



## **Golden Valley Mines Ltd.**

### **Audited Consolidated Annual Financial Statements, as at December 31, 2014 and 2013**

Golden Valley Mines Ltd.  
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# Raymond Chabot Grant Thornton

## Independent Auditor's Report

To the Shareholders of  
Golden Valley Mines Ltd.

**Raymond Chabot Grant Thornton LLP**

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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, 2014 and 2013 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, 2014 and 2013 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.

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*Raymond Chabot Grant Thornton L.L.P.*

Val-d'Or  
April 29, 2015

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

	Notes	December 31, 2014 \$	December 31, 2013 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	8	1,347,620	552,383
Short-term financial assets	9	575,465	907,667
Other accounts receivable		40,126	13,639
Sales taxes recoverable		29,193	39,382
Tax credits receivable		40,362	72,306
Prepaid expenses		42,864	43,247
		<u>2,075,630</u>	<u>1,628,624</u>
<b>Non-current</b>			
Property and equipment	10	15,158	28,149
Exploration and evaluation assets	11	8,647,860	10,941,564
		<u>8,663,018</u>	<u>10,969,713</u>
<b>Total assets</b>		<u><u>10,738,648</u></u>	<u><u>12,598,337</u></u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities			
Related parties controlled by directors		12,009	12,009
Others	13	780,066	767,350
		<u>792,075</u>	<u>779,359</u>
<b>Non-Current</b>			
Convertible unsecured debenture	15		74,000
Deferred income taxes	17		190,034
<b>Total liabilities</b>		<u>792,075</u>	<u>1,043,393</u>
<b>EQUITY</b>			
Capital stock	14.1	23,494,150	22,853,604
Warrants	14.2	45,571	328,352
Contributed surplus		2,752,785	2,393,819
Equity component of convertible debenture			16,729
Deficit		<u>(18,855,041)</u>	<u>(14,715,129)</u>
<b>Total equity attributable to owners of the parent company</b>		<u>7,437,465</u>	<u>10,877,375</u>
Non-Controlling interest		2,509,108	677,569
<b>Total equity</b>		<u>9,946,573</u>	<u>11,554,944</u>
<b>Total liabilities and equity</b>		<u><u>10,738,648</u></u>	<u><u>12,598,337</u></u>

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 29, 2015.

*"Glenn J. Mullan"*  
Director

*"Blair F. Morton"*  
Director

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

	Notes	For years ended	
		December 31, 2014	December 31, 2013
		\$	\$
<b>Revenues</b>			
Geological fees		10,979	10,131
<b>Operating Expenses</b>			
Salaries and other employee benefits	16.1	3,017,119	1,111,550
Office expenses		145,511	159,828
Management fees		16,500	28,013
Professional and legal fees		918,986	422,423
Advertising and exhibitions		56,794	37,640
Travelling		103,212	46,620
Exploration and evaluation expenditures		23,401	29,579
Write-off of exploration and evaluation assets	11		117,853
Impairment of exploration and evaluation assets	11	2,544,373	2,387,024
Part XII.6 and other taxes		10,089	2,637
Depreciation of property and equipment	10	9,501	10,810
		<u>(6,845,486)</u>	<u>(4,353,977)</u>
<b>Operating loss</b>		<u>(6,834,507)</u>	<u>(4,343,846)</u>
Finance cost		(19,195)	
Finance income	19	5,768	7,786
Change in fair value of financial assets at fair value through profit or loss		(130,046)	(198,332)
<b>Loss before income taxes</b>		<u>(6,977,980)</u>	<u>(4,534,392)</u>
Deferred income taxes	17	183,814	532,860
<b>Net loss and total comprehensive loss for the year</b>		<u><u>(6,794,166)</u></u>	<u><u>(4,001,532)</u></u>
Net loss and total comprehensive loss attributable to:			
Shareholders of Golden Valley Mines		(5,298,471)	(3,341,924)
Non-controlling interest		(1,495,695)	(659,608)
		<u>(6,794,166)</u>	<u>(4,001,532)</u>
<b>Loss per share attributable to Golden Valley Mines shareholders</b>			
Basic and diluted loss per share	20	(0.058)	(0.039)

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)

	Notes	Capital Stock	Warrants	Contributed Surplus	Equity Component of Convertible Debenture	Deficit	Total attributable to owners of the parent	Non-controlling interest	Total Equity
		Number	\$	\$	\$	\$	\$	\$	\$
<b>Balance at January 1, 2013</b>		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
Net loss and total comprehensive loss for the period						(3,341,924)	(3,341,924)	(659,608)	(4,001,532)
<b>Balance at December 31, 2013</b>		89,601,356	22,853,604	328,352	2,393,819	16,729	(14,715,129)	10,877,375	677,569
Share issue expenses			(16,903)				(16,903)		(16,903)
Share-based payments	16.2			106,449			106,449	2,060,399	2,166,848
Compensation warrants expired	14.2			(267,781)	267,781				
Shares issued for conversion of debenture	15	1,428,571	100,000		(16,729)		83,271		83,271
Shares issued for interest payment on debenture		78,739	9,435				9,435		9,435
Shares issued by exercise of stock options	16.2	325,000	38,014	(15,264)			22,750		22,750
Shares issued by exercise of warrants	14.2	500,000	60,000	(15,000)			45,000		45,000
Units issued by private placements	14.1	2,999,998	450,000				450,000		450,000
Changes in interest of subsidiaries	7					1,158,559	1,158,559	1,266,835	2,425,394
Transactions with owners		5,332,308	640,546	(282,781)	358,966	(16,729)	1,158,559	1,858,561	3,327,234
Net loss and total comprehensive loss for the period						(5,298,471)	(5,298,471)	(1,495,695)	(6,794,166)
<b>Balance at December 31, 2014</b>		94,933,664	23,494,150	45,571	2,752,785	(18,855,041)	7,437,465	2,509,108	9,946,573

Share issue expenses were reduced by deferred income taxes of \$6,220 (\$9,582 in 2013).

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

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

	For the years ended	
	December 31, 2014	December 31, 2013
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net Loss	(6,794,166)	(4,001,532)
Adjustments		
Depreciation of property and equipment	9,501	10,810
Share-based payments	2,152,091	475,783
Shares in consideration for interest payment on debenture	9,435	
Interest at effective rate on debenture	9,271	
Write-off of exploration and evaluation assets		117,853
Impairment of exploration and evaluation assets	2,544,373	2,387,024
Changes in fair value of financial assets at fair value through profit or loss	130,046	198,332
Deferred income taxes	(183,814)	(532,860)
Changes in working capital items		
Other accounts receivable	(26,487)	2,542
Sales taxes recoverable	10,189	6,779
Prepaid expenses	383	1,444
Accounts payable and accrued liabilities	141,377	377,071
Cash flows from operating activities	<u>(1,997,801)</u>	<u>(956,754)</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of short-term financial assets	(301,358)	(1,351,349)
Disposal of short-term financial assets	503,513	1,670,819
Disposal of subsidiary investment		200,000
Tax credits received	71,434	149,653
Additions to exploration and evaluation assets	(400,573)	(858,455)
Cash flows from investing activities	<u>(126,984)</u>	<u>(189,332)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares by exercise of warrants	45,000	
Issuance of shares by exercise of stock options	22,750	
Issuance of units by private placements	450,000	171,000
Convertible unsecured debenture		100,000
Share issue expenses	(23,123)	(19,520)
Changes in interest of subsidiaries	2,425,394	
Cash flows from financing activities	<u>2,920,021</u>	<u>251,480</u>
<b>Net change in cash and cash equivalents</b>	795,237	(894,606)
Cash and cash equivalents, beginning of year	552,383	1,446,989
Cash and cash equivalents, end of year	<u>1,347,620</u>	<u>552,383</u>

See Note 23 for additional information on cash flows

**Cash transactions:**

Dividends received	1,358	1,349
Interest received	4,410	6,639

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

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2014 and 2013**  
(in Canadian dollars)

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**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, 2014, the Corporation has a cumulated deficit of \$18,855,041 (\$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 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, 2014. Information on the new standards that is relevant to the Corporation's consolidated financial statements is presented below.

**IFRIC 21 - Levies**

IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Asset. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when triggering event specified in the legislation occurs. IFRIC 21 has been applied retrospectively and had no material effect on the consolidated financial statements for any period presented.



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

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation has not yet assessed the impact of this new standard on its financial statements.

**5. SUMMARY OF ACCOUNTING POLICIES**

**5.1 Overall considerations**

The significant accounting policies 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, 2014. 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.

**Subsidiaries**

Details of the Corporation's subsidiaries at December 31, 2014 are as follows (see Note 7):

Name of subsidiaries	Principal activity	Country of incorporation	Percentage of ownership	
			December-31-14	December-31-13
			Interest and voting / Power held	Interest and voting / Power held
Abitibi Royalties Inc. ("Abitibi Royalties")	Mineral exploration in Canada	Canada	56%	61%
Nunavik Nickel Mines Ltd. ("Nunavik Nickel")	Mineral exploration in Canada	Canada	69%	70%
Uranium Valley Mines Ltd. ("Uranium Valley")	Mineral exploration in Canada	Canada	37%	38%
Calone Mining Ltd. ("Calone")	Mineral exploration	Canada	100%	100%

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2014 and 2013**  
(in Canadian dollars)

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**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 same 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 in 2013. 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 Cash and Cash equivalents**

Cash and cash equivalents comprise cash in bank and demand deposits, which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**5.7 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 of the Corporation are classified into the category loans and receivables or financial assets through profit or loss upon initial recognition.

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.

**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 in 2013 and marketable securities in quoted mining exploration companies fall into this category.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
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**5.7 Financial instruments (continued)**

**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 of \$579,243 ; \$532,273 as at December 31, 2013) and the convertible unsecured debenture in 2013. 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.

**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 fixed 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 evaluated 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 contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
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**5.8 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.

**5.9 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:

	<u>Useful life</u>
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.

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**5.10 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 5.12); 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 5.12) 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.

**5.11 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.

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**5.12 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 transferred to property and equipment.

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

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

**5.13 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.

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.

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 negligible. 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, 2014 and 2013, 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.

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**5.14 Income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in equity.

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.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will 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 expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 "Income Taxes " specifies limited exemptions. As a result of these exemptions the Corporation does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

However, since the Corporation is at the exploration stage there is no taxable income, the tax expense recognized in profit and loss is currently comprised only of deferred tax.

**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.

**5.15 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 stock options, warrants and conversion of convertible unsecured debenture are exercised, the capital stock account also comprises the compensation costs and the fair value of the options, warrants and the conversion option of convertible unsecured debenture value previously recorded as contributed surplus, warrants and equity component of convertible debenture.

**Unit placements**

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

**Flow-through placements**

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

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**5.15 Equity (continued)**

**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.

**5.16 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. The Corporation's plans do not 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 excluded 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.

**5.17 Segmental reporting**

The Corporation's presents and discloses segmental information based on information that is regularly review by the Executive Chairman and the Board of Directors.

The Corporation has determined that it has only one operating segment, the sector of exploration and evaluation of mineral resources. All its exploration and evaluation assets are located in Canada.



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**6. JUDGEMENTS, ESTIMATES 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 likelihood 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 5.14).

**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 assessment**

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 5.12).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units 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.

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**6.2 Estimation uncertainty (continued)**

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

The impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to \$2,544,373 for the year ended December 31, 2014 (\$2,504,877 for the year ended December 31, 2013). 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 determination 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, 2014 and 2013.

**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.

**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 5.8 for more information.

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**7. INVESTMENT IN SUBSIDIARIES**

The aggregate amount of subsidiaries are summarized as follows:

Abitibi Royalties Inc.

	December 31, 2014	December 31, 2013
	\$	\$
Current assets	1,267,590	35,330
Non-current assets	168,064	156,380
Current liabilities	253,641	249,768
Total equity attributable to non-controlling interest	1,793,087	
Net loss and total comprehensive loss	(3,418,725)	(716,623)
Net loss and total comprehensive loss attributable to non-controlling interest	(1,406,118)	(109,450)
Cash flows from operating activities	(1,120,712)	(132,976)
Cash flows from investing activities	(7,771)	(73,445)
Cash flow from financing activities	2,332,625	

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 Abitibi 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. The Corporation was the sole subscriber under the offering.

On June 20, 2014, the Corporation has exercised its warrants of Abitibi Royalties. Accordingly, Abitibi Royalties issued 250,000 common shares of its capital stock against a payment of \$112,500.

On July 17, 2014, Abitibi Royalties closed a non-brokered private placement to which it has issued 800,000 of its common shares at a price of \$2.50 per share for gross proceeds of \$2,000,000.

On September 8, 2014, after receiving Exchange approval and pursuant to share for debt subscription agreements between Abitibi Royalties and its executive officers and directors, Abitibi Royalties issued 38,055 common shares, at a price of \$3.70 per common share, in settlement of \$140,803 in accrued executive officer salary and director fees, covering the period from June 1, 2013 to July 31, 2014.

On September 10, 2014, the Corporation completed private sales of an aggregate of 93,750 common shares of Abitibi Royalties resulting in gross proceeds of \$42,188, representing 93,750 call options issued in December 2013.

On October 10, 2014, Abitibi Royalties recorded 50,000 common shares to be issued to Red Cloud Mining Capital Inc. ("Red Cloud"), at a price of \$2.68 per common share, for a total amount of \$134,000, in payment of advisory services received.

On November 25, 2014, the Corporation completed private sales of an aggregate of 31,250 common shares of Abitibi Royalties resulting in gross proceeds of \$14,062, representing 31,250 call options issued in December 2013.

On December 17, 2014, a former director of Abitibi Royalties exercised 127,500 options at a price of \$0.55 per share.

Following these transactions, the Corporation owned 5,896,912 common shares or 57% (61% in 2013) of Abitibi Royalties and changed the investment in the subsidiary for a total amount of \$1,147,838, recorded as an increase of non-controlling interest.

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7. **INVESTMENT IN SUBSIDIARIES (continued)**

Nunavik Nickel Mines Ltd.

	December 31, 2014	December 31, 2013
	<u>\$</u>	<u>\$</u>
Current assets	9,738	115,979
Non-current assets	1,381,437	1,366,964
Current liabilities	31,100	2,397
Total equity attributable to non-controlling interest	515,392	438,389
Net loss and total comprehensive loss	(147,055)	(611,794)
Net loss and total comprehensive loss attributable to non-controlling interest	(44,450)	(181,152)
Cash flows form operating activities	(96,497)	(59,593)
Cash flows form investing activities	38,422	64,870
Cash flow from financing activities	2,553	

On April 11, 2014, Nunavik Nickel issued 39,272 common shares for a consideration of \$2,553 on the exercise of stock options at a price of \$0.065 per share.

On October 3, 2014, Nunavik Nickel issued 150,000 common shares, at a deemed price of \$0.10 per share to Red Cloud in payment of services received.

Following these transactions, the Corporation owned 6,963,634 common shares or 69% (70% in 2013) of Nunavik Nickel and changed the investment in the subsidiary for a total amount of \$112,422, recorded as an increase of non-controlling interest.

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**7. INVESTMENT IN SUBSIDIARIES (continued)**

Uranium Valley Mines Ltd.

	December 31, 2014	December 31, 2013
	\$	\$
Current assets	105,266	178,619
Non-current assets	216,791	207,865
Current liabilities	1,821	685
Total equity attributable to non-controlling interest	200,629	239,180
Net loss and total comprehensive loss	(72,230)	(62,395)
Net loss and total comprehensive loss attributable to non-controlling interest	(45,126)	(39,948)
Cash flows form operating activities	(68,347)	(58,085)
Cash flows form investing activities	(1,377)	(31)

On July 25, 2014 Uranium Valley issued 66,666 common shares in accordance with the Porcupine Miracle Prospect Mining Option Agreement. This was the first tranche of a total of 200,000 common shares to be issued under this agreement.

Following this transaction, the Corporation owned 4,170,910 common shares or 37% (38% in 2013) of Uranium Valley and changed the investment in the subsidiary for a total amount of \$6,575, recorded as an increase of non-controlling interest.

Calone Mining Ltd.

There is no significant operations in Calone.

**8. CASH AND CASH EQUIVALENTS**

	December 31, 2014	December 31, 2013
	\$	\$
Cash	137,620	352,383
Demand deposits, 0.925% (1% in 2013), redeemable at any time	1,125,000	200,000
Demand deposits, 0.9%, redeemable at any time	85,000	
	<u>1,347,620</u>	<u>552,383</u>

There is no balance on flow-through financings according to the restrictions imposed by these financing arrangements as at December 31, 2014 and 2013.

**9. SHORT-TERM FINANCIAL ASSETS**

	December 31, 2014	December 31, 2013
	\$	\$
Guaranteed investment certificates, 0.95% (0.95% to 1.0% in 2013), maturing June 2015 (January 2014 and December 2014 in 2013)	175,000	300,000
Money market investment funds	3,901	3,869
Mutual funds	107,654	106,329
Marketable securities in quoted mining exploration companies	288,910	106,188
Undeposited certificates		391,281
Short-term financial assets	<u>575,465</u>	<u>907,667</u>

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**10. PROPERTY AND EQUIPMENT**

The carrying amount can be analysed as follows:

	<b>Property and equipment</b>				<b>Exploration and evaluation equipment</b>				
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>									
Balance at January 1 and December 31, 2014	46,282	72,693	60,385	179,360	55,334	27,725	36,215	119,274	298,634
<b>Accumulated depreciation</b>									
Balance at January 1, 2014	33,497	61,975	59,792	155,264	55,334	27,725	32,162	115,221	270,485
Depreciation	3,178	6,140	183	9,501			3,490	3,490	12,991
Balance at December 31, 2014	36,675	68,115	59,975	164,765	55,334	27,725	35,652	118,711	283,476
<b>Carrying amount at December 31, 2014</b>	<u>9,607</u>	<u>4,578</u>	<u>410</u>	<u>14,595</u>			<u>563</u>	<u>563</u>	<u>15,158</u>

	<b>Property and equipment</b>				<b>Exploration and evaluation equipment</b>				
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>									
Balance at January 1 and December 31, 2013	46,282	72,693	60,385	179,360	55,334	27,725	36,215	119,274	298,634
<b>Accumulated depreciation</b>									
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
<b>Carrying amount at December 31, 2013</b>	<u>12,785</u>	<u>10,718</u>	<u>593</u>	<u>24,096</u>			<u>4,053</u>	<u>4,053</u>	<u>28,149</u>

All depreciation charges (or reversals, if any) are included within, depreciation of property and equipment \$9,501 (\$10,810 at December 31, 2013), 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 \$3,490 (\$20,020 at December 31, 2013).

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**11. EXPLORATION AND EVALUATION ASSETS**

The carrying amount can be analyzed as follows:

	Balance at January 1, 2014	Additions	Disposition	Impairment Write-off	Balance at December 31, 2014
	\$	\$	\$	\$	\$
<b>Golden Valley Mines Ltd. Properties</b>					
Acquisition and claims maintenance	4,865,581	59,536			4,925,117
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	140,729			4,563,566
Airborne geophysics	671,742				671,742
Geophysics	2,373,572	9,839			2,383,411
Line cutting	1,153,751	56			1,153,807
Sampling and testing	770,260	1,570			771,830
Travel and transport	1,762,637	11,397			1,774,034
Program management and consultants	286,693	12,769			299,462
Professional Fees	6,978				6,978
Depreciation, insurance and office expenses	500,800	26,003			526,803
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)			(2,544,373)	(4,381,156)
Government assistance	(1,447,228)	(46,867)			(1,494,095)
Net expenses incurred during the period	<u>11,675,127</u>	<u>215,586</u>		<u>(2,544,373)</u>	<u>9,346,340</u>
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)				(2,464,773)
Balance, end of the period	<u><u>9,210,354</u></u>	<u><u>215,586</u></u>		<u><u>(2,544,373)</u></u>	<u><u>6,881,567</u></u>

## Golden Valley Mines Ltd.

## Notes to the consolidated financial statements

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## 11. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1, 2014	Additions	Impairment / Write-off	Balance at December 31, 2014
	\$	\$	\$	\$
<b>Abitibi Royalties Inc. Properties</b>				
Acquisition and claims maintenance	31,572	75		31,647
Technical and field staff	9,082	1,374		10,456
Program management and consultants	115,726	9,785		125,511
Geophysics		450		450
Net expenses incurred during the period	<u>156,380</u>	<u>11,684</u>		<u>168,064</u>
<b>Nunavik Nickel Mines Ltd. Properties</b>				
Acquisition and claims maintenance	1,748,760	11,865		1,760,625
Technical and field staff	4,034	1,234		5,268
Program management and consultants	2,199	502		2,701
Airborne geophysics	290,304			290,304
Government assistance	(128,092)	872		(127,220)
Impairment of exploration and evaluation assets	(550,241)			(550,241)
Net expenses incurred during the period	<u>1,366,964</u>	<u>14,473</u>		<u>1,381,437</u>
<b>Uranium Valley Mines Ltd. Properties</b>				
Acquisition and claims maintenance	1,567,349	6,667		1,574,016
Technical and field staff	2,599	540		3,139
Travel and transport	41,452			41,452
Program management and consultants	1,007	1,719		2,726
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>8,926</u>		<u>216,791</u>



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## 11. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1, 2014	Additions	Impairment Write-off	Balance at December 31, 2014
	\$	\$	\$	\$
<b>Summary</b>				
Mining rights	8,451,493	78,143		8,529,636
Exploration and evaluation assets	5,360,853	172,526	(2,544,373)	2,989,006
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>250,669</u>	<u>(2,544,373)</u>	<u>8,647,860</u>

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

	Balance at January 1, 2013	Additions	Disposition	Impairment / Write-off	Balance at December 31 2013
	\$	\$	\$	\$	\$
<b>Golden Valley Mines Ltd. Properties</b>					
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	<u>13,263,334</u>	<u>980,360</u>	<u>(613,931)</u>	<u>(1,954,636)</u>	<u>11,675,127</u>
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)				(2,464,773)
Balance, end of the period	<u><u>10,798,561</u></u>	<u><u>980,360</u></u>	<u><u>(613,931)</u></u>	<u><u>(1,954,636)</u></u>	<u><u>9,210,354</u></u>

## Golden Valley Mines Ltd.

## Notes to the consolidated financial statements

## December 31, 2014 and 2013

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## 11. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1, 2013	Additions	Disposition	Impairment / Write-off	Balance at December 31 2013
	\$	\$	\$	\$	\$
<b>Abitibi Royalties Inc. Properties</b>					
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	<u>110,112</u>	<u>46,268</u>			<u>156,380</u>
<b>Nunavik Nickel Mines Ltd. Properties</b>					
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	<u>1,906,486</u>	<u>10,719</u>		<u>(550,241)</u>	<u>1,366,964</u>
<b>Uranium Valley Mines Ltd. Properties</b>					
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)
Impairment of exploration and evaluation assets	(1,403,948)				(1,403,948)
Net expenses incurred during the period	<u>207,834</u>	<u>31</u>			<u>207,865</u>

## Golden Valley Mines Ltd.

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

	Balance at January 1, 2013	Additions	Disposition	Impairment / Write-off	Balance at December 31 2013
	\$	\$	\$	\$	\$
<b>Summary</b>					
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)
	<u>13,022,994</u>	<u>1,037,378</u>	<u>(613,931)</u>	<u>(2,504,877)</u>	<u>10,941,564</u>

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.

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

The Corporation holds (together with its subsidiaries) 102 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.) – 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, 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.

In January 2015, the Cambrian Option has been terminated. As a result, the Corporation retains a 100% interest in the Broker's Fee Prospect.

***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.

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

***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.

***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") (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 Cheechoo agreement - James Bay Northern Québec***

Pursuant to a binding term sheet dated June 12, 2012, as amended and restated on October 23, 2013, Sirios Resources Ltd. ("Sirios") 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 (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 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.

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

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. In 2013, Sirios abandoned the claims comprising the Sharks Prospect in favour of the Corporation resulting in the Corporation retaining a 100% interest in the Sharks Prospect. As of the date hereof, the Sirios Option is in good standing for Cheechoo prospect.

***Malartic CHL Prospect - Malartic, Québec***

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 Mining Corporation ("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 exercised the Malartic CHL Property Option, resulting in a deemed joint venture between Abitibi Royalties and Osisko. 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 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.

On March 19, 2015, Abitibi Royalties sold its 30% free carried interest in the Malartic CHL Prospect for a consideration in shares and a 3% net smelter return royalty. For more information on the transaction, please refer to Note 27 - Subsequent events.

***Porcupine Miracle Prospect - Landmuir Township, Ontario***

On July 3, 2014, Uranium Valley entered into a Mining Option Agreement to acquire up to 100% interest property in the Porcupine Miracle Prospect from 2973090 Canada Inc., a company owned and controlled by Mr. Glenn J. Mullan, the CEO of Uranium Valley.

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 Uranium Valley will issue 200,000 common shares as follows: 66,666 common shares (which shares have been issued on July 25, 2014 at a deemed price of \$0.10 per share), 66,667 common shares on July 17, 2015 and, 66,667 common shares on July 17, 2016. In order to exercise the option, Uranium Valley 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 Canada Inc. equal to 3% of net smelter returns. Advance royalty payments of \$10,000 per annum will be payable by Uranium Valley commencing on July 17, 2017; the advance royalty payments will be deducted from the amounts payable under the royalty.

***Marymac Prospect - Labrador Trough, Québec***

The Marymac Prospect located in the Labrador Trough of Québec, consists of 182 Map Designated Units that collectively encompass approximately 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.

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**12. LEASES**

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

	Minimum lease		payments due
	Within 1 year	1 to 5 years	
	\$	\$	\$
December 31, 2014	57,244	33,393	90,637
December 31, 2013	56,121	84,182	140,304

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

Lease payments recognized as an expense during 2014 amount to \$ 56,121 (\$59,929 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. In March 2014, the Corporation sublet a portion of its Montreal office space to help reduce monthly expenses.

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2014	December 31, 2013
	\$	\$
Others		
Trade accounts	200,823	228,027
Wage and salaries payable	579,243	532,273
Other		7,050
	<u>780,066</u>	<u>767,350</u>



**Golden Valley Mines Ltd.**  
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**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.

**Private Placements**

i) On May 30 and June 5, 2014, the Corporation closed non-brokered private placements offerings 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 the Corporation 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 per share price of \$0.22 for a period of 18 months from the closing of the offering. No value has been assigned to the warrants.

The proceeds raised from these offerings will be used by the Corporation 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.

ii) 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, 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.

Please refer to Note 7 for transactions in the equity of the subsidiaries.

**14.2 Warrants**

On May 30 and June 5, 2014, 1,500,000 warrants were issued at an exercise price of \$0.22.

On September 4, 2014, 500,000 warrants, issued on December 19, 2013, were exercised. The capital stock increased from \$45,000 in cash received plus \$15,000 transferred from warrants representing the fair value of the warrants. The share price at the date of exercise was \$0.165.

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.

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

	December 31, 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
Exercised	(500,000)	0.09		
Expired	(8,301,192)	0.20	(1,124,999)	0.40
Balance, end of reporting period	3,410,000	0.15	10,711,192	0.17

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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:

Expiry date	December 31, 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
November 8, 2014			190,555	0.15
June 19, 2015	1,210,000	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>3,410,000</u>	<u>0.15</u>	<u>10,711,192</u>	<u>0.17</u>

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 in 2013 was recorded as an increase of share issue expenses and increase of warrants.

The fair value of \$0.01 in 2013 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
Share price at date of grant	\$0.035
Expected dividends yield	0%
Expected weighted volatility	101%
Risk-free interest average rate	1.07%
Expected average life	1.5 years
Exercise price at date of grant	\$0.09

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.

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**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, is 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.

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 accrued interest to June 20, 2014.

On December 12, 2014, SIDEX converted the debenture of the Corporation in the principal amount of \$100,000 at \$0.07 resulting in the issuance by the Corporation of 1,428,571 common shares. Additionally, in accordance with the terms of the debenture and in settlement of accrued interest to December 1, 2014, the Corporation has issued a further 45,720 common shares to SIDEX at a deemed price of \$0.12. The conversion shares and the debt shares are subject to a hold period until April 12, 2015 in accordance with applicable securities legislation.

On December 31, 2014, the total amount recorded for the settlement of interest is \$9,435.

**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 2014	December 31 2013
	\$	\$
Salaries and other employee benefits	908,458	830,555
Share-based payments	2,166,848	523,100
	3,075,306	1,353,655
Less: salaries capitalized in exploration and evaluation assets	(58,187)	(242,105)
Salaries and other employee benefits expense	<u>3,017,119</u>	<u>1,111,550</u>

**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.

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**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, 2014		December 31, 2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of reporting period	7,595,000	0.22	6,985,000	0.33
Granted	854,025	0.17	3,275,000	0.07
Exercised	(325,000)	0.07		
Forfeited			(920,000)	0.33
Expired	(755,000)	0.30	(1,745,000)	0.31
Outstanding, end of reporting period	<u>7,369,025</u>	<u>0.22</u>	<u>7,595,000</u>	<u>0.22</u>
Exercisable, end of reporting period	<u>7,369,025</u>	<u>0.22</u>	<u>7,445,000</u>	<u>0.23</u>

The weighted average share price at the date of exercise was \$0.15.

The table below summarizes the information related to stock options as at December 31, 2014:

Expiry date	Outstanding options			Exercisable options
	Number of options	Exercise price \$	Remaining contractual life (years)	Number of options
December 22, 2015	765,000	0.50	0.98	765,000
October 5, 2016	2,200,000	0.35	1.76	2,200,000
July 23, 2017	675,000	0.15	2.56	675,000
August 1, 2018	2,875,000	0.07	3.59	2,875,000
June 30, 2019	854,025	0.17	4.50	854,025
	<u>7,369,025</u>	<u>0.22</u>		<u>7,369,025</u>

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**16.2 Share-based payments (continued)**

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

Expiry date	Outstanding options			Exercisable options
	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
	<u>7,595,000</u>	<u>0.22</u>		<u>7,445,000</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. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$100,821.

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. During 2014, the options granted to consultants were vested entirely and an amount of \$5,628 has been recorded to share-based payments.

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.

The weighted fair value of the granted options of \$0.12 (\$0.06 in 2013) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2014	2013
Share price at date of grant	\$0.18	\$0.07
Expected dividends yield	0%	0%
Expected weighted volatility	80.5%	134.1%
Risk-free interest average rate	1.53%	1.82%
Expected average life	5 years	5 years
Exercise price at date of grant	\$0.17	\$0.07

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**16.2 Share-based payments (continued)**

**Abitibi Royalties Inc.**

Abitibi Royalties has adopted a further amended and restated incentive stock option plan so as to convert its rolling 10% plan into a 20% fixed option plan (the "New Plan"). Pursuant to the New Plan options for an aggregate total of 1,740,200 common shares may be granted to its directors, officers, employees, consultants or management companies employees from time to time. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of the Company's share on the trading day immediately prior to the date of grant less any discount permitted by the 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 (the "Exchange").

In 2014, the New Plan has been approved by the disinterested shareholders of Abitibi Royalties at its annual general meeting and by the Exchange subsequently. All share-based payments will be settled in equity. Abitibi Royalties has no legal constructive obligation to repurchase or settle the options.

On September 27, 2013, Abitibi Royalties granted incentive stock options (the "Stock Options") pursuant to its further amended and restated incentive stock option plan to directors, officers and consultants of Abitibi Royalties (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. The exercise of the Stock Options was subject to the receipt of disinterested shareholders approval. The fair value of \$333,396 as at December 31, 2013 has been increased by \$1,590,424 to reflect the approval date. In 2014, at the approval date, the fair value has been estimated, using the Black-Scholes option-pricing model, with the following assumptions: stock price at date of grant of \$2.55, exercise price at date of grant of \$0.55, weighted risk-free interest rate of 2%, projected volatility of 100%, predicted average life of stock-options of 4.25 years and no dividend yield.

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.

On June 2, 2014, the four directors at the time, agreed to surrender for cancellation a portion of their stock options entitling them to purchase an aggregate of 130,000 common shares (32,500 each) such that the reserve under Abitibi Royalties's plan had sufficient room to provide for the grant of stock options to new directors.

On June 2, 2014, Abitibi Royalties granted an aggregate 150,000 incentive stock options at an exercise price of \$2.18 per common share to two consultants (who were subsequently elected to Abitibi Royalties's Board on June 30, 2014). The options are exercisable at the date of grant and expire 5 years from the date of grant on June 2, 2019. The fair value of the options granted, was estimated to \$246,771.

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**16.2 Share-based payments (continued)**

On September 13, 2014, Abitibi Royalties terminated previously granted stock options entitling the purchase of an aggregate 80,000 common shares. Abitibi Royalties subsequently issued the following incentive stock options: On September 15, 2014, 60,000 incentive stock options at an exercise price of \$3.62 per common share were granted to the President of Abitibi Royalties and on September 19, 20,000 incentive stock options at an exercise price of \$3.70 per common share were granted to its CEO and its directors. The fair value of the options granted, was estimated respectively to \$162,347 and \$51,826. The options expire 5 years from the date of grant.

A summary of the status of the Abitibi Royalties's incentive stock options as at December 31, 2014, is presented below:

	December 31, 2014		December 31, 2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of reporting period	1,720,000	1.53	860,000	2.50
Granted	230,000	2.69	860,000	0.55
Exercised	(127,500)	0.55		
Forfeited	(210,000)	2.13		
Outstanding, end of reporting period	<u>1,612,500</u>	<u>1.69</u>	<u>1,720,000</u>	<u>1.53</u>
Exercisable, end of reporting period	<u>1,612,500</u>	<u>1.69</u>	<u>860,000</u>	<u>2.50</u>

The weighted average share price at the date of exercise was \$2.10.

The weighted fair value of stock options granted of \$2.00 (\$0.39 as at December 31, 2013) has been estimated on the date of issue, using the Black-Scholes option-pricing model with the following assumptions:

	September 27, 2013	June 2, 2014	September 15, 2014	September 19, 2014
Share price at date of grant	\$0.53	\$2.20	\$3.62	\$3.50
Expected dividend yield	0%	0%	0%	0%
Expected volatility	100%	100%	100%	100%
Risk-free interest rate (based on 5 years Canada Bonds)	1.87%	1.56%	1.69%	1.71%
Expected life	5	5	5	5
Exercise price at date of grant	\$0.55	\$2.18	\$3.62	\$3.70

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

In total, \$2,051,368 of share-based payments (all of which related to equity-settle share-based payment transactions) was included in share-based payments, profit or loss, as at December 31, 2014 (\$333,396 as at December 31, 2013) and credited to contributed surplus.

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**16.2 Share-based payments (continued)**

**Nunavik Nickel Mines Ltd.**

On April 3, 2014, Nunavik Nickel granted incentive stock options to directors, officers and consultants to purchase an aggregate of 114,272 of Nunavik Nickel'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.

On April 11, 2014, Nunavik Nickel issued 39,272 common shares for a consideration of \$2,553 on the exercise of stock options at a price of \$0.065 per share by Red Cloud. Red Cloud was granted stock options as part of the consulting agreement described in Note 21.3.

On November 20, 2014, Nunavik Nickel granted incentive stock options its directors and officers to purchase an aggregate 58,199 of Nunavik Nickel's common shares. The options are exercisable at a price of \$0.08 until November 20, 2019 and are vested immediately. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model.

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

A summary of the status of Nunavik Nickel's incentive stock option plan as at December 31, 2014 and 2013, is presented below:

	<u>Remaining life</u>	<u>Expiry Date</u>	<u>Options Number</u>	<u>Exercise price \$</u>
Issued on July 25, 2012 and outstanding and exercisable as at December 31, 2013	2.58 years	July 24, 2017	875,000	0.20
Issued on April 3, 2014	4.25 years	April 3, 2019	114,272	0.065
Issued on November 20, 2014	4.87 years	November 20, 2019	58,199	0.08
Exercised on April 11, 2014			(39,272)	0.065
			<u>1,008,199</u>	<u>0.18</u>

The weighted average share price at the date of exercise was \$0.095.

An amount of \$9,031 of share-based payments expense was included in profit and loss for the period ended December 31, 2014 and credited to contributed surplus, while none were incurred for the period ended December 31, 2013.

The weighted average fair value of the stock options granted of \$0.05 (none in 2013) has been estimated on the date of issue, using the Black-Scholes option-pricing model with the following assumptions:

	<u>November 20, 2014</u>	<u>April 3, 2014</u>
Share price at date of grant	\$0.080	\$0.065
Expected dividend yield	0%	0%
Expected volatility	100%	100%
Risk-free interest rate (based on 5 years Canada Bonds)	1.51%	1.78%
Expected life	5 years	5 years
Exercise price at the date of grant	\$0.08	\$0.065

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.



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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:

	2014	2013
	\$	\$
Loss before income taxes	(6,977,980)	(4,534,392)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9%	(1,877,078)	(1,219,751)
Adjustments for the following items		
Issuance of flow-through shares		180,510
Temporary difference not recorded	1,093,034	(410,112)
Share-based payments	582,882	127,986
Variation of non deductible fair value	11,726	10,442
Reversal of exemption from the initial recognition		796,717
Reversal of liabilities related to flow-through shares		(19,921)
Other non deductible expenses	5,622	1,269
	<u>(183,814)</u>	<u>(532,860)</u>

**Composition of deferred income taxes in the income statements**

	2014	2013
	\$	\$
Inception and reversal of temporary differences	(1,276,848)	(629,615)
Fiscal impact on expenses incurred for flow-through shares		180,510
Difference of previous years adjustments		
Reversal of liabilities related to flow-through shares		(19,921)
Reversal of exemption from the initial recognition		346,278
Temporary difference not recorded	1,093,034	(410,112)
	<u>(183,814)</u>	<u>(532,860)</u>

**Variation of 2014 deferred income taxes**

	January 1, 2014	Deferred income taxes		December 31, 2014
		Recognized in equity	Recognized in profit or loss	
	\$	\$	\$	\$
Exploration and evaluation assets	(1,301,029)		680,287	(620,742)
Property and equipment	102,083		3,494	105,577
Tax credits receivable			(3,972)	(3,972)
Share issued expenses	42,611	6,220	(18,343)	30,488
Non-capital losses	966,301		(477,652)	488,649
	<u>(190,034)</u>	<u>6,220</u>	<u>183,814</u>	<u>-</u>
Reversal of liabilities related to flow-through shares				
Deferred income taxes liability			<u>183,814</u>	

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17. **INCOME TAXES (continued)**

**Variation of 2013 deferred income taxes**

	January 1, 2013	Deffered income taxes		December 31, 2013
		Recognized in equity	Recognized in profit or loss	
	\$	\$	\$	\$
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 tax liability			532,860	

As at December 31, 2014, the Corporation had deductible temporary differences which it did not record in deferred tax assets:

Exploration and evaluation assets	\$ 4,143,851
Property, plant and equipment	13,055
Public shares	410,416
Capital losses	69,320
Non-capital losses	6,360,750
	<u>10,997,392</u>

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
	<u>6,401,192</u>

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	\$1,668,037
2033	\$949,385
2034	\$2,724,553

The Corporation has an amount of \$319,859 in 2014 and 2013 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, 2014 and 2013, 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			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash and cash equivalents	1,347,620	1,347,620	552,383	552,383
Guaranteed investment certificates	175,000	175,000	300,000	300,000
Other accounts receivable	40,126	40,126	13,639	13,639
	<u>1,562,746</u>	<u>1,562,746</u>	<u>866,022</u>	<u>866,022</u>
At fair value through profit and loss				
Money market investment funds	3,901	3,901	3,869	3,869
Mutual funds	107,654	107,654	106,329	106,329
Marketable securities in quoted mining exploration companies	288,910	288,910	106,188	106,188
Undeposited certificates			391,281	391,281
Financial liabilities	<u>400,465</u>	<u>400,465</u>	<u>607,667</u>	<u>607,667</u>
Financial liabilities measured at amortized cost				
Accounts payable and accrued liabilities - related parties controlled by directors	12,009	12,009	12,009	12,009
Accounts payable and accrued liabilities - others	200,823	200,823	235,077	235,077
Convertible unsecured debenture			74,000	74,000
	<u>212,832</u>	<u>212,832</u>	<u>321,086</u>	<u>321,086</u>

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**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, 2014 and 2013 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:

	<u>December 31,</u> 2014 <u>\$</u>	<u>December 31,</u> 2013 <u>\$</u>
Interest and dividend income from cash and short-term financial assets	5,768	7,786

**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 loss were necessary in 2014 and 2013.

	<u>December 31,</u> 2014	<u>December 31,</u> 2013
Net loss attributable to shareholders of Golden Valley Mines Ltd.	(5,298,471)	(3,341,924)
Weighted average number of shares in circulation	91,692,223	85,982,381
Basic and diluted loss per share	\$ (0.058)	\$ (0.039)

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**21. RELATED PARTY TRANSACTIONS**

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

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Other than the related party transactions disclosed below, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of stock options.

**21.1 Transactions 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, 2014	December 31, 2013
	\$	\$
Short-term employee benefits		
Salaries including bonuses <sup>(1)</sup>	371,329	280,414
Social Security costs	59,814	15,254
Director's fees <sup>(2)(3)</sup>	352,502	287,375
Total short-term employee benefits	783,645	583,043
Other transactions with key management		
Management Fees	16,500	26,088
Professional fees <sup>(3)</sup>	149,000	30,000
Expenses capitalized in exploration and evaluation assets <sup>(4)</sup>	97,188	120,974
Total other transactions with key management	262,688	177,062
Share-based payments	1,829,467	467,472
Total remuneration	2,875,800	1,227,577

<sup>(1)</sup> An amount of \$80,000 (\$93,333 in 2013) has been accrued in salaries including bonuses and benefits by Abitibi Royalties to cover the year end bonus payments to be paid to its president and its CEO (to its president in 2013).

<sup>(2)</sup> An amount of \$147,583 (\$222,295 in 2013) has been accrued in director's fees which have been deferred and not yet paid. \$86,587 by Abitibi Royalties (\$151,667 in 2013) and \$137,583 by the Corporation (\$135,708 in 2013). Also, Abitibi Royalties paid some of its director fees, by the issuance of 70,807 common shares for an aggregate price of \$19,137.

<sup>(3)</sup> Professional fees were paid by the issuance of shares to Red Cloud. 150,000 common shares of Abitibi Royalties. The fair value of \$134,000, and 150,000 common shares of Nunavik Nickel at a fair value of \$15,000.

<sup>(4)</sup> 2973090 Canada Inc. received 66,667 common shares of Uranium Valley at a deemed price of \$0.10.

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**21. RELATED PARTY TRANSACTIONS (continued)**

**21.2 Abitibi Royalties Inc.**

**21.2.1 - Transactions with key management**

a) Management success fees agreement with 2973090 Canada Inc.

Abitibi Royalties entered into an agreement with 2973090 Canada Inc., a company owned and controlled by Glenn J. Mullan, president of the Corporation, to provide for payment of success fees to some or all of Abitibi Royalties' management upon completion by the company of certain types of transactions. No disbursement has been made under this agreement as of December 31, 2014.

On May 27, 2014, Abitibi Royalties entered into a Management Success Fee Agreement with 2973090 Canada Inc. This agreement provides that upon Abitibi Royalties completing a transaction or series of transactions (in either case, a "Transaction") pursuant to which:

- a) Abitibi Royalties is acquired by or combined with a third party,
- b) a third party acquires any of Abitibi Royalties' assets or operations, Abitibi Royalties is acquired by or combined with a third party,
- c) Abitibi Royalties completes an equity or debt financing that meet particular thresholds, subject to Exchange approval, or
- d) there is a change of control of Abitibi Royalties,

Abitibi Royalties will cause its auditor to determine the value of the Transaction based on the value of the consideration received by Abitibi Royalties or its shareholders for the shares or assets subject to the Transaction. Once the value of the transaction has been determined, Abitibi Royalties will pay to the Trustee a success fee (the "Success Fee") which the Trustee will then allocate among the members of Abitibi Royalties' management (including its President, Chief Executive Officer and its Chief Financial Officer) and/or its key consultants. After consultation with Abitibi Royalties' Compensation and Corporate Governance Committee, the Trustee will have sole discretion to determine how the Success Fee is to be allocated. The amount of the Success Fee will be based on the value of the Transaction.

b) Advisory agreement with Red Cloud

Chad Williams, a director of the Corporation, is also the President of Red Cloud.

On April 10, 2014, Abitibi Royalties entered into an advisory agreement with Red Cloud as a non-exclusive independent contractor to provide strategic advisory services to Abitibi Royalties. The term of the agreement is for a period of eight months until December 10, 2014. Abitibi Royalties will, subject to prior approval by the Exchange, issue Red Cloud 50,000 common shares in the capital of Abitibi Royalties and reimburse Red Cloud for reasonable out-of-pocket expenses incurred in performing the services. Abitibi Royalties has also entered into a Corporate Finance Bonus Agreement dated April 10, 2014 with Red Cloud which provides that in the event of a successful transaction completed by Abitibi Royalties, Red Cloud will be entitled, subject to the approval of the Exchange, to a finance bonus payable in cash or shares, at the discretion of Abitibi Royalties, based on the value of such transaction.

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**21. RELATED PARTY TRANSACTIONS (continued)**

**21.1.2 - Shares for debts**

On September 8, 2014, after receiving Exchange approval and pursuant to share for debt subscription agreements between Abitibi Royalties and its executive officers and directors, Abitibi Royalties issued 38,055 common shares, at a price of \$3.70 per common share, in settlement of \$140,803 in accrued executive officer salary and director fees, covering the period from June 1, 2013 to July 31, 2014. This is the maximum number of shares in replacement of cash that could be issued in accordance with the policies of the Exchange.

**21.2 - Uranium Valley Mines Ltd.**

**21.2.1 - Transactions with key management**

In July 2014, Uranium Valley entered into a Mining Option Agreement to acquire up to 100% interest in the Porcupine Miracle Prospect from 2973090 Canada Inc., a company owned and controlled by Mr. Glenn J. Mullan, president of the Corporation, refer to Note 11 - Exploration and evaluation assets.

**21.3 - Nunavik Nickel Mines Ltd.**

On April 2, 2014, Nunavik Nickel entered into a consulting agreement with Red Cloud pursuant to which Red Cloud will assist Nunavik Nickel in an advisory role with respect to the identification, evaluation and analysis of potential acquisitions by Nunavik Nickel. Pursuant to this agreement, Red Cloud will perform the services outlined in the agreement for a period of six months for a total fee of \$15,000 in cash (paid in full as of June 30, 2014) and 150,000 common shares of Nunavik Nickel (issued on October 3, 2014), as well as 39,272 incentive stock options granted on April 3, 2014 and exercised on April 11, 2014 for a consideration of \$2,553.

On February 16, 2015, Nunavik Nickel entered into a Mining Option Agreement, amended on March 27, 2015, pursuant to which it has been granted by 2973090 Canada Inc., an option to acquire a 100% interest in the mineral claims comprising the Boston Bulldog Prospect, located in Kirkland Lake, Ontario, subject to a 3% net smelter returns royalty.

In consideration of the grant of the option, Nunavik Nickel shall pay 2973090 Canada Inc. a sum of \$5,000 in cash to cover the cost of staking the property and issue 300,000 common shares. To maintain and exercise the option, Nunavik Nickel must keep the property in good standing and incur minimum mining operations expenditures of \$50,000 by the second anniversary of the date that the Exchange issues its written acceptance of the option.

In accordance with the terms of the option, Nunavik Nickel has the right to reduce the royalty from 3% to 2% of the net smelter returns by paying 2973090 Canada Inc. \$1,000,000 at any time on or before February 16, 2022.

On April 7, 2015 Nunavik Nickel received the Exchange acceptance of the option and the issuance of the 300,000 shares. The shares were issued on April 10, 2015 at a price of \$0.12 per share.



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**22. 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.

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**23. ADDITIONAL INFORMATION - CASH FLOWS**

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

	2014	2013
	\$	\$
Tax credits deducted from exploration and evaluation assets	39,491	
Trade accounts related to exploration and evaluation assets	35,303	163,964
Depreciation of exploration and evaluation equipment charged to exploration and evaluation assets	3,490	20,020
Fair value of options granted for services included in exploration and evaluation assets	14,757	47,317
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
Deferred income taxes included in share issue expenses	6,220	9,582

**24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Corporation's capital management objectives are:

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

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production 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 22.

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.

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**25. 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.

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

**25.1 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, 2014 and 2013, 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  $\pm 1\%$  as at December 31, 2014 ( $\pm 20\%$  as at December 31, 2013), comprehensive loss and equity would have changed by \$3,966 (\$120,760 in 2013).

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**25.2 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,	
	2014	2013
	\$	\$
Cash and cash equivalents	1,347,620	552,383
Short-term investments	575,465	410,198
Other accounts receivables	40,126	13,639
Carrying amounts	<u>1,963,211</u>	<u>976,220</u>

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.

**25.3 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 \$212,832 (\$247,086 as at December 31, 2013) and in 2013, convertible unsecured debenture was maturing between one to five years for an amount of \$100,000 plus 12% interest payable per semester.

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.

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**26. SUBSEQUENT EVENTS**

**Nunavik Nickel**

a) Private placement

On January 30, 2015, Nunavik Nickel closed a non-brokered private placement pursuant to which it issued 2,500,000 units at a per unit price of \$0.10 for gross proceeds of \$250,000, of which 800,000 units were issued to the Corporation. Each unit consists of one common share in the capital of Nunavik Nickel and one-half of one non-transferable share purchase warrant, each whole warrant entitling the purchase of one common share at a per share price of \$0.12 until January 30, 2017. The Corporation now holds 7,763,634 common shares of Nunavik Nickel or approximately 61.7% of Nunavik Nickel's issued and outstanding common shares.

In connection with the private placement, Nunavik Nickel paid finder's fees of \$3,300 and issue finder's fee warrants entitling the purchase of 41,250 of its common shares at a per share price of \$0.10 until January 30, 2017, to an individual related to the President and CEO of Nunavik Nickel. The fair value of finder's fee warrants has been estimated using the Black-Scholes option-pricing model at \$4,877. In accordance with applicable securities legislation, the shares issued under the private placement and the shares issuable on the exercise of warrants, including the finder's fee warrants, cannot be traded before May 31, 2015.

b) Mining Option Agreement - Boston Bulldog Prospect

On February 16, 2015, Nunavik Nickel entered into a Mining Option Agreement, amended on March 27, 2015, pursuant to which it has been granted by 2973090 Canada Inc., a Canadian private company wholly-owned and controlled by Glenn J. Mullan, the CEO and a director of Nunavik Nickel, an option to acquire a 100% interest in the mineral claims comprising the Boston Bulldog Prospect, located in Kirkland Lake, Ontario, subject to a 3% net smelter returns royalty. In consideration of the grant of the option, the Company shall pay 2973090 Canada Inc. a sum of \$5,000 in cash to cover the cost of staking the property and issue 300,000 common shares. To maintain and exercise the option, Nunavik Nickel must keep the property in good standing and incur minimum mining operations expenditures of \$50,000 by the second anniversary of the date that the Exchange issues its written acceptance of the option.

In accordance with the terms of the option, Nunavik Nickel has the right to reduce the royalty from 3% to 2% of the net smelter returns by paying 2973090 Canada Inc. \$1,000,000 at any time on or before February 16, 2022. On April 7, 2015, Nunavik Nickel received the Exchange acceptance of the option and the issuance of the 300,000 shares. The shares were issued on April 10, 2015 at a price of \$0.12 per share.

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**26. SUBSEQUENT EVENTS (continued)**

**Abitibi Royalties**

a) Acquisition Agreement

On March 19, 2015, Abitibi Royalties entered into an acquisition agreement with Canadian Malartic GP, a general partnership, Yamana Gold Inc. ("Yamana") and Agnico Eagle Mines Limited ("Agnico Eagle") to sell its 30% free carried interest in the Malartic CHL Prospect (the "Project") in consideration for 3,549,695 shares of Yamana and 459,197 shares of Agnico Eagle and a 3% net smelter return royalty on the Project. Based on the closing prices of the shares of Yamana (\$4.74) and Agnico Eagle (\$36.29) on the TSX the day before the closing of the transaction the consideration received is worth \$33,489,813 excluding the 3% NSR royalty.

After this transaction Abitibi Royalties retains the following:

- a) Shares in Yamana and Agnico Eagle for a value of \$33.5 million (as at March 19, 2015)
- b) a 3% net smelter return royalty on the Project
- c) a 2% net smelter return royalty on a portion of the Gouldie gold deposit at the Canadian Malartic mine
- d) its 100% interest in the Luc Bourdon and Bourdon West Prospects in the McFauld's Lake ("Ring of Fire") area, Ontario.

Abitibi Royalties has engaged Maxit Capital LP as its financial advisor and Getz Prince Wells LLP as its legal advisor in connection with this transaction. The advisory fees can be settled in cash (\$350,000) or in common shares (100,791 common shares), at the option of Abitibi Royalties. 100,791 common shares were issued in April 2015.

The transaction is subject to approval by the Exchange, by Abitibi Royalties' board of directors and its shareholders pursuant to TSX Venture Exchange Policy 5.3 and other customary conditions. Copies of the acquisition agreement and certain other related documents will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

b) Exercise of incentive stock options

On March 3, 2015 an ex-director of Abitibi Royalties exercised 90,000 options at \$2.50 for a total consideration of \$225,000. The share price at the day before the exercise was \$3.65. On March 27, 2015, one ex-director, one officer and two consultants of Abitibi Royalties exercised 240,000 options, 135,000 at \$2.50 and 105,000 at \$0.55 for a total consideration of \$395,250.