does not take assets and liabilities into accounts in the analysis of the various segments.

The totals presented for the Corporation's operating segments reconcile to key financial figures as presented in its financial statements as follows:

Revenues	2012	2011
	$	$
Total segment revenues and total revenues of the Corporation	8,184	26,197

Earnings	2012	2011
	$	$
Total operating loss of the Corporation	(4,913,946)	(3,189,298)
Finance income	4,956	15,600
Share-based payments	(219,039)	(1,924,695)
Foreign exchange loss		(6,011)
Total loss of the Corporation before income taxes	(5,128,029)	(5,104,404)
Deferred income taxes	647,085	(251,995)
Total net loss of the Coporation	(4,480,944)	(5,356,399)

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21. *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.

21.1 *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.

	December 31 2012	December 31 2011
	$	$
Short-term employee benefits		
Salaries including bonuses [(1) (2)]	329,884	356,796
Benefits	17,533	37,502
Total short-term employee benefits	347,417	394,298
Other transactions with key management		
Rent	5,000	12,000
Director's fees (paid to Calone Mining (S.L.) Ltd.'s independent directors)		30,000
Management Fees	29,375	34,625
Professional fees	15,000	39,500
Expenses capitalized in exploration and evaluation assets	92,280	161,610
Total other transactions with key management	141,655	277,735
Share-based payments	160,796	1,781,610
Total remuneration	649,868	2,453,643

(1) An amount of $112,500 ($nil in 2011) 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.

(2) A director fee of $15,000 ($nil in 2011) was paid by Abitibi Royalties to remunerate Mr. Chad Williams for carrying out his duties as chair of the Technical Committee of the Board of Directors of Abitibi Royalties. Mr. Williams is also a director of Golden Valley Mines.

(in Canadian dollars)

22. *ADDITIONAL INFORMATION - CASH FLOWS*

Non-cash transactions including in the statement of financial position are the following :

	2012	2011
	$	$
Tax credits deducted from exploration and evaluation assets	92,435	195,841
Trade accounts related to exploration and evaluation assets	52,378	7,744
Depreciation of exploration and evaluation equipment charged to exploration and evaluation assets	23,989	19,249
Fair value of options granted for services included in exploration and evaluation assets	17,277	58,056
Options on properties received as shares of quoted mining exploration companies included in short-term financial assets		406,600
Compensation warrants issued as share issue expenses	36,789	
Deferred income taxes included in share issue expenses	48,056	2,701

23. *CONTINGENCIES AND COMMITMENTS*

The Corporation is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Corporation is engaged in realizing mining exploration work.

These tax rules set deadlines for carrying out the exploration work which must be performed 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.

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.

During the year ended December 31, 2012, the Corporation received $879,219 ($nil in 2011) following flow-through placements for which the Corporation renounced tax deductions after December 31, 2012.

As at December 31, 2012, an amount of $802,005 was still to incur in connection with such placements.

24. *CAPITAL MANAGEMENT POLICIES AND PROCEDURES*

The Corporation's capital management objectives are:

- to ensure the Corporation's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to owners.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Corporation's own means.

The Corporation monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in Note 14 and in the consolidated statement of changes in equity.

The Corporation is not exposed to any externally imposed capital requirements except when the Corporation issues flow-through shares for which an amount should be used for exploration work. See all the details in Notes 14.1 and 23.

The Corporation sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may return capital to shareholders, issue new shares, or sell assets to reduce payables. When financing conditions are not optimal, the Corporation may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

25. *FINANCIAL INSTRUMENT RISKS*

The Corporation is exposed to various risks in relation to financial instruments. The Corporation's financial assets and liabilities by category are summarized in Note 17. The main types of risks are market risk, credit risk and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation is exposed to the following three types of market risk: currency risk, interest rate risk and other price risk. The Corporation focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. The Corporation does not actively engage in the trading of financial instruments for speculative purposes.

No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

The most significant financial risks to which the Corporation is exposed are described below.

25.1 *Foreign currency sensitivity*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Most of the Corporation's transactions are carried out in Canadian dollars. Currency risk arises from the Corporation expenses in foreign currency, which are primarily denominated in U.S. dollars.

The Corporation does not enter into arrangements to hedge its foreign exchange risk.

In 2011, foreign currency denominated financial liabilities in U.S. dollars, translated into CA at the closing rate, and which expose the Corporation to the currency risk are as follows:

	short-term exposure
	$
December 31, 2011	
Cash	1,495,272
Financial liabilities	(479,868)
Total exposure	1,015,404

The following illustrates the sensitivity of loss and equity in regards to the Corporation's cash and financial liabilities in foreign currency at the end of 2011 and the US/CA exchange rate, all other variables being constant.

It assumes a ± 1% change of the CA/US exchange rate for the reporting period ended December 31, 2011. This percentage has been determined based on the average market volatility in exchange rates in the previous twelve months.

If the CA dollar had strengthened or weakened against the U.S. dollar by 1% then this would have had the following impact:

	Net loss for the period		Equity	
	+ 1%	- 1%	+ 1%	- 1%
	$	$	$	$
December 31, 2011	$ 10,000	$ (10,000)	$ 10,000	$ (10,000)

Exposure to foreign exchange rates varies during the year depending on the volume of foreign transactions. Nonetheless, the analysis above is considered to be representative of the Corporation's exposure to currency risk.

(in Canadian dollars)

25.2 *Interest rate sensitivity*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Interest rate movements may affect the fair value of the fixed interest financial assets. Because these financial assets are recognized at amortized cost the fair value variation has no impact on profit or loss. At December 31, 2012, guaranteed investment certificates bear interest at a fixed rate (nil at December 31, 2011).

25.3 *Price risk sensitivity*

The Corporation is exposed to fluctuations in the market prices of its marketable securities in quoted mining exploration companies and mutual funds (marketable securities in quoted mining exploration companies, mutual funds and undeposited certificates in 2011). The fair value of the marketable securities represents the maximum exposure to price risk.

If the quoted price of these securities had changed by ± 20% as at December 31, 2012 (± 10% as at December 31, 2011), comprehensive loss and equity would hare changed by $41,540 ($52,222 in 2011).

25.4 *Credit risk*

Credit risk is the risk that another party to a financial instrument fails to discharge obligation and, thus, leads the Corporation to incur a financial loss.

The Corporation's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

		December 31,
	2012	2011
	$	$
Cash	1,446,989	1,495,272
Short-term investments	811,538	625,936
Fees and other accounts receivables	16,181	35,506
Carrying amounts	2,274,708	2,156,714

The Corporation has no trade accounts. The other accounts receivables are mainly receivables from partners on mineral properties options. The exposure to credit risk for the Corporation's receivable is considered immaterial. The Corporation continuously monitors defaults of counterparties. No impairment loss has been recognized in the periods presented.

The Corporation's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Corporation's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and guaranteed investment certificates is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

25.5 *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Corporation has financing sources such as private and public investments for a sufficient amount.

Over the past period, the Corporation has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through placements.

The Corporation's liabilities, which are accounts payable and accrued liabilities have a contractual maturity within less than a year for an amount of $290,702 ($479,867 as at December 31, 2011).

The Corporation's objective is to maintain cash and short-term investments to meet its liquidity requirements. This objective was met for the reporting periods.

The Corporation considers cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resource and short-term investments. The Corporation's existing cash and short-term investments significantly exceeds the current cash outflow requirements.

(in Canadian dollars)

26. *DISPOSAL OF A SUBSIDIARY*

Calone Properties - Sierra Leone, West Africa

During the quarter ended June 30, 2012, the Corporation wholly-owned Canadian subsidiary, Calone Mining Ltd. ("Calone Canada") entered into an amended and restated share purchase agreement (the "SPA") with K&K Investment GMBH ("K&K") pursuant to which K&K is to acquire, all of Calone Canada's shares held in its Sierra Leonean subsidiary, Calone Mining Company (S.L.) Ltd. ("Calone SL").

As consideration for entering into the SPA, K&K is to fund an airborne electromagnetic geophysical survey (the "Survey") on the property located in the Republic of Sierra Leone (Freetown Intrusion and Banana Islands) and over which Calone SL holds three reconnaissance licences (the "Property"). Pursuant to the SPA, upon completion of the Survey, K&K is to comply with all applicable regulatory requirements in order to obtain exploration and mining licenses for the Property.

As additional consideration for entering into the SPA, K&K and Calone SL have agreed to pay to Calone Canada a royalty (the "Royalty") equal to 5% of net returns from mineral products mined or removed from the Property within 10 years of closing of the transactions contemplated by the SPA (the "Closing"). K&K and Calone SL shall have the right to repurchase a portion of the Royalty as follows: (i) 1% for the price of US$2M leaving Calone Canada with a 4% royalty; or (ii) 2% for the price of US$4M, leaving Calone Canada with a 3% royalty, or (iii) 3% for the price of US$6M, thereby leaving Calone Canada with a 2% royalty. Pursuant to the SPA: (i) any funds held by Calone SL and any future funds to be received by Calone SL after the execution of the SPA are to be remitted to Calone Canada; and (ii) Calone Canada would ensure the completion of a school as part of Calone SL's Corporate and Social Responsibility activities in Sierra Leone. Closing as contemplated by the SPA completed during the quarter ended September 30, 2012 resulting in Calone Canada divesting of its interest in Calone SL.

On July 2, 2012, Calone Canada disposed of its equity interest in its subsidiary, Calone SL. There was no consideration received relatively to the transaction. At the date of the disposal, the carrying amounts of Calone SL net assets disposed of were as follows:

	2012
	$
Property and equipment	1,262
Exploration and evaluation assets	406,009
Total non-current assets and total net assets	407,271
Loss on disposal	(407,271)