



Golden Valley Mines Ltd.

Consolidated Interim Financial Statements as at June 30, 2016 and 2015

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

Golden Valley Mines Ltd.
Consolidated Statement of Financial Position
As at June 30, 2016
(Unaudited)
(in Canadian dollars)

	Notes	June 30, 2016 \$	December 31, 2015 \$
ASSETS			
Current			
Cash and cash equivalents	4	2,605,753	1,905,367
Short-term financial assets	5	2,874,274	1,243,206
Other accounts receivable	6	64,292	106,523
Sales taxes recoverable		62,199	24,389
Tax credits receivable		47,416	54,399
Prepaid expenses		18,368	36,984
		<u>5,672,302</u>	<u>3,370,868</u>
Non-current			
Property and equipment	7	13,714	9,968
Exploration and evaluation assets	8	5,071,111	6,687,723
Investment	10 and 14	54,565,731	25,278,161
Total assets		<u>59,650,556</u>	<u>31,975,852</u>
		<u>65,322,858</u>	<u>35,346,720</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities			
Related parties controlled by directors		-	23,219
Others		385,949	336,656
Derivative financial instrument	10	3,883,822	124,579
Short term portion of success fee liability	16	-	3,383,000
		<u>4,269,771</u>	<u>3,867,454</u>
Non-Current			
Long term portion of success fee liability	16	-	790,000
Deferred income taxes		6,346,644	2,640,798
		<u>6,346,644</u>	<u>3,430,798</u>
Total liabilities		<u>10,616,415</u>	<u>7,298,252</u>
EQUITY			
Capital stock	11.1	25,159,183	24,847,407
Warrants	11.2	424,448	161,250
Contributed surplus		3,453,592	2,812,260
Retained Earnings (Deficit)		119,703	(10,947,451)
Total equity attributable to owners of the parent company		<u>29,156,927</u>	<u>16,873,466</u>
Non-Controlling interest		25,549,517	11,175,002
Total equity		<u>54,706,443</u>	<u>28,048,468</u>
Total liabilities and equity		<u>65,322,858</u>	<u>35,346,720</u>

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

Golden Valley Mines Ltd.
Consolidated Income Statement and Statement of Comprehensive Loss
For the three and six-month period ended June 30, 2016 and 2015

(Unaudited)
(in Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2016 \$	June 30, 2015 \$	June 30, 2016 \$	June 30, 2015 \$
Revenues					
Royalties		-	17,568	1,542	272,105
Dividends		68,381	112,522	138,343	180,053
Geological fees		-	723	-	835
		<u>68,381</u>	<u>130,813</u>	<u>139,885</u>	<u>452,993</u>
Operating Expenses					
Salaries and other employee benefits	13.1	857,120	161,948	1,596,759	372,605
Office expenses		35,125	78,127	77,882	111,660
Management fees		22,800	4,125	47,832	8,250
Professional and legal fees		342,737	327,547	551,720	516,195
Advertising and exhibitions		13,312	8,252	24,452	20,430
Travelling		24,023	22,536	35,535	40,591
Exploration and evaluation expenditures		12,439	10,852	16,644	10,959
Royalty purchase	8	7,550	10,000	29,500	10,000
Part XII.6 and other taxes		2,530	2,437	4,033	-
Depreciation of property and equipment	7	2,234	3,258	4,109	5,050
Reversal of success fee liability		-	-	(4,157,110)	6,471
Loss (gain) on the disposal of exploration and evaluation assets	13	1,106,927	4,288,110	1,106,927	(25,246,624)
Loss (gain) on short-term financial assets disposal		-	(230)	-	1,282
		<u>2,426,797</u>	<u>4,916,962</u>	<u>(661,717)</u>	<u>(24,143,131)</u>
Other income (loss)		<u>(2,358,416)</u>	<u>(4,786,149)</u>	<u>801,602</u>	<u>24,596,124</u>
Finance cost		(3,918)	-	(19,956)	-
Finance income		3,034	175	5,862	2,384
Foreign exchange gain		11,599	-	117,571	-
Change in fair value of financial assets at fair value through profit or loss		<u>17,133,957</u>	<u>(629,863)</u>	<u>26,721,563</u>	<u>(1,659,126)</u>
		<u>17,144,672</u>	<u>(629,688)</u>	<u>26,825,040</u>	<u>(1,656,742)</u>
Net income (loss) before income taxes		<u>14,786,256</u>	<u>(5,415,837)</u>	<u>27,626,642</u>	<u>22,939,382</u>
Deferred income taxes		<u>2,571,324</u>	<u>1,401,813</u>	<u>3,705,846</u>	<u>1,804,521</u>
Net income (loss) and total comprehensive income (loss) for the period		<u><u>12,214,932</u></u>	<u><u>(4,014,024)</u></u>	<u><u>23,920,796</u></u>	<u><u>21,134,861</u></u>
Net income (loss) and total comprehensive income (loss) attributable to:					
Shareholders of Golden Valley Mines		<u>5,545,231</u>	<u>(2,206,653)</u>	<u>11,382,860</u>	<u>11,743,474</u>
Non-controlling interest		<u>6,669,701</u>	<u>(1,807,371)</u>	<u>12,537,936</u>	<u>9,391,377</u>
		<u><u>12,214,932</u></u>	<u><u>(4,014,024)</u></u>	<u><u>23,920,796</u></u>	<u><u>21,134,851</u></u>
Income (loss) per share attributable to Golden Valley Mines shareholders					
Basic earnings (loss) per share	15	0.048	(0.023)	0.101	0.123
Diluted earning per share	15	0.04	(0.022)	0.087	0.120

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

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
For the three and six-month period ended June 30, 2016 and 2015
(Unaudited)
(in Canadian dollars)

	Capital Stock	Warrants	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity	
Note	Number	\$	\$	\$	\$	\$		
Balance at January 1, 2016	109,974,974	24,847,407	161,250	2,812,260	(10,947,451)	16,873,466	11,175,002	28,048,468
Share issue expenses		(271,144)	263,198			(7,946)		(7,946)
Shares issued for conversion of debenture	12 4,150,000	415,000				415,000		415,000
Change in interest of subsidiaries				242,251		242,251	168,480	410,731
Transactions with owners	114,124,974	24,991,263	424,448	2,812,260	(10,705,200)	17,522,771	11,343,482	28,866,253
Net income (loss) and total comprehensive income (loss) for the period					5,837,629	5,837,629	5,868,235	11,705,864
Balance at March 31, 2016	114,124,974	24,991,263	424,448	2,812,260	(4,867,571)	23,360,400	17,211,717	40,572,117
Share based payments				643,469		643,469		643,469
Units issued by exercise of stock options	35,000	4,587		(2,137)		2,450		2,450
Units issued by exercise of warrants	1,166,665	163,333				163,333		163,333
Change in interest of subsidiaries				(557,957)		(557,957)	1,668,099	1,110,142
Transactions with owners	1,201,665	167,920		641,332	(557,957)	251,295	1,668,099	1,919,394
Net income (loss) and total comprehensive income (loss) for the period					5,545,231	5,545,231	6,669,701	12,214,932
Balance at June 30, 2016	115,326,639	25,159,183	424,448	3,453,592	119,703	29,156,926	25,549,517	54,706,443

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
For the three and six-month period ended June 30, 2016 and 2015

(Unaudited)
(in Canadian dollars)

	Capital Stock	Warrants	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non- controlling interest	Total Equity	
Note	Number	\$	\$	\$	\$	\$		
Balance at January 1, 2015	94,933,664	23,494,150	45,571	2,752,785	(18,855,041)	7,437,465	2,509,108	9,946,573
Changes in interest of subsidiaries					458,283	458,283	677,804	1,136,087
Transactions with owners	-	-	-	-	458,283	458,283	677,804	1,136,087
Net income (loss) and total comprehensive income (loss) for the period					13,950,127	13,950,127	11,198,748	25,148,875
Balance at March 31, 2015	94,933,664	23,494,150	45,571	2,752,785	(4,446,631)	21,845,875	14,385,660	36,231,535
Share issue expenses		(2,145)				(2,145)		(2,145)
Share-based payments								
Units issued by exercise of stock options	300,000	21,000				21,000		21,000
Units issued by exercise of warrants	1,910,000	217,471	(45,571)			171,900		171,900
Change in interest of subsidiaries					(176,095)	(176,095)	235,913	59,818
Transactions with owners	2,210,000	236,326	(45,571)		(176,095)	14,660	235,913	250,573
Net income (loss) and total comprehensive income (loss) for the period					(2,206,653)	(2,206,653)	(1,807,371)	(4,014,024)
Balance at June 30, 2015	97,143,664	23,730,476	(0)	2,752,785	(6,829,379)	19,653,882	12,814,202	32,468,084

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

Golden Valley Mines Ltd.

Consolidated Statement of Cash Flows

For the three and six-month period ended June 30, 2016 and 2015

(Unaudited)

(in Canadian dollars)

	For the three-month period ended		For the six-month period ended	
	June 30, 2016 \$	June 30, 2015 \$	June 30, 2016 \$	June 30, 2015 \$
OPERATING ACTIVITIES				
Net income (loss)	12,214,932	(4,014,024)	23,920,796	21,134,851
Adjustments				
Depreciation of property and equipment	2,233	3,258	4,108	6,471
Gain on the disposal of exploration and evaluation assets	1,106,927	4,288,110	1,106,927	(25,246,624)
Reversal of success fee liability	-	-	(4,157,110)	-
Share-based payments	570,187	-	1,097,112	-
Loss (gain) on disposal of short-term financial assets	-	(230)	-	1,282
Changes in fair value of financial assets at fair value through profit or loss	(17,133,957)	629,863	(26,721,563)	1,659,126
Deferred income tax expense	2,571,324	(1,401,813)	3,705,846	1,804,521
Changes in working capital items				
Fees and other accounts receivable	(16,933)	238,584	42,232	(59,272)
Sales taxes recoverable	(8,384)	5,907	(37,810)	(23,900)
Prepaid expenses	6,140	30,305	18,616	36,799
Accounts payable and accrued liabilities	(27,016)	160,038	26,074	223,453
Cash flows from operating activities	(714,547)	(60,002)	(994,773)	(463,293)
INVESTING ACTIVITIES				
Acquisition of short-term financial assets	-	(100,043)	(300,000)	(100,299)
Disposal of short-term financial assets	180,000	71,968	215,000	319,626
Tax credits received	-	33,927	6,983	33,927
Additions to exploration and evaluation assets	(57,523)	(63,503)	(111,840)	(127,501)
Purchase of property and equipment	(8,660)	(7,505)	(8,660)	(7,507)
Payment of success fees	-	-	(15,890)	(74,561)
Disposal of exploration and evaluation assets transaction costs	-	(31,001)	-	-
Cash flows from investing activities	113,817	(96,157)	(214,407)	43,685
FINANCING ACTIVITIES				
Issuance of shares by exercise of stock options	2,450	21,000	2,450	21,000
Convertible unsecured debenture	12	-	415,000	-
Share issue expenses	-	(2,145)	(10,255)	(2,145)
Issuance of units by exercise of warrants	163,333	171,900	163,333	171,900
Derivative financial instruments	34,033	-	347,168	-
Change in interest of subsidiaries	1,108,120	23,818	991,869	792,405
Cash flows from financing activities	1,307,936	214,573	1,909,565	983,160
Net change in cash and cash equivalents	707,206	58,414	700,386	563,553
Cash, beginning of year	1,898,547	1,852,759	1,905,367	1,347,620
Cash, end of year	2,605,753	1,911,173	2,605,753	1,911,173

See Note 18 for additional information on cash flows

Cash transactions:

Dividends received	-	43	-	299
Interest received	3,034	132	5,862	2,085
Interest paid	166	20	484	84

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

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

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2016 and 2015**

(Unaudited)

(in Canadian dollars)

1. NATURE OF OPERATIONS

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

2. 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.

3. BASIS OF PRESENTATION

These interim financial statements cover the six-month period ended June 30, 2016 and were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 4 - Summary of Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2015. The interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual financial statements for the year

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2016 and 2015**

(Unaudited)

(in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015
	\$	\$
Cash	2,605,753	1,825,367
Demand deposits, 0.7% and 0.65% (0.65% in 2015), redeemable at any time		80,000
	<u>2,605,753</u>	<u>1,905,367</u>

5. SHORT-TERM FINANCIAL ASSETS

	June 30, 2016	December 31, 2015
	\$	\$
Guaranteed investment certificates 0.65% to 1% maturing in August and December 2016	995,000	910,000
Money market investment funds	854	854
Marketable securities in quoted mining exploration companies	1,209,102	332,352
Undeposited certificates	669,318	
Short-term financial assets	<u>2,874,274</u>	<u>1,243,206</u>

6. OTHER ACCOUNTS RECEIVABLE

	June 30, 2016	December 31, 2015
	\$	\$
Dividends receivable	23,820	75,981
Interest receivable		769
Others	40,472	29,773
	<u>64,292</u>	<u>106,523</u>

Golden Valley Mines Ltd.

Notes to the consolidated financial statements

For the three and six-month period ended June 30, 2016 and 2015

(Unaudited)

(in Canadian dollars)

7. PROPERTY AND EQUIPMENT

The carrying amount can be analysed as follows:

	Property and equipment				Exploration and evaluation equipment				
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount									
Balance at January 1, 2016	46,283	76,490	60,385	183,158	55,334	27,725	39,924	122,983	306,141
Acquisition		8,660		8,660					8,660
Balance at June 30, 2016	46,283	85,150	60,385	191,818	55,334	27,725	39,924	122,983	314,801
Accumulated depreciation									
Balance at January 1, 2016	43,069	73,168	60,385	176,622	55,334	27,725	36,492	119,551	296,171
Depreciation	3,115	993		4,108			806	806	4,914
Balance at June 30, 2016	46,184	74,161	60,385	180,730	55,334	27,725	37,298	120,357	301,087
Carrying amount at June 30, 2016	99	10,989		11,088			2,626	2,626	13,714

The carrying amount can be analysed as follows:

	Property and equipment				Exploration and evaluation equipment				
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount									
Balance at January 1, 2015	46,283	72,693	60,385	179,361	55,334	27,725	36,215	119,274	298,635
Acquisition		3,797		3,797			3,709	3,709	7,506
Balance at June 30, 2015	46,283	76,490	60,385	183,158	55,334	27,725	39,924	122,983	306,141
Accumulated depreciation									
Balance at January 1, 2015	36,675	68,115	59,975	164,765	55,334	27,725	35,652	118,711	270,485
Depreciation	3,238	2,822	410	6,470			343	343	6,813
Balance at June 30, 2015	39,913	70,937	60,385	171,235	55,334	27,725	35,995	119,054	290,289
Carrying amount at June 30, 2015	6,370	5,553		11,923			3,929	3,929	15,852

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
For the three and six-month period ended June 30, 2016 and 2015

(Unaudited)
(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

The carrying amount can be analyzed as follows

	Balance at January 1, 2016		Balance at March 31, 2016		Disposition	Balance at June 30, 2016
	\$	\$	\$		\$	\$
Golden Valley Mines Ltd. Properties						
Acquisition and claims maintenance	4,968,957	8,393	4,977,350	6,205	(68,850)	4,914,705
Property option payments	312,500		312,500			312,500
Drilling, excavation and related costs	3,431,557		3,431,557			3,431,557
Technical and field staff	4,694,303	26,699	4,721,002	48,544		4,769,546
Airborne geophysics	671,742		671,742			671,742
Geophysics	2,383,411		2,383,411			2,383,411
Line cutting	1,153,807		1,153,807			1,153,807
Sampling and testing	772,403		772,403			772,403
Travel and transport	1,776,683	148	1,776,831	60		1,776,891
Program management and consultants	329,615	3,646	333,261	71,687		404,948
Professional Fees	6,978		6,978			6,978
Depreciation, insurance and office expenses	547,260	6,354	553,614	5,271		558,885
Communications	58,476	183	58,659	181		58,840
Option payments received	(1,682,035)	(200,000)	(1,882,035)			(1,882,035)
Write-off of exploration and evaluation assets	(4,082,705)		(4,082,705)			(4,082,705)
Impairment of exploration and evaluation assets	(6,156,626)		(6,156,626)			(6,156,626)
Government assistance	(1,541,427)		(1,541,427)			(1,541,427)
Net expenses incurred during the period	7,644,899	(154,577)	7,490,321	131,948	(68,850)	7,553,419
Exploration and evaluation assets sold or transferred	(2,464,773)		(2,464,773)		(1,538,077)	(4,002,850)
Balance, end of the period	5,180,126	(154,577)	5,025,549	131,948	(1,606,927)	3,550,569
Abitibi Royalties Inc. Properties						
Acquisition and claims maintenance	25,185	2,500	27,685			27,685
Technical and field staff	8,655		8,655			8,655
Program management and consultants	1,307	1,060	2,367	184		2,551
Geophysics			-			-
Depreciation, insurance and office expenses			-			-
Communications			-			-
Net expenses incurred during the period	35,147	3,560	38,707	184	-	38,891
Nunavik Nickel Mines Ltd. Properties						
Acquisition and claims maintenance	1,839,734	2,340	1,842,074	1,003		1,843,077
Technical and field staff	5,577		5,577	2,195		7,772
Program management and consultants	3,203	3,491	6,694	391		7,085
Airborne geophysics	290,304		290,304			290,304
Amortization, insurance, administration				218		218
Government assistance	(127,852)		(127,852)	(604)		(128,456)
Impairment of exploration and evaluation assets	(550,241)		(550,241)			(550,241)
Net expenses incurred during the period	1,460,725	5,831	1,466,556	3,203		1,469,759
Uranium Valley Mines Ltd. Properties						
Acquisition and claims maintenance	1,577,472		1,577,472			1,577,472
Technical and field staff	3,270		3,270			3,270
Travel and transport	41,452		41,452			41,452
Program management and consultants	2,782	56	2,838	111		2,949
Communication	60		60			60
Government assistance	(654)		(654)			(654)
Write-off of exploration and evaluation assets	(1,612,657)		(1,612,657)			(1,612,657)
Net expenses incurred during the period	11,725	56	11,781	111		11,892
Summary						
Mining rights	8,649,579	13,233	8,662,812	7,208	(68,850)	8,601,170
Exploration and evaluation assets	908,926	(158,363)	750,563	128,238		878,801
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)		(2,464,773)			(2,464,773)
Exploration and evaluation assets sold to third parties					(1,538,077)	(1,538,077)
Disposal of a subsidiary	(406,009)		(406,009)			(406,009)
	6,687,723	(145,130)	6,542,593	135,446	(1,606,927)	5,071,111

Golden Valley Mines Ltd.
Notes to the consolidated financial statements
For the three and six-month period ended June 30, 2016 and 2015

(Unaudited)
(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

The carrying amount can be analyzed as follows

	Balance at January 1, 2015			Balance at March 31, 2015		Balance at June 30, 2015
	\$	Additions \$	Disposition \$	\$	Additions \$	\$
Golden Valley Mines Ltd. Properties						
Acquisition and claims maintenance	4,925,117	12,010		4,937,127	12,526	4,949,653
Property option payments	312,500			312,500		312,500
Drilling, excavation and related costs	3,431,557			3,431,557		3,431,557
Technical and field staff	4,563,566	35,876		4,599,442	29,545	4,628,987
Airborne geophysics	671,742			671,742		671,742
Geophysics	2,383,411			2,383,411		2,383,411
Line cutting	1,153,807			1,153,807		1,153,807
Sampling and testing	771,830			771,830		771,830
Travel and transport	1,774,034	260		1,774,294	367	1,774,661
Program management and consultants	299,462	5,501		304,963	4,654	309,617
Professional Fees	6,978			6,978		6,978
Depreciation, insurance and office expenses	526,803	4,897		531,700	8,421	540,121
Communications	57,269	527		57,796	316	58,112
Option payments received	(1,682,035)			(1,682,035)		(1,682,035)
Write-off of exploration and evaluation assets	(3,974,450)			(3,974,450)		(3,974,450)
Impairment of exploration and evaluation assets	(4,381,156)			(4,381,156)		(4,381,156)
Government assistance	(1,494,095)			(1,494,095)		(1,494,095)
Net expenses incurred during the period	9,346,340	59,071		9,405,411	55,829	9,461,240
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)			(2,464,773)		(2,464,773)
Balance, end of the period	6,881,567	59,071		6,940,638	55,829	6,996,467
Abitibi Royalties Inc. Properties						
Acquisition and claims maintenance	31,647		(6,462)	25,185		25,185
Technical and field staff	10,456	371	(4,384)	6,443	2,212	8,655
Program management and consultants	125,511	770	(124,974)	1,307		1,307
Geophysics	-			-		-
Depreciation, insurance and office expenses	450		(450)	-		-
Communications				-		-
Net expenses incurred during the period	168,064	1,141	(136,270)	32,935	2,212	35,147
Nunavik Nickel Mines Ltd. Properties						
Acquisition and claims maintenance	1,760,625	41,000		1,801,625		1,801,625
Technical and field staff	5,268	195		5,463	114	5,577
Program management and consultants	2,701			2,701	423	3,124
Airborne geophysics	290,304			290,304		290,304
Government assistance	(127,220)			(127,220)	(632)	(127,852)
Impairment of exploration and evaluation assets	(550,241)			(550,241)		(550,241)
Net expenses incurred during the period	1,381,437	41,195	-	1,422,632	(95)	1,422,537
Uranium Valley Mines Ltd. Properties						
Acquisition and claims maintenance	1,574,016	56		1,574,072		1,574,072
Technical and field staff	3,139	92		3,231		3,231
Travel and transport	41,452			41,452		41,452
Program management and consultants	2,726			2,726	67	2,793
Communication	60			60		60
Government assistance	(654)			(654)		(654)
Write-off of exploration and evaluation assets	(1,403,948)			(1,403,948)		(1,403,948)
Net expenses incurred during the period	216,791	148	-	216,939	67	217,006
Summary						
Mining rights	8,529,636	53,066	(6,462)	8,576,240	12,526	8,588,766
Exploration and evaluation assets	2,989,006	48,489	(129,808)	2,907,687	45,487	2,953,174
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)			(2,464,773)		(2,464,773)
Disposal of a subsidiary	(406,009)			(406,009)		(406,009)
	8,647,860	101,555	(136,270)	8,613,145	58,013	8,671,159

Golden Valley Mines Ltd.

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8. EXPLORATION AND EVALUATION ASSETS (continued)

The Corporation holds (together with its subsidiaries) 94 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 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.

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

Pursuant to an agreement dated October 23, 2013, Golden Valley granted Sirios Resources Ltd. (“Sirios”) an option to acquire Golden Valley’s remaining 55% interest in the Cheechoo prospect. Also on October 23, 2013, Sirios abandoned the claims comprising the Cheechoo B East and Sharks property claims resulting in Golden Valley Mines retaining a 100% interest in the Cheechoo B East and Sharks Prospects. The option was conditional on certain obligations being fulfilled by Sirios. On May 11, 2016, Sirios provided notice to Golden Valley that it had completed all its obligations under the agreement to earn a 100% interest in the Cheechoo prospect, including the issuance of 1,250,000 common shares to the Company at a deemed price of \$0.40 per share for a total value of \$500,000. As a result, Sirios now holds 100% of the Cheechoo prospect, subject to the royalty described below. The Company recorded a loss of \$1,106,927 as a result of the transfer to Sirios of its remaining 55% interest in the Cheechoo prospect.

As additional consideration for the grant of the option, Sirios granted to Golden Valley Mines a royalty (the “Royalty”) equal to 4% of the net returns from all mineral products mined or removed from the Cheechoo gold project. Notwithstanding the foregoing, the royalty relevant to gold mineral products mined or removed from the Cheechoo gold prospect may vary between 2.5% and 3.5% depending on the market price of gold at the time of the payment. The parties are currently finalizing a royalty agreement that reflects the grant of the Royalty. For accounting purposes, no value has been assigned to the Royalty, as the project is still at an early stage of exploration and future cash flow cannot be reliably estimated.

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8. EXPLORATION AND EVALUATION ASSETS (continued)***GZZ Properties - Golden Cariboo Resources Ltd. – Abitibi Greenstone Belt, Quebec and Ontario***

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

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

The Corporation has the right, but not the obligation to participate in future financings of GCC in order to maintain the GZZ Share Interest. Upon the GZZ Option being exercised, the Corporation shall retain a 30% free carried interest to production in respect of the GZZ Properties. Upon the GZZ-I Option being exercised, the Corporation and Integra shall retain a combined 30% free carried interest to production (allocated as to 22.5% the Corporation/7.5% Integra). The Option was terminated in January 2016.

Lac Barry property - BonTerra Resources - Val-d'Or, Québec

On March 16, 2016, the Corporation entered into an option agreement with BonTerra Resources Inc. ("BonTerra") on the Lac Barry Prospect located in the Abitibi Greenstone Belt, northeast of Val-d'Or, Québec. In accordance with the option agreement, (i) BonTerra issued to Golden Valley Mines 519,480 common shares in the capital of BonTerra having an aggregate value of \$200,000, and (ii) BonTerra must incur expenditures in an aggregate amount of \$2,000,000 over a three (3) year period.

Upon BonTerra exercising the option, the Corporation shall retain a 15% free carried interest in the Lac Barry Prospect and a 3% net smelter royalty ("NSR"), with 1% of the NSR being subject to a buyback in favour of BonTerra for \$1 million payable by BonTerra to Golden Valley Mines.

BonTerra has agreed to a \$250,000 work commitment in the first year, which will consist of a detailed evaluation of all existing technical data on the property with the objective of implementing a follow-up drill program to Golden Valley Mines' initial results which confirmed three target categories.

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(Unaudited)

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8. EXPLORATION AND EVALUATION ASSETS (continued)***Malartic CHL Prospect - Malartic, Québec***

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 14 - Sale of Malartic CHL Prospect.

Malartic CHL 3% Royalty- Malartic, Québec

The area covered by the 3% net smelter royalty ("NSR") is located immediately east of the Canadian Malartic Mine operated by Agnico and Yamana. The 3% net smelter royalty covers a number of known mineralized zones; the eastern extension of the Barnat Zone, the Jeffrey Zone, the Shaft Zone and Porphyry 12 Zone, the Norrie Zone, the Hal Zone, the Geo Zone and the recent Odyssey North discovery. No value for accounting purposes has been assigned to the 3% NSR royalty.

Canadian Malartic 2% Royalty- Malartic, Québec

The area covered by the 2% NSR is on a single claim located just to the south of the Canadian Malartic main pit, and covers the eastern portion of the Gouldie Zone and the historic Charlie Zone. Production on the 2% net smelter royalty area started in 2014 and total royalty payments of \$348,795 were received in 2015: \$191,869, covering the last two quarters of 2014, \$80,236 for the first quarter of 2015, \$48,492 for the second quarter of 2015 and a last payment of \$28,198 received in October 2015. Abitibi Royalties received a final adjustment payment of \$1,542 on April 29, 2016. Canadian Malartic GP (50% owned by Agnico Eagle Mines Limited ("Agnico") and Yamana Gold Inc. ("Yamana") reported that mining at the Gouldie deposit, stopped at the end of June 2015.

Abitibi Royalty Search

On June 9, 2015, Abitibi Royalties launched the "Abitibi Royalty Search", by which it would reimburse a company for the renewal fees on existing claims or staking fees on new claims and will receive in exchange a net smelter return royalty. The program offers junior mining companies an alternative to dropping potentially interesting claims or projects due to a lack of funds. Projects have to meet specific criteria to be eligible, such as being located in the close vicinity of an existing mine and showing good geology or signs of mineralization. As of December 31, 2015, Abitibi Royalties had eight NSR royalty acquisitions for a total investment of \$79,774. In the first six months ended on June 30, 2016, Abitibi Royalties invested an additional \$41,193. The amounts spent to acquire mining royalties are accounted in profit or loss.

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(Unaudited)

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8. EXPLORATION AND EVALUATION ASSETS (continued)**Porcupine Miracle Prospect - Langmuir Township, Ontario**

On July 3, 2014, Uranium Valley entered into a Mining Option Agreement to acquire up to 100% 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 (issued on July 25, 2014 at a price of \$0.10 per share), 66,667 common shares on July 17, 2015 (issued on July 17, 2015 at a price of \$0.05 per share), and 66,667 common shares on July 17, 2016. In order to exercise the option, and to maintain the property in good standing, Uranium Valley is required to incur exploration expenditures of \$50,000 by July 17, 2016. The property will be subject to a royalty in favour of 2973090 equal to 3% of net smelter returns. Unless the Option has then lapsed or been terminated, an advance royalty payments of \$10,000 per annum will be payable by the Company commencing on July 17, 2017; the advance royalty payments will be deducted from the amounts payable under the royalty. Refer to Note 19, Subsequent Event for amendment to the mining option.

Boston Bulldog Prospect - Kirkland Lake, Ontario

On February 16, 2015, Nunavik Nickel was granted an option to acquire a 100% interest in the Boston Bulldog Prospect from 2973090 Canada Inc. ("2973090"). The Boston Bulldog Prospect is a group of three mineral claims located in Kirkland Lake, Ontario. In consideration of the grant of the option Nunavik Nickel paid 2973090 \$5,000 to cover 2973090's costs of staking the property and issued 300,000 common shares to 2973090. Nunavik Nickel must incur mining operation expenditures of \$50,000 by April 7, 2017 and must keep the property in good standing.

The property is subject to a 3% NSR, which in accordance with the terms of the option agreement, Nunavik Nickel can reduce from a 3% to 2% NSR by paying \$1,000,000 at any time on or before February 16, 2022. To this date there is no known mineral deposit on the Boston Bulldog Prospect.

9. LEASES

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

			Minimum lease payments due
	Within 1 year	1 to 5 years	Total
	\$	\$	\$
June 30, 2016	61,434	5,146	66,580
June 30, 2015	57,245	4,770	62,015

Lease payments recognized as an expense during the six-month period ended June 30, 2016 amount to \$28,982 (\$28,622 in the same period of 2015). 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.

Since March 2014, the Corporation has been subletting a portion of its Montreal office space to help reduce monthly expenses.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2016 and 2015**

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10. INVESTMENTS

	June 30, 2016		December 31,	June 30,
	Number of shares	Fair Value	2015	2015
			\$	
Yamana Gold Inc.	3,549,695	23,853,950	9,122,716	13,346,853
Agnico Eagle Mines Limited	444,197	30,711,781	16,155,445	16,283,126
		54,565,731	25,278,161	29,629,979
Fair value of mandatory retention period		-	-	(1,281,821)
		54,565,731	25,278,161	28,348,158

Sale of Agnico Eagle Shares

On August 5, 2015, Abitibi Royalties sold 15,000 of its Agnico Eagle shares at a price of \$28.49 per share.

Derivative financial instrument

Abitibi Royalties sold 11,346 call option contracts in the first six months of 2016, covering 1,134,600 shares of its investment in Yamana and Agnico, for total net cash proceeds of \$451,318 (\$317,168 USD). As of June 30, 2016, Abitibi Royalties has 15,341 (3,995 at December 31, 2015) call options contracts outstanding covering a total of 1,534,100 (399,500 at December 31, 2015) shares of its investment in Yamana and Agnico. The call options are exercisable until January 20, 2017 and January 19, 2018 at prices varying from US \$40 to \$55 for the contracts covering the Agnico shares and from US \$5 to \$12 for those on Yamana shares.

11. EQUITY**11.1 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.

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11.2 Warrants

On March 18, 2016, 4,150,000 warrants were issued at an exercise price of \$0.14 per share.

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

	June 30, 2016		December 31, 2015	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of reporting period	12,250,000	0.14	3,410,000	0.15
Granted	4,150,000	0.14	10,750,000	0.14
Exercised	(1,166,665)	0.14	(1,910,000)	0.09
Expired				
Balance, end of reporting period	<u>15,233,335</u>	<u>0.14</u>	<u>12,250,000</u>	<u>0.14</u>

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

<u>Expiry date</u>	June 30, 2016		December 31, 2015	
	Number	Exercise price \$	Number	Exercise price \$
November 30, 2017	10,750,000	0.14	11,750,000	0.14
December 5, 2017	83,333	0.22	83,333	0.22
December 5, 2017	250,000	0.14	416,667	0.14
March 18, 2018	4,150,000	0.14		
	<u>15,233,333</u>	<u>0.14</u>	<u>12,250,000</u>	<u>0.14</u>

The fair value of \$0.06 each to the warrants issued as compensation warrants was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	2016
Share price at date of grant	\$ 0.13
Expected dividends yield	0%
Expected weighted volatility	96%
Risk-free interest average rate	0.54%
Expected average life	2 years
Exercise price at date of grant	0.14

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

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11.2 Warrants (continued)**Nunavik Nickel Mines Ltd.**

On January 30, 2015, 1,250,000 warrants were issued at an exercise price of \$0.12 and 41,250 compensation warrants were issued at an exercise price of \$0.10.

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

	June 30, 2016		December 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of reporting period	1,291,250	0.12	0	
Granted			1,291,250	0.12
Balance, end of reporting period	1,291,250	0.12	1,291,250	0.12

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

	June 30, 2016	
	Number of warrants	Exercise price
Expiry date		\$
January 30, 2017	1,291,250	0.12

When granted, the fair value of the 41,250 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 \$4,877 was recorded for these warrants.

The fair value of \$0.12 each to the warrants issued as compensation warrants was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Share price at date of grant	\$0.18
Expected dividends yield	0%
Expected weighted volatility	100%
Risk-free interest average rate	0.39%
Expected average life	2 years
Exercise price at date of grant	\$0.10

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

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12. CONVERTIBLE UNSECURED DEBENTURE

On January 25, 2016, the Corporation issued a \$415,000 principal amount convertible debenture to an arm's length existing shareholder, which constituted the second and final tranche of a non-brokered private placement offering.

The debenture was automatically convertible into Units of the Corporation at a deemed price of \$0.10 per Unit upon confirmation from the TSX Venture Exchange that it has completed satisfactory background searches on the lender, who would become an insider of the Corporation on conversion of the debenture. On conversion, each Unit would be comprised of one common share in the capital of the Corporation and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one common share of the Corporation at a per share price of \$0.14 for two years from the date of issuance of the warrants.

The debenture automatically converted on March 18, 2016, into 4,150,000 Units of the Corporation. The warrants are subject to the condition that they cannot be exercised until such time as the Corporation obtains disinterested shareholder approval for the potential creation of the lender as a new control person.

All common shares issued on conversion of the debenture and shares which may be acquired upon the exercise of the warrants issued on conversion of the debenture are subject to a hold period until May 26, 2016, in accordance with applicable securities legislation and Exchange policy.

The \$415,000 gross proceeds raised from the debenture, will be used by the Corporation for general corporate purposes.

13. EMPLOYEE REMUNERATION**13.1 Salaries and other employee benefits expense**

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

	Three-month period ended		Six-month period ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Salaries and other employee benefits	225,406	167,954	415,729	380,933
Share-based payments	570,187		1,097,112	
Defined contribution State plans	61,527	4,242	83,918	13,091
	<u>857,120</u>	<u>172,196</u>	<u>1,596,759</u>	<u>394,024</u>
Less: salaries capitalized in exploration and evaluation assets		(10,248)		(21,419)
Salaries and other employee benefits expense	<u>857,120</u>	<u>161,948</u>	<u>1,596,759</u>	<u>372,605</u>

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2016 and 2015**

(Unaudited)

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13.2 Share-based payments

The Corporation has in place a stock option incentive plan under which directors, officers, employees and consultants are eligible to receive incentive stock options for the purchase of common shares of the Corporation. Under the terms of the option plan, the aggregate number of shares issuable upon the exercise of options may not exceed 19,006,732, which represents 20% of the Corporation's issued and outstanding common shares on May 25, 2015, the date of adoption of the option plan by the Corporation's Board of Directors. The option plan was approved by the Corporation's disinterested shareholders on June 25, 2015, and subsequently accepted by the TSX Venture Exchange. The exercise price of each option is fixed by the Board of Directors at the time of grant and 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 on such day, the exercise price shall be based on the closing sales price on the last trading day prior to the time of determination on which sales were reported. The term of any options granted under the option plan will be fixed by the Board of Directors and may not exceed ten years and the vesting period of options granted under the plan, if any, shall be determined by the Board of Directors at the time of grant. All options granted under the option plan will be in accordance with the rules and regulations of the TSX Venture Exchange.

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

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

	June 30, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of reporting period	6,114,025	0.17	7,369,025	0.22
Granted	2,775,000	0.30	1,200,000	0.11
Exercised	(35,000)	0.07	(550,000)	0.07
Cancelled			(1,250,000)	0.26
Expired			(655,000)	0.50
Outstanding, end of reporting period	8,854,025	0.17	6,114,025	0.17
Exercisable, end of reporting period	8,854,025	0.21	6,114,025	0.17

The table below summarizes the information related to share options as at June 30, 2016:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
		\$		
October 5, 2016	1,615,000	0.35	0.27	1,615,000
July 23, 2017	520,000	0.15	1.06	520,000
August 1, 2018	2,090,000	0.07	2.09	2,090,000
June 30, 2019	654,025	0.17	3.00	654,025
July 24, 2020	1,200,000	0.11	4.07	1,200,000
June 30, 2021	2,775,000	0.30	5.00	2,775,000
	8,854,025	0.21		8,854,025

Golden Valley Mines Ltd.
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13.2 Share-based payments (continued)

Incentive stock options

On June 1, 2016, an employee exercised 35,000 incentive stock options at a price of \$0.07.

On June 27, 2016, the Corporation granted an aggregate 2,775,000 incentive stock options with an exercise price of \$0.30 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 \$643,469.

The weighted fair value of the granted options of \$0.23 (\$0.12 in 2015) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2016	2015
	_____	_____
Share price at date of grant	\$ 0.29	\$ 0.12
Expected dividends yield	0%	0%
Expected weighted volatility	114.67%	85.3%
Risk-free interest average rate	0.56%	0.79%
Expected average life	5 years	5 years
Exercise price at date of grant	\$ 0.30	\$ 0.11

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.

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(in Canadian dollars)

13.2 Share-based payments (continued)**a) Abitibi Royalties Inc.****Incentive stock options**

Abitibi Royalties has adopted a 20% fixed option plan (the "New Plan") in 2013. 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 Abitibi Royalties' 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.

During the first six months ended on June 30, 2016, Abitibi Royalties issued 458,975 of its common shares for a total consideration of \$1,147,099 from the exercise of stock options at prices of \$2.18 (1,059 shares) and \$2.50 (457,916 shares) per share .

A summary of the status of Abitibi Royalties' incentive stock option plan for the reporting period is presented below:

	June 30, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of reporting period	1,224,978	1.61	1,612,500	1.69
Exercised	(458,975)	2.50	(387,522)	1.93
Outstanding, end of reporting period	766,003	1.08	1,224,978	1.61
Exercisable, end of reporting period	766,003	1.08	1,224,978	1.61

The Weighted average price at the date of exercise was \$5.67 (\$3.65 in 2015).

The table below summarizes the information related to outstanding share options as at June 30, 2016:

Range of exercise price	June 30, 2016		December 31, 2015	
	Number of options	Weighted average remaining contractual life (year)	Number of options	Weighted average remaining contractual life (year)
\$0.55 to \$1.00	587,500	2.24	587,500	2.74
\$1.01 to \$3.00	98,503	2.92	557,478	1.22
\$3.01 to \$4.00	80,000	3.21	80,000	3.71
	766,003		1,224,978	

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(Unaudited)

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13.2 Share-based payments (continued)**Restricted Share Unit Plan**

Abitibi Royalties' Board of Directors has implemented a RSU Plan (the "RSU Plan"), which provides that restricted share units ("Share Units") may be granted by Abitibi Royalties Compensation and Corporate Governance Committee (the "Committee") to executive officers, directors, employees and consultants (each a "Participant") as a bonus or similar payment in respect of services rendered or otherwise as compensation, including as an incentive for future performance, or in satisfaction of dividends declared by Abitibi Royalties and payable to Participants. The aggregate number of common shares issuable pursuant to Share Units granted under the RSU Plan will not, at any given time, exceed 896,769 common shares, among other limits with respect to individual grants under the RSU Plan. At the time Share Units are granted to a Participant, the Committee will determine any time-based or other conditions as to the vesting of the Share Units and the expiry date (the "Expiry Date") for such Share Units. The Expiry Date of a Share Unit will be the tenth anniversary of its date of grant, unless the Committee determines an earlier date, or subject to accelerated expiry in the event of a change of control of Abitibi Royalties. As at June 30, 2016, 583,365 Share Units were granted (none as at December 31, 2015).

Units Granted	583,365
Units Vested	145,841
Units Forfeited	-
Outstanding at June 30, 2016	583,365

In February and March 2016, Abitibi Royalties granted 583,365 RSU to its officers, directors and consultant of which 145,841 vested immediately. The market price of its shares at the time of grant was as follows: \$3.00 for the first grant of 72,500 RSU and \$3.70 for the second grant of 510,865 RSU. Expiration dates for the two grants were respectively February 4, 2019 and March 16, 2019. 25% of the RSU granted vested immediately for a cost of \$526,925 (included in contributed surplus) and none of the RSU vested were converted to common shares as at June 30, 2016.

Normal Course issuer Bid

On October 2, 2015, Abitibi Royalties received the Exchange acceptance of its notice to commence a normal course issuer bid ("NCIB"). This approval allows Abitibi Royalties to purchase back up to 546,300 of its common shares (representing 5% of Abitibi Royalties' s total issued and outstanding common shares as of September 21, 2015) from October 6, 2015 to October 5, 2016. Common shares that will be purchased under the NCIB will be cancelled. As of June 30, 2016, Abitibi Royalties had repurchased and cancelled 52,100 of its common shares at prices varying from \$2.90 to \$4.15 for a total of \$181,805.

b) Nunavik Nickel Mines Ltd.

Nunavik Nickel has adopted an incentive stock option plan pursuant to which directors, officers, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 10% of the Nunavik Nickel's common shares issued and outstanding at the time of grant. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of the Nunavik Nickel'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 Exchange.

On May 16, 2016, Nunavik Nickel granted an aggregate 446,801 incentive stock options to directors, officers and consultants. The options are exercisable at a price of \$0.065 until May 16, 2021 and are vested immediately. The total fair value of the stock options granted was estimated using the Black-Scholes option-pricing model at \$2,079.

Golden Valley Mines Ltd.**Notes to the consolidated financial statements****For the three and six-month period ended June 30, 2016 and 2015**

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13.2 Share-based payments (continued)

A summary of the status of Nunavik Nickel's incentive stock option plan for the reporting period is presented below

	June 30, 2016		December 31, 2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of reporting year	793,199	0.18	1,008,199	0.18
Granted	446,801	0.065		
Cancelled			(215,000)	0.19
Outstanding, end of reporting year	1,240,000	0.14	793,199	0.18

The table below summarizes the information related to share options for the reporting period :

Exercise price	Expiry date	June 30, 2016		December 31, 2015	
		Number of options	Weighted average remaining contractual life (year)	Number of options	Weighted average remaining contractual life
0.20	July 24, 2017	675,000	1.07	675,000	1.58
0.065	April 3, 2019	60,000	3.02	60,000	3.25
0.08	November 20, 2019	58,199	3.38	58,199	3.87
0.065	May 16, 2021	446,801	4.85		
		<u>1,240,000</u>		<u>793,199</u>	

The fair value of the stock options granted during the six month period ended June 30, 2016, has been estimated on the date of issue, using the Black-Scholes option-pricing model with the following assumptions:

	Issue May 16, 2016
Share price at date of grant	\$0.065
Expected dividend yield	0%
Expected volatility	100%
Risk-free interest rate (based on 5 years Canada Bonds)	0.64%
Expected life	5 years
Exercise price at the date of grant	\$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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13.2 Share-based payments (continued)

Restricted Share Unit Plan

At the annual general and special meeting of shareholders of Nunavik Nickel held on June 27, 2016, the shareholders approved the adoption and implementation of a Restricted Share Unit Plan (the "RSU Plan"). The RSU Plan will be adopted and implemented by Nunavik Nickel's Board upon receipt of acceptance by the Exchange. The RSU Plan provides that restricted share units ("Share Units") may be granted by Nunavik Nickel's Compensation and Corporate Governance Committee (the "Committee") to executive officers, directors, employees and consultants (each a "Participant") as a bonus or similar payment in respect of services rendered or otherwise as compensation, including as an incentive for future performance. At the time Share Units are granted to a Participant, the Committee will determine any time-based or other conditions as to the vesting of the Share Units and the expiry date (the "Expiry Date") for such Share Units. The Expiry Date of a Share Unit will be the third anniversary of its date of grant. The aggregate number of common shares issuable pursuant to Share Units granted under the RSU Plan will not, at any given time, exceed 1,288,199 common shares. Nunavik Nickel has yet to make the submission to the Exchange to obtain its acceptance of the RSU Plan.

c) Uranium Valley Mines Ltd.

Uranium Valley has adopted an incentive stock option plan pursuant to which directors, officers, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 10% of Uranium Valley's common shares issued and outstanding at the time of grant. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of Uranium Valley'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 Exchange. As of December 31, 2015 and June 30, 2016, no options had been granted.

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14. SALE OF MALARTIC CHL PROSPECT BY ABITIBI ROYALTIES

On March 19, 2015, Abitibi Royalties entered into a sell agreement with Canadian Malartic GP, a general partnership, Yamana and Agnico 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 and a 3% net smelter return royalty on the Project. Based on the prices of the shares of Yamana (\$4.74) and Agnico (\$36.29) on the TSX the consideration received is worth \$33,489,813 excluding the 3% NSR royalty. No value has been assigned to the 3% NSR royalty: the Project still being at the early stage of exploration, future cash flow could not be reliably estimated.

Abitibi Royalties engaged Maxit Capital LP as its financial advisor and Getz Prince Wells LLP as its legal advisor in connection with this transaction. The \$367,500 advisory fees of Maxit Capital LP were paid by issuing 100,791 common shares. These fees are included in the transaction costs below.

The gain on this transaction has been determined as follows:

	<u>March 19, 2015</u>
	\$
Market value of consideration received	33,489,813
Less: Fair value of mandatory retention period ⁽¹⁾	<u>(3,374,856)</u>
Fair value of consideration received	30,114,957
Less: Transaction costs (including success fees of \$132,890)	<u>(443,953)</u>
Fair value of consideration received net of transaction costs	29,671,004
Less: Book value of exploration and evaluation asset sold	<u>(136,270)</u>
Gain on the sale of the Malartic CHL Prospect (no tax impact)	<u>29,534,734</u>
Variation in transaction costs	1,890
Success fee payable as a result of the sale of the Malartic CHL prospect	<u>(4,290,000)</u>
Gain on the sale of the Malartic CHL Prospect (no tax impact) reported on June 30, 2015	<u><u>25,246,624</u></u>

⁽¹⁾ As per securities regulations, shares received from Agnico and Yamana were subject to a mandatory retention period of four months and one day.

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15. EARNINGS (LOSS) PER SHARE

Both the basic and diluted earnings (loss) per share have been calculated using the net loss attributable to owners of the Corporation as the numerator, i.e. no adjustment to the net loss were necessary in either periods ended June 30, 2016 and 2015.

As at June 30, 2016, 4,390,000 warrants and stock options (5,044,025 warrants and stock option in the three month period ended June 30, 2016) were excluded from the calculation of diluted earnings per share attributable to shareholders of the Corporation.

	Three-month period ended		Six-month period ended	
	June 30,	June 30,	June 30,	June 30,
	2016	2015	2016	2015
Net income (loss) attributable to shareholders of Golden Valley Mines Ltd.	5,545,231	(2,206,653)	11,382,860	11,743,474
Weighted average number of shares in circulation - basic	114,440,339	95,476,741	112,504,086	95,210,294
Dilutive effect of stock options and warrants	19,697,358	3,040,000	19,043,333	3,040,000
Weighted average number of shares in circulation - basic and dilutive effect of stock options and warrants	<u>134,137,697</u>	<u>98,516,741</u>	<u>131,547,419</u>	<u>98,250,294</u>
Basic earnings (loss) per share	\$ 0.048	\$ (0.023)	\$ 0.101	\$ 0.123
Diluted earnings per share	\$ 0.041	\$ (0.022)	\$ 0.087	\$ 0.120

16. 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.

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16.1 Transaction with key management

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

	Three-month period ended		Six-month period ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses	144,974	74,495	272,664	184,526
Benefits	58,075	6,001	84,265	61,146
Director's fees ⁽¹⁾	46,917	63,750	100,667	106,129
Total short-term employee benefits	249,966	144,246	457,596	351,801
Other transactions with key management				
Rent ⁽²⁾	4,764	36,000	9,749	36,000
Management Fees	22,800	4,125	47,832	8,250
Professional Fees ⁽³⁾	15,000	62,854	30,000	86,605
Expenses capitalized in exploration and evaluation assets	31,633	8,177	59,388	8,177
Success Fee included in gain on the disposal of exploration and evaluation assets ⁽⁴⁾		4,290,000	15,890	4,290,000
Total other transactions with key management	74,197	4,401,156	162,859	4,429,032
Share-based payments ⁽⁵⁾	558,593		1,083,643	
Total remuneration	882,756	4,545,402	1,704,098	4,780,833

⁽¹⁾ An amount of \$64,417 has been accrued in director's fees which have been deferred and not yet paid.

⁽²⁾ \$6000 paid to 2973090 Canada Inc., a company controlled by Mr. Glenn J. Mullan who is an officer and a director of the Corporation. \$3,749 paid by Abitibi Royalties to its President.

⁽³⁾ Consulting Fees paid (for the six month period ended June 30, 2016) to Jackie Koh, the spouse of Glenn J. Mullan, President and CEO of Golden Valley, pursuant to a consulting agreement related to corporate finance services dated January 1, 2016.

⁽⁴⁾ Effective March 11, 2016, Abitibi's Board of Directors terminated the Management Success Fees Agreement and the unpaid balance of \$4,157,110 was reversed.

⁽⁵⁾ Please refer to note 13.2 for information on incentive stock options and restricted share units granted to key management.

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16. RELATED PARTY TRANSACTIONS (continued)

16.1 Transactions with key management (continued)

Management success fees agreement with 2973090 Canada Inc.

Abitibi Royalties entered into an agreement with 2973090 Canada Inc., a company of which Glenn J. Mullan is the sole shareholder, director and officer, as the "Trustee" and the CEO of Abitibi Royalties. 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,
- 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 get an independent determination of 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 is to be based on the value of the Transaction.

Following the sale of the Malartic CHL Property, the Board of Directors and the Trustee opened discussions which resulted, on May 16, 2015, in a second amendment to the Management Success Fees Agreement. On May 22, 2015, the Board of Directors approved the Management Success Fees Agreement by virtue of the sale of the Malartic CHL Prospect, and established that the amount of the Success Fee payable with respect to the sale is \$4,290,000 of which \$3,500,000 of the Success Fee is payable in one or more payments, from time to time as and when Abitibi Royalties has the funds available to do so, as determined by its Board of Directors, in accordance with the Management Success Fees Agreement. A first tranche of \$75,000 was paid in August 2015 and a second tranche of \$42,000 was approved for payment in November 2015. Abitibi Royalties and the Trustee have agreed, however, that portions of the remaining \$790,000 (the "Contingent Amount") will become payable in the same way but only as Proven and Probable Reserves are established on the Malartic CHL Project in accordance with National Instrument 43-101, provided that if Abitibi Royalties undergoes a Change of Control (as defined in the Management Success Fees Agreement), any remaining portion of the Contingent Amount that has not already become payable will be paid on the Change of Control.

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16.1 Transactions with key management (continued)

Termination of Management Success Fees Agreement

Effective March 11, 2016, the Board of Directors terminated the Management Success Fees Agreement. Prior to its termination, an amount of \$132,890 was paid out under the terms of the Management Success Fees Agreement, with no further amounts payable. Following this termination, the remaining liability of \$4,157,110 was reversed in the first quarter of 2016.

On May 16, 2016, the Nunavik Nickel granted incentive stock options to directors, officers and consultants to purchase an aggregate 446,801 of the Nunavik Nickel's common shares. The fair value of the stock options granted has been estimated at \$2,079. The stock options are described in Note 13.2.

With the exception of the stock options granted on May 16, 2016, no remuneration or compensation of any sort has been paid by Nunavik Nickel to its directors or officers during the periods ended June 30, 2016 and 2015 and the year ended December 31, 2015.

In connection with the private placement, Nunavik Nickel paid finder's fees of \$3,300 and issued 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 April 2015, Nunavik Nickel issued 300,000 of its common shares to acquire the Boston Bulldog Prospect from 2973090 Canada Inc. a private company wholly-owned and controlled by Glenn J. Mullan the CEO and a director of Nunavik Nickel.

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17. 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.

18. ADDITIONAL INFORMATION - CASH FLOWS

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

	June 30, 2016	June 30, 2015
	\$	\$
Accounts payable and accrued liabilities included in exploration and evaluation assets	3,990	2,629
Accounts payable and accrued liabilities of transaction costs related to the disposal of exploration and evaluation assets	-	36,000
Depreciation of exploration and evaluation equipment charged to exploration and evaluation assets	806	-
Common shares issued by subsidiary in consideration of payment of transaction costs included in gain on disposal of exploration and evaluation assets	-	367,500
Options on exploration and evaluation assets received as shares of quoted mining exploration companies included in short-term financial assets	200,000	-
Success fee payable included in gain on disposal of exploration and evaluation assets		4,290,000
Common shares received in consideration of disposal of exploration and evaluation assets	500,000	
Common shares received in consideration of disposal of exploration and evaluation assets net of the fair value of the retention period	-	30,114,957

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19. SUBSEQUENT EVENTS**Montreal Office lease**

On August 1, 2016, the Corporation renewed its Montreal office lease for twelve months, terminating on July 31, 2017.

Uranium Valley Mines

On July 4, 2016, the Mining Option Agreement between Uranium Valley and 2973090, which provided the Uranium Valley with the option to acquire a 100% ownership interest in the Porcupine Miracle Prospect, was amended to postpone the third share payment of 66,667 common shares and the requirement to incur exploration expenditures of \$50,000 to July 17, 2017. Refer to Note 8 for more information about the Porcupine Miracle Prospect mining option.