

Management's Discussion and Analysis

Golden Valley Mines Ltd.

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

Dated: August 29, 2016

INTRODUCTION

The following is Management's Discussion and Analysis of the financial condition and results of operations of Golden Valley Mines Ltd. (the "**Company**" or "**Golden Valley Mines**") for the period ended June 30, 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the six-month period ended June 30, 2016 and the audited consolidated financial statements of the Company for the year ended December 31, 2015, and the related notes thereto. All figures are in Canadian dollars unless otherwise specified. The technical content in this Management's Discussion & Analysis has been prepared under the supervision of Glenn J. Mullan who is a "Qualified Person" as such term is defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements. In some cases, words such as "plans", "expects", or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur, be achieved or continue, have been used to identify these forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict and are not to be interpreted as guarantees for future performance. These forward-looking statements could cause actual events or results to differ materially from those anticipated in such forward-looking statements. All forward-looking statements speak only as of the date hereof and, except as required by law, the Company does not undertake any obligation to update or publicly release any revisions to such forward-looking statements to reflect events, circumstances, or changes in expectations after the date hereof. Accordingly, readers should not place undue reliance on such forward-looking statements.

NATURE OF OPERATIONS

Golden Valley Mines is a mineral exploration company whose assets and those of its subsidiaries (including the Reporting Subsidiaries (as hereinafter defined), include 94 exploration properties located in the following areas: (i) the Abitibi Greenstone Belt (Ontario and Québec); (ii) the James Bay, Mistassini and Otish regions of northern Québec; (iii) the Nunavik (Ungava and Labrador) region of northern Québec; (iv) the Athabasca Basin of Saskatchewan; and (v) the James Bay Lowlands of Ontario.

Golden Valley Mines' primary objective is to conduct basic exploration while the Company owns 100% of most of its properties. In instances where the exploration results are less than conclusive (such as when favourable geological conditions are encountered, but without an economically significant discovery) the Company will typically seek joint-venture partners (normally other public mining companies) to conduct follow-up exploration programs and continue the exploration effort. In

most instances, Golden Valley Mines continues to act as the operator during the earn-in phase thus allowing the Company to reduce dilution to its share capital and decrease the amount of self-funded expenditures, while continuing exploration on these same properties with larger budgets than its own initial investment (most of the agreements allow the partner to earn into a property by incurring exploration expenditures typically over periods of three to six years). Furthermore, in addition to third party disbursements for exploration funding, the Company's option agreements typically provide for receipt by Golden Valley Mines of either cash or shares, or both from its partners and the retention of a free-carried interest or an NSR royalty. This allows the Company to focus primarily on other early-stage, 100%-owned properties while partners fund exploration on more expansive option/joint ventures and remote projects.

The Company has three subsidiaries: Abitibi Royalties Inc. ("Abitibi Royalties"), Nunavik Nickel Mines Ltd. ("Nunavik Nickel"), and Uranium Valley Mines Ltd. ("Uranium Valley"), together, the "Reporting Subsidiaries". See section 3 herein, *Property Interests Assigned to the Reporting Subsidiaries*.

The information detailed in this report and pertaining to Abitibi Royalties, Nunavik Nickel, and Uranium Valley, has been extracted from Management's Discussion and Analysis prepared by each of the Reporting Subsidiaries and electronically filed with regulators, which are publicly available for viewing through the internet on the SEDAR website (www.sedar.com) under the respective issuer profile.

OVERALL PERFORMANCE

1. Exploration Activity:

A. **Abitibi Greenstone Belt ("AGB") Grassroots Exploration Project, located in Québec and Ontario, 100%-owned Projects**

The AGB properties are comprised of gold (44), copper-zinc-silver (28), nickel-copper-PGE (1), molybdenum (1) and cobalt-silver-nickel (2) prospects located in Québec (54) and Ontario (22). Golden Valley Mines' exploration strategy consists of a systematic approach designed to reduce grassroots exploration risk, and increase the possibility of exploration success, through the sequential exploration of a large number of grassroots properties. Preliminary fieldwork conducted over the Company's 100%-owned properties includes grid establishment, geophysical and/or geochemical surveys, prospecting, reconnaissance and grid mapping and sampling, with the objective of upgrading and advancing each property to the group of "drill-ready" prospects. This exploration pattern is consistently being repeated throughout the year as much as financial and logistical circumstances permit.

During the second quarter ended June 30, 2016, the Company's exploration work was focused on the completion of regional and property compilations (for business development purposes), and on project generation activities directed to identifying and evaluating new opportunities.

2. Option and Joint Venture Properties Portfolio Review:

Abitibi Greenstone Belt Programs

A. Integra Gold Corp. ("Integra") Joint Venture – AGB

In 2008, the Company earned a 70% interest in the group of nine (9) properties (8 gold and 1 copper-zinc-silver) located on the AGB (Québec and Ontario) and a joint venture was formed thereon with Integra. The Company is the operator during the joint venture phase.

No exploration fieldwork was conducted on any of the joint venture property claims during the quarter ended June 30, 2016.

B. BonTerra Resources Inc. – Lac Barry, Québec

On March 16, 2016, Golden Valley Mines 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, Golden Valley Mines 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.

No field exploration work was conducted on the property during the quarter ended June 30, 2016.

James Bay Properties

C. Sirios Resources Ltd. – Cheechoo Prospect

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.

For additional details with respect to the exploration and field work completed to date on the Cheechoo project, as well as for the details on the expenditures made to date by Sirios on the project, please refer to Sirios' continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Sirios' issuer profile.

Property Interests Assigned to the Reporting Subsidiaries:

A. Abitibi Royalties Inc.

Golden Valley Mines holds an approximate 49.5% interest in Abitibi Royalties as at August 29, 2016. As of the date of this Management's Discussion and Analysis, Abitibi Royalties holds interests amongst others, in the following assets.

a) Malartic CHL 3% NSR 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.

b) Canadian Malartic 2% NSR 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.

c) *Odyssey North (Malartic CHL 3% NSR Royalty)*

Abitibi Royalties holds a 3% NSR on the Odyssey North Zone located inside the Malartic CHL property. Odyssey North is proximate to the Odyssey South Zone and together, these zones comprise the "Odyssey Zones", "Odyssey deposit" or "Odyssey" that is east of the main Canadian Malartic Mine open pit.

The 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 receive in exchange a net smelter return royalty and in some cases 15% of the proceeds should the property be sold or joint ventured (in the case of a joint venture only when there is a cash component to the agreement). 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 the date of this report, Abitibi Royalties has spent \$41,193 (of which one of the royalty agreements in the amount of \$11,693, was signed with Golden Valley Mines) to acquire new royalties or finalize deals already announced. The properties are located in the provinces of Québec, Ontario, Manitoba and in Turkey. The amounts spent to acquire mining royalties are expensed.

Further discussion and analysis of the financial condition and results of operations of Abitibi Royalties for the interim period ended June 30, 2016, is included in Abitibi Royalties' Management's Discussion and Analysis, which has been electronically filed with regulators by Abitibi Royalties and is available for viewing at the SEDAR website (www.sedar.com) under Abitibi Royalties' issuer profile.

B. Nunavik Nickel Mines Ltd.

Golden Valley Mines holds an approximate 60% interest in Nunavik Nickel as at August 29, 2016.

As of the date of this Management's Discussion and Analysis, Nunavik Nickel holds interests in the following assets:

a) *2973090 Canada Inc. - Boston Bulldog Prospect*

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. See "Related Parties Transactions" in this report.

b) Chibougamau-Chapais Prospect – Central Québec

The Chibougamau-Chapais Prospect is a non-contiguous group of 40 claims, covering 2,203.65 hectares, located in the Chibougamau area in central Québec, which were staked by Nunavik Nickel in the first quarter of 2016. Nunavik Nickel intends to design and conduct a grassroots exploration program on this property in the coming future.

The information detailed above has been extracted from Nunavik Nickel's issuer profile which is publicly available for viewing through the internet on the SEDAR website (www.sedar.com).

Further discussion and analysis of the financial condition and results of operations of Nunavik Nickel for the period ended June 30, 2016, is included in Nunavik Nickel's Management's Discussion and Analysis, which has been electronically filed with regulators by Nunavik Nickel and is available for viewing at the SEDAR website (www.sedar.com) under Nunavik Nickel's issuer profile.

C. Uranium Valley Mines Ltd.

Golden Valley Mines holds an approximate 37% interest in Uranium Valley as at August 29, 2016.

2973090 Canada Inc. - Porcupine Miracle Prospect

On July 3, 2014, Uranium Valley entered into a Mining Option Agreement to acquire up to 100% interest in the 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, the 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 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.

On July 4, 2016, the agreement 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.

Transfer of Listing to NEX

The shares of Uranium Valley commenced trading on NEX, which is a separate board of the TSX Venture Exchange that provides a trading forum for listed issuers that have fallen below the

Exchange's ongoing listing standards, on May 6, 2016 as a result of its inactivity as an issuer classified as a Tier 2 Mining issuer.

Further discussion and analysis of the financial condition and results of operations of Uranium Valley for the interim period ended June 30, 2016, is included in Uranium Valley's Management's Discussion and Analysis, which has been electronically filed with regulators by Uranium Valley and is available for viewing at the SEDAR website (www.sedar.com) under Uranium Valley's issuer profile.

DISCUSSION AND RESULTS OF OPERATIONS

Selected information

This table represents selected information for the Company and its Subsidiaries for the six month period ended June 30, 2016, 2015 and 2014:

	2016	2015	2014
Total Revenue (\$)	139,885	452,993	2,523
Net income (loss) and total comprehensive income (loss) for the period (\$)	23,920,796	21,134,851	(966,611)
Basic earnings (loss) per share (\$)	0.101	0.123	(0.008)
Diluted earnings per share	0.087	0.12	
Total Assets (\$)	65,322,858	39,574,492	12,331,299
Total Liabilities (\$)	10,616,415	7,106,407	1,426,661

During the six-month period ended June 30, 2016, the Company reported a net income before income taxes of \$27,626,642 compared to a net income before income taxes of \$22,939,382 for the same period in 2015. The change in fair value of financial assets at fair value through profit and loss of \$26,721,563 is a contributing factor towards the positive results. Last year's quarter included a gain of \$25,246,624 on the sale of the Malartic CHL Property.

Other components of revenues and expenses were as follows:

Revenues

During the quarter ended June 30, 2016, no royalties were earned from the 2% NSR owned by Abitibi Royalties on the Canadian Malartic Property (\$17,568 during the same period in 2015). In addition, Abitibi Royalties received dividend income of \$68,381 as a shareholder of Agnico and Yamana (\$112,522 during the same period in 2015).

No income was generated from the Company's active option and joint-venture properties for the six-month period ended June 30, 2016 (\$835 for the same period in 2015).

Other Income

For the six-month period ended June 30, 2016, the Company recorded a total net income of \$23,920,796, as compared to \$21,134,851 for the period ended June 30, 2015.

Other sources of income are interest and dividend income from cash and short-term financial assets (\$5,862 for the six-month period ended June 30, 2016 compared to \$2,384 for the same period in 2015).

The Company held publicly traded securities comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements having a market value of \$1,874,420 as at June 30, 2016, compared to \$332,352 as at the year ended December 31, 2015. The Company also has two guaranteed investment certificates, for a total amount of \$995,000, at an interest rate of 0.65% to 1% maturing in August and December 2016.

Two of the Company's subsidiaries have realized foreign exchange gains of \$117,571 (none in 2015).

Investments

	Number of shares held at June 30, 2016	Value at	
		June 30, 2016	December 31, 2015
Yamana Gold Inc.	3,549,695	23,853,950	9,122,716
Agnico Eagle Mines Ltd.	444,197	30,711,781	16,155,445
Total fair value		<u>54,565,731</u>	<u>25,278,161</u>
Variation during the period			<u>29,287,570</u>

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 cash proceeds of \$451,318 (US \$347,168). The market value of the covered calls at June 30, 2016 was \$3,883,822 (US \$3,006,752).

On January 13, 2016 Abitibi Royalties announced that it had adopted a policy to sell covered call options on up to 25% of its shares held in Agnico Eagle and Yamana each quarter. Should covered calls be sold, Abitibi Royalties' objective is to use strike prices that are anticipated to be well above current share prices for Agnico Eagle and Yamana at the time the contracts are written, with contracts generally expiring between 1 month and 2 years.

Summary of Quarterly Results

The following selected financial information is for the 8 most recently completed quarters as derived from the Company's respective financial statements and notes thereto. The following information should be read in conjunction with the referenced financial statements, the notes to those statements and "Results of Operations" herein.

	Jun 16	Mar 16	Dec 15	Sep 15	Jun 15	Mar 15	Dec 14	Sep 14
Total revenues (\$)	68,381	71,504	152,859	164,554	130,813	322,180	2,981	5,475
Net income (loss) (\$)	12,214,932	11,705,864	2,262,625	(5,813,736)	(6,817,650)	25,148,875	(4,661,186)	(802,220)
Net earnings (loss) per share								
- Basic	0.048	0.053	(0.016)	(0.028)	(0.023)	0.147	0.04	(0.002)
- Diluted	0.04	0.051	(0.02)	(0.027)	(0.022)	0.139	0.04	(0.002)

Exploration Activities and Expenditures

For the six-month period ended June 30, 2016, total investments in exploration and evaluation assets decreased to \$5,071,111, compared to 6,687,723 as at December 31, 2015 (\$8,671,159 as at June 30, 2015).

During the quarter ended June 30, 2016, all of the Company's new property acquisitions were the result of an on-going, project generative program conducted by the Company's in-house exploration staff.

During the six-month period ended June 30, 2016, exploration expenditures were allocated to the following activities: (i) regional and property compilation maps for business development purposes; and (ii) project generation activities, directed at identifying and evaluating new opportunities.

The primary focus for the Company's project generation activities during the second quarter ended June 30, 2016 was in the Abitibi Greenstone Belt ("AGB") region of Québec and Ontario. Additional mining claims were added to two (2) existing properties totaling 16 claims, covering approximately 706 hectares. Claim acquisition and maintenance fees for this period on the Company's AGB properties amounted to \$6,205.

No line cutting and geophysical surveys were conducted on any of the Company's AGB properties during the six-month period ended June 30, 2016.

Technical and field staff expenditures amounted to \$48,544 during the period ended June 30, 2016 for the Company's self-funded AGB Grassroots Exploration Project, project generation activities and/or related corporate developments.

No drilling activities were completed during the six-month period ended June 30, 2016.

Related exploration program expenditures incurred during the six-month period ended June 30, 2016, included \$5,271 for amortization, office and general expenses, \$71,687 for program management and consultants, \$60 for travel and transport, and \$181 for communications.

Operating Expenses

The largest operating expense for the six month period ended June 30, 2016 is the reversal of success fee liability in the amount of \$4,157,110. Other operating expenses include salaries and other employee benefits, which increased to \$1,596,759 for the period ended June 30, 2016 (compared to \$372,605 for the same period in 2015). The increase in this amount is attributable to \$1,097,112 of share-based payments for restricted share units granted to Abitibi Royalties' officers, directors and consultants (\$526,925), as well as share-based payments for incentive stock options granted to Golden Valley's officers, directors and consultants (\$570,187). See "Capital Stock Information – Abitibi Royalties – Restricted Share Units" below.

The increase in professional fees to \$551,720 for the six-month period ended June 30, 2016 from \$516,195 for the same period in 2015 can be attributed to Abitibi Royalties. Its professional fees for the six-month period ended June 30, 2016 amounted to \$246,295 (\$271,786 for the same period in 2015). For further details, please review the Management Discussion and Analysis for Abitibi Royalties for the six-month period ended June 30, 2016 which can be accessed under Abitibi Royalties' issuer profile at www.sedar.com.

The following expenditures - travelling (from \$40,591 for the six-month period ended June 30, 2015 to \$35,535 for the same period in 2016) and office expenses (from \$111,660 as of June 30, 2015 to \$77,882 for the same period in 2016) decreased. Advertising and exhibition increased to \$24,452 for the period ended June 30, 2016 (compared to \$20,430 for the same period in 2015).

Management fees also increased from \$8,250 to \$47,832 in 2016, the increase being attributable to the increased consulting fees payable to Glenn J. Mullan, President and CEO of the Company pursuant to an amendment to his consulting agreement effective September 2015. Part XII.6 and other taxes increased from \$nil in 2015 to \$4,033 in 2016.

Other expenses incurred in the six-month period ended June 30, 2016, included the following: royalty purchases of \$29,500 (for description of the royalty purchases refer to Abitibi Royalties' Management's Discussion and Analysis), commissions of \$18,549 (included in finance cost) paid by Abitibi Royalties on the sale of option contracts or Abitibi Royalties' repurchase of its shares under the normal course issuer bid.

FINANCIAL CONDITION

Liquidity and Capital Resources

As at June 30, 2016, the Company had cash and cash equivalents of \$2,605,753 and a working capital of \$1,402,531 compared to a working capital deficiency of \$496,586 as of December 31, 2015. The increase in working capital is attributable to the reversal of success fees liability in the amount of \$4,157,110, in the quarter ended June 30, 2016 and the issuance of a convertible debenture on January

25, 2016 as more particularly described in the section entitled "Financing - Private placement". On March 11 2016, Abitibi's Board of Directors terminated the Management Success Fees Agreement with no further amounts payable. See "Contractual Obligations – Abitibi Royalties – Management Success Fees Agreement" below.

The sale of the Malartic CHL Property by Abitibi Royalties was made without generating any immediate income tax payable. Abitibi Royalties has received shares in payment that are worth \$54,564,731 at June 30, 2016 and for which the tax value is minimal. There is a potential tax liability on the capital gain to be realized on the eventual sale of those shares, which Abitibi Royalties has recognized by recording a deferred income tax liability of \$6,346,644 at June 30, 2016.

The value of Abitibi Royalties' investment in the shares of Agnico and Yamana, received as consideration for the sale of the Malartic CHL Property, has to be shown at fair value. In the second quarter of 2016 the value of this investment increased to \$54,565,731 from \$25,278,161 at December 31, 2015, and accordingly Abitibi Royalties recorded an increase in fair value of \$29,287,570. It also recorded an increase in the fair value of the obligation related to the call option contracts of \$3,412,074.

During the six-month period ended June 30, 2016, Abitibi Royalties collected an aggregate \$1,147,099 from the exercise of incentive stock options, and the Company collected \$2,450 from the exercise of incentive stock options.

FINANCING

Private placement

On November 13, 2015, Golden Valley Mines announced a non-brokered private placement offering pursuant to which it would issue up to 14,900,000 units (each a "Unit") at a per Unit price of \$0.10 for gross proceeds of up to \$1,490,000. Each Unit consisted of one common share in the capital of Golden Valley Mines and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one common share of Golden Valley Mines at a per share price of \$0.14 for a period of two years from the closing of the offering. The TSX Venture Exchange provided its conditional acceptance of the financing on November 26, 2015, and the first tranche of the offering closed on November 30, 2015.

On January 25, 2016, Golden Valley Mines 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 Exchange issued its final acceptance of the offering on February 3, 2016

The debenture was converted into Units of Golden Valley Mines at a deemed price of \$0.10 per Unit on March 18, 2016 into 4,150,000 Units of the Company. On conversion, each Unit was comprised of one common share in the capital of the Company and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one common share of the Company at a per share price of \$0.14 for two years from the date of issuance of the warrants.

The warrants were subject to the condition that they could not be exercised until such time as the Company obtained disinterested shareholder approval for the potential creation of the lender as a new control person. The Company received shareholder approval during the Annual and Special Meeting of Shareholders held on June 27, 2016.

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

CONTRACTUAL OBLIGATIONS

A. Golden Valley Mines Ltd.

Office Lease

		Payments due by period	
Obligation	Total	1 year or less	More than 1 year
Office Lease	\$ 66,580	\$ 61,434	\$ 5,146

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

B. Abitibi Royalties Inc.

Management Success Fees Agreement

Abitibi Royalties entered into an Amended and Restated Management Success Fees Agreement, as amended, with 2973090 Canada Inc., a company of which Glenn J. Mullan is the sole shareholder, director and officer, as the "Trustee" pursuant to which a success fee would be paid in certain circumstances.

Effective March 11, 2016, Abitibi's Board of Directors terminated the Management Success Fees Agreement. Prior to its termination, \$132,890 was paid (\$117,000 as at December 31, 2015 and \$15,890 in January 2016) under the terms of the Management Success Fees Agreement, with no further amounts payable. In March 2016, the liability of \$4,157,110 representing the unpaid balance of the success fee was reversed.

CAPITAL STOCK INFORMATION

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Company's Board of Directors. The holders of the common shares of the Company shall be entitled to vote at all shareholder meetings and to receive such dividends as the Board of Directors of the Company in their discretion shall declare.

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at August 29, 2016:

<i>Common shares:</i>	115,834,972
<i>Preferred Shares:</i>	Nil
<i>Escrowed Shares:</i>	Nil
<i>Share Purchase Warrants:</i>	14,900,000
<i>Incentive Stock Options:</i>	

Expiry Date	Outstanding	Exercise Price
October 5, 2016	1,615,000	\$0.35
July 23, 2017	520,000	\$0.15
August 1, 2018	2,090,000	\$0.07
June 30, 2019	579,025	\$0.17
July 24, 2020	1,100,000	\$0.11
June 27, 2021	2,775,000	\$0.30
TOTAL:	8,679,025	

On June 27, 2016, the Company 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.

Exercise of incentive stock options

During the first six months of 2016, the Company issued 35,000 of its common shares for a total consideration of \$2,450 from the exercise of stock options at a per share price of \$0.07. Subsequent to the quarter ended on June 30, 2016, the Company issued 175,000 common shares for a total consideration of \$23,750 from the exercise of stock options at per share prices ranging from \$0.11 to \$0.17.

Exercise of Share Purchase Warrants

On May 25, 2016, 50,000 common shares were issued pursuant to the exercise of share purchase warrants at an exercise price of \$0.14 per warrant for a total of \$7,000. Subsequent to the quarter ended on June 30, 2016, 333,333 common shares were issued pursuant to the exercise of share purchase warrants at a per share price of \$0.14 per warrant for a total of \$46,667.

A. Abitibi Royalties Inc.

a) Exercise of incentive stock options

During the six month period 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.

b) Restricted Share Units

Abitibi Royalties' Board of Directors has implemented a Restricted Share Unit 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, bona-fide full or part-time 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 third anniversary of its date of grant, or subject to accelerated expiry in the event of a change of control of Abitibi Royalties. As of the date of this report 583,365 RSUs have been granted to Participants.

<u>Date of Grant</u>	<u>Market Price</u>	<u>RSU Granted</u>	<u>RSU Vested</u>	<u>Expiration Date</u>
February 4, 2016	\$ 3.00	72,500	18,125	February 4, 2019
March 16, 2016	\$ 3.70	510,865	127,716	March 16, 2019
		<u>583,365</u>	<u>145,841</u>	

c) 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 the Company'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. From January 1 to 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. No common shares were repurchased from May 1, 2016 to the date of this report.

B. Nunavik Nickel Mines Ltd.

a) Incentive Stock Options granted

On May 16, 2016, Nunavik Nickel granted 446,801 incentive stock options to directors, officers and consultants at an exercise price of \$0.065 per common share. The incentive stock options are exercisable at the date of grant and expire 5 years from the date of grant on May 16, 2021.

On July 25, 2016, Nunavik Nickel cancelled 675,000 incentive stock options granted to directors, officers and consultants, exercisable at \$0.20 and expiring on July 24, 2017.

The following incentive stock options are currently outstanding:

Issue Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price
April 3, 2014	April 3, 2019	60,000	60,000	\$ 0.065
November 20, 2014	November 20, 2019	58,199	58,199	\$ 0.08
May 16, 2016	May 16, 2021	446,801	446,801	\$ 0.065
		<u>565,000</u>	<u>565,000</u>	

b) Restricted Share Units

At the annual general and special meeting of shareholders held on June 27, 2016, the shareholders of Nunavik Nickel 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 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. As of the date of this report no Restricted Share Units have been granted.

RECENT CORPORATE DEVELOPMENTS

Change on the Board of Directors

At the annual meeting of shareholders held in Montréal on June 27, 2016, the shareholders voted to elect a new director, Mr. William D. McCartney. Dr. C. Jens Zinke and John Caldbick, who had served as directors of Golden Valley since June 25, 2003 and June 30, 2014, respectively, did not stand for re-election.

Change of auditors

At the annual general meeting, shareholders also appointed MNP LLP, the Company's new auditor for the ensuing year.

RELATED PARTIES TRANSACTIONS

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

	Six-Month Period ended June 30	
	2016	2015
Short-term employee benefits		
Salaries including bonuses	272,664	184,526
Benefits	84,265	61,146
Director's Fees ⁽¹⁾	100,667	106,129
Total short-term employee benefits	<u>457,596</u>	<u>351,801</u>
Other transaction with consultants		
Rent ⁽²⁾	9,749	36,000
Management Fees	47,832	8,250
Expenses capitalized in exploration and evaluation assets	59,388	86,605
Professional Fees ⁽³⁾	30,000	
Success Fee included in gain on the disposal of exploration and evaluation assets ⁽⁴⁾	15,890	4,290,000
Total transactions with consultants	<u>162,859</u>	<u>4,429,032</u>
Share-based payments	1,083,643	
Total remuneration	<u>1,704,098</u>	<u>4,780,833</u>

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

(2) \$6,000 paid to 2973090 Canada Inc., a private company controlled by Mr. Glenn J. Mullan, an officer and director of the Company. \$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, the Board of Directors of Abitibi Royalties terminated the Management Success Fees Agreement and the unpaid balance of \$4,157,110 was reversed. See "Contractual Obligations – Abitibi Royalties – Management Success Fees Agreement" above.

The fees detailed above are equivalent to what the Company would otherwise pay to an unrelated third party in the industry and were completed in the normal course of the Company's operations.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance-sheet arrangements.

OUTLOOK

The Company is actively searching and evaluating certain strategic business opportunities and potential acquisitions in the exploration/mining industry due to the current volatile financing conditions in capital markets. A number of internal reviews have recently been completed or are in progress for distressed companies and certain assets, both in Canada and abroad.

Furthermore, the general public market volatility that has continued to affect the overall state of the exploration industry has offered Golden Valley Mines new opportunities for its project generation ("PGEN") activities, where previously the demand for prospective land was at a much more competitive state. One of the Company's most important attributes is its ability to identify new high priority exploration opportunities and flexibility to adapt quickly to changing market conditions. Our exploration team routinely assesses government data and/or historical work reports to acquire prospective mining claims. The results of this grassroots exploration generative business model have led to the identification of new mineral discoveries (Co-Ag-Ni, Ni-Cu-PGE and Au-VMS) in the Abitibi Greenstone Belt on 100%-owned properties; it has also assisted the Company in the successful creation of several option/joint venture agreements allowing for diamond drilling, in particular on those projects on which reconnaissance work has already been completed to identify prospective drill targets. In this manner, the Company remains focused on its core business of early-stage acquisitions, PGEN and drill target definition, while working with partners to conduct the more expensive and detailed drill-based exploration programs.

RISKS AND UNCERTAINTIES

As at June 30, 2016, the Company had a retained earnings of \$119,703 (accumulated deficit of \$10,947,451 as at December 31, 2015).

Investment of Speculative Nature

Investing in the Company is of a highly speculative nature.

Nature of Mineral Exploration and Mining

There is no known mineral resource on any of the Company's property interests. Mineral exploration and development involves a high degree of risk, requires substantial expenditures and few properties that are explored are ultimately developed into producing mines.

Mineral Deposits and Production Costs; Metal Prices

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations, and fluctuations in the sales price of products. The value of the Company's mineral property interests is heavily influenced by metal prices. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's properties can be mined profitably.

Exploration and Development Risks

Resource exploration and development is a speculative business, involving considerable financial and technical risks, including the failure to discover mineral deposits, market fluctuations and government regulations, which are beyond the control of the Company.

Additional Financing

Future exploration and development activities will require additional equity and debt financing. Failure to obtain such additional financing could result in delay or indefinite postponement of exploration and development of the property interests of the Company.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental and non-governmental authorities. There can be no assurances that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations for its proposed projects.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company's, in the search for and the acquisition of attractive mineral properties. There is no assurance that the Company will continue to be able to compete successfully with the competition in acquiring such properties or prospects.

Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. The Company does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of their exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Environmental and other Regulatory Requirements

The operations of the Company require permits from various levels of government. Such operations are subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting the Company's ability to undertake exploration and development activities in respect of present and future properties.

Moratorium imposed by the Government of Québec

There is no assurance that the Company will be able to continue exploration on its uranium properties located in Québec.

Currency Risk

Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in U.S. dollars. The Company's costs are incurred primarily in Canadian dollars.

Conflicts of Interest

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. Some of the directors and officers of the Company are also directors and officers of other companies, some of which are in the same business as Golden Valley Mines. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

Insurance

The Company does not have insurance to adequately protect itself against certain risks associated with mineral exploration. Even if they were to obtain insurance, the Company will remain at risk and will be potentially subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of premium costs or other reasons.

Influence of Third Party Stakeholders

The lands in which the Company holds interests, or the exploration equipment and roads or other means of access which the Company intends to utilize in carrying out work programs or general exploration mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the work programs of the Company may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for the Company.

Fluctuation in Market Value of Shares

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the entity, including the market in which it is traded, the strength of the economy in general, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The future effect of these and other factors on the market price of the Company's shares on the Exchange cannot be predicted.

ADDITIONAL INFORMATION

Additional information about Golden Valley Mines may be obtained from the Company's website (www.goldenvalleymines.com) or through the SEDAR website (www.sedar.com) by accessing the Company's issuer profile.