



Golden Valley Mines Ltd.

Consolidated Interim Financial Statements, as at June 30, 2014 (Unaudited)

Golden Valley Mines Ltd.
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The attached consolidated interim financial statements have been prepared by Management of Golden Valley Mines Ltd. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Golden Valley Mines Ltd.
Consolidated Statement of Financial Position
As at June 30, 2014
(Unaudited)
(in Canadian dollars)

	Notes	June 30, 2014 \$	December 31, 2013 \$
ASSETS			
Current			
Cash and cash equivalents	5	281,239	552,383
Short-term financial assets	6	865,876	907,667
Other accounts receivable		47,861	13,639
Sales taxes recoverable		49,951	39,382
Tax credits receivable		328	72,306
Prepaid expenses		4,052	43,247
		<u>1,249,307</u>	<u>1,628,624</u>
Non-current			
Property and equipment	8	20,312	28,149
Exploration and evaluation assets	9	11,061,680	10,941,564
		<u>11,081,992</u>	<u>10,969,713</u>
Total assets		<u><u>12,331,299</u></u>	<u><u>12,598,337</u></u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities			
Related parties controlled by directors	17.1		12,009
Others	11	1,046,493	767,350
Funds held for third parties	7	106,970	
		<u>1,153,463</u>	<u>779,359</u>
Non-Current			
Convertible unsecured debenture	13	83,164	74,000
Deferred income taxes		190,034	190,034
		<u>273,198</u>	<u>264,034</u>
Total liabilities		<u><u>1,426,661</u></u>	<u><u>1,043,393</u></u>
EQUITY			
Capital stock	12.1	23,287,171	22,853,604
Warrants	12.2	328,352	328,352
Contributed surplus		2,398,724	2,393,819
Equity component of convertible debenture	13	16,729	16,729
Deficit		(15,758,165)	(14,715,129)
Total equity attributable to owners of the parent company		<u>10,272,811</u>	<u>10,877,375</u>
Non-Controlling interest		631,827	677,569
Total equity		<u>10,904,638</u>	<u>11,554,944</u>
Total liabilities and equity		<u><u>12,331,299</u></u>	<u><u>12,598,337</u></u>

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

These consolidated financial statements were approved and authorized for issue by the Audit Committee of the Board of Directors on August 25, 2014.

"Glenn J. Mullan"
Director

"Blair F. Morton"
Director

Golden Valley Mines Ltd.
Consolidated Statement of Comprehensive Loss
For the three and six-month period ended June 30, 2014

(unaudited)

(in Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2014 \$	June 30, 2013 \$	June 30, 2014 \$	June 30, 2013 \$
Revenues					
Geological fees		2,523	2,023	2,523	2,023
Operating Expenses					
Salaries and other employee benefits	14.1	422,903	147,278	603,290	259,950
Office expenses		36,743	38,673	79,011	80,216
Management fees		4,125	8,250	8,250	21,138
Professional and legal fees		417,554	195,245	509,149	345,868
Advertising and exhibitions		21,695	8,568	23,773	33,273
Travelling		43,682	20,606	50,896	41,875
Exploration and evaluation expenditures		3,355	17,527	7,216	25,786
Write-off of exploration and evaluation assets			(148)		
Write-off of property and equipment					
Part XII.6 and other taxes		2,372	41	9,002	3,049
Depreciation of property and equipment	8	2,601	1,935	4,536	6,940
Foreign exchange loss					
Gain on the disposal of exploration and evaluation assets			(208,159)		(208,159)
Loss (gain) on short-term financial assets disposal			754		754
		<u>955,030</u>	<u>(230,570)</u>	<u>1,295,123</u>	<u>(610,690)</u>
Operating loss		<u>(952,507)</u>	<u>(228,547)</u>	<u>(1,292,600)</u>	<u>(608,667)</u>
Finance income	15	940	2,010	4,311	5,461
Change in fair value of financial assets at fair value through profit or loss		(15,044)	(105,972)	(42,471)	(110,576)
		<u>(14,104)</u>	<u>(103,962)</u>	<u>(38,160)</u>	<u>(105,115)</u>
Net loss and total comprehensive loss for the year		<u>(966,611)</u>	<u>(332,509)</u>	<u>(1,330,760)</u>	<u>(713,782)</u>
Net loss and total comprehensive loss attributable to:					
Shareholders of Golden Valley Mines		(693,097)	(281,884)	(1,043,036)	(628,528)
Non-controlling interest		(273,514)	(50,625)	(287,724)	(85,254)
		<u>(966,611)</u>	<u>(332,509)</u>	<u>(1,330,760)</u>	<u>(713,782)</u>
Loss per share attributable to Golden Valley Mines shareholders					
Basic and diluted loss per share	16	(0.008)	(0.003)	(0.012)	(0.007)

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

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
For the three and six-month period ended June 30, 2014

(unaudited)
(in Canadian dollars)

	Note	Capital Stock	Warrants	Contributed Surplus	Equity Component of Convertible Debenture	Deficit	Total attributable to owners of the parent	Non-controlling interest	Total Equity	
	Number	\$	\$	\$	\$	\$	\$	\$		
Balance at January 1, 2014		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-based payments	14.2			3,183				3,183	(5,919)	(2,736)
Transactions with owners				3,183				3,183	(5,919)	(2,736)
Net loss and total comprehensive loss for the period						(349,939)	(349,939)		(14,210)	(364,149)
Balance at March 31, 2014		89,601,356	22,853,604	328,352	2,397,002	16,729	(15,065,068)	10,530,619	657,440	11,188,059
Share issue expenses			(16,433)					(16,433)		(16,433)
Share-based payments				1,722				1,722	245,348	247,070
Units issued by exercise of stock options									4,462	4,462
Units issued by private placements		2,999,998	450,000					450,000	(1,909)	448,091
Transactions with owners		2,999,998	433,567		1,722			435,289	247,901	683,190
Net loss and total comprehensive loss for the period						(693,097)	(693,097)		(273,514)	(966,611)
Balance at June 30, 2014		92,601,354	23,287,171	328,352	2,398,724	16,729	(15,758,165)	10,272,811	631,827	10,904,638
Balance at January 1, 2013		85,859,356	22,743,842	402,781	2,044,115		(11,551,543)	13,639,195	1,007,119	14,646,314
Share-based payments	12.2			1,108				1,108		1,108
Transactions with owners				1,108				1,108		1,108
Net loss and total comprehensive loss for the period						(346,644)	(346,644)		(34,629)	(381,273)
Balance at March 31, 2013		85,859,356	22,743,842	402,781	2,045,223		(11,898,187)	13,293,659	972,490	14,266,149
Share-based payments	12.2			602				602		602
Transactions with owners				602				602		602
Net loss and total comprehensive loss for the period						(693,097)	(693,097)		(273,514)	(966,611)
Balance at June 30, 2013		85,859,356	22,743,842	402,781	2,045,825		(12,591,284)	12,601,164	698,976	13,300,140

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

Golden Valley Mines Ltd.
Consolidated Statement of Cash Flows
For the three and six-month period ended June 30, 2014

(unaudited)
(in Canadian dollars)

	Three-month period ended		Six-month period ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(966,611)	(332,509)	(1,330,760)	(713,782)
Adjustments				
Depreciation of property and equipment	2,601	1,935	4,536	6,940
Gain on the disposal of exploration and evaluation assets		(208,159)		(208,159)
Share-based payments	247,070	602	244,334	1,710
Accrued interest on debenture	4,629		9,164	
Write-off of exploration and evaluation assets		(148)		
Loss (gain) on disposal of short-term financial assets		754		754
Changes in fair value of financial assets at fair value through profit or loss	15,044	105,972	42,471	110,576
Changes in working capital items				
Fees and other accounts receivable	(22,359)	(12,386)	(34,222)	(4,389)
Sales taxes recoverable	(25,944)	(34,947)	(10,569)	(51,904)
Prepaid expenses	20,967	8,610	39,196	22,856
Accounts payable and accrued liabilities	417,508	89,661	374,104	89,661
Cash flows from operating activities	(307,095)	(380,615)	(661,746)	(745,737)
INVESTING ACTIVITIES				
Acquisition of short-term financial assets	(300,341)	(362)	(300,680)	(1,200,571)
Disposal of short-term financial assets	100,000	703,805	300,000	1,353,805
Tax credits received	11,677	1,486	71,978	69,550
Additions to exploration and evaluation assets	(57,568)	(308,223)	(116,816)	(562,286)
Cash flows from investing activities	(246,231)	396,706	(45,518)	(339,502)
FINANCING ACTIVITIES				
Issuance of units by private placements	450,000		450,000	
Issuance of shares by exercise of stock options	2,553		2,553	
Share issue expenses	(16,433)		(16,433)	
Cash flows from financing activities	436,120		436,120	
Net change in cash	(117,206)	16,092	(271,144)	(1,085,239)
Cash, beginning of period	398,445	345,658	552,383	1,446,989
Cash, end of period	281,239	361,750	281,239	361,750
Cash transactions:				
Dividends received	340	361	680	571
Interest received	3,525	2,062	3,631	4,890
Interest paid		1		12
Amounts paid or received for interest and dividend are reflected as operating cash flows				

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

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2014**(in Canadian dollars)

1. NATURE OF OPERATIONS

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

2. GOING CONCERN ASSUMPTION AND COMPLIANCE WITH IFRS

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and on the basis of the going concern assumption, meaning the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Corporation has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Corporation has not yet generated income nor cash flows from its operations. As at June 30, 2014, the Corporation has a cumulated deficit of \$15,758,165 (\$14,715,129 as at December 31, 2013). These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

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

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

3. GENERAL INFORMATION

Golden Valley Mines Ltd. is the parent company (and the ultimate parent company) of the following subsidiaries: Abitibi Royalties Inc., Calone Mining Ltd., James Bay Gold Corp., Nunavik Nickel Mines Ltd., and Uranium Valley Mines Ltd. Subsidiaries have all been incorporated under the Business Corporations Act (British Columbia).

Golden Valley Mines Ltd. was incorporated on August 15, 2000 under the Business Corporations Act (Canada).

The address of Golden Valley Mines Ltd.'s registered office is 152 Chemin de la Mine École, Val-d'Or, J9P 7B6, Quebec, Canada. The address of Golden Valley Mines Ltd.'s principal place of business is 2864 chemin Sullivan, Val-d'Or, Quebec, J9P 0B9. Golden Valley Mines Ltd.'s shares are listed on the TSX Venture Exchange.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2014**

(in Canadian dollars)

4. BASIS OF PRESENTATION

These interim financial statements cover the six month period ended June 30, 2014 and were prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 4 - Significant Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2013. The interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual financial statements for the year ended December 31, 2013.

5. CASH AND CASH EQUIVALENTS

	June 30, 2014	June 30, 2013
	\$	\$
Cash	281,239	361,750

There is no balance on flow-through financings according to the restrictions imposed by these financing arrangements as at June 30, 2014 (\$375,000 as at June 30, 2013). The Corporation has to dedicate these funds to the exploration of Canadian mining properties exploration.

6. SHORT-TERM FINANCIAL ASSETS

	June 30, 2014	June 30, 2013
	\$	\$
Guaranteed investment certificates		
Guaranteed investment certificates, 0.95% (1% in 2013), maturing in January 2015 (January 2014 in 2013)	300,000	450,000
Money market investment funds	3,885	3,853
Mutual funds	106,993	105,567
Marketable securities in quoted mining exploration companies	454,998	118,618
Undeposited certificates		77,096
Short-term financial assets	<u>865,876</u>	<u>755,134</u>

7. FUNDS HELD FOR THIRD PARTIES

In May 2014, the Corporation received funds from its partner on certain properties in order to perform work as per an agreement. There is no interest on this amount and it is payable on demand. As of June 30, 2014, there is a balance of \$106,971 relating to these funds.

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

8. PROPERTY AND EQUIPMENT

The carrying amount can be analysed as follows:

	Property and equipment				Exploration and evaluation equipment				Total
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	
Gross carrying amount									
Balance at January 31 and June 30, 2014	46,284	72,693	60,385	179,362	55,334		36,215	91,549	270,911
Accumulated depreciation									
Balance at January 1, 2014	33,496	62,614	59,155	155,265	55,334		32,162	87,496	242,761
Depreciation	1,403	2,723	410	4,536			3,301	3,301	7,837
Balance at June 30, 2014	34,899	65,337	59,565	159,801	55,334		35,463	90,797	250,598
Carrying amount at June 30, 2014	11,384	7,356	820	19,561			752	752	20,312

	Property and equipment				Exploration and evaluation equipment				Total
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount									
Balance at January 31 and June 30, 2013	46,284	72,693	60,385	179,362	55,334	27,725	36,215	119,274	298,636
Accumulated depreciation									
Balance at January 1, 2013	30,451	57,751	56,252	144,454	47,104	27,725	20,372	95,201	239,655
Depreciation	2,015	2,432	2,493	6,940	5,496		5,896	11,392	18,332
Balance at June 30, 2013	32,466	60,183	58,745	151,394	52,600	27,725	26,268	106,593	257,987
Carrying amount at June 30, 2013	13,818	12,510	1,640	27,968	2,734		9,947	12,681	40,649

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2014****(unaudited)**

(in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS

The carrying amount can be analyzed as follows:

	Balance at January 1, 2014	Additions	Balance at June 30, 2014
	\$	\$	\$
Golden Valley Mines Ltd. Properties			
Acquisition and claims maintenance	4,865,581	16,444	4,882,025
Property option payments	312,500		312,500
Drilling, excavation and related costs	3,431,557		3,431,557
Technical and field staff	4,422,837	65,961	4,488,798
Airborne geophysics	671,742		671,742
Geophysics	2,373,572	391	2,373,963
Line cutting	1,153,751	56	1,153,807
Sampling and testing	770,260		770,260
Travel and transport	1,762,637	939	1,763,576
Program management and consultants	286,693		286,693
Professional Fees	6,978		6,978
Depreciation, insurance and office expenses	500,800	16,871	517,671
Communications	56,715	554	57,269
Option payments received	(1,682,035)		(1,682,035)
Write-off of exploration and evaluation assets	(3,974,450)		(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	11,675,127	101,216	11,776,343
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)		(2,464,773)
Balance, end of the period	<u>9,210,354</u>	<u>101,216</u>	<u>9,311,570</u>
Abitibi Royalties Inc. Properties			
Acquisition and claims maintenance	31,572		31,572
Technical and field staff	9,082	2,257	11,339
Program management and consultants	115,726	1,060	116,786
Depreciation, insurance and office expenses		9	9
Communications		558	558
Net expenses incurred during the period	<u>156,380</u>	<u>3,884</u>	<u>160,264</u>
Nunavik Nickel Mines Ltd. Properties			
Acquisition and claims maintenance	1,748,760	11,865	1,760,625
Technical and field staff	4,034	1,644	5,678
Program management and consultants	2,199		2,199
Airborne geophysics	290,304		290,304
Government assistance	(128,092)	905	(127,187)
Impairment of exploration and evaluation assets	(550,241)		(550,241)
Net expenses incurred during the period	<u>1,366,964</u>	<u>14,414</u>	<u>1,381,378</u>
Uranium Valley Mines Ltd. Properties			
Acquisition and claims maintenance	1,567,349		1,567,349
Technical and field staff	2,599	323	2,922
Travel and transport	41,452		41,452
Program management and consultants	1,007	279	1,286
Communication	60		60
Government assistance	(654)		(654)
Write-off of exploration and evaluation assets	(1,403,948)		(1,403,948)
Net expenses incurred during the period	<u>207,865</u>	<u>602</u>	<u>208,467</u>
Summary			
Mining rights	8,451,493	28,309	8,479,802
Exploration and evaluation assets	5,360,853	91,807	5,452,660
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)		(2,464,773)
Disposal of a subsidiary	(406,009)		(406,009)
	<u>10,941,564</u>	<u>120,116</u>	<u>11,061,680</u>

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2014****(unaudited)**

(in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1, 2013 \$	Additions \$	Balance at June 30, 2013 \$
Golden Valley Mines Ltd. Properties			
Acquisition and claims maintenance	4,797,667	54,390	4,852,057
Property option payments	312,500		312,500
Drilling, excavation and related costs	3,244,395	182,696	3,427,091
Technical and field staff	4,030,568	200,541	4,231,109
Airborne geophysics	671,742		671,742
Geophysics	2,268,422	1,600	2,270,022
Line cutting	1,097,836	1,240	1,099,076
Sampling and testing	710,017	35,841	745,858
Travel and transport	1,736,342	19,127	1,755,469
Program management and consultants	239,376		239,376
Professional Fees	6,978		6,978
Depreciation, insurance and office expenses	463,986	23,809	487,795
Communications	55,434	690	56,124
Option payments received	(1,068,104)		(1,068,104)
Write-off of exploration and evaluation assets	(3,856,597)		(3,856,597)
Government assistance	(1,447,228)		(1,447,228)
Net expenses incurred during the period	13,263,334	519,934	13,783,268
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)		(2,464,773)
Balance, end of the period	<u>10,798,561</u>	<u>519,934</u>	<u>11,318,495</u>
Abitibi Royalties Inc. Properties			
Acquisition and claims maintenance	31,018	554	31,572
Technical and field staff	7,232	644	7,876
Program management and consultants	71,862	42,413	114,275
Net expenses incurred during the period	<u>110,112</u>	<u>43,611</u>	<u>153,723</u>
Nunavik Nickel Mines Ltd. Properties			
Acquisition and claims maintenance	1,739,181	9,308	1,748,489
Technical and field staff	3,062	655	3,717
Program management and consultants	2,031	167	2,198
Airborne geophysics	290,304		290,304
Government assistance	(128,092)		(128,092)
Net expenses incurred during the period	<u>1,906,486</u>	<u>10,130</u>	<u>1,916,616</u>
Uranium Valley Mines Ltd. Properties			
Acquisition and claims maintenance	1,567,349		1,567,349
Technical and field staff	2,568		2,568
Travel and transport	41,452		41,452
Program management and consultants	1,007		1,007
Communication	60		60
Government assistance	(654)		(654)
Write-off of exploration and evaluation assets	(1,403,948)		(1,403,948)
Net expenses incurred during the period	<u>207,834</u>	<u>-</u>	<u>207,834</u>
Summary			
Mining rights	8,373,446	64,252	8,437,698
Exploration and evaluation assets	7,520,330	509,423	8,029,753
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)		(2,464,773)
Disposal of a subsidiary	(406,009)		(406,009)
	<u>13,022,994</u>	<u>573,675</u>	<u>13,596,669</u>

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

All impairment charges (or reversals, if any) are included within Impairment of exploration and evaluation assets in profit or loss.

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

For the three and six-month period ended June 30, 2014

(in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

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

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

On February 21, 2005, the Corporation was granted an option by Integra to acquire up to a 85% interest in nine mineral properties provided that, amongst other things, it incur an aggregate \$1,000,000 in exploration expenditures on any one of or a combination of the nine properties (\$500,000 for 70%, completed). The Corporation provided Integra with notice of its intent to vest as to a 70% interest in the properties and, a joint venture agreement was concluded as at December 8, 2008 (the "GZZ-I JV"). The GZZ-I JV is subject to underlying royalties ranging between 3% and 3½% in favour of the original vendors, one of which is a director and an officer of the Corporation. On January 11, 2012, the Corporation and Integra granted an option (the "GZZ-I Option") to Golden Cariboo Resources Ltd. ("GCC") to acquire a 70% interest in some of the properties comprising the GZZ-I JV. Upon the GZZ-I Option being exercised, the Corporation and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley Mines/7.5% Integra) in those properties.

The agreement governing the GZZ-I Option was amended and restated by the parties on January 10, 2013. As of the date hereof, the GZZ-I Option and the agreement continue to be in good standing as does the GZZ-I JV. For additional information with respect to the transaction between the Corporation and GCC, please refer to the GZZ Properties - Golden Cariboo Resources Ltd. – Abitibi Greenstone Belt, Quebec and Ontario paragraph herein.

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

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

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9. EXPLORATION AND EVALUATION ASSETS (continued)

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

On January 11, 2012, the Corporation granted an option to GCC to acquire a 70% interest in certain properties held as to a 100% interest by the Corporation (the "GZZ Option") and located in the Abitibi Greenstone Belt of northwestern Quebec and northeastern Ontario (the "GZZ Properties"). Concurrently, and subject to net smelter return royalty interests and advance royalty interests in favour of the original vendors (one of which is a director and officer of the Corporation), the Corporation and Integra granted an option to GCC to acquire a 70% interest in certain properties located in the Abitibi Greenstone Belt of northwestern Quebec (the "GZZ-I Option"); these properties are held as to a 70% interest by the Corporation and as to a 30% interest by Integra pursuant to the GZZ-I JV between Integra and Golden Valley Mines (the "GZZ-I Properties"). The GZZ Option and the GZZ-I Option are together referred to herein as "the Option".

The Corporation is the operator during the option phase. On January 10, 2013, the Corporation, Integra and GCC entered into an amended and restated agreement in respect of the Option. In order to maintain in force and exercise the Option, GCC must: (i) issue to the Corporation such number of common shares (the "GCC Payment Shares") in the capital of GCC as is equal to 9.9% of GCC's issued share capital (the "GZZ Share Interest") (issued), calculated forthwith after and taking into account the issuance of the Payment Shares; (ii) incur expenditures in an aggregate amount of \$4,500,000 over a 6 year period (the "Expenditures") to be allocated between the GZZ Properties and the GZZ-I Properties as GCC may determine provided that no more than \$4,000,000 of the Expenditures shall be incurred with respect to the GZZ Properties and at least \$500,000 of the Expenditures shall be incurred with respect to the GZZ-I Properties; and (iii) reimburse the Corporation for all costs related to the preparation of any technical reports.

The Corporation has the right, but not the obligation to participate in future financings of GCC in order to maintain the GZZ Share Interest. Upon the GZZ Option being exercised, the Corporation shall retain a 30% free carried interest to production in respect of the GZZ Properties. Upon the GZZ-I Option being exercised, the Corporation and Integra shall retain a combined 30% free carried interest to production (allocated as to 22.5% the Corporation/7.5% Integra). As of the date hereof, the agreement and the Option are in good standing.

Sirios Resources Ltd. - Sharks and Chechoo Joint Venture - James Bay Northern Quebec

Pursuant to an amended and restated binding term sheet dated October 23, 2013, Sirios has provided the Company with notice (the "Option Notice") of its intent to acquire the remaining 55% interest in the Sharks and Chechoo prospects (the "S&C Properties"), located in the James Bay area of northern Québec, from Golden Valley Mines. In accordance with the agreement Sirios has issued 2,898,374 common shares to Golden Valley Mines (the "Payment Shares"). 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 Company. The Company 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 Company. 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 Company of its intent to terminate the option on the Sharks Prospect; the Company now retains a 100% interest in the property. As of the date hereof, the Sirios Option is in good standing.

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9. EXPLORATION AND EVALUATION ASSETS (continued)

Malartic CHL Prospect - Malartic, Quebec

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

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

Osisko, Agnico Eagle Mines Limited and Yamana Gold Inc. entered into an arrangement agreement dated April 16, 2014 pursuant to which Osisko agreed to transfer its Canadian Malartic assets to a new partnership that would ultimately be owned by Agnico and Yamana as to 50% each. The Malartic CHL Property, however, was not transferred to the partnership and is still held by Osisko.

10. LEASES

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

	Minimum lease payments		
	Within 1 year	1 to 5 years	Total
	\$	\$	\$
June 30, 2014	56,121	56,121	112,242
June 30, 2013	54,995	114,573	169,567

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

Lease payments recognized as an expense during 2014 amount to \$ 28,061 (\$31,608 in 2013). This amount consists of minimum lease payments. No surface payments or contingent rent payments were made or received. The Corporation's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. As of April 1, 2014, the Corporation sublet a portion of its Montreal office space to help reduce monthly expenses.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2014	June 30, 2013
	\$	\$
Others		
Trade accounts	693,452	114,281
Wage and salaries payable	353,041	243,954
Benefits		676
	<u>1,046,493</u>	<u>358,911</u>

Golden Valley Mines Ltd.
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12. EQUITY

12.1 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.

12.2 Warrants

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

	June 30, 2014		December 31, 2013	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of reporting period	10,711,192	0.17	9,426,191	0.22
Granted	1,500,000	0.22	2,410,000	0.09
Expired	(3,466,196)	0.20	(1,124,999)	0.40
Balance, end of reporting period	<u>8,744,996</u>	<u>0.17</u>	<u>10,711,192</u>	<u>0.17</u>

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

<u>Expiry date</u>	June 30, 2014		December 31, 2013	
	Number	Exercise price \$	Number	Exercise price \$
March 25, 2014			3,097,833	0.20
March 25, 2014			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	1,710,000	0.09
June 20, 2015	700,000	0.09	700,000	0.09
November 30, 2015	1,000,000	0.22		
December 5, 2015	500,000	0.22		
	<u>8,744,996</u>	<u>0.17</u>	<u>10,711,192</u>	<u>0.17</u>

Non-Brokered Private Placement

On May 30 and June 6, 2014, the Corporation closed a non-brokered private placement offering for gross proceeds of \$450,000, having issued 2,999,998 units (each a "Unit") at a per Unit price of \$0.15. Each Unit consisted of one common share in the capital of Golden Valley and one-half of one non-transferable share purchase warrant, each whole warrant entitling the holder to purchase one common share of Golden Valley at a per share price of \$0.22 for a period of 18 months from the closing of the offering.

The proceeds raised from this offering will be used by Golden Valley for general corporate purposes. All securities issued will be subject to a hold period of four months and one day from the date of closing of the offering in accordance with applicable securities legislation.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2014***(in Canadian dollars)***13. 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.

On July 18, 2014, the Corporation issued 33,019 common shares at a deemed per share price of \$0.18 to SIDEX in settlement of \$5,984 of accrued interest to June 20, 2014. The shares issued to SIDEX are subject to a hold period until November 17, 2014, in accordance with applicable securities legislation.

	June 30, 2014		
	Carrying amount	Conversion	Compensati
Debenture	option	on warrants	
\$	\$	\$	
Convertible unsecured debenture	83,164	16,729	9,271

14. EMPLOYEE REMUNERATION**14.1 Salaries and other employee benefits expense**

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

	Three-month period ended		Six-month period ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	\$	\$	\$	\$
Salaries and group insurance	165,623	187,205	356,021	334,423
Share-based payments	247,070	602	244,334	1,710
Defined contribution State plans	19,752	19,984	19,752	34,954
	432,445	207,791	620,107	371,087
Less: salaries capitalized in exploration and evaluation assets	(9,542)	(60,513)	(16,817)	(111,137)
Salaries and other employee benefits expense	422,903	147,278	603,290	259,950

14.2 Share-based payments

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

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14.2 Share-based payments (continued)

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

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

	June 30, 2014		December 31, 2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding as at January 1	7,595,000	0.33	6,985,000	0.33
Granted	854,025	0.17	3,275,000	0.07
Cancelled			(920,000)	0.33
Expired			(1,745,000)	0.31
Outstanding as at June 30	<u>8,449,025</u>	<u>0.22</u>	<u>7,595,000</u>	<u>0.23</u>
Exercisable as at January 1 and June 30	<u>8,399,025</u>	<u>0.22</u>	<u>7,445,000</u>	<u>0.33</u>

The table below summarizes the information related to share options as at June 30, 2014:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number of options
August 6, 2014	310,000	0.30	0.35	310,000
December 22, 2015	865,000	0.50	1.73	865,000
October 5, 2016	2,400,000	0.35	2.52	2,400,000
July 23, 2017	745,000	0.15	3.32	745,000
August 1, 2018	3,275,000	0.07	4.34	3,225,000
June 30, 2019	854,025	0.17	5.00	854,025
	<u>8,449,025</u>	<u>0.22</u>		<u>8,399,025</u>

On June 30, 2014, the Corporation granted an aggregate 854,025 incentive stock options with an exercise price of \$0.17 to its directors, officers, employees and consultants. The options are exercisable for a period of 5 years from the date of grant. All options are exercisable immediately.

On April 3, 2014, Nunavik Nickel Mines granted incentive stock options to directors, officers and consultants to purchase an aggregate 114,272 of the Company's common shares. The options are exercisable at a price of \$0.065 until April 3, 2019 and are vested immediately. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$5,556.

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15. FINANCE INCOME

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

	Three-month period ended		Six-month period ended	
	June 30	June 30	June 30	June 30
	2014	2013	2014	2013
	\$	\$	\$	\$
Interest and dividend income from cash and short-term financial assets	940	2,010	4,311	5,461

16. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 12 and 14.

Both the basic and diluted loss per share have been calculated using the loss attributable to owners of the Corporation as the numerator, i.e. no adjustment to the loss were necessary in 2014 and 2013.

	Three-month period ended		Six-month period ended	
	June 30	June 30	June 30	June 30
	2014	2013	2014	2013
Net loss attributable to shareholders of Golden Valley Mines Ltd.	(693,097)	(281,884)	(1,043,036)	(628,528)
Weighted average number of shares in circulation	90,076,494	85,859,356	90,076,494	85,859,356
Basic and diluted loss per share	(0.008)	(0.003)	(0.012)	(0.007)

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17. 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.

17.1 Transaction with key management

Key management includes directors and senior executives. The compensation paid to key management for employee and consulting services is presented below.

	Three-month period ended		Six-month period ended	
	June 30	June 30	June 30	June 30
	2014	2013	2014	2013
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses ⁽¹⁾	62,789	10,858	121,984	107,440
Benefits	(914)	6,046	18,450	12,611
Director's fees ⁽²⁾	101,333	34,458	200,083	34,458
Total short-term employee benefits	163,208	51,362	340,517	154,509
Other transactions with key management				
Management Fees	4,125	6,325	8,250	19,213
Professional fees				30,000
Expenses capitalized in exploration and evaluation assets	23,062	36,980	46,590	71,485
Total other transactions with key management	27,187	43,305	54,840	120,698
Share-based payments			250,418	
Total remuneration	190,395	94,667	645,775	275,207

⁽¹⁾ An amount of \$80,000 (Nil in 2013) has been accrued in Salaries including bonuses as an amount due to Abitibi Royalties' president. This amount represents a salary which has been deferred and not yet paid.

⁽²⁾ This amount represents director's fees which have been deferred and not yet paid. \$130,000 from Abitibi Royalties to its three independent directors and \$70,084 from Golden Valley Mines to its directors.

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18. CONTINGENCIES

On May 30, 2014, following the approval by Osisko's shareholders of the plan of arrangement (the " Plan of Arrangement") among Osisko, Agnico Eagle Mines Limited and Yamana Gold Inc. dated April 16, 2014, Abitibi Royalties has filed a motion with the Québec Superior Court to institute proceedings for the issuance of an injunction for the protection and enforcement of its contractual rights under the joint venture (refer to Note 9 - EXPLORATION AND EVALUATION ASSETS). The Plan of Arrangement was approved by the Court after certain modifications ordered by the Court be made; the Malartic CHL Property is not being transferred to the partnership along with the other Canadian Malartic assets and will be retained by Osisko and the proposed 5% NSR to be granted on the Canadian Malartic assets does not include the Malartic CHL Property. In addition, Osisko undertook not to transfer the Malartic CHL Property without first notifying Abitibi Royalties.

Abitibi Royalties also advised the Court that, at this stage of the proceedings, its primary claim is that Osisko has triggered its right to re-acquire Osisko's 70% interest in the Malartic CHL Property, where recent exploration drilling has returned significant gold mineralization at the Odyssey Zones, as referenced in Abitibi Royalties' news released of April 23, 2014. On June 13, 2014, the Québec Superior Court ordered that the claims, and most importantly, whether Abitibi Royalties is entitled to a right of first refusal on Osisko's interest in the Malartic CHL Property as a result of Osisko's actions, be sent to arbitration without costs to either party, with the detailed reasoning for its decision to follow. Abitibi Royalties will carefully consider the Court's reasons once they have been received and will consider all of its options at that time in order to protect all of its rights and interests in the Malartic CHL Property.

19. SUBSEQUENT EVENTS

On July 3, 2014, Uranium Valley Mines entered a Mining Option Agreement with 2973090 Canada Inc, ("2973090") pursuant which the company has the option to acquire a 100% ownership interest in the Porcupine Miracle Prospect. The Porcupine Miracle Prospect is constituted of four (4) mineral claims located in the Langmuir Township in the province of Ontario, Canada. In consideration for the option, the company will issue 200,000 common shares as follows: 66,666 common shares (which shares have been issued), 66,667 common shares on July 17, 2015 and, 66,667 common shares on July 17, 2016. In order to exercise the option, the company is required to incur exploration expenditures of \$50,000 by July 17, 2016 and, in addition, to maintain the property in good standing. The property will be subject to a royalty in favour of 2973090 equal to 3% of net smelter returns. Advance royalty payments of \$10,000 per annum are payable by the company commencing on July 17, 2017; the advance royalty payments will be deducted from the amounts payable under the royalty. The transaction received approval from the TSX Venture Exchange on July 16, 2014.

2973090 is a Canadian company owned and controlled by Mr. Glenn J. Mullan, the CEO of the company.

On July 17, 2014, Abitibi Royalties closed the non-brokered private placement it had previously announced. The company has issued 800,000 of its common shares at a price of \$2.50 per share for gross proceeds of \$2,000,000. Mr. Rob McEwen who was the sole subscriber for this offering has also been granted the right to maintain his pro-rata ownership in the company on future financings. Mr. McEwen now owns 951,515 common shares or 9.28% of the company outstanding equity and has become the second largest shareholder of the company after Golden Valley. The company intends to use the proceeds from this financing for general corporate purposes.