Golden Valley Mines Ltd.

Condensed Consolidated Interim Financial Statements
For the three months and nine ended September 30, 2018 and 2017

(Expressed in Canadian dollars)

(UNAUDITED)

GOLDEN VALLEY MINES LTD.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated 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 Statements of Financial Position

(Unaudited)

	Notes		As at September 30, 2018		As at December 31, 2017
ASSETS					
Current					
Cash and cash equivalents	6	$	3,713,789	$	5,073,071
Restricted cash	7		539,185		545,052
Short-term financial assets	8		990,870		1,819,888
Other assets	9		187,859		411,734
Prepaid expenses			27,399		23,955
			5,459,102		7,873,700
Non-current					
Property and equipment			5,469		9,697
Investment in associates	10		1,076,163		1,136,651
Exploration and evaluation assets	11		2,564,431		2,568,816
Investments	12		28,237,512		36,095,519
TOTAL ASSETS		$	37,342,677	$	47,684,383
LIABILITIES					
Current					
Accounts payable and accrued liabilities					
Due to related parties	20	$	92,841	$	373,213
Other liabilities			172,225		219,574
Derivative financial instrument	13		1,194,040		1,428,140
			1,459,106		2,020,927
Non-Current					
Deferred taxes			1,220,285		3,482,519
Total liabilities			2,679,391		5,503,446
EQUITY					
Capital stock	14		28,289,902		27,530,938
Warrants	15		-		168,066
Contributed surplus			5,753,590		5,011,629
Deficit			(15,737,758)		(10,237,073)
Total equity attributable to owners of the parent company			18,305,734		22,473,560
Non-controlling interest			16,357,552		19,707,377
Total equity			34,663,286		42,180,937
TOTAL LIABILITIES AND EQUITY		$	37,342,677	$	47,684,383

Approved by the Board of Directors on November 15, 2018.

"*Glenn J. Mullan*"
(signed Glenn J. Mullan)
Director

"*William D. McCartney*"
(signed William D. McCartney)
Director

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

GOLDEN VALLEY MINES LTD.

Consolidated Statements of Net Income (loss) and Statement of Comprehensive Income (loss)

(Unaudited)

	Notes	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Revenues					
Dividends		**$ 77,574**	$ 62,213	**$ 229,568**	$ 196,966
Option revenue		**-**		**25,000**	82,067
Geological fees		**978**	7,988	**8,758**	9,040
		78,552	70,201	**263,326**	288,073
Operating Expenses					
Salaries and other employee benefits	21	**269,723**	308,609	**1,323,927**	1,221,657
Share-based compensation	16	**452,252**	1,347,606	**1,102,115**	1,653,008
Professional and legal fees		**212,142**	252,554	**626,511**	899,482
General and administrative expenses	17	**75,068**	70,243	**299,503**	356,606
Management fees		**41,550**	41,550	**124,650**	124,650
Exploration and evaluation		**37,794**	716	**75,925**	28,340
Depreciation of property and equipment		**1,201**	677	**4,229**	2,032
Impairment of exploration and evaluation assets		**-**	52,666	**-**	52,666
Royalty purchase		**1,972,750**	-	**1,972,750**	20,977
		3,062,480	2,074,621	**5,529,610**	4,359,418
Operating loss		**(2,983,928)**	(2,004,420)	**(5,266,284)**	(4,071,345)
Other income (loss)					
Change in fair value of investments		**(7,747,846)**	284,861	**(6,410,199)**	(1,070,784)
Reversal of liability of flow-through shares		**-**	-	**-**	19,941
Finance income		**5,829**	2,655	**16,315**	7,384
Finance cost		**(33,069)**	(18,582)	**(66,803)**	(56,778)
Foreign exchange gain (loss)		**(40,865)**	(230,946)	**147,559**	(402,907)
Gain from loss of control of subsidiary		**-**	-	**-**	450,912
Share of loss of associates	10	**(55,335)**	(22,648)	**(210,488)**	(22,648)
		(7,871,286)	15,340	**(6,523,616)**	(1,074,880)
Net loss before income taxes		**(10,855,214)**	(1,989,080)	**(11,789,900)**	(5,146,225)
Deferred tax recovery		**(1,681,377)**	(134,560)	**(2,262,234)**	(626,237)
Net loss and total comprehensive loss for the period		**$ (9,173,837)**	$ (1,854,520)	**$ (9,527,666)**	$ (4,519,988)
Net loss and total comprehensive loss attributable to:					
Shareholders of Golden Valley Mines		**$ (4,587,186)**	$ (1,561,757)	**$ (5,676,433)**	$ (3,322,469)
Non-controlling interest		**(4,586,651)**	(292,763)	**(3,851,233)**	(1,197,519)
		$ (9,173,837)	$ (1,854,520)	**$ (9,527,666)**	$ (4,519,988)
Earnings (loss) per share attributable to Golden Valley Mines' shareholders:					
Basic earnings (loss) per share	19	**$ (0.034)**	$ (0.012)	**$ (0.043)**	$ (0.027)
Diluted earnings (loss) per share	19	**$ (0.034)**	$ (0.012)	**$ (0.043)**	$ (0.027)

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

GOLDEN VALLEY MINES LTD.

Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2018 and 2017
(Unaudited)

	Note	Capital Stock Number	Capital Stock	Warrants	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	**Total Equity**
Balance at January 1, 2018		129,788,577	$ 27,530,938	$ 168,066	$ 5,011,629	$ (10,237,073)	$ 22,473,560	$ 19,707,377	$ 42,180,937
Share based payments		-	-	-	841,211	-	841,211	-	841,211
Shares issued by exercise of stock options	14	1,480,000	220,850	-	(99,250)	-	121,600	-	121,600
Shares issued by exercise of warrants	15	2,650,000	539,066	(168,066)	-	-	371,000	-	371,000
Share issue expenses		-	(952)	-	-	-	(952)	-	(952)
Change in interest of subsidiary		-	-	-	-	175,748	175,748	501,408	677,156
		133,918,577	28,289,902	-	5,753,590	(10,061,325)	23,982,167	20,208,785	44,190,952
Net loss and total comprehensive loss for the period						(5,676,433)	(5,676,433)	(3,851,233)	(9,527,666)
Balance at September 30, 2018		133,918,577	$ 28,289,902	$ -	$ 5,753,590	$ (15,737,758)	$ 18,305,734	$ 16,357,552	$ 34,663,286
Balance at January 1, 2017		116,103,577	$ 25,317,470	$ 424,448	$ 3,843,686	$ (7,993,947)	$ 21,591,657	$ 20,509,577	$ 42,101,234
Share based payments		-	-	-	1,274,082	-	1,274,082	-	1,274,082
Shares issued by exercise of stock options	14	1,235,000	219,290	-	(90,640)	-	128,650	-	128,650
Shares issued by exercise of warrants	15	9,000,000	1,467,632	(207,632)	-	-	1,260,000	-	1,260,000
Share issue expenses		-	(11,422)	-	-	-	(11,422)	-	(11,422)
Loss of control of subsidiary		-	-	-	-	-	-	(551,128)	(551,128)
Change in interest of subsidiaries		-	-	-	-	164,726	164,726	171,683	336,409
		126,338,577	26,992,970	216,816	5,027,128	(7,829,221)	24,407,693	20,130,132	44,537,825
Net loss and total comprehensive loss for the period						(3,322,469)	(3,322,469)	(1,197,519)	(4,519,988)
Balance at September 30, 2017		126,338,577	$ 26,992,970	$ 216,816	$ 5,027,128	$ (11,151,690)	$ 21,085,224	$ 18,932,613	$ 40,017,837

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

GOLDEN VALLEY MINES LTD.

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2018 and 2017

(Unaudited)

	Note		2018		2017
OPERATING ACTIVITIES					
Net loss for the period		$	**(9,527,666)**	$	(4,519,988)
Adjustments:					
Share-based payments	16		**1,102,115**		1,653,008
Depreciation of property and equipment			**4,229**		2,032
Amortization of exploration and evaluation assets			**-**		926
Option revenue netted against exploration and evaluation assets			**-**		67,933
Foreign exchange loss (gain)			**(147,559)**		402,907
Gain from loss of control of subsidiary			**-**		(450,912)
Share of loss in associates	10		**210,488**		22,648
Deferred tax recovery			**(2,262,234)**		(626,237)
Change in fair value of financial assets			**624,018**		480,066
Changes in fair value of investments			**5,786,181**		639,537
			(4,210,428)		(2,328,080)
Changes in working capital items	23		**(107,291)**		(174,837)
Cash flows used by operating activities			**(4,317,719)**		(2,502,917)
INVESTING ACTIVITIES					
Acquisition of short-term financial assets			**(25,000)**		(535,000)
Disposal of short-term financial assets			**230,000**		555,896
Disposal of investments			**182,269**		6,098,350
Purchase of property, plant and equipment			**-**		(2,000)
Tax credits received			**16,252**		6,272
Increase in investment in associates			**(150,000)**		-
Cash on loss of control of subsidiary			**-**		(536,673)
Additions to exploration and evaluation assets			**(11,867)**		(206,071)
Cash flows from investing activities			**241,654**		5,380,774
FINANCING ACTIVITIES					
Issuance of shares by exercise of stock options			**121,600**		128,650
Share issue expenses			**(952)**		(11,422)
Issuance of shares by exercise of warrants	15		**371,000**		1,260,000
Increase in derivative financial instruments			**1,655,457**		1,216,939
Increase in restricted cash	7		**5,867**		(1,344,878)
Change in interest of subsidiaries			**416,252**		(13,444)
Cash flows from financing activities			**2,569,224**		1,235,845
Effect of foreign exchange rate changes on cash and cash equivalent			**147,559**		(402,907)
Net change in cash and cash equivalents		$	**(1,359,282)**	$	3,710,795
Cash and cash equivalent, beginning of the period			**5,073,071**		2,725,177
Cash and cash equivalent, end of the period		$	**3,713,789**	**$**	6,435,972

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

1) NATURE OF OPERATIONS

Golden Valley Mines Ltd. and its subsidiaries (hereinafter "the Company") specialize in identifying, acquiring and developing exploration and evaluation minerals in Canada as well as acquiring royalties.

Golden Valley Mines Ltd. is the parent company (and the ultimate parent company) of the following subsidiaries: Abitibi Royalties Inc. ("Abitibi Royalties") and Calone Mining Ltd ("Calone Mining"). Subsidiaries have all been incorporated under the Business Corporations Act (British Columbia).

The Company's investment in associates includes International Prospect Ventures Ltd. ("International Prospect") and Val-d'Or Mining Corporation ("Val-d'Or Mining"), which are involved in the process of exploring, evaluating and promoting its mineral properties and other projects.

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.

Abitibi Royalties and Calone Mining were incorporated on February 18, 2010 and on February 23, 2010, respectively, pursuant to the Business Corporations Act (British Columbia). Both subsidiaries have its head office located at 152 Chemin de la Mine École, Val-d'Or, Quebec, Canada. registered and records office located at #530 - 355 Burrard Street, Vancouver, B.C. V6C 2G8 and administrative offices located at 800 René-Lévesque Boulevard West, Suite 425, Montréal, Quebec, H3B 1X9.

2) BASIS OF PRESENTATION

Statement of *Compliance*

These condensed consolidated interim financial statements have been prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These condensed consolidated 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, 2017, except for the changes in accounting policies resulting from the adoption of IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 "*Revenue from Contracts with Customers"* ("IFRS 15") as described below. The interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual financial statements for the year ended December 31, 2017.

Approval of Financial Statements

These consolidated financial statements were approved for issuance by the Board of Directors on November 15, 2018.

3) SIGNIFICANT ACCOUNTING POLICIES

New accounting standards

IFRS 9 - Financial Instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for ones that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial instruments on this date. The following is the Company's new accounting policy under IFRS 9.

a) Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy as follows:

Financial Assets/ Liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables at amortized costs	Financial Assets at amortized costs
Restricted cash	Loans and receivables at amortized costs	Financial Assets at amortized costs
Short-term financial assets		
Marketable securities	Fair value through profit or loss ("FVTPL")	FVTPL
Other short-term financial assets	Loans and receivables at amortized costs	Financial Assets at amortized costs
Other assets	Loans and receivables at amortized costs	Financial Assets at amortized costs
Investments	Fair value though profit or loss ("FVTPL")	FVTPL
Accounts payable and accrued liabilities	Other Financial Liabilities at amortized costs	Financial Liabilities at amortized costs
Derivative financial instruments	FVTPL	Financial Liabilities at FVTPL

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income ("FVTOCI"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. Given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings and the negligible historical level of dividends default, the loss allowance was $nil as at September 30, 2018 and December 31, 2017.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 - Revenue from Contracts with Customers (continued)

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

As of January 1, 2018, the Company has adopted IFRS 15 and has concluded that, based on its current operations, the adoption of IFRS 15 had no significant impact on the Company’s financial statements. Specifically, on its mining option arrangements, based on IFRS 15, the Company has concluded that its typical option agreements with a customer (optionee) clearly identifies; (a) the rights and obligations of both parties, (b) the Company performance obligations and (c) the overall transaction price. Under the mining option arrangements, the control over the mineral properties occurs at the outset of the agreement while the transfer of title may not occur until after all of the option terms have been satisfied. Within the mining option agreements, the Company’s performance obligations are:

a) provide access to the mineral property to allow the customer the right to explore and assess a mineral property during an option period,
b) transfer the title to the mineral property after all of the option terms have been completed.

As a result of the challenges of estimating future payments, the Company believes that it is appropriate to recognize option revenues as received. As a result of the limited number of contracts in place, the Company applies the five-step model at the individual contract level. Payment terms are also clearly identified in the agreements, and usually include the following:

a) cash (upfront and pre-determined amounts at milestone dates);
b) shares (upfront and a fixed number of shares at milestone dates). The shares are valued at the stock price on the date of the share certificate.

Once the option term is completed, and all commitments are met, the Company is also entitled to payments relating to the NSR. Under our current accounting policies, royalty income is recognized on a cash basis in accordance with the substance of the relevant agreements. The Company will continue to apply the same methods and processes in recording this revenue, as the Company believe it fits within the new standard. In summary, the cash, shares, and royalty income should all be recorded, as they are due from the customer.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective

IFRS 16 - Leases

In January 2016, the IASB published IFRS 16 – Leases, which will replace IAS 17 – Leases. This IFRS eliminates the classification as an operating lease and requires lessees to recognise a right-of-use asset and a lease liability for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company is currently in the process of assessing the impact of IFRS 16 on its financial statements.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23– Uncertainty over Income Tax Treatments ("IFRIC 23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact of IFRIC 23 on its financial statements.

4) JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the condensed interim financial statements are reasonable; however, actual results may differ materially from these estimates. The areas involving significant judgments, estimates and assumptions have been detailed in note 5 to the Company's annual audited financial statements for the year ended December 31, 2017. The following judgement resulted from the adoption of IFRS 15 on January 1, 2018:

Collectability of option agreements

Collectability of considerations to be received on mining option agreements entered into with third parties on the Company's properties, involves judgment regarding the probability that the optionees will be able to meet their spending commitments and pay the considerations specified in the agreement. Since there is significant uncertainty as to whether the optionee will be able to make all the required payments in the contract, the Company only recognizes revenue as the option payments are due.

5) BASIS OF CONSOLIDATION

The Company's financial statements consolidate the accounts of Golden Valley Mines Ltd., the parent company, and all of its subsidiaries until September 30, 2018.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Where the Company’s interest in a subsidiary is less than 100%, the Company recognizes non-controlling interests. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation.

When the Company ceases to have control; any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

For Abitibi Royalties Inc. (“Abitibi Royalties”), the Company has control through its own percentage holding in Abitibi Royalties combined with interest of certain members of Golden Valley’s Board of Directors in Abitibi Royalties as well as its ability to appoint members of the Board of Directors and key management who have the ability to direct activities.

Associates

Associates are entities, including unincorporated entities such as partnerships, over which the Company has significant influence and that are neither subsidiaries nor interests in joint arrangements. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company’s representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel, or the provision of essential technical information. Associates are equity accounted for from the effective date of commencement of significant influence to the date that the Company ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual financial statements or interim financial statements, as applicable. Losses from associates are recognized in the consolidated financial statements until the interest in the associate is written down to nil. Thereafter, losses are recognized only to the extent that the Company is committed to providing financial support to such associates.

(Expressed in Canadian dollars unless otherwise noted)

5) BASIS OF CONSOLIDATION (continued)

Associates (continued)

The carrying value of the investment in an associate represents the cost of the investment, including goodwill, a share of the post-acquisition retained earnings and losses, accumulated other comprehensive income ("AOCI") and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment in associate is impaired.

The significant subsidiaries and investment in associates of the Company are listed below. Principal activities of these entities, which are all incorporated in Canada, are mineral exploration and acquisition of royalties and have a reporting date of September 30:

	As at September 30, 2018	As at December 31, 2017
	Percentage of ownership	
Subsidiaries (consolidated)		
Abitibi Royalties Inc.	**44.76%**	49.16%
Calone Mining Ltd.	**100.00%**	100.00%
Investment in associates (equity method)		
International Prospect Ventures Ltd.	**17.53%**	16.62%
Val-d'Or Mining Corporation	**26.51%**	24.63%

6) CASH AND CASH EQUIVALENTS

	As at September 30, 2018	As at December 31, 2017
Cash	**$ 3,403,275**	$ 4,765,529
Demand deposits, redeemable at any time	**310,514**	307,542
	$ 3,713,789	$ 5,073,071

Demand deposits represent money market mutual funds earning income at 1.35% that is cashable at any time.

7) RESTRICTED CASH

Restricted cash of $539,185 (or US$416,250) (2017 - $545,052 (or US$434,477)) relates to funds held as collateral on the put option contracts of 35,600 shares of Agnico Eagle referred to in the Derivative Liability in note 13. The funds will become unrestricted once the put option contracts are exercised, repurchased or expired.

(Expressed in Canadian dollars unless otherwise noted)

8) SHORT-TERM FINANCIAL ASSETS

		As at September 30, 2018		As at December 31, 2017
Guaranteed investment certificates [(1)]	**$**	**250,000**	$	480,000
Money market investment funds		**854**		854
Marketable securities [(2)]		**740,016**		1,339,034
	$	**990,870**	$	1,819,888

1) Guaranteed investment certificates are with a Schedule One Canadian chartered bank earning income at 1.95%, maturing in November 13, 2018.

2) Marketable securities represent shares of publicly traded mining exploration companies and are recorded at fair value using quoted market prices.

9) OTHER ASSETS

		As at September 30, 2018		As at December 31, 2017
Due from related parties [(1)]	**$**	**14,437**	$	208,672
Accounts receivables		**113,760**		91,510
Sales taxes recoverable		**36,593**		41,950
Dividend receivable		**22,000**		22,000
Tax credits receivable		**-**		46,011
Interest receivable		**1,069**		1,591
	$	**187,859**	$	411,734

1) Due from related parties includes amounts of $nil (2017 -$104,761) and $8,110 (2017- $103,911) from Val-d'Or Mining and International Prospect, respectively (note 10).

(Expressed in Canadian dollars unless otherwise noted)

10) INVESTMENTS IN ASSOCIATES

The investment in associates relates to the Company's investment in International Prospect and Val-d'Or Mining. The following table summarizes the changes to investment in associates:

	International Prospects	Val-d'Or Mining	Total
As at December 31, 2017	$ 340,512	$ 796,139	**$ 1,136,651**
Share of net loss from associates	(23,243)	(187,245)	**(210,488)**
Shares for debt obligations	60,000	90,000	**150,000**
As at September 30, 2018	$ 377,269	$ 698,894	**$ 1,076,163**

Shares for debt obligations

On October 1, 2010, the Company entered into a Management and Administrative Services Agreement (the "Management Agreement") with Val-d’Or Mining and International Prospect, pursuant to which the Company will provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in house legal counsel for day to day general enquiries, services of a consultant and investors relations services to Val-d’Or Mining and International Prospect in consideration of $96,000 per year from each company, payable on a monthly basis, plus applicable taxes. However, Golden Valley suspended the management fees to Val-d’Or Mining in 2012 and International Prospect in 2013 to enable the companies conserve cash for their operations. On January 1, 2018, the Company entered into a Termination Agreement with Val-d’Or Mining and International Prospect under which the Company agreed to terminate the Management Agreement, in exchange of a settlement fee of $60,000 payable by each company as consideration for its failure to pay the management fees since the date of suspensions of the respective Management Agreement.

On April 6, 2018, Val-d’Or Mining announced that, subject to acceptance by the TSX Venture Exchange (“Exchange”) and with the intent of preserving its cash resources for operations, it proposed issuing approximately 857,142 common shares at a deemed per share price of $0.105 in settlement of an aggregate of $90,000 in accrued debt owing to the Company. Of the debt to Golden Valley, $30,000 is an outstanding loan and $60,000 relates to consideration payable under the terms of a termination agreement entered into effective January 1, 2018. On April 30, 2018, the Exchange accepted the shares for debt submission.

Similarly, on April 6, 2018, International Prospect announced that, subject to acceptance by the TSX Venture Exchange and with the intent of preserving its cash resources for operations, it proposed issuing approximately 300,000 common shares at a deemed per share price of $0.20 in settlement of $60,000 in accrued debt owing to the Company. On April 19, 2018, the Exchange accepted the shares for debt submission.

10) INVESTMENT IN ASSOCIATES (continued)

International Prospect

As at September 30, 2018, the Company has a 17.53% (December 31, 2017 -16.62%) interest in International Prospect. The shares of International Prospect were trading at $0.25 per share on that date.

For the three and nine months ended September 30, 2018, the Company recognized a loss of $6,843 and $23,243, respectively (for the three and nine months ended September 30, 2017 - $nil) from its share in the associate.

The Company has no contingent liabilities relating to its interest in the associate.

Val-d'Or Mining

As at September 30, 2018, the Company has a 26.51% (December 31, 2017 – 24.63%) interest in Val-d’Or Mining. The shares of Val-d’Or Mining were trading at $0.11 per share on that date.

For the three and nine months ended September 30, 2018, the Company recognized a loss of $48,492 and $187,245, respectively (for the three and nine months ended September 30, 2017 - $nil) from its share in the associate.

The Company has no contingent liabilities relating to its interest in the associate.

(Expressed in Canadian dollars unless otherwise noted)

11) EXPLORATION AND EVALUATION ASSETS

The Company holds (together with its subsidiaries) 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.

	Balance at December 31, 2017	Additions	Credits	Impairment Write-off	Balance at September 30, 2018
Golden Valley Mines Ltd.					
Acquisition and claims maintenance	$ 3,297,390	$ -	$ -	$ -	$ **3,297,390**
Property option payments	312,500	-	-	-	**312,500**
Drilling, excavation and related costs	3,241,938	757		-	**3,242,695**
Technical and field staff	4,614,252	-	-	-	**4,614,252**
Airborne geophysics	791,822	-	-	-	**791,822**
Geophysics	2,315,628	3,773	-	-	**2,319,401**
Line cutting	1,099,431	8,805	(2,133)	-	**1,106,103**
Sampling and testing	744,773	-	-	-	**744,773**
Travel and transport	1,683,037	-	-	-	**1,683,037**
Program management and consultants	434,653	280	-	-	**434,933**
Professional Fees	5,215	-	-	-	**5,215**
Depreciation, insurance and office expenses	581,178	385	-	-	**581,563**
Communications	45,897	-	-	-	**45,897**
Option payments received	(1,963,650)	-	-	-	**(1,963,650)**
Write-off of exploration and evaluation assets	(4,179,440)	-	-	-	**(4,179,440)**
Impairment of exploration and evaluation assets	(7,265,328)	-	-	-	**(7,265,328)**
Government assistance	(1,622,905)	-	(16,252)	-	**(1,639,157)**
Net expenses incurred during the period	4,136,391	14,000	(18,385)	-	**4,132,006**
Exploration and evaluation assets sold to third parties	(1,606,927)	-	-	-	**(1,606,927)**
Balance, end of the period	2,529,464	14,000	(18,385)	-	**2,525,079**

(Expressed in Canadian dollars unless otherwise noted)

11) EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at December 31, 2017	Additions	Credits	Impairment Write-off	Balance at September 30, 2018
Abitibi Royalties Inc.					
Acquisition and claims maintenance	$ 27,791	$ -	$ -	$ -	**$ 27,791**
Technical and field staff	8,655	-	-	-	**8,655**
Program management and consultants	2,906	-	-	-	**2,906**
Net expenses incurred during the period	39,352	-	-	-	**39,352**
Summary					
Mining rights	$ 7,127,657	$ -	$ -	$ -	**$ 7,127,657**
Exploration and evaluation assets	(2,451,425)	14,000	(18,385)	-	**(2,455,810)**
Exploration and evaluation assets sold to third parties	(1,606,927)	-	-	-	**(1,606,927)**
Disposal of a subsidiary	(500,489)	-	-	-	**(500,489)**
	$ 2,568,816	$ 14,000	$ (18,385)	$ -	**$ 2,564,431**

(Expressed in Canadian dollars unless otherwise noted)

12) INVESTMENTS

	As at September 30, 2018		As at December 31, 2017	
	Number of shares	Fair value	Number of shares	Fair value
Yamana Gold Inc.	**3,549,695**	**$ 11,430,018**	3,549,695	$ 13,914,804
Agnico Eagle Mines Limited	**378,997**	**16,721,348**	378,997	21,996,986
		$ 28,151,366		$ 35,911,790
Other investments		**86,146**	-	183,729
		$ 28,237,512		$ 36,095,519

13) DERIVATIVE LIABILITY

Abitibi Royalties' total call/put options outstanding at September 30, 2018 are as follows:

	Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at September 30, 2018
Calls				
Yamana	January 18, 2019	775,800	4.00 to 7.00	**67,613**
Yamana	January 17, 2020	2,728,800	4.00 to 7.00	**566,723**
Agnico	November 16, 2018	5,000	60.00	**194**
Agnico	January 18, 2019	51,100	50.00 to 60.00	**8,799**
Agnico	January 17, 2020	201,400	50.00 to 65.00	**298,413**
Agnico	January 15, 2021	2,500	50.00	**10,356**
			$	**952,098**
Puts				
Agnico	November 16, 2018	35,600 $	39.00	**241,942**
		3,800,200	**$**	**1,194,040**

(Expressed in Canadian dollars unless otherwise noted)

13) DERIVATIVE LIABILITY (continued)

Abitibi Royalties' total call/put options outstanding at December 31, 2017 are as follows:

	Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at December 31, 2017
Calls				
Yamana	January 19, 2018	1,790,300	$ 4.00 to 10.00	$ **189,349**
Yamana	January 18, 2019	1,471,400	4.00 to 7.00	**565,607**
Yamana	January 17, 2020	292,400	4.00 to 7.00	**212,256**
Agnico	January 19, 2018	44,400	60.00 to 65.00	**1,671**
Agnico	February 16, 2018	33,000	60.00 to 65.00	**790**
Agnico	May 18, 2018	85,900	60.00 to 70.00	**23,910**
Agnico	January 19, 2019	155,400	50.00 to 75.00	**303,876**
Agnico	January 17, 2020	23,900	65.00	**118,431**
				$ 1,415,890
Puts				
Agnico	February 16, 2018	65,100	$ 39.00	**12,250**
		3,961,800		**$ 1,428,140**

For the nine months ended September 30, 2018, Abitibi Royalties sold 31,939 call and 1,302 put option contracts (3,698 calls and 1,302 puts on Agnico shares and 28,241 calls on Yamana Gold shares) for total cash proceeds of $1,714,611 (or US$1,331,382). In addition, 18,927 call and 946 put option contracts expired (1,024 calls and 946 puts on Agnico and 17,903 calls on Yamana) and 14,984 contracts were repurchased before expiration (3,500 calls and 651 puts on Agnico and 10,833 calls on Yamana) for which Abitibi Royalties paid $72,030 (or US$55,667).

For the nine months ended September 30, 2017, Abitibi Royalties sold 29,417 calls and 4,444 put option contracts (3,476 calls and 4,444 puts on Agnico Eagle shares and 25,941 calls on Yamana Gold shares) for total cash proceeds of $1,225,554 (or US$937,112). In the same period, 17,030 (none in 2016) option contracts (2,007 calls and 3,358 puts on Agnico Eagle and 11,665 calls on Yamana) expired or were repurchased before expiration.

In addition, on January 20, 2017, Abitibi Royalties was called to deliver 108,700 shares of Agnico (43,600 shares at US $45.00 per share and 65,100 shares at US$40.00 per share) and received, net of commission paid, $6,096,765 (or US$4,564,813) from the covered call options it had sold. In December 2017, Abitibi Royalties purchased 43,500 shares of Agnico at a price of US$44.00 per share from a put option it had sold. Put contracts have been written on Agnico Eagle in order to repurchase the 65,100 shares which Abitibi Royalties was called on in January 2017. The puts have been priced below the amount that the shares were sold.

(Expressed in Canadian dollars unless otherwise noted)

14) CAPITAL STOCK

Capital Stock

The capital stock of the Company 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 Company.

Unlimited number of preferred shares, issuable in series with rights and restrictions to be determined by the directors.

Issued share capital

The change in issued share capital for the period was as follows:

	2018			2017		
	Number of shares		Stated Value	Number of shares		Stated Value
Balance, as at January 1,	**129,788,577**	**$**	**27,530,938**	116,103,577	$	25,317,470
Shares issued by exercise of stock options	**1,480,000**		**220,850**	1,235,000		219,290
Shares issued by exercise of warrants	**2,650,000**		**539,066**	9,000,000		1,467,632
Share issue expenses	**-**		**(952)**	-		(11,422)
Balance, as at September 30,	**133,918,577**	**$**	**28,289,902**	126,338,577	$	26,992,970

<u>Share capital issued from exercise of incentive stock options</u>

For the nine months ended September 30, 2018, the Company issued 1,480,000 of its common shares from the exercise of incentive stock options of 1,300,000 at a price of $0.07 per share and of 180,000 at a price of $0.17 per share for a total consideration of $121,600.

For the nine months ended September 30, 2017, the Company issued 1,235,000 of its common shares from the exercise of incentive stock options at prices ranging from $0.07 to $0.15 for a total consideration of $128,650.

<u>Share capital issued from exercise of share purchase warrants</u>

For the nine months ended September 30, 2018, the Company issued 2,650,000 of its common shares from the exercise of 2,650,000 share purchase warrants at $0.14 per share for a total consideration of $371,000.

For the nine months ended September 30, 2017, the Company issued 9,000,000 of its common shares from the exercise of share purchase warrants at $0.14 per share for a total consideration of $1,260,000.

(Expressed in Canadian dollars unless otherwise noted)

15) WARRANTS

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

	2018		2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, as at January 1,	**2,650,000**	**$ 0.14**	14,900,000	$ 0.14
Exercised	**(2,650,000)**	**0.14**	(9,000,000)	0.14
Balance, as at September 30,	**-**	**-**	5,900,000	$ 0.14

16) SHARE-BASED PAYMENTS

Incentive stock options

A summary of changes in the number of incentive stock options issued by the Company is presented as follows:

	For the nine months ended September 30, 2018		For the year ended December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	**13,278,189**	**$ 0.29**	16,349,959	$ 0.28
Granted	**2,300,000**	**0.28**	100,000	0.47
Exercised	**(1,480,000)**	**0.08**	(1,435,000)	0.09
Cancelled	**-**	**-**	(1,736,770)	0.31
Outstanding, end of period	**14,098,189**	**$ 0.32**	13,278,189	$ 0.29
Exercisable, end of period	**9,050,134**	**$ 0.31**	7,782,080	$ 0.25

(Expressed in Canadian dollars unless otherwise noted)

16) SHARE-BASED PAYMENTS (continued)

The table below summarizes the information related to outstanding share options as at September 30, 2018:

	Outstanding options				
Expiry date	Number of options		Weighted average exercise price	Weighted average remaining contractual life (years)	Exercisable options
June 30, 2019	379,025	$	0.17	0.75	379,025
July 24, 2020	675,000		0.11	1.82	675,000
January 1, 2021	100,000		0.10	2.26	100,000
June 30, 2021	2,300,000		0.30	2.75	2,300,000
February 3, 2022	100,000		0.47	3.35	100,000
September 30, 2026	8,244,164		0.35	8.01	5,496,109
June 21, 2023	2,300,000		0.28	4.73	-
	14,098,189	$	0.32		9,050,134

Share-based compensation expense

The table below summarizes share-based compensation expense:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	**2018**	2017
Golden Valley				
June 2018 option grant [1]	**$ 70,154**	$ -	**$ 77,016**	$ -
September 2016 option grant [2]	**382,098**	1,211,139	**764,196**	1,211,139
February 2017 option grant [3]	**-**	-	**-**	36,918
Abitibi Royalties				
2016 Restricted Share Units grant [4]	**-**	136,467	**260,903**	404,951
Share-based compensation expense	**$ 452,252**	$ 1,347,606	**$ 1,102,115**	$ 1,653,008

16) SHARE-BASED PAYMENTS (continued)

Share-based compensation expense (continued)

1) On June 21, 2018, the Company granted to its directors, officers, and consultants incentive stock options entitling the purchase of an aggregate 2,300,000 common shares at an exercise price of $0.275 per share. The options are exercisable for a period of 5 years until June 21, 2023, subject to earlier termination in accordance with the terms of the Company's Stock Option Plan. All of the options vest equally over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control.

   The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at $0.21 of which to date $77,016 has been expensed. The following assumptions were used in the Black-Scholes option pricing model: risk-free interest rate of 2%, expected price volatility of 105.67%, expected option life of 5 years, and annual dividend rate of 0%. The estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested is 7.0%. This percentage is derived from historical experience.

2) On September 30, 2016, the Company granted to its directors, officers, employees and consultants incentive stock options entitling the purchase of an aggregate 9,305,934 common shares at an exercise price of $0.35 per share. The options are exercisable for a period of 10 years until September 30, 2026, subject to earlier termination in accordance with the terms of the Company's Stock Option Plan. All of the options vest equally over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control.

   To date, 5,496,109 options have vested under this grant. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at $2,427,448 of which to date $2,191,334 (As at December 31, 2017 - $1,618,187) has been expensed and $33,826 (As at December 31, 2017 - $33,826) has been capitalized to exploration and evaluation assets. For the three and nine months ended September 30, 2018, an amount of $382,098 and $764,196 has been expensed and $nil has been capitalized to exploration and evaluation assets. The estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested is 10%. This percentage is derived from historical experience.

3) On February 3, 2017, the Company granted 100,000 incentive stock options with an exercise price of $0.465 to a consultant. 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 $36,918.

4) The total compensation related to the 2016 Restricted Share Units grants totalled $2,107,701, which was to be allocated over the vesting period of three years to 2019. For the three and nine months ended September 30, 2018, Abitibi Royalties recognized share-based payment of $nil and $204,980, respectively, representing the remaining unallocated costs of the RSUs granted in 2016 as the RSUs units were fully converted to common shares and the RSU plan has been terminated.

(Expressed in Canadian dollars unless otherwise noted)

17) GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents general and administrative expenses:

	For the three months September 30,		For the nine months September 30,	
	2018	2017	2018	2017
Office expenses	**$ 21,457**	$ 51,506	**$ 77,974**	$ 126,071
Advertising and exhibitions	**38,421**	11,645	**165,283**	97,148
Travelling	**15,190**	7,092	**56,246**	133,387
	$ 75,068	$ 70,243	**$ 299,503**	$ 356,606

18) ROYALTY EXPENSE

In July 2018, thru Abitibi Royalties, the Company made the following acquisitions:

	For the three months September 30,		For the nine months ended September 30,	
	2018	2017	2018	
2% NSR - Revillard Property	$ **65,750**	$ -	$ **65,750**	-
15% NPI - vicinity of Canadian Malartic Mine	**400,000**	-	**400,000**	-
1.5% NSR - Midway Project	**752,000**	-	**752,000**	-
1.5% NSR - Abitibi region, Québec	**755,000**	-	**755,000**	-
Other properties	**-**	-	**-**	20,977
	$ **1,972,750**	$ -	$ **1,972,750**	20,977

2% NSR on Revillard Property

On July 4, 2018, Abitibi Royalties entered into an agreement with an arm's length party, to acquire a 2% NSR royalty on the Revillard property for the purchase price of $65,750 (or US$50,000). The Revillard property is located approximately 10 kilometres northwest of the Canadian Malartic Mine in Québec and forms part of a larger set of claims known as the Malartic Project, which is under option by Dundee Precious Metals Inc.

15% NPI in the vicinity of Canadian Malartic Mine

On July 5, 2018, Abitibi Royalties entered into an agreement with a group of arm's length, third party sellers, to acquire a 15% carried NPI on the mineral claims located immediately west of the Canadian Malartic Mine open pit in Abitibi, Québec, for the purchase price of $400,000. The mineral claims are owned and operated by the Canadian Malartic Mine.

18) ROYALTY EXPENSE (continued)

1.5% NSR on the Midway Project

On July 9, 2018, Abitibi Royalties entered into an agreement with an arm's length party to acquire a 1.5% NSR royalty, for the purchase price of $752,000 (or US$575,000), on an area known as the Midway project, located east and south of the Canadian Malartic Mine in Abitibi, Québec. The Midway Project is owned and operated by the Canadian Malartic Mine.

A total of 1.0% of the NSR can be repurchased by the Canadian Malartic Mine by paying US$1.0 million to Abitibi Royalties.

1.5% NSR in the Abitibi region, Québec

On July 11, 2018, Abitibi Royalties entered into an agreement with an arm's length party seller, to acquire various 1.5% NSR royalties on projects owned by Agnico Eagle Mines Limited throughout the Abitibi region in Québec for the purchase price of $755,000 (or US$575,000).

A total of 1.0% of the NSR royalties can be repurchased by Agnico Eagle by paying US$1.0 million to Abitibi Royalties.

19) EQUITY TRANSACTIONS OF SUBSIDIARIES

Abitibi Royalties

Normal Course Issuer Bid

On September 25, 2017, Abitibi Royalties announced the renewal of its normal course issuer bid ("NCIB") from October 6, 2017 to October 5, 2018 allowing Abitibi Royalties to purchase for cancellation 569,797 of its issued and outstanding common shares. Common shares purchased under the NCIB were cancelled.

On September 26, 2018, Abitibi Royalties received conditional acceptance to renew its NCIB for another year until October 5, 2019. This new approval allows Abitibi Royalties to purchase up to 626,306 (representing 5% of its total issued and outstanding common shares as of September 25, 2018) of its common shares.

For the nine months ended September 30, 2018, Abitibi Royalties repurchased and cancelled 4,600 of its common shares at prices varying from $9.60 to $9.99 for a total of $44,949.

For the nine months ended September 30, 2017, Abitibi Royalties repurchased and cancelled 66,600 of its common shares at prices varying from $9.03 to $9.99 for a total of $614,930.

(Expressed in Canadian dollars unless otherwise noted)

19) EQUITY TRANSACTIONS OF SUBSIDIARIES (continued)

Transaction with Caisse de dépôt et placement du Québec ("CDPQ")

On June 29, 2018, Caisse de dépôt et placement du Québec ("CDPQ") made a strategic investment in Abitibi Royalties by purchasing 588,235 common shares of Abitibi Royalties. In order to facilitate the investment by CDPQ, certain members of the Abitibi Royalties' board, management and consultants (the "participants") exercised 516,740 stock options (consisting of 483,630 common shares at an exercise price of $0.55 per share, 16,555 common shares at an exercise price of $2.18 per share and 16,555 common shares at an exercise price of $3.62 per share) and Abitibi Royalties converted the participants' restricted share units ("RSUs") into 583,365 common shares and thereafter the participants agreed to sell, through a private transaction, 588,235 common shares to CDPQ.

Incentive stock option

A summary of changes in the number of incentive stock option for the nine months ended September 30, 2018 and 2017 is presented as follows:

	For the nine months ended September 30, 2018			For the nine months ended September 30, 2017		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding at January 1,	**625,311**	**$**	**1.11**	766,003	$	1.08
Exercised	**(544,140)**		**0.85**	(135,978)		0.96
Outstanding at September 30,	**81,171**	**$**	**2.79**	630,025	$	1.11
Exercisable at September 30,	**81,171**	**$**	**2.79**	630,025	$	1.11

For the nine months ended September 30, 2018, Abitibi Royalties issued 544,140 of its common shares from the exercise of stock options. As part of the transaction with CDPQ, Abitibi Royalties issued 516,740 common shares from exercise of stock options, consisting of 483,630 common shares at an exercise price of $0.55 per share, 16,555 common shares at an exercise price of $2.18 per share and 16,555 common shares at an exercise price of $3.62 per share. In addition, Abitibi Royalties issued 27,400 of its common shares for a total consideration of $99,188 from the exercise of stock options at a price of $3.62 per share.

For the nine months ended September 30, 2017, Abitibi Royalties issued 135,978 of its common shares for a total consideration of $130,558 from the exercise of stock options at prices of $0.55 per share for 101,763 common shares and of $2.18 per share for 34,215 common shares.

(Expressed in Canadian dollars unless otherwise noted)

19) EQUITY TRANSACTIONS OF SUBSIDIARIES (continued)

Incentive stock option (continued)

Abitibi Royalties has not renewed its stock option plan and has not granted stock options under the current plan since September 2014.

The table below summarizes the information related to outstanding share options as at September 30, 2018:

Range of Exercise price	As at September 30, 2018 Number of options	Weighted average remaining contractual life (year)
$ 2.18	**47,733**	**0.67**
$ 3.62	**13,438**	**0.96**
$ 3.70	**20,000**	**0.97**
	81,171	

Restricted Share Unit Plan

In February and March 2016, Abitibi Royalties granted 583,365 Share Units to officers, directors and consultant of which 25% vested on the date of grant with the remaining balance vesting equally on each anniversary date of grant. Expiration dates for the two grants of 72,500 grants and 510,865 grants were respectively February 4, 2019 and March 16, 2019.

On June 29, 2018, the RSUs were converted into 583,365 common shares of Abitibi Royalties, of which 360,572 were sold to CDPQ. The remaining RSU shares of 222,794 will be held in escrow until their original expiration dates of February 4, 2019 and March 19, 2019. Following the transaction with CDPQ, Abitibi Royalties terminated its RSU Plan, thereby eliminating the remaining 313,404 RSUs that were available for issuance.

A summary of changes in the number of Share Units for the nine months ended September 30, 2018 and 2017 is presented as follows:

	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Outstanding at January 1,	**583,365**	583,365
Granted	**-**	-
Converted	**(583,365)**	-
Outstanding at September 30,	-	583,365

(Expressed in Canadian dollars unless otherwise noted)

20) EARNINGS (LOSS) PER SHARE

Both the basic and diluted earnings (loss) per share have been calculated using the net income (loss) attributable to owners of the Company as the numerator, i.e. no adjustment to the net income (loss) were necessary in either period ended September 30, 2018 and 2017.

For the three and nine months ended September 30, 2018, potential dilutive common shares from stock options and RSU have not been included in the earnings (loss) per share calculation as they would result in a reduction of the loss per share.

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss) attributable to shareholders of Golden Valley Mines Ltd.	**$ (4,587,186)**	$ (1,561,757)	**$ (5,676,433)**	$ (3,322,469)
Weighted average number of shares in circulation - basic	**133,543,897**	125,383,736	**132,384,086**	121,150,590
Dilutive effect of stock options and warrants	**552,002**	4,903,438	**538,172**	5,703,429
Weighted average number of shares	**134,095,899**	130,287,174	**132,922,258**	126,854,019
Basic earnings (loss) per share	**$ (0.034)**	$ (0.012)	**$ (0.043)**	$ (0.027)
Diluted earnings (loss) per share	**$ (0.034)**	$ (0.012)	**$ (0.043)**	$ (0.027)

21) RELATED PARTY TRANSACTIONS

Transactions with key management

The Company'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. Key management includes directors and senior executives. The compensation paid to key management for employee and consulting services for Golden Valley and its subsidiaries is presented below:

(Expressed in Canadian dollars unless otherwise noted)

21) RELATED PARTY TRANSACTIONS (continued)

Transactions with key management (continued)

	For the three months ended September 30, 2018	2017	For the nine months ended September 30, 2018	2017
Short-term employee benefits				
Salaries including bonuses (1)	**$ 181,624**	$ 166,660	**$ 559,483**	$ 729,637
Benefits (2)	**16,275**	42,461	**518,721**	106,195
Directors' fees	**70,000**	70,000	**210,000**	217,500
Additional cash amounts (3)	**-**	-	**-**	87,750
Total short-term employee benefits	**267,899**	279,121	**1,288,204**	1,141,082
Other transactions with key management				
Rent (4)	**1,600**	4,286	**5,253**	14,093
Management fees (5)	**41,550**	41,550	**124,650**	124,650
Professional fees (6)	**-**	44,001	**-**	127,303
Fees relating to exploration and evaluation activities (7)	**14,700**	23,682	**44,100**	83,600
Total other transactions with key management	**57,850**	113,519	**174,003**	349,646
Share-based payments (8)	**452,251**	1,336,735	**1,102,115**	1,638,137
Total remuneration	**$ 778,000**	$ 1,729,375	**$ 2,564,322**	$ 3,128,865

1) Salaries including bonuses for the nine months ended September 30, 2017 includes the 2016 bonus of $247,500 paid by Abitibi Royalties in fiscal 2017. Performance bonuses for 2017 were recognized in the fourth quarter of 2017.
2) Benefits are the Company's contributions to mandatory governmental benefits plans related to salaries, meetings fees and taxable benefits on exercise of incentive stock options. The amount of $518,721 for the nine months ended September 30, 2018, include the Abitibi Royalties’ payroll levies of $471,820 on the taxable benefits on the conversion of the RSU into common shares and the exercise of stock options relating to the transaction with CDPQ.
3) Abitibi Royalties' Board of Directors approved additional cash payments of $84,000 to its directors, chairman, president and CEO. These amounts were awarded as a substitute for stock options.
4) Rent of $nil ($9,000 in 2017) paid to 2973090 Canada Inc., a company controlled by an officer and a director of the Company and rent of $5,253 ($5,093 in 2017) paid by Abitibi Royalties to its President.
5) Management fees of $41,550 ($41,550 in 2017) and $124,650 ($124,650 in 2017) paid to 2973090 Canada Inc. for the three and nine months ended September 30, 2018, respectively.
6) Professional fees include $nil ($45,000 in 2017) paid to the spouse of an officer and a director of the Company, pursuant to a consulting agreement related to corporate finance services dated January 1, 2016, $nil ($64,503 in 2017) paid to the former Chief Financial Officer of Abitibi Royalties and $nil ($17,500 in 2017) paid to the former Chief Financial Officer of Val-d’Or Mining.

21) RELATED PARTY TRANSACTIONS (continued)

Transactions with key management (continued)

7) Exploration and evaluation fees paid to 2973090 Canada Inc and to Rosatelli Exploration Services, a company controlled by an officer of the Company.
8) Share-based compensation relating to the incentive stock option program for officers and directors of the Company.

As at September 30, 2018, some of the salaries, meeting fees and year-end performance bonuses disclosed above in the amount of $70,000 (as at December 31, 2017 - $284,578) had not been paid and were included in account payables and accrued liabilities.

22) COMMITMENTS AND CONTINGENCIES

a) The Company has entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee. As at September 30, 2018, the total annual base fee of the officers and consultants under the agreements is $395,340. As a triggering event has not taken place, the contingent payments have not been reflected in the consolidated financial statements.

b) The Company entered into an operating lease agree expiring July 2019 with the minimum lease payment payable in the next year amounting to $46,611.

(Expressed in Canadian dollars unless otherwise noted)

23) ADDITIONAL INFORMATION - CASH FLOWS

Cash transactions

	For the nine months ended September 30, 2018	2017
Interest received	**$ 9,748**	$ 7,192
Dividends received	**207,568**	$ 174,636

Changes in non-cash working capital items

Changes in working capital	For the nine months September 30, 2018	2017
Other assets	**$ 223,875**	$ (101,251)
Prepaid expenses	**(3,445)**	(123,257)
Accounts payable and accrued liabilities	**(327,721)**	49,671
	$ (107,291)	$ (174,837)

Non-cash transactions

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

	For the nine months September 30 2018	2017
Accounts payable and accrued liabilities included in exploration and evaluation assets	**$ -**	$ 8,251
Depreciation of exploration and evaluation equipment charged to exploration and evaluation assets	**-**	926
Common shares issued by subsidiary in consideration of payment of transaction costs included in gain on disposal of exploration and evaluation assets	**-**	14,638
Options on exploration and evaluation assets received as shares of quoted mining exploration companies included in short-term financial assets	**25,000**	25,000
Common shares received in consideration of settlement fee and loan receivable from associates	**150,000**	-