Golden Valley Mines Ltd.

Audited Consolidated Annual Financial Statements, as at December 31, 2013 and 2012

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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, 2013 and 2012 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, 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 (IFRS) 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 consolidated 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, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

Raymond Chabot Grant Thornton L.L.P. [1]

Val-d'Or
April 29, 2014

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

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

	Notes	December 31, 2013	December 31, 2012
		$	$
ASSETS			
Current			
Cash and cash equivalents	8	552,383	1,446,989
Short-term financial assets	9	907,667	811,538
Other accounts receivable		13,639	16,181
Sales taxes recoverable		39,382	46,161
Tax credits receivable		72,306	221,959
Prepaid expenses		43,247	44,691
		1,628,624	2,587,519
Non-current			
Property and equipment	10	28,149	58,979
Exploration and evaluation assets	11	10,941,564	13,022,994
		10,969,713	13,081,973
Total assets		12,598,337	15,669,492
LIABILITIES			
Current			
Accounts payable and accrued liabilities			
Related parties controlled by directors	22	12,009	11,785
Others	13	767,350	278,917
Other Liabilities			19,921
		779,359	310,623
Non-Current			
Convertible unsecured debenture	15	74,000	
Deferred income taxes	17	190,034	712,555
Total liabilities		1,043,393	1,023,178
EQUITY			
Capital stock	14.1	22,853,604	22,743,842
Warrants	14.2	328,352	402,781
Contributed surplus		2,393,819	2,044,115
Equity component of convertible debenture		16,729	
Deficit		(14,715,129)	(11,551,543)
Total equity attributable to owners of the parent company		10,877,375	13,639,195
Non-Controlling interest		677,569	1,007,119
Total equity		11,554,944	14,646,314
Total liabilities and equity		12,598,337	15,669,492

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, 2014.

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

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

	Notes	December 31, 2013	December 31, 2012
		$	$
Revenues			
Geological fees		10,131	8,184
Operating Expenses			
Salaries and other employee benefits	16.1	1,111,550	746,803
Office expenses		159,828	172,915
Management fees		28,013	35,000
Professional and legal fees		422,423	379,509
Advertising and exhibitions		37,640	110,144
Travelling		46,620	84,074
Exploration and evaluation expenditures		29,579	50,869
Write-off of exploration and evaluation assets	11	117,853	1,477,322
Impairment of exploration and evaluation assets	11	2,387,024	1,403,948
Part XII.6 and other taxes		2,637	7,932
Depreciation of property and equipment	10	10,810	22,161
Loss on a subsidiary disposal	27		407,271
		(4,353,977)	(4,897,948)
Operating loss		(4,343,846)	(4,889,764)
Finance income	19	7,786	4,956
Change in fair value of financial assets at fair value through profit or loss		(198,332)	(243,221)
Loss before income taxes		(4,534,392)	(5,128,029)
Deferred income taxes	17	532,860	647,085
Net loss and total comprehensive loss for the year		(4,001,532)	(4,480,944)
Net loss and total comprehensive loss attributable to:			
Shareholders of Golden Valley Mines		(3,341,924)	(3,263,139)
Non-controlling interest		(659,608)	(1,217,805)
		(4,001,532)	(4,480,944)
Loss per share attributable to Golden Valley Mines shareholders			
Basic and diluted loss per share	20	(0.039)	(0.042)

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

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

	Note	Number	Capital Stock	Warrants	Contributed Surplus	Equity Component of Convertible Debenture	Deficit	Total attributable to owners of the parent	Non-controlling interest	Total Equity
			$	$	$	$	$	$	$	$
Balance at January 1, 2012		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	16.2				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			(26,038)					(26,038)		(26,038)
Share-based payments	16.2				189,704			189,704	333,396	523,100
Units issued by private placements	14.1	3,420,000	119,700	51,300				171,000		171,000
Shares issued as finder fees	14.1	322,000	16,100					16,100		16,100
Conversion option of convertible unsecured debenture	15					16,729		16,729		16,729
Change in interest of a subsidiary	7						178,338	178,338	(3,338)	175,000
Call options on shares of a subsidiary	7				25,000			25,000		25,000
Compensation warrants issued	14.2			9,271				9,271		9,271
Compensation warrants expired	14.2			(135,000)	135,000					
Transactions with owners		3,742,000	109,762	(74,429)	349,704	16,729	178,338	580,104	330,058	910,162
				17						
Net loss and total comprehensive loss for the period							(3,341,924)	(3,341,924)	(659,608)	(4,001,532)
Balance at December 31, 2013		89,601,356	22,853,604	328,352	2,393,819	16,729	(14,715,129)	10,877,375	677,569	11,554,944

Share issue expenses were reduced by deferred income taxes of $9,582 ($48,056 in 2012).

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

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

		December 31, 2013	December 31, 2012
OPERATING ACTIVITIES		$	$
Loss before income taxes		(4,534,392)	(5,128,029)
Adjustments			
Depreciation of property and equipment		10,810	22,161
Share-based payments		475,783	219,039
Write-off of exploration and evaluation assets		117,853	1,477,322
Impairment of exploration and evaluation assets		2,387,024	1,403,948
Loss on a subsidiary disposal			407,271
Changes in fair value of financial assets at fair value through profit or loss		198,332	243,221
Changes in working capital items			
Other accounts receivable		2,542	19,325
Sales taxes recoverable		6,779	105,409
Prepaid expenses		1,444	56,010
Accounts payable and accrued liabilities		377,071	(233,799)
Cash flows from operating activities		(956,754)	(1,408,122)
INVESTING ACTIVITIES			
Acquisition of short-term financial assets		(1,351,349)	(901,524)
Disposal of short-term financial assets		1,670,819	472,701
Disposal of subsidiary investment		200,000	
Tax credits received		149,653	95,187
Additions to exploration and evaluation assets		(858,455)	(475,971)
Purchase of property and equipment			(1,128)
Cash flows from investing activities		(189,332)	(810,735)
FINANCING ACTIVITIES	17		
Issuance of units by flow-through private placements			879,219
Issuance of units by private placements		171,000	1,470,000
Convertible unsecured debenture		100,000	
Share issue expenses		(19,520)	(178,645)
Cash flows from financing activities		251,480	2,170,574
Net change in cash and cash equivalents		(894,606)	(48,283)
Cash, beginning of year		1,446,989	1,495,272
Cash and cash equivalents, end of year		552,383	1,446,989

See Note 23 for additional information on cash flows

Cash transactions:			
Dividends received		1,349	1,525
Interest received		6,639	3,431

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, 2013, the Corporation has a cumulated deficit of $14,715,129 ($11,551,543 as at December 31, 2012). These material uncertainties cast significant doubt regarding the Corporation’s ability to continue as a going concern.

The Corporation’s ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. 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. Those adjustments could be material.

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. *CHANGES IN ACCOUNTING POLICIES*

4.1 *New and Revised standards that are effective*

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2013. Information on the new standards that are relevant to the Corporation's consolidated financial statements is presented below.

IFRS 13 - Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect the items that are required to be fair-valued.

The scope of IFRS 13 is broad and applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not to be applied to comparative information in the first year of application.

Management reviewed its valuation methodologies and the application of the new standard did not have any effect on the fair value measurement.

IFRS 10 - Consolidated Financial Statements

IFRS supersedes IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 revises the definition of control and provides extensive new guidelines on its application.

These new requirements have the potential to affect which of the Corporation's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is non effect on the classification (as subsidiaries or otherwise) of any of the Corporation's investees held during the period or comparative periods covered by these consolidated financial statements.

IFRS 12 - Disclosure of Interests In Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about risks to which an entity is exposed from its involvement with structured entities.

4.2 *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.

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 each 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

The International Accounting Standards Board (IASB) aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities as well as the chapter dealing with hedge accounting have been issued. A further chapter dealing with impairment methodology is still being developed. In November 2011, the IASB decided to consider making limited modifications to IFRS 9 financial asset classification model to address application issues. In November 2013, the IASB decided to defer to a date to be announced the implementation of IFRS 9. The Corporation's management has yet to assess the impact of this new standard on the Corporation's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

(in Canadian dollars)

5. *SUMMARY OF ACCOUNTING POLICIES*

5.1 *Overall considerations*

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

5.2 *Basis of consolidation*

The Corporation's financial statements consolidate the accounts of Golden Valley Mines Ltd., the parent company, and all of its subsidiaries until December 31, 2013. The parent company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and the ability to affect those returns through its power over the subsidiary. 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 disposed of during the previous reporting period are recognized from the effective date of disposal.

Subsidiaries

Details of the Corporation's subsidiaries at December 31, 2013 are as follows (see Note 7):

			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	61%	61%
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 in 2012	Canada	100%	100%

During the year ended December 31, 2012, 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 27 herein.

5.3 *Functional and presentation currency*

The consolidated financial statements are presented in canadian dollars, which is also the functional currency of the parent company and all subsidiaries.

5.4 *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.

5.5 *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,warrants and conversion option of convertible unsecured debenture. 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.

5.6 *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.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance income, Finance cost or Change in fair value of financial assets at fair value through profit or loss, if applicable.

5.6 *Financial instruments (continued)*

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 fair value of financial assets in this category are determined by reference to active market transactions.

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 and cash equivalents, guaranteed investment certificates 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.

Financial Liabilities

The Corporation's financial liabilities include accounts payable and accrued liabilities (excluding Wages and salaries payable and Benefits) and the convertible unsecured debenture. 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.

5.6 *Financial instruments (continued)*

Convertible unsecured debenture

The component part of the convertible unsecured debenture issued by the Corporation is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a fixes financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Corporation's own equity instruments is classified as an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the prevailing market interest rate for similar non convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

The value of the conversion option and the warrants issued as compensation warrants classified as equity were determined at the issuance date by deducting the amount of the liability component from the fair value of the compound instruments as a whole. The fair value of the conversion option and the warrants are evaluate using the Black-Scholes model and distributed on a pro rate basis on the residual value between the cash received and the liability component. These amounts are recognized in equity and are not subsequently remeasured. The conversion option is recognized net of income tax effects. When and if the conversion option is exercised, the equity component of the convertible unsecured debenture and the debt component will be transferred to capital stock. If the conversion option remains unexercised at the maturity date of the convertible debenture, the equity component of the convertible unsecured debenture will be transferred to contribued surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

5.7 *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, based on estimates made by management. The Corporation records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Corporation will comply with the conditions associated to them.

5.8 *Property and equipment*

Property and equipment are recognized at cost less accumulated depreciation.

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.

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.

5.9 *Exploration and evaluation expenditures and exploration and evaluation assets*

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. 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 5.11); 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 5.11) 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.

5.10 *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.

5.11 *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 but typically when one of the following circumstances apply:

a) the right to explore the areas has expired or will expire in the near future with no expectation of renewal;

b) no further exploration or evaluation expenditures in the areas are planned or budgeted;

c) no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;

d) sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transfered 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.

5.12 *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.

5.12 ***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. Site restoration costs currently incurred are negligeable. 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, 2013 and 2012, there was no provision recognized in the consolidated statement of financial position.

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

5.13 ***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 claims from, 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 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 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.

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.

5.13 *Income taxes (continued)*

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.This is assessed based on the Corporation's forecast of future operating results, adjusted for significant non-taxable income and expense and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in whole.

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.

5.14 *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.

5.14 *Equity (continued)*

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 consolidated statement of financial position. The proceeds received from flow-through units placements are allocated between common shares, warants 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 stock options and call options on shares of a subsidiary until such stock options are exercised and charges related to warrants expired.

Warrants include expenses relating to warrants until the exercise of the warrants.

Conversion option of convertible unsecured debenture represent the equity component of convertible debenture.

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

5.15 *Equity-settled share-based payments*

The Corporation operates equity-settled share-based remuneration plans (stock 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.

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 stock 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 stock 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 stock options ultimately exercised are different to that estimated on vesting.

5.16 *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, 2013, all the Corporation's projects are at the exploration stage in Canada (Canada and Africa in 2012).

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.

6. *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 judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

6.1 *Significant management judgements*

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelyhood that its deferred tax could be realized. The assessment of availability of future taxable profits involves significant 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 (see Note 5.13).

Going Concern

The assessment of the Corporation's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Control assesment

See Note 5.2.

6.2 *Estimation uncertainty*

Impairment of 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 judgement and a number of estimates and assumptions in many cases (see Note 5.11).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated.

In assessing impairment, the Corporation must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Corporation's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

6.2 *Estimation uncertainty (continued)*

See Note 11 for the exploration and evaluation assets impairment analysis.

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 some of 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.

The impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to $2,504,877 for the year ended December 31, 2013 ($2,881,270 for the year ended December 31, 2012). No reversal of impairment losses has been recognized for the reporting periods.

Impairment of property and equipment

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

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determintion of a suitable discount rate. There was no impairment loss of property and equipment recognized in profit and loss for the years ended December 31, 2013 and 2012.

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 compensation warrants granted and the time of exercise of those share options and compensation warrants. The model used by the Corporation is the Black-Scholes valuation model (see Note 16.2).

Tax credits receivable

The calculation of the Corporation's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods. See Note 5.7 for more information.

(in Canadian dollars)

7. *INVESTMENT IN SUBSIDIARIES*

The aggregate amount of subsidiaries are summarized as follows:

Abitibi Royalties Inc.

	December 31, 2013	December 31, 2012
	$	$
Current assets	35,330	251,829
Non-current assets	156,380	110,112
Current liabilities	249,768	36,778
Net loss and total comprehensive loss	(716,617)	(215,526)
Cash flows form operating activities	(132,976)	(189,756)
Cash flows form investing activities	(73,445)	(30,936)

On December 19, 2013, the Corporation completed private sales of an aggregate of 500,000 units in the capital of Abitibi Royalties resulting in gross proceeds of $200,000. Each unit consists of one common share and one-half of one non-transferable call options on shares of a subsidiary, each whole call options on shares of a subsidiary entitling the holder to purchase one common share of Abibiti Royalties at a price of $0.45 until June 19, 2015. The call options on shares of a subsidiary were evaluated using the residual method. An amount of $25,000 was recognized as an increase of Contributed surplus in equity. Following this transaction, the Corporation owned 5,271,912 common shares or 61% (66% in 2012) of Abitibi Royalties and changed the investment in the subsidiary for a total amount of $3,338, recorded as a decrease of non-controlling interest.

On February 5, 2014, Abitibi Royalties closed a private placement pursuant to which 500,000 units were issued for a gross proceed of $150,000 (see Note 28).

Nunavik Nickel Mines Ltd.

	December 31, 2013	December 31, 2012
	$	$
Current assets	115,979	186,964
Non-current assets	1,366,964	1,906,486
Current liabilities	2,397	1,110
Net loss and total comprehensive loss	(611,794)	(239,609)
Cash flows form operating activities	(59,593)	(93,387)
Cash flows form investing activities	64,870	(69,528)

(in Canadian dollars)

7. *INVESTMENT IN SUBSIDIARIES (continued)*

Uranium Valley Mines Ltd.

	December 31, 2013	December 31, 2012
	$	$
Current assets	178,619	241,398
Non-current assets	207,865	207,834
Current liabilities	685	1,038
Net loss and total comprehensive loss	(62,395)	(1,574,322)
Cash flows form operating activities	(58,085)	(165,186)
Cash flows form investing activities	(31)	(39,078)

There is no significant operations in Calone.

8. *CASH AND CASH EQUIVALENTS*

	December 31, 2013	December 31, 2012
	$	$
Cash	352,383	1,446,989
Demand deposits, 1%, redeemable at any time	200,000	-
	552,383	1,446,989

There is no balance on flow-through financings according to the restrictions imposed by these financing arrangements as at December 31, 2013 ($802,005 as at December 31, 2012).

9. *SHORT-TERM FINANCIAL ASSETS*

	December 31, 2013	December 31, 2012
	$	$
Guaranteed investment certificates, 0.95% to 1.0% (0.95% to 1.2% in 2012), maturing between January 2014 and December 2014 (January 2013 and October 2013 in 2012)	300,000	600,000
Money market investment funds	3,869	3,836
Mutual funds	106,329	105,012
Marketable securities in quoted mining exploration companies	106,188	102,690
Undeposited certificates	391,281	
Short-term financial assets	907,667	811,538

Golden Valley Mines Ltd.

Notes to the consolidated financial statements
(in Canadian dollars)

10. *PROPERTY AND EQUIPMENT*

The carrying amount can be analysed as follows:

	Property and equipment				**Exploration and evaluation equipment**				
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	$	$	$	$	$	$	$	$	$
Gross carrying amount									
Balance at January 1, 2013 and December 31, 2013	46,282	72,693	60,385	179,360	55,334	27,725	36,215	119,274	298,634
Accumulated depreciation									
Balance at January 1, 2013	30,451	57,751	56,252	144,454	47,104	27,725	20,372	95,201	239,655
Depreciation	3,046	4,224	3,540	10,810	8,230		11,790	20,020	30,830
Balance at December 31, 2013	33,497	61,975	59,792	155,264	55,334	27,725	32,162	115,221	270,485
Carrying amount at December 31, 2013	12,785	10,718	593	24,096			4,053	4,053	28,149

	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 and Write-off										
Balance at January 1, 2012	137	22,811	53,055	46,427	122,430	36,113	26,517	8,582	71,212	193,642
Disposal of a subsidiary	(137)				(137)					(137)
Depreciation		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	17	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

All depreciation charges (or reversals, if any) are included within, depreciation of property and equipment ($10,810; $22,161 at December 31, 2012), 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 ($20,020; $23,989 at December 31, 2012).

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS*

The carrying amount can be analyzed as follows:

	Balance at January 1, 2013	Additions	Disposition	Impairment Write-off	Balance at December 31, 2013
	$	$	$	$	$
Golden Valley Mines Ltd. Properties					
Acquisition and claims maintenance	4,797,667	67,914			4,865,581
Property option payments	312,500				312,500
Drilling, excavation and related costs	3,244,395	187,162			3,431,557
Technical and field staff	4,030,568	392,269			4,422,837
Airborne geophysics	671,742				671,742
Geophysics	2,268,422	105,150			2,373,572
Line cutting	1,097,836	55,915			1,153,751
Sampling and testing	710,017	60,243			770,260
Travel and transport	1,736,342	26,295			1,762,637
Program management and consultants	239,376	47,317			286,693
Professional Fees	6,978				6,978
Depreciation, insurance and office expenses	463,986	36,814			500,800
Communications	55,434	1,281			56,715
Option payments received	(1,068,104)		(613,931)		(1,682,035)
Write-off of exploration and evaluation assets	(3,856,597)			(117,853)	(3,974,450)
Impairment of exploration and evaluation assets				(1,836,783)	(1,836,783)
Government assistance	(1,447,228)				(1,447,228)
Net expenses incurred during the period	13,263,334	980,360	(613,931)	(1,954,636)	11,675,127
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)				(2,464,773)
Balance, end of the period	10,798,561	980,360	(613,931)	(1,954,636)	9,210,354

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

December 31, 2013 and 2012
(in Canadian dollars)

#

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2013	Additions	Impairment / Write-off	Balance at December 31, 2013
	$	$	$	$
Abitibi Royalties Inc. Properties				
Acquisition and claims maintenance	31,018	554		31,572
Technical and field staff	7,232	1,850		9,082
Program management and consultants	71,862	43,864		115,726
Net expenses incurred during the period	110,112	46,268		156,380
Nunavik Nickel Mines Ltd. Properties				
Acquisition and claims maintenance	1,739,181	9,579		1,748,760
Technical and field staff	3,062	972		4,034
Program management and consultants	2,031	168		2,199
Airborne geophysics	290,304			290,304
Government assistance	(128,092)			(128,092)
Impairment of exploration and evaluation assets			(550,241)	(550,241)
Net expenses incurred during the period	1,906,486	10,719	(550,241)	1,366,964
Uranium Valley Mines Ltd. Properties				
Acquisition and claims maintenance	1,567,349			1,567,349
Technical and field staff	2,568	31		2,599
Travel and transport	41,452			41,452
Program management and consultants	1,007			1,007
Communication	60			60
Government assistance	(654)			(654)
Write-off of exploration and evaluation assets	(1,403,948)			(1,403,948)
Net expenses incurred during the period	207,834	31		207,865

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2013	Additions	Disposition	Impairment Write-off	Balance at December 31, 2013
	$	$	$	$	$
Summary					
Mining rights	8,373,446	78,047			8,451,493
Exploration and evaluation assets	7,520,330	959,331	(613,931)	(2,504,877)	5,360,853
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)				(2,464,773)
Disposal of a subsidiary	(406,009)				(406,009)
	13,022,994	1,037,378	(613,931)	(2,504,877)	10,941,564

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2012	Additions	Tax credits	Disposition	Impairment / 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

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2012	Additions	Tax credits	Impairment / 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	9,271			71,862
Net expenses incurred during the period	55,596	12,311			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)
Impairment 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

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2012	Additions	Disposition	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)	

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

	Balance at January 1, 2012	Additions	Tax credits	Disposition	Impairment / Write-off	Balance at December 31 2012
	$	$	$	$	$	$
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

All impairment charges are included within Write-off of exploration and evaluation assets or Impairment of exploration and evaluation assets in profit or loss. During the year and the previous year, some mining claims and exploration and evaluation assets were written off or devaluated for the following reasons: abandoned mining claims, negative results obtained after exploration surveys and/or absence of exploration fees over the past three years. As at December 31, 2012, despite its belief in the ore potential of its claims, Uranium Valley, in regard of the moratorium imposed by the Québec Government on the issuance of exploration and exploitation permits for uranium in the province of Québec, made the decision to devaluate its Otish/Mistassini Prospect.

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

The Corporation holds (together with its subsidiaries) 113 exploration and evaluation properties located in: (i) the Abitibi Greenstone Belt; (ii) the James Bay, Mistassini and Otish regions of northern Québec; (iii) the Nunavik (Ungava and Labrador) region of northern Québec; (iv) the Athabasca Basin of Saskatchewan, and (v) James Bay Lowlands of Ontario. Owned properties in Sierra Leone have been disposed during the last year. For additional information with respect to the foregoing transaction, see Note 27 herein.

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

On February 21, 2005, the Corporation was granted an option by Integra Gold Corp. ("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, an 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, refer to the GZZ Properties - Golden Cariboo Resources Ltd. – Abitibi Greenstone Belt, Québec and Ontario paragraph herein.

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

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.

Cambrian has not fulfilled its obligations under the Cambrian Option Agreement. The Corporation has a right to terminate the option agreement and retain 100% interest in the property, however in view of prevailing market conditions; the Corporation is reviewing the alternatives.

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.

In March 2013, 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, Québec

On July 26, 2011 (the "Effective Date"), the Corporation granted an option to Monarch Energy Ltd. ("Monarch") to acquire a 70% interest in the Centremaque property (the "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 Corporation 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, Québec

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 into 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. In May 2013, the option was terminated by Big North; the Corporation retains a 100% interest in and to the Luciana Prospect.

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

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

On January 11, 2012, the Corporation granted an option to GCC to acquire a 70% interest in certain properties held as to a 100% interest by the Corporation (the “GZZ Option”) and located in the Abitibi Greenstone Belt of northwestern Québec and northeastern Ontario (the “GZZ Properties”). Concurrently, and subject to net smelter return royalty interests and advance royalty interests in favour of the original vendors (one of which is a director and officer of the 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 Québec (the “GZZ-I Option”); these properties are held as to a 70% interest by the Corporation and as to a 30% interest by Integra pursuant to 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 agreement - James Bay Northern Québec

Pursuant to an amended and restated binding term sheet dated October 23, 2013, Sirios has provided the Corporation with notice (the "Option Notice") of its intent to acquire the remaining 55% interest in the Sharks and Cheechoo prospects (the “S&C Properties”), located in the James Bay area of northern Québec, from the Corporation. In accordance with the agreement Sirios has issued 2,898,374 common shares to the Corporation. In addition, within 3 years of the Option Notice Sirios will have to: (i) further complete approximately $4,000,000 in exploration expenditures; and (ii) pay $500,000 in cash or in shares to the Corporation. The Corporation retains a royalty equal to 4% of the net returns from all mineral products mined or removed from the S&C Properties. Notwithstanding the foregoing, the royalty relevant to gold mineral products mined or removed from the S&C Properties (the "Gold Portion") may vary between 2.5% and 3.5% depending on the market price of gold at the time of the payment of the Gold Portion.
Sirios is the operator and the exploration expenditures incurred on the S&C Properties shall include an amount representing 10% of same in lieu of the payment of operator’s fees in cash by the Corporation. Sirios must keep the S&C Properties in good standing during the Option period and for a period of at least one year from the lapse or termination of the Option.

On November 5, 2013, Sirios advised the Corporation of its intent to terminate the option on the Sharks Prospect: the Corporation retains a 100% interest in the property.

Malartic CHL Prospect - Malartic, Québec

Abitibi Royalties acquired a 100% interest in the Malartic CHL Prospect (the " Malartic CHL Property") located near Malartic, Québec 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"). In 2011, Osisko provided notice to Abitibi Royalties of its intent to exercise the Malartic CHL Property Option, as a result 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 Québec.

Otish/Mistassini Prospect - North Central Québec

Uranium Valley holds a 100% interest in the Otish/Mistassini Prospect. As of December 31, 2012, Uranium Valley has devaluated these exploration and evaluation assets for a total amount of $1,403,948.

(in Canadian dollars)

11. *EXPLORATION AND EVALUATION ASSETS (continued)*

Beartooth 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 an agreement with Ditem Explorations Inc. ("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 period of 6 years from the operative date, subject to and in accordance with the terms of the 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, Québec

The Marymac Prospect located in the Labrador Trough of Québec, consists of 215 Map Designated Units 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 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:

	Minimum lease payments due		
	Within 1 year	1 to 5 years	Total
	$	$	$
December 31, 2013	56,121	84,182	140,304
December 31, 2012	59,927	142,070	201,997

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

Lease payments recognized as an expense during the reporting period amount to $59,929 ($62,879 in 2012). This amount consists of minimum lease payments.

13. *ACCOUNTS PAYABLE AND ACCRUED LIABILITIES*

	December 31, 2013	December 31, 2012
Others	$	$
Trade accounts	228,027	97,513
Wage and salaries payable	532,273	175,653
Benefits		816
Other	7,050	4,935
	767,350	278,917

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 December 19, 2013, the Corporation closed a non-brokered private placement of 3,420,000 units at a subscription price of $0.05 per unit resulting in proceeds of $171,000. Each unit consists of one common share and one-half of one non-transferable share purchase warrant, each whole warrant entitling the holder to purchase one common share of the Corporation at a price of $0.09 until June 19, 2015. An amount of $51,300 relating to the warrants portion was recognized as an increase to warrants in equity.

In connection with the private placement, the Corporation issued 172,000 common shares at a deemed price of $0.05 per share to an individual who is non-arm's length to the Corporation, in satisfaction of finder's fees of $8,600 being 10% of aggregate subscription proceeds of $86,000.

In connection with the sale of an aggregate 187,500 shares of Abitibi Royalties Inc., the Corporation issued 150,000 common shares at a deemed price of $0.05 per share to an individual who is non-arm's length to the Corporation, in satisfaction of finder's fees of $7,500 being 10% of aggregate subscription proceeds of $75,000.

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.

Golden Valley Mines Ltd.
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(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 December 19, 2013, 1,710,000 warrants were issued at an exercise price of $0.09. On December 20, 2013, 700,000 compensation warrants were issued at an exercise price of $0.09.

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.

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

	December 31, 2013		December 31, 2012	
	Number of warrants	Weighted average exercise price	9,271 Number of warrants	Weighted average exercise price
		$		$
Balance, beginning of reporting period	9,426,191	0.22	3,333,329	0.75
Granted	2,410,000	0.09	9,426,191	0.22
Expired	(1,124,999)	0.40	(3,333,329)	0.75
Balance, end of reporting period	10,711,192	0.17	9,426,191	0.22

Golden Valley Mines Ltd.
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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, 2013		December 31, 2012	
Expiry date	Number	Exercise price	Number	Exercise price
		$		$
July 20, 2013			1,124,999	0.40
March 25, 2014	3,097,833	0.20	3,097,833	0.20
March 25, 2014	368,363	0.15	368,363	0.15
November 8, 2014	4,644,441	0.20	4,644,441	0.20
November 8, 2014	190,555	0.15	190,555	0.15
June 19, 2015	1,710,000	0.09		
June 20, 2015	700,000	0.09		
	10,711,192	0.17	9,426,191	0.22

When granted, the fair value of the 700,000 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 $9,271 ($36,789 in 2012) was recorded as an increase of share issue expenses and increase of warrants.

The fair value of $0.01 ($0.07 in 2012) 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:

	2013	2012
Share price at date of grant	$0.035	$0.15
Expected dividends yield	0%	0%
Expected weighted volatility	101%	71%
Risk-free interest average rate	1.07%	1.12%
Expected average life	1.5 years	2 years
Exercise price at date of grant	$0.09	$0.15

In 2012, the weighted average 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
Exercise price at date of grant	$0.20

The underlying expecting volatilities were determined by reference to historical data of Golden Valley Mines Ltd. shares over the expected average life of the warrants.

(in Canadian dollars)

15. *CONVERTIBLE UNSECURED DEBENTURE*

On December 20, 2013, the Corporation completed a private placement with SIDEX, Limited Partnership ("SIDEX") of a convertible unsecured debenture. This convertible unsecured debenture totalling $100,000, payable at the Corporation's discretion on December 20, 2016 in cash or in shares. Pursuant to the Agreement, the 12% interest shall be payable per semester in cash or common shares. The effective interest rate is 25%. The Holder has an option to convert the debenture to common shares at any time prior to December 20, 2014 at $0.07 per common share and at $0.10 after December 20, 2014, until December 20, 2016. The Corporation has also issued 700,000 compensation warrants allowing SIDEX to subscribe to an additional 700,000 common shares at an exercise price of $0.09 per share during a period of 18 months following the closing date. See Note 14.2 for the fair value evaluation.

	December 31, 2013		
	Carrying amount		
	Debenture	Conversion option	Compensation warrants
	$	$	$
Convertible unsecured debenture	74,000	16,729	9,271

16. *EMPLOYEE REMUNERATION*

16.1 *Salaries and other employee benefits expense*

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

	December 31 2013	December 31 2012
	$	$
Salaries and other employee benefits	830,555	678,060
Share-based payments	523,100	236,316
	1,353,655	914,376
Less: salaries capitalized in exploration and evaluation assets	(242,105)	(167,573)
Salaries and other employee benefits expense	1,111,550	746,803

16.2 *Share-based payments*

The Corporation has in place stock option plans under which directors, officers, employees and consultants are eligible to receive incentive stock options. Under the terms of these plans, 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)

16.2 *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, in cash.

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

	December 31, 2013		December 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of reporting period	6,985,000	0.33	6,820,000	0.35
Granted	3,275,000	0.07	815,000	0.15
Forfeited	(920,000)	0.33	(100,000)	0.35
Expired	(1,745,000)	0.31	(550,000)	0.30
Outstanding, end of reporting period	7,595,000	0.22	6,985,000	0.33
Exercisable, end of reporting period	7,445,000	0.23	6,947,500	0.33

The table below summarizes the information related to stock options as at December 31, 2013:

	Outstanding options			Exercisable options
Expiry date	Number of options	Exercise price	Remaining contractual life (years)	Number of options
		$		
August 6, 2014	310,000	0.30	0.60	310,000
December 22, 2015	865,000	0.50	1.98	865,000
October 5, 2016	2,400,000	0.35	2.76	2,400,000
July 23, 2017	745,000	0.15	3.56	745,000
August 1, 2018	3,275,000	0.07	4.59	3,125,000
	7,595,000	0.22		7,445,000

(in Canadian dollars)

16.2 *Share-based payments (continued)*

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

	Outstanding options			Exercisable options
Expiry date	Number of options	Exercise price	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

On August 1, 2013, the Corporation granted an aggregate 3,275,000 incentive stock options with an exercise price of $0.07 to its directors, officers, employees and consultants. The options are exercisable for a period of 5 years from the date of grant. 3,075,000 options are exercisable immediately, and 200,000 options (in the aggregate) granted to three consultants of the Corporation, vest as to 50,000 options (in the aggregate) on a quarterly basis.

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)

16.2 *Share-based payments (continued)*

The weighted fair value of the granted options of $0.06 ($0.09 in 2012) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2013	2012
Share price at date of grant	$0.07	$0.12
Expected dividends yield	0%	0%
Expected weighted volatility	134.1%	108.6%
Risk-free interest average rate	1.82%	1.12%
Expected average life	5 years	5 years
Exercise price at date of grant	$0.07	$0.15

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

On September 27, 2013, Abitibi Royalties granted incentive stock options (the “Stock Options”) pursuant to its further amended and restated incentive stock option plan (the “New Plan”) to directors, officers and consultants of the Company (the “Optionees”) entitling the purchase of an aggregate 860,000 common shares. The Stock Options are exercisable at a price of $0.55 for a period of 5 years and may only be exercised by the Optionees once the New Plan and the grant of the Stock Options have been approved at the Company’s next annual general meeting by the disinterested shareholders of the Company and subsequently by the TSX Venture Exchange.

The fair value of the stock options granted of $0.39 has been estimated on December 31, 2013, using the Black-Scholes option-pricing model with the following assumptions:

	2013
Share price at date of grant	$0.53
Expected dividends yield	0%
Expected weighted volatility	100%
Risk-free interest average rate	1.87%
Expected average life	5 years
Exercise price at date of grant	$0.55

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 Canadian dollars)

16.2 *Share-based payments (continued)*

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 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 total, $475,783 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, 2013 ($219,039 for the year ended December 31, 2012) from which $142,387 was credited to Contributed surplus and $333,396 credited to Non-controlling interest ($106,156 and $130,160 respectively in 2012). An amount of $47,317 ($17,277 in 2012) 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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17. *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:

	2013	2012
	$	$
Loss before income taxes	(4,534,392)	(5,128,029)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9% (26.9% in 2012)	(1,219,751)	(1,379,440)
Adjustments for the following items		
Issuance of flow-through shares	180,510	20,292
Temporary difference not recorded	(410,112)	640,455
Share-based payments	127,986	58,921
Variation of non deductible fair value	10,442	32,713
Reversal of exemption from the initial recognition	796,717	
Reversal of liabilities related to flow-through shares	(19,921)	
Other non deductible expenses	1,269	(20,026)
	(532,860)	(647,085)

Composition of deferred income taxes in the income statements

		2013	2012
		$	$
Inception and reversal of temporary differences		(629,615)	(1,276,907)
Fiscal impact on expenses incurred for flow-through shares		180,510	20,292
Difference of previous years adjustments			(30,925)
Reversal of liabilities related to flow-through shares	#	(19,921)	
Reversal of exemption from the initial recognition		346,278	
Temporary difference not recorded		(410,112)	640,455
		(532,860)	(647,085)

Variation of 2013 deferred income taxes

		Deferred income taxes		
	January 1, 2013	Recognized in equity	Recognized in profit or loss	December 31, 2013
	$	$	$	$
Exploration and evaluation assets	(1,757,785)		456,756	(1,301,029)
Property and equipment	92,615		9,468	102,083
Tax credits receivable	(9,532)		9,532	
Share issued expenses	56,022	9,582	(22,993)	42,611
Non-capital losses	906,125		60,176	966,301
	(712,555)	9,582	512,939	(190,034)
Reversal of liabilities related to flow-through shares			(19,921)	
Deferred income taxes liability			532,860	

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17. *INCOME TAXES (continued)*

Variation of 2012 deferred income taxes

	January 1, 2012	Deffered 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 tax liability			647,085	

As at December 31, 2013, the Corporation had deductible temporary differences which it did not record in deferred tax assets:

	$
Exploration and evaluation assets	4,135,009
Property, plant and equipment	6,480
Public shares	398,136
Capital losses	38,010
Non-capital losses	1,823,557
	6,401,192

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

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	$172,904
2032	$700,297
2033	$949,385

The Corporation has an amount of $319,859 ($317,876 in 2012) in investment tax credits that has not been recorded. These credits can be used to reduce federal income tax and will expire between 2025 and 2033.

The Corporation has an amount of $127,820 as at December 31, 2013 and 2012, in resources tax credit that has not been recorded. These credits can be used to reduce Québec income tax and will expire between 2015 and 2017.

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18. *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
		2013		2012
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Loans and receivables				
Cash and cash equivalents	552,383	552,383	1,446,989	1,446,989
Guaranteed investment certificates	300,000	300,000	600,000	600,000
Other accounts receivable	13,639	13,639	16,181	16,181
	866,022	866,022	2,063,170	2,063,170
At fair value through profit and loss				
Money market investment funds	3,869	3,869	3,836	3,836
Mutual funds	106,329	106,329	105,012	105,012
Marketable securities in quoted mining exploration companies	106,188	106,188	102,690	102,690
Undeposited certificates	391,281	391,281		
	607,667	607,667	211,538	211,539
Financial liabilities				
Financial liabilities measured at amortized cost				
Accounts payable and accrued liabilities - related parties controlled by directors	12,009	12,009	11,785	11,785
Accounts payable and accrued liabilities - others	235,077	235,077	102,448	102,448
Convertible unsecured debenture	74,000	74,000		
	321,086	321,086	114,233	114,233

18. *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.

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;
- 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, 2013 and 2012 are classified in Level 1 and established according to the quoted price of the shares.

The fair value of the convertible unsecured debenture is estimated using analysis of discounted cash flows based on current borrowing rates which apply to similar borrowings and is classified in Level 2.

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.

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19. *FINANCE INCOME*

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

	December 31 2013	December 31 2012
	$	$
Interest and dividend income from cash and cash equivalents and short-term financial assets	7,786	4,956

20. *LOSS PER SHARE*

The calculation of basic loss per share is based on the net 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 stock options, warrants and Conversion Option of unsecured convertible debenture 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, warrants and conversion option of convertible unsecured debenture issued that could potentially dilute earnings per share in the future are given in Notes 14, 15 and 16.

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 net loss were necessary in 2013 and 2012.

	December 31 2013	December 31 2012
Net loss attributable to shareholders of Golden Valley Mines Ltd.	(3,341,924)	(3,263,139)
Weighted average number of shares in circulation	85,982,381	77,659,296
Basic and diluted loss per share	$ (0.039)	$ (0.042)

21. *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.

Since the disposal of a subsidiary in Africa during the last year (see Note 27), there are no operation in this segment as at December 31, 2013.

Segment information can be analysed as follows for the year ended December 31, 2012:

(in Canadian dollars)

21. *SEGMENTAL REPORTING (continued)*

	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

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
	$
Total segment revenues and total revenues of the Corporation	8,184

Earnings	2012
	$
Total operating loss of the Corporation	(4,913,946)
Finance income	4,956
Share-based payments	(219,039)
Total loss of the Corporation before income taxes	(5,128,029)
Deferred income taxes	647,085
Total net loss of the Coporation	(4,480,944)

(in Canadian dollars)

22. *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.

22.1 *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 2013	December 31 2012
Transaction with key management	$	$
Short-term employee benefits		
Salaries including bonuses [1]	280,414	202,384
Benefits	15,254	17,533
Director's Fees [2] [3]	287,375	127,500
Total short-term employee benefits	583,043	347,417
Other transactions with companies with common directors or officers		
Rent		5,000
Management Fees	26,088	29,375
Professional fees	30,000	15,000
Expenses capitalized in exploration and evaluation assets	120,974	92,280
Total other transactions with companies with common directors or officers	177,062	141,655
Share-based payments	467,472	160,796
	1,227,577	649,868

[1] An amount of $93,333 ($Nil in 2012) has been accrued in wages and salaries payable including bonuses and benefits by Abitibi Royalties to cover the salary of its president as an amount due to related parties. This amount has been deferred and not yet paid.

[2] An amount of $135,708 ($112,500 in 2012) has been accrued in wages and salaries payable as an amount due to related parties. This amount represents director's fees which have been deferred and not yet paid.

[3] An amount of $151,667 ($15,000 paid in 2012) has been accrued and not paid, in wage and salaries payable by Abitibi Royalties to renumerate its three independant directors. The amount paid in 2012, was to 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)

23. *ADDITIONAL INFORMATION - CASH FLOWS*

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

	2013	2012
	$	$
Tax credits deducted from exploration and evaluation assets		92,435
Trade accounts related to exploration and evaluation assets	163,964	52,378
Depreciation of exploration and evaluation equipment charged to exploration and evaluation assets	20,020	23,989
Fair value of options granted for services included in exploration and evaluation assets	47,317	17,277
Options on exploration and evaluation assets received as shares of quoted mining exploration companies included in short-term financial assets	613,931	
Compensation warrants issued	9,271	36,789
Deferred income taxes included in share issue expenses	9,582	48,056

24. *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 following flow-through placements for which the Corporation renounced tax deductions after December 31, 2012.

25. *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 or sale 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 24.

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 exploration and evaluation 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.

26. *FINANCIAL INSTRUMENT RISKS*

The Corporation is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity 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.

(in Canadian dollars)

26.1 *Market 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 two types of market risk: interest rate risk and other price risk.

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, 2013 and 2012, demand deposits, guaranteed investment certificates and convertible unsecured debenture bear interest at a fixed rate.

Other price risk sensitivity

The Corporation is exposed to fluctuations in the market prices of its marketable securities in quoted mining exploration companies, mutual funds and undeposited certificates. 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, 2013 (± 20% as at December 31, 2012), comprehensive loss and equity would have changed by $120,760 ($41,540 in 2012).

26.2 *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,	
	2013	2012
	$	$
Cash and cash equivalents	552,383	1,446,989
Short-term investments	410,198	708,848
Other accounts receivables	13,639	16,181
Carrying amounts	976,220	2,172,018

The other accounts receivable 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, demand deposits and guaranteed investment certificates is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

26.3 *Liquidity risk*

Liquidity risk is the risk that the Corporation 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 cash equivalents 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 $247,086 ($114,233 as at December 31, 2012) and convertible unsecured debenture is maturing between one to five years for an amount of $100,000 plus 12% interest payable per semester ($Nil as at December 31, 2012).
The Corporation's objective is to maintain cash and cash equivalents 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 and cash equivalents, short-term investments and tax credits receivable. The Corporation's existing cash and cash equivalents, short-term investments and tax credits receivable significantly exceeds the current cash outflow requirements.

(in Canadian dollars)

27. *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)

28. *SUBSEQUENT EVENTS*

On February 5, 2014, Abitibi Royalties closed a private placement pursuant to which it issued 500,000 units for a gross proceed of $150,000. Each unit consists of one common share and one-half of one non-transferable share purchase warrant, each whole warrant entitling the holder to purchase one common share of Abitibi Royalties at a price of $0.45 until August 5, 2015. No value has been assigned to the warrants. The Corporation was the sole subscriber under the offering. Following this transaction, the Corporation owned 5,771,912 common shares or 62,7% of Abitibi Royalties.