# Golden Valley Mines Ltd.

## Condensed Consolidated Interim Financial Statements
## For the three months ended March 31, 2019 and 2018

**(Expressed in Canadian dollars)**

**(UNAUDITED)**

**GOLDEN VALLEY MINES LTD.**

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM 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 consolidated interim 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 consolidated interim 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 consolidated interim 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.

**Condensed Consolidated Interim Statements of Financial Position**

(unaudited)

| | Notes | | As at March 31, 2019 | | As at December 31, 2018 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | 5 | **$** | **1,733,758** | $ | 2,240,996 |
| Short-term financial assets | 6 | | **920,019** | | 610,228 |
| Royalty receivable | 10 | | **389,129** | | 14,105 |
| Other assets | 7 | | **96,066** | | 61,287 |
| Prepaid expenses and deposits | | | **25,693** | | 22,145 |
| | | | **3,164,665** | | 2,948,761 |
| **Non-current** | | | | | |
| Property and equipment | | | **3,693** | | 4,580 |
| Investment in associates | 8 | | **1,502,205** | | 1,558,410 |
| Exploration and evaluation assets | 9 | | **2,092,437** | | 2,231,238 |
| Investments | 11 | | **36,531,844** | | 34,323,826 |
| **TOTAL ASSETS** | | **$** | **43,294,844** | $ | 41,066,815 |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | | **$** | **525,490** | $ | 576,087 |
| Derivative financial instruments | 12 | | **2,334,441** | | 2,595,878 |
| | | | **2,859,931** | | 3,171,965 |
| **Non-Current** | | | | | |
| Deferred taxes | | | **1,809,115** | | 1,432,465 |
| **Total liabilities** | | | **4,669,046** | | 4,604,430 |
| | | | | | |
| **EQUITY** | | | | | |
| Capital stock | 13 | | **28,311,506** | | 28,289,902 |
| Contributed surplus | | | **5,793,612** | | 5,683,266 |
| Deficit | | | **(14,168,299)** | | (15,150,387) |
| **Total equity attributable to owners of the parent company** | | | **19,936,819** | | 18,822,781 |
| Non-controlling interest | | | **18,688,979** | | 17,639,604 |
| **Total equity** | | | **38,625,798** | | 36,462,385 |
| **TOTAL LIABILITIES AND EQUITY** | | **$** | **43,294,844** | $ | 41,066,815 |

Approved by the Board of Directors on May 27, 2019.

"*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.

**Condensed Consolidated Interim Statements of Net income (loss) and Statement of Comprehensive income (loss)**
(unaudited)

| | Notes | | For the three months ended March 31, 2019 | | 2018 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Royalties | | $ | **389,129** | $ | - |
| Dividends | | | **92,191** | | 75,643 |
| Geological fees | | | - | | 3,681 |
| | | | **481,320** | | 79,324 |
| **Operating Expenses** | | | | | |
| Salaries and other employee benefits | | | **276,542** | | 284,640 |
| Share-based compensation | 14 | | **119,200** | | 246,972 |
| Professional and legal fees | | | **194,074** | | 153,953 |
| Impairment of exploration and evaluation assets | 9 | | **170,698** | | - |
| General and administrative expenses | 15 | | **61,875** | | 125,438 |
| Management fees | | | **41,550** | | 41,550 |
| Exploration and evaluation | | | **22,840** | | 18,179 |
| Depreciation of property and equipment | | | **888** | | 1,514 |
| | | | **887,667** | | 872,246 |
| **Operating loss** | | | **(406,347)** | | (792,922) |
| **Other income (loss)** | | | | | |
| Change in fair value of investments | | | **3,314,505** | | (2,317,012) |
| Finance income | | | **4,593** | | 5,097 |
| Foreign exchange gain (loss) | | | **(17,220)** | | 100,901 |
| Finance cost | | | **(22,189)** | | (9,621) |
| Share of loss of associates | 8 | | **(56,205)** | | (102,555) |
| | | | **3,223,484** | | (2,323,190) |
| **Net income (loss) before income taxes** | | | **2,817,137** | | (3,116,112) |
| Deferred tax expense (recovery) | | | **376,650** | | (342,808) |
| **Net income (loss) and total comprehensive income (loss) for the period** | | $ | **2,440,487** | $ | (2,773,304) |
| | | | | | |
| **Net income (loss) and total comprehensive income (loss) attributable to:** | | | | | |
| Shareholders of Golden Valley Mines | | $ | **1,007,073** | $ | (1,789,777) |
| Non-controlling interest | | | **1,433,414** | | (983,527) |
| | | $ | **2,440,487** | $ | (2,773,304) |
| | | | | | |
| **Earnings (loss) per share attributable to Golden Valley Mines' shareholders:** | | | | | |
| Basic earnings (loss) per share | 17 | $ | **0.008** | $ | (0.014) |
| Diluted earnings (loss) per share | 17 | $ | **0.007** | $ | (0.014) |

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

**GOLDEN VALLEY MINES LTD.**

**Condensed Consolidated Interim Statements of Changes in Equity**

**For the three months ended March 31, 2019 and 2018**

**(unaudited)**

| | Notes | 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, 2019** | | **133,918,577** | **$ 28,289,902** | **$ -** | **$ 5,683,266** | **$ (15,150,387)** | **$ 18,822,781** | **$ 17,639,604** | **$ 36,462,385** |
| Share-based payments | | **-** | **-** | **-** | **119,200** | **-** | **119,200** | **-** | **119,200** |
| Shares issued by exercise of stock options | 13 | **75,000** | **21,604** | **-** | **(8,854)** | **-** | **12,750** | **-** | **12,750** |
| Change in interest of subsidiary | | **-** | **-** | **-** | **-** | **(24,985)** | **(24,985)** | **(384,039)** | **(409,024)** |
| | | **133,993,577** | **28,311,506** | **-** | **5,793,612** | **(15,175,372)** | **18,929,746** | **17,255,565** | **36,185,311** |
| **Net income and total comprehensive income for the period** | | | | | | **1,007,073** | **1,007,073** | **1,433,414** | **2,440,487** |
| **Balance at March 31, 2019** | | **133,993,577** | **$ 28,311,506** | **$ -** | **$ 5,793,612** | **$ (14,168,299)** | **$ 19,936,819** | **$ 18,688,979** | **$ 38,625,798** |
| **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 | | - | - | - | 191,049 | - | 191,049 | - | 191,049 |
| Shares issued by exercise of stock options | 13 | 75,000 | 21,604 | - | (8,854) | - | 12,750 | - | 12,750 |
| Shares issued by exercise of warrants | 13 | 2,650,000 | 539,066 | (168,066) | - | - | 371,000 | - | 371,000 |
| Share issue expenses | | - | (952) | - | - | - | (952) | - | (952) |
| Change in interest of subsidiaries | | - | - | - | - | - | - | 55,923 | 55,923 |
| | | 132,513,577 | 28,090,656 | - | 5,193,824 | (10,237,073) | 23,047,407 | 19,763,300 | 42,810,707 |
| **Net loss and total comprehensive loss for the period** | | | | | | (1,789,777) | (1,789,777) | (983,527) | (2,773,304) |
| **Balance at March 31, 2018** | | 132,513,577 | $ 28,090,656 | $ | $ 5,193,824 | $ (12,026,850) | $ 21,257,630 | $ 18,779,773 | $ 40,037,403 |

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

## GOLDEN VALLEY MINES LTD.

**Condensed Consolidated Interim Statements of Cash Flows**

**For the three months ended March 31, 2019 and 2018**

(unaudited)

| | Note | | 2019 | | 2018 |
|---|---|---|---|---|---|
| ***OPERATING ACTIVITIES*** | | | | | |
| Net income (loss) for the period | | $ | **2,440,487** | $ | (2,773,304) |
| Adjustments: | | | | | |
| Share-based payments | 14 | | **119,200** | | 246,972 |
| Depreciation of property and equipment | | | **888** | | 1,514 |
| Foreign exchange loss (gain) | | | **17,220** | | (100,901) |
| Share of loss in associates | 8 | | **56,205** | | 102,555 |
| Impairment of exploration and evaluation assets | 9 | | **170,698** | | - |
| Deferred tax recovery (recovery) | | | **376,650** | | (342,808) |
| Change in fair value of short-term financial assets | | | **(358,005)** | | 285,765 |
| Change in fair value of investments | | | **(2,956,500)** | | 2,031,247 |
| | | | **(133,157)** | | (548,960) |
| Changes in working capital items | 20 | | **(463,951)** | | (195,622) |
| **Cash flows used by operating activities** | | | **(597,108)** | | (744,582) |
| ***INVESTING ACTIVITIES*** | | | | | |
| Acquisition of investments | | | **(67,901)** | | - |
| Disposal of investments | | | **50,418** | | - |
| Disposal of short-term financial assets | | | **48,214** | | 230,000 |
| Tax credits received | | | **2,091** | | - |
| Additions to exploration and evaluation assets | | | **(33,988)** | | - |
| **Cash flows (used by) from investing activities** | | | **(1,166)** | | 230,000 |
| ***FINANCING ACTIVITIES*** | | | | | |
| Proceeds from exercise of stock options | | | **12,750** | | 12,750 |
| Share issue expenses | | | **-** | | (952) |
| Proceeds from exercise of warrants | | | **-** | | 371,000 |
| Net increase in derivative financial instruments | | | **504,530** | | 329,830 |
| Increase in restricted cash | | | **-** | | (256,574) |
| Change in interest of subsidiaries | | | **(409,024)** | | - |
| **Cash flows from financing activities** | | | **108,256** | | 456,054 |
| **Effect of foreign exchange rate changes on cash and cash equivalents** | | | **(17,220)** | | 100,901 |
| **Net change in cash and cash equivalents** | | $ | **(507,238)** | $ | 42,373 |
| Cash and cash equivalents, beginning of period | | | **2,240,996** | | 5,073,071 |
| **Cash and cash equivalents, end of period** | | $ | **1,733,758** | **$** | 5,115,444 |

See Note 20 for additional information on cash flows.

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

## 1) NATURE OF OPERATIONS

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

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

The Company's investments in associates include 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 was incorporated on August 15, 2000 under the Canada Business Corporations Act. The address of Golden Valley's registered office is 152 Chemin de la Mine École, Val-d'Or, J9P 7B6, Québec, Canada. The address of Golden Valley's principal place of business is 2864 Chemin Sullivan, Val-d'Or, Québec, J9P 0B9. Golden Valley'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 British Columbia Business Corporations Act. Both subsidiaries have its head office located at 152 Chemin de la Mine École, Val-d'Or, Québec, 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, Québec, H3B 1X9.

## 2) BASIS OF PRESENTATION

### *a) 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, 2018, except for the changes in accounting policies resulting from the adoption of IFRS 16 – "Leases" and IFRIC Interpretation 23 – "Uncertainty over Income Tax Treatments" 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, 2018.

## 3) BASIS OF PRESENTATION (continued)

### *b) Approval of Financial Statements*

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 27, 2019.

### *c) 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 March 31, 2019.

*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, the Company has control through its own percentage holdings 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 its 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.

(Expressed in Canadian dollars unless otherwise noted)

## 3) BASIS OF PRESENTATION (continued)

*Associates (continued)*

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.

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. No impairment was required for the three months ended March 31, 2019 and 2018.

The significant subsidiaries and investments 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 March 31:

| Percentage of ownership | As at March 31, 2019 | As at December 31, 2018 |
|---|---|---|
| **Subsidiaries** (consolidated) | | |
| Abitibi Royalties Inc. | **44.96%** | 44.83% |
| Calone Mining Ltd. | **100.00%** | 100.00% |
| **Investment in associates** (equity method) | | |
| International Prospect Ventures Ltd. | **16.50%** | 17.53% |
| Val-d'Or Mining Corporation | **32.51%** | 24.82% |

## 3) NEW AND REVISED IFRS

***New accounting standards***

At the date of authorization of these condensed consolidated interim financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations relevant to the Company's consolidated financial statements is provided below.

## 3) NEW AND REVISED IFRS (continued)

*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.

On January 1, 2019, the Company adopted IFRS 16 and concluded that, based on its current operations, the adoption of IFRS 16 had no significant impact on the Company's 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.

On January 1, 2019, the Company adopted IFRIC 23 and concluded that, based on its current operations, the adoption of IFRIC 23 had no significant impact on the Company's financial statements.

## 4) JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the condensed consolidated 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, 2018.

(Expressed in Canadian dollars unless otherwise noted)

## 5) CASH AND CASH EQUIVALENTS

| | | As at March 31, 2019 | | As at December 31, 2018 |
|---|---|---|---|---|
| Cash | **$** | **1,372,466** | $ | 1,929,212 |
| Demand deposits, redeemable at any time | | **361,292** | | 311,784 |
| | **$** | **1,733,758** | $ | 2,240,996 |

Demand deposits represent money market mutual funds earning income at an annual rate of 1.25% that is cashable at any time.

## 6) SHORT-TERM FINANCIAL ASSETS

| | | As at March 31, 2019 | | As at December 31, 2018 |
|---|---|---|---|---|
| Marketable securities [a] | **$** | **919,165** | $ | 609,374 |
| Money market investment funds | | **854** | | 854 |
| | **$** | **920,019** | $ | 610,228 |

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

## 7) OTHER ASSETS

| | | As at March 31, 2019 | | As at December 31, 2018 |
|---|---|---|---|---|
| Sales taxes recoverable | **$** | **61,572** | $ | 34,028 |
| Dividend receivable | | **23,200** | | 23,000 |
| Accounts receivables | | **8,007** | | 2,070 |
| Interest receivable | | **1,040** | | 2,189 |
| Due from related parties | | **2,247** | | - |
| | **$** | **96,066** | $ | 61,287 |

(Expressed in Canadian dollars unless otherwise noted)

## 8) INVESTMENTS IN ASSOCIATES

The investments in associates relate to the Company's investments in International Prospect and Val-d'Or Mining.

As at March 31, 2019, the Company has 4,470,910 common shares or 16.50% (December 31, 2018 - 17.53%) interest in International Prospect. The shares of International Prospect were trading at $0.175 per share on that date.

As at March 31, 2019, the Company has 13,187,443 or 32.51% (December 31, 2018 – 24.82%) interest in Val-d'Or Mining. The shares of Val-d'Or Mining were trading at $0.08 per share on that date.

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

The following table summarizes the changes to investments in associates for the three months ended March 31, 2019 and 2018:

| | International Prospects | Val-d'Or Mining | Total |
|---|---|---|---|
| As at January 1, 2019 | $ 405,748 | $ 1,152,662 | **$ 1,558,410** |
| Share of net loss from associates | (10,535) | (45,670) | **(56,205)** |
| As at March 31, 2019 | $ 395,213 | $ 1,106,992 | **$ 1,502,205** |

| | International Prospects | Val-d'Or Mining | Total |
|---|---|---|---|
| As at January 1, 2018 | $ 340,512 | $ 796,139 | **$ 1,136,651** |
| Share of net loss from associates | (6,982) | (95,573) | **(102,555)** |
| As at March 31, 2018 | $ 333,530 | $ 700,566 | **$ 1,034,096** |

(Expressed in Canadian dollars unless otherwise noted)

## 9) EXPLORATION AND EVALUATION ASSETS

The Company holds 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, 2018 | Additions | Credits | Impairment Write-off | Balance at March 31, 2019 |
|---|---|---|---|---|---|
| **Golden Valley Mines Ltd.** | | | | | |
| Acquisition and claims maintenance | $ 3,298,296 | $ 8,758 | $ - | $ - | $ **3,307,054** |
| Property option payments | 312,500 | - | - | - | **312,500** |
| Drilling, excavation and related costs | 3,241,938 | 16,023 | | - | **3,257,961** |
| Technical and field staff | 4,615,618 | 5,555 | - | - | **4,621,173** |
| Airborne geophysics | 791,822 | - | - | - | **791,822** |
| Geophysics | 2,319,401 | - | - | - | **2,319,401** |
| Line cutting | 1,108,235 | - | - | - | **1,108,235** |
| Sampling and testing | 823,818 | - | - | - | **823,818** |
| Travel and transport | 1,689,127 | 104 | - | - | **1,689,231** |
| Program management and consultants | 501,621 | 3,548 | - | - | **505,169** |
| Professional Fees | 5,215 | - | - | - | **5,215** |
| Depreciation, insurance and office expenses | 582,713 | - | - | - | **582,713** |
| Communications | 45,897 | - | - | - | **45,897** |
| Option payments received | (1,963,650) | - | - | - | **(1,963,650)** |
| Write-off of exploration and evaluation assets | (4,213,235) | - | - | - | **(4,213,235)** |
| Impairment of exploration and evaluation assets | (7,265,328) | - | - | (170,698) | **(7,436,026)** |
| Shares for mining rights | (416,666) | - | - | - | **(416,666)** |
| Government assistance | (1,639,157) | - | (2,091) | - | **(1,641,248)** |
| Net expenditures incurred during the period | 3,838,165 | 33,988 | (2,091) | (170,698) | **3,699,364** |
| Exploration and evaluation assets sold to third parties | (1,606,927) | - | - | - | **(1,606,927)** |
| **Balance, end of the period** | **$ 2,231,238** | **33,988** | **(2,091)** | **(170,698)** | **$ 2,092,437** |

(Expressed in Canadian dollars unless otherwise noted)

## 9) EXPLORATION AND EVALUATION ASSETS (continued)

| | Balance at December 31, 2017 | Additions | Credits | Impairment Write-off | Balance at December 31, 2018 |
|---|---|---|---|---|---|
| **Golden Valley Mines Ltd.** | | | | | |
| Acquisition and claims maintenance | $ 3,297,390 | $ 906 | $ - | $ - | $ **3,298,296** |
| Property option payments | 312,500 | - | - | - | **312,500** |
| Drilling, excavation and related costs | 3,241,938 | - | | - | **3,241,938** |
| Technical and field staff | 4,614,252 | 1,366 | - | - | **4,615,618** |
| Airborne geophysics | 791,822 | - | - | - | **791,822** |
| Geophysics | 2,315,628 | 3,773 | - | - | **2,319,401** |
| Line cutting | 1,099,431 | 8,804 | - | - | **1,108,235** |
| Sampling and testing | 744,773 | 79,045 | - | - | **823,818** |
| Travel and transport | 1,683,037 | 6,090 | - | - | **1,689,127** |
| Program management and consultants | 434,653 | 66,968 | - | - | **501,621** |
| Professional Fees | 5,215 | - | - | - | **5,215** |
| Depreciation, insurance and office expenses | 581,178 | 1,535 | - | - | **582,713** |
| Communications | 45,897 | - | - | - | **45,897** |
| Option payments received | (1,963,650) | - | - | - | **(1,963,650)** |
| Write-off of exploration and evaluation assets | (4,179,440) | - | - | (33,795) | **(4,213,235)** |
| Impairment of exploration and evaluation assets | (7,265,328) | - | - | - | **(7,265,328)** |
| Shares for mining rights | - | - | (416,666) | - | **(416,666)** |
| Government assistance | (1,622,905) | - | (16,252) | - | **(1,639,157)** |
| Net expendiutures incurred during the period | 4,136,391 | 168,487 | (432,918) | (33,795) | **3,838,165** |
| Exploration and evaluation assets sold to third parties | (1,606,927) | - | - | - | **(1,606,927)** |
| Balance, end of the year | 2,529,464 | 168,487 | (432,918) | (33,795) | **2,231,238** |

(Expressed in Canadian dollars unless otherwise noted)

## 9) EXPLORATION AND EVALUATION ASSETS (continued)

The following table summarizes the carrying values of Exploration and Evaluations Assets by properties as at March 31, 2019:

| | Properites optioned to Val-d'Or Mining | Properties optioned to Eldorado Gold | Properties optioned to Battery Minerals | Properties optioned to BonTerra Resources | Properties optioned to Alexandria Minerals | Other | Balance at March 31, 2019 |
|---|---|---|---|---|---|---|---|
| *Abitibi Greenstone Belt ("AGB")* | | | | | | | |
| Chibougamau (Québec) | $ 82,089 | - | - | - | - | 1,459 | $ **83,548** |
| Matachewan, Kirkland Lake (Ontario) | 1,037,226 | - | 178,247 | - | - | 5,690 | **1,221,163** |
| Matagami (Québec) | 16,412 | - | - | - | - | - | **16,412** |
| Rouyn-Noranda-Cadillac (Québec) | 74,670 | - | - | - | - | 8,737 | **83,407** |
| Val d'Or - Malartic (Québec) | 324,804 | 146,302 | - | - | 7,495 | 31,503 | **510,104** |
| Lebel-sur-Quevillon (Québec) | 6,521 | - | - | 359,307 | - | 8 | **365,836** |
| Rouyn-Noranda-Cadillac (Québec) | - | 168,030 | - | - | - | - | **168,030** |
| Kirkland Lake / Matachewan (Ontario) | - | 810,768 | - | - | - | - | **810,768** |
| Total AGB | 1,541,722 | 1,125,100 | 178,247 | 359,307 | 7,495 | 47,397 | **3,259,268** |
| *James Bay (Québec)* | - | - | - | - | - | 31,267 | **31,267** |
| *Nunavik (Ungava-Labrador)* | - | - | - | - | - | 150 | **150** |
| Total other | - | - | - | - | - | 31,417 | **31,417** |
| Investment tax credit | - | - | - | - | - | - | **(1,198,248)** |
| Balance, end of the year | | | | | | | $ **2,092,437** |

### *Golden Valley Properties*

*Mining Option Agreement with Val-d'Or Mining*

On July 17, 2017, the Company announced that the TSX Venture Exchange has issued its final acceptance of the Mining Option Agreement (the "Option Agreement") made as of April 18, 2017, pursuant to which Golden Valley has granted to Val-d'Or Mining effective July 31, 2017 an option to acquire a 100% interest in 61 of its grassroots properties.

Pursuant to the terms of the Option Agreement, Val-d'Or Mining must incur $4,000,000 of expenditures with respect to exploration and other mining operations on the properties before December 31, 2021 (with $500,000 to be incurred on or before December 31, 2018; $750,000 to be incurred on or before December 31, 2019; $1,000,000 to be incurred on or before December 31, 2020 and $1,750,000 to be incurred on or before December 31, 2021).

## 9) EXPLORATION AND EVALUATION ASSETS (continued)

*Mining Option Agreement with Val-d'Or Mining (continued)*

As consideration for the option, Val-d'Or Mining will issue 16,666,668 common shares to Golden Valley at a deemed price of $0.12 per share for an aggregate deemed value of $2,000,000 (issuable as to 25% on or before each of December 31, 2018, 2019, 2020 and 2021).

In addition, Val-d'Or Mining has granted Golden Valley a royalty equal to 1.25% of the net smelter returns from the properties on the terms set out in the Option Agreement. One (1) percent of the royalty may be bought back by Val-d'Or Mining by paying Golden Valley $5,000,000 at Val-d'Or Mining's option, in cash or shares at a deemed price per share equal to the market price of Val-d'Or Mining's shares at the time of such election. If Val-d'Or Mining has issued the shares and incurred the expenditures provided for in the Option Agreement, it may exercise the option on or before December 31, 2021.

Val-d'Or Mining has exceeded its obligations to incur $500,000 of expenditures with respect to exploration and other mining operations on the properties as of December 31, 2018. To continue the earn-in process, Val-d'Or Mining issued 4,166,667 of its common shares to Golden Valley on January 22, 2019 pursuant to the Option Agreement.

*AGB Properties – Eldorado Gold Corporation – Québec and Ontario*

On February 21, 2005, the Company was granted an option by Integra Gold Corporation ("Integra") to acquire up to an 85% interest in nine mineral properties provided that, amongst other things, it incurs an aggregate $1,000,000 in exploration expenditures on any one of or a combination of the nine properties ($500,000 for 70%, completed). The Company provided Integra with notice of its intent to vest as to a 70% interest in the properties and, a joint venture agreement was concluded on December 8, 2008 (the "GZZ-I JV").

The GZZ-I JV is subject to underlying royalties ranging between 3% and 3½% in favour of the original vendors, one of which is a director and an officer of the Company. The Bogside, Claw Lake and Cook Lake prospects are held under a 70:30 Joint Venture agreement between Golden Valley and Eldorado Gold Corporation, with the latter having acquired their interest through the acquisition of Integra.

## 9) EXPLORATION AND EVALUATION ASSETS (continued)

*Island 27 property - Battery Mineral Resources - Matachewan, Kirkland Lake, Ontario*

On June 1, 2017, the Company entered into mining option agreement with Battery Mineral Resources Limited ("Battery Minerals") (which superceded a term sheet dated March 4, 2017) pursuant to which the Company will grant to Battery Minerals an option to acquire up to an 80% interest in the Island 27 Property, located in the Matachewan area, west of Kirkland Lake, Ontario, in consideration for which the Company will receive $500,000 in cash payments and Battery Minerals will incur $5,000,000 in expenditures over a four (4) year period. Once the option is exercised, the Company will have a 20% free carried interest in the property and a 1% net smelter royalty ("NSR"). The Company received a $25,000 non-refundable deposit in accordance with the term sheet, and an additional $75,000 upon execution of the option agreement, for an aggregate of $100,000 towards the $500,000 cash payment.

On May 8, 2019, the Company received notice from Battery Minerals terminating their participation on the Island 27 property. Consequently, the Company recognized an impairment of $170,698 in estimating the recoverable value of the property.

*Lac Barry Prospect - BonTerra Resources Inc. – Level-sur-Quevillon, Québec*

On March 16, 2016, the Company 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, BonTerra issued to the Company 519,480 common shares in the capital of BonTerra having an aggregate value of $200,000 and must incur expenditures in an aggregate amount of $2,000,000 over a three-year period, of which $250,000 is to be spent in the first year of the option agreement. Upon exercising the option, BonTerra will obtain an 85% interest in the property and, the Company will retain a 15% free carried interest and a 3% NSR, with 1% of the NSR being subject to a buyback in favour of BonTerra for $1.0 million.

BonTerra met its option agreement expenditure requirements in the aggregate amount of $2,000,000 in advance of the third anniversary date (March 10, 2019). On January 19, 2019, BonTerra provided notice that they have fully exercised the option under the option agreement; and thus consequently, BonTerra now owns an 85% interest in the property.

*Centremaque Prospect – Alexandria Minerals Corporation - Val-d'Or Québec*

On April 13, 2017, the Company entered into a mining option agreement with Alexandria Minerals Corporation ("Alexandria") on the Centremaque Prospect located in the AGB, northeast of Val-d'Or, Québec. In accordance with the option agreement, in order to acquire an 80% interest in the property, Alexandria must: (i) issue, over a four year period from the date of signing, to Golden Valley such number of common shares in its capital having an aggregate value of $250,000 based on the closing price of Alexandria's shares on the Exchange the day prior to the date of issuance of each tranche of payment shares:

## 9) EXPLORATION AND EVALUATION ASSETS (continued)

*Centremaque Property – Alexandria Minerals Corporation - Val-d'Or Québec (continued)*

- $25,000 on the Approval Date (received 357,143 common shares in May 2017);
- $25,000 on or before the first anniversary (received 294,118 common shares in April 2018);
- $50,000 on or before the second anniversary (received 1,000,000 common shares in April 2019);
- $50,000 on or before the third anniversary; and, $100,000 on or before the fourth anniversary.

and (ii) incur exploration expenditures in an aggregate amount of $4,000,000 over the same four-year period, of which $250,000 is to be spent in the first year of the option agreement. Once the option is exercised, the Company will retain a 20% free carried interest and a 1.5% NSR, with 0.5% of the NSR being subject to a buyback in favour of Alexandria for $1 million payable to Golden Valley.

Alexandria agreed to a $750,000 work commitment on or before April 20, 2019 in accordance with the terms of the option agreement. To date, Alexandria incurred approximately $660,000 in exploration expenditures and has requested to extend the deadline to July 31, 2019 with a plan to incur the shortfall by that date. The Company has agreed to the extension in consideration for which Alexandria will issue 500,000 of its common shares, valued at $25,000, to the Company.

## 10) ROYALTY INTERESTS OF ABITIBI ROYALTIES

***Main royalty interests***

Abitibi Royalties' main royalty interests are as follows for which no value for accounting purposes has been assigned to the net smelter royalty ("NSR"):

*Malartic CHL 3% Royalty - Malartic, Québec*

The area covered by the 3% NSR is located immediately east of the current Canadian Malartic Mine open pit operated by Canadian Malartic GP (50% owned by Agnico Eagle Mines Limited ("Agnico Eagle") and Yamana Gold Inc. ("Yamana"). The 3% NSR covers a number of known mineralized zones.

For the three months ended March 31, 2019, Abitibi Royalties earned royalties in the amount of $389,129 (or US$291,198) (for the three months ended March 31, 2018 - $nil) from this royalty interest.

*Canadian Malartic 2% Royalty - Malartic, Québec*

The area covered by the 2% NSR is on a single claim located just to the south of the Canadian Malartic open pit, and covers the eastern portion of the Gouldie Zone and the historic Charlie Zone. Production on this 2% NSR area started in 2014 and stopped in 2015.

## 10) ROYALTY INTEREST OF ABITIBI ROYALTIES (continued)

***Other royalty interests***

*Revillard Property 2% Royalty - Malartic, Québec*

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 – Malartic, Québec*

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.

*1.5% NSR on the Midway Project – Malartic, Québec*

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 throughout the Abitibi region in Québec for the purchase price of $755,000 (or US$575,000). These projects include 1) Callahan (6.5 km northeast and northwest of the Canadian Malartic Mine and Goldex Mine and 1.5 km north of the Wesdome Gold Mines' Kiena Deep discovery), 2) Cadillac (part of the LaRonde Mine), 3) Thompson River (part of the Goldex Mine) and 4) Malartic Break (6 km northwest of the Canadian Malartic Mine). A total of 1.0% of the NSR royalties can be repurchased by Agnico Eagle by paying US$1.0 million to Abitibi Royalties.

(Expressed in Canadian dollars unless otherwise noted)

## 10) ROYALTY INTEREST OF ABITIBI ROYALTIES (continued)

### *Other royalty interests (continued)*

*1.0% NSR on the New Alger Project*

On November 18, 2018, Abitibi Royalties entered into an agreement with Renforth Resources ("Renforth") to acquire a 1.0% NSR on the New Alger Project which is 100% owned by Renforth and adjoins Agnico Eagle's LaRonde Mine. The 1.0% NSR is on the New Alger Project, which contains the historic Thompson-Cadillac Mine (mined on a limited basis from 1929-1939), located in the Abitibi region of northwest Québec. The purchase price paid by Abitibi Royalties for the 1% NSR totalled $192,500.

### *Abitibi Royalty Search Program*

In 2015, Abitibi Royalties launched the "Abitibi Royalty Search Program", by which it would reimburse renewal fees on existing claims or staking fees on new claims in exchange for a net smelter return royalty. The program offers mining companies and prospectors 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 through previous exploration.

For the three months ended March 31, 2019, no NSR royalties were acquired from Abitibi Royalties' royalty search program.

## 11) INVESTMENTS

| | As at March 31, 2019 | | As at December 31, 2018 | |
|---|---|---|---|---|
| | Number of shares | Fair value | Number of shares | Fair value |
| Yamana Gold Inc. | **3,549,695** | **$ 12,352,938** | 3,549,695 | $ 11,394,521 |
| Agnico Eagle Mines Limited | **414,597** | **24,088,086** | 414,597 | 22,844,295 |
| | | **$ 36,441,024** | | $ 34,238,816 |
| Other investments | | **90,820** | - | 85,010 |
| | | **$ 36,531,844** | | $ 34,323,826 |

*Sale and Purchase of Agnico Eagle shares*

In February 2017, Abitibi Royalties announced that it had delivered 108,700 common shares of Agnico Eagle under its covered call contracts and that Abitibi Royalties would look to reacquire the shares, if possible, through put contracts at prices below what they were sold. To date, Abitibi Royalties has reacquired 79,100 common shares of Agnico Eagle (43,500 common shares in December 2017 and 35,600 common shares in November 2018) at prices below what they were sold. No additional put contracts are currently outstanding. Refer to Note 12 "Derivative Financial Instruments".

(Expressed in Canadian dollars unless otherwise noted)

## 12) DERIVATIVE FINANCIAL INSTRUMENTS

Abitibi Royalties' total call options outstanding as at March 31, 2019 and December 31, 2018 are as follows:

| | Expiry date | Number of shares under option | Exercise price range (USD) | Market value as at March 31, 2019 |
|---|---|---|---|---|
| ***Calls*** | | | | |
| Yamana | January 17, 2020 | 3,212,000 | $ 3.50 to 5.50 | $ **836,381** |
| Yamana | January 15, 2021 | 333,100 | 4.00 to 5.00 | **148,166** |
| Agnico | May 18, 2019 | 5,000 | 50.00 | **1,336** |
| Agnico | January 17, 2020 | 355,000 | 43.00 to 65.00 | **989,053** |
| Agnico | January 15, 2021 | 46,100 | 42.00 to 50.00 | **359,505** |
| | | 3,951,200 | | $ **2,334,441** |

| | Expiry date | Number of shares under option | Exercise price range (USD) | Market value as at December 31, 2018 |
|---|---|---|---|---|
| ***Calls*** | | | | |
| Yamana | January 18, 2019 | 142,700 | $ 4.00 | $ **9,734** |
| Yamana | January 17, 2020 | 2,797,400 | 4.00 to 7.00 | **732,794** |
| Yamana | January 15, 2021 | 269,400 | 4.00 | **338,114** |
| Agnico | January 18, 2019 | 46,000 | 50.00 | **5,020** |
| Agnico | May 18, 2019 | 5,000 | 50.00 | **9,686** |
| Agnico | January 17, 2020 | 305,900 | 43.00 to 65.00 | **1,247,648** |
| Agnico | January 15, 2021 | 24,100 | 43.00 to 50.00 | **252,882** |
| | | 3,590,500 | | $ **2,595,878** |

For the three months ended March 31, 2019, Abitibi Royalties sold 10,255 call contracts (826 calls on Agnico Eagle shares and 9,429 calls on Yamana Gold shares) for total cash proceeds of $530,523 (or US$399,051). In addition, 1,887 call option contracts expired (460 on Agnico Eagle and 1,427 on Yamana) and 4,761 contracts were repurchased before expiration (115 calls on Agnico Eagle and 4,646 calls on Yamana) for $25,994 (or US$19,447).

For the three months ended March 31, 2018, Abitibi Royalties sold 4,266 call and 651 put option contracts (1,118 calls and 651 puts on Agnico shares and 3,148 calls on Yamana Gold shares) for total cash proceeds of $333,487 (or US $267,470). In addition, 18,677 call option contracts expired (774 on Agnico and 17,903 on Yamana) and 1,114 contracts were repurchased before expiration (463 calls and 651 puts all on Agnico) for $10,757 (or US $9,563).

(Expressed in Canadian dollars unless otherwise noted)

## 13) 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 three months ended March 31, 2019 and 2018 was as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of shares | Stated Value | Number of shares | Stated Value |
| Balance, as at January 1, | **133,918,577** | **$ 28,289,902** | 129,788,577 | $ 27,530,938 |
| Shares issued by exercise of stock options | **75,000** | **12,750** | 75,000 | 12,750 |
| Shares issued by exercise of warrants | **-** | **-** | 2,650,000 | 371,000 |
| Share issue expenses | **-** | **-** | - | (952) |
| Value allocation on options exercised | **-** | **8,854** | - | 8,854 |
| Value allocation on warrants exercised | **-** | **-** | - | 168,066 |
| Balance, as at March 31, | **133,993,577** | **$ 28,311,506** | 132,513,577 | $ 28,090,656 |

For the three months ended March 31, 2019, the Company issued 75,000 of its common shares from the exercise of incentive stock options at a price of $0.17 per share for a total consideration of $12,750.

For the three months ended March 31, 2018, the Company issued 75,000 of its common shares from the exercise of incentive stock options at a price of $0.17 per share for a total consideration of $12,750 and 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.

(Expressed in Canadian dollars unless otherwise noted)

## 14) SHARE-BASED PAYMENTS

The summary of changes in the number of incentive stock options issued by the Company for the three months ended March 31, 2019 and 2018 is presented as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Number of options | | Weighted average exercise price | Number of options | | Weighted average exercise price |
| Outstanding, beginning of period | **14,098,189** | **$** | **0.31** | 13,278,189 | $ | 0.29 |
| Exercised | **(75,000)** | | **0.17** | (75,000) | | 0.17 |
| Cancelled | **-** | | **-** | - | | - |
| Outstanding, end of period | **14,023,189** | **$** | **0.32** | 13,203,189 | $ | 0.29 |
| Exercisable, end of period | **8,975,134** | **$** | **0.32** | 10,455,134 | $ | 0.28 |

The table below summarizes the information related to outstanding share options as at March 31, 2019:

| Expiry date | Outstanding options<br>Number of options | | Weighted average exercise price | Weighted average remaining contractual life (years) | Exercisable options |
|---|---|---|---|---|---|
| June 30, 2019 | 304,025 | $ | 0.17 | 0.25 | 304,025 |
| July 24, 2020 | 675,000 | | 0.11 | 1.32 | 675,000 |
| January 1, 2021 | 100,000 | | 0.10 | 1.76 | 100,000 |
| June 30, 2021 | 2,300,000 | | 0.30 | 2.25 | 2,300,000 |
| February 3, 2022 | 100,000 | | 0.47 | 2.85 | 100,000 |
| September 30, 2026 | 8,244,164 | | 0.35 | 7.51 | 5,496,109 |
| June 21, 2023 | 2,300,000 | | 0.28 | 4.23 | - |
| | 14,023,189 | $ | 0.32 | | 8,975,134 |

(Expressed in Canadian dollars unless otherwise noted)

## 14) SHARE-BASED PAYMENTS (continued)

*Share-based compensation expense*

The table below summarizes share-based compensation expense for the three months ended March 31, 2019 and 2018:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **Golden Valley** | | | | |
| June 2018 option grant [(a)] | $ | **68,628** | $ | - |
| September 2016 option grant [(b)] | | **50,572** | | 191,049 |
| **Abitibi Royalties** | | | | |
| 2016 Restricted Share Units grant [(c)] | | **-** | | 55,923 |
| Share-based compensation expense | $ | **119,200** | $ | 246,972 |

a) 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 $455,441 of which to date $215,796 has been expensed. For the three months ended March 31, 2019, an amount of $68,628 (2018 - $nil) has been expensed.

b) 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 $2,292,478 has been expensed and $33,826 has been capitalized to exploration and evaluation assets. For the three months ended March 31, 2019, an amount of $50,572 (2018 - $191,049) has been expensed. 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.

(Expressed in Canadian dollars unless otherwise noted)

## 14) SHARE-BASED PAYMENTS (continued)

*Share-based compensation expense (continued)*

c) Abitibi Royalties' total compensation related to its 2016 restricted share unit grants totalled $2,107,701, which was to be allocated over the vesting period of three years to 2019. For the three months ended March 31, 2018, Abitibi Royalties recognized share-based payment of $55,923. For the three months ended March 31, 2019, Abitibi Royalties did not recognize any share-based expense on its restricted share unit as the restricted share units were fully converted to common shares as part of the transaction with Caisse de dépôt et placement du Québec ("CDPQ") on June 29, 2018. Following the transaction with CDPQ, Abitibi Royalties terminated its restricted share unit plan.

## 15) GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes general and administrative expenses for the three months ended March 31, 2019 and 2018.

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Office expenses | **$** | **22,045** | $ | 27,705 |
| Advertising and exhibitions | | **33,042** | | 76,738 |
| Travelling | | **6,788** | | 20,995 |
| | **$** | **61,875** | $ | 125,438 |

## 16) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES

*Normal Course Issuer Bid*

On September 26, 2018, Abitibi Royalties announced the renewal of its normal course issuer bid ("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. Common shares purchased under the NCIB were cancelled.

For the three months ended March 31, 2019, Abitibi Royalties repurchased and cancelled 34,200 of its common shares at prices varying from $9.49 to $12.83 for a total of $409,024.

For the three months ended March 31 2018, Abitibi Royalties did not repurchase any share under its NCIB.

(Expressed in Canadian dollars unless otherwise noted)

## 16) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES (continued)

*Incentive stock option*

Abitibi Royalties has adopted a 20% fixed option plan (the "New Plan") in 2013. Pursuant to the New Plan, options, for an aggregate total of 1,740,200 common shares, may be granted to its directors, officers, employees, consultants or management companies employees from time to time. Abitibi Royalties has not renewed its stock option plan and has not granted stock options under the current plan since September 2014. There are no stock options available under the plan.

A summary of changes in the number of incentive stock option for the three months ended March 31, 2019 and 2018 is presented as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | **81,171** | **$ 2.79** | 625,311 | $ 1.10 |
| Exercised | **-** | **-** | - | - |
| Outstanding, end of period | **81,171** | **$ 2.79** | 625,311 | $ 1.10 |
| Exercisable, end of period | **81,171** | **$ 2.79** | 625,311 | $ 1.10 |

The table below summarizes the information related to outstanding share options as at March 31, 2019 and 2018:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Range of Exercise price | Number of options | Weighted average remaining contractual life (year) | Number of options | Weighted average remaining contractual life (year) |
| $ 0.55 | **-** | **-** | 483,630 | 0.49 |
| $ 2.18 | **47,733** | **0.17** | 64,288 | 1.17 |
| $ 3.62 | **13,438** | **0.46** | 57,393 | 1.46 |
| $ 3.70 | **20,000** | **0.47** | 20,000 | 1.47 |
| | **81,171** | | 625,311 | |

(Expressed in Canadian dollars unless otherwise noted)

## 16) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES (continued)

*Restricted Share Unit Plan*

A summary of changes in the number of Restricted Share Units ("Share Units") for the year ended March 31, 2019 and 2018 is presented as follows:

| | 2019 | 2018 |
|---|---|---|
| Outstanding, beginning of period | - | 583,365 |
| Converted | | - |
| Outstanding, end of period | - | 583,365 |

In 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 Share Units and 510,865 Share Units were February 4, 2019 and March 16, 2019, respectively.

On June 29, 2018, the Share Units were converted into 583,365 common shares of Abitibi Royalties, of which 360,572 were sold to CDPQ (note 14). The remaining shares of 222,794 were 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 Share Units Plan, thereby eliminating the remaining 313,404 Share Units that were available for issuance.

(Expressed in Canadian dollars unless otherwise noted)

## 17) 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 three months ended March 31, 2019 and 2018.

As at March 31, 2019 8,344,164 stock options (10,644,164 stock options as at March 31, 2018) were excluded from the calculation of diluted earnings per share attributable to shareholders of the Company as their exercise price was higher than the Company's average share price for the three months ended March 31, 2019.

| | For the three months ended March 31, | | |
|---|---|---|---|
| | 2019 | | 2018 |
| Net income (loss) attributable to shareholders of Golden Valley Mines Ltd. | **1,007,073** | $ | (1,789,777) |
| Weighted average number of shares in circulation - basic | **133,932,744** | | 130,996,542 |
| Dilutive effect of stock options and warrants | **4,607,479** | | 1,633,931 |
| Weighted average number of shares | **138,540,223** | | 132,630,473 |
| Basic earnings (loss) per share | **0.008** | $ | (0.014) |
| Diluted eanings (loss) per share | **0.007** | $ | (0.014) |

(Expressed in Canadian dollars unless otherwise noted)

## 18) RELATED PARTY TRANSACTIONS

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.

For the three months ended March 31, 2019 and 2018, the compensation paid to key management for employee and consulting services for Golden Valley and its subsidiaries is presented below:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Short-term employee benefits | | | | |
| Salaries including bonuses | **$** | **182,750** | $ | 192,992 |
| Benefits | | **36,781** | | 28,268 |
| Directors' fees | | **70,000** | | 70,000 |
| Total short-term employee benefits | | **289,531** | | 291,260 |
| Other transactions with key management | | | | |
| Rent (1) | | **1,632** | | 1,600 |
| Management fees (2) | | **41,550** | | 41,550 |
| Fees relating to exploration and evaluation activities (3) | | **18,048** | | 21,786 |
| Total other transactions with key management | | **61,230** | | 64,936 |
| Share-based payments (4) | | **117,512** | | 240,599 |
| Total remuneration | **$** | **468,273** | $ | 596,795 |

1) Rent of $1,632 (2018 - $1,600) paid by Abitibi Royalties to its President for use of Toronto Property as an office for Abitibi Royalties.

2) Management fees of $41,550 (2018 - $41,550) paid to 2973090 Canada Inc. a company controlled by an officer and a director of the Company.

3) Fees relating to exploration and evaluation activities of $14,700 (2018 - $14,700) paid to 2973090 Canada Inc and of $3,348 (2018 - $7,086) paid to Rosatelli Exploration Services, a company controlled by an officer of the Company.

4) Share-based compensation relating to the incentive stock option program for officers and directors of the Company.

(Expressed in Canadian dollars unless otherwise noted)

## 19) 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 March 31, 2019, the total annual base fee of the officers and consultants under the agreements is $765,000. 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 agreement expiring July 2019 with a minimum lease payment payable of $27,189.

## 20) ADDITIONAL INFORMATION - CASH FLOWS

*Changes in non-cash working capital items*

| | 2019 | 2018 |
|---|---|---|
| Royalty receivable | $ **(375,024)** | $ - |
| Other assets | **(34,779)** | (35,419) |
| Prepaid expenses and deposits | **(3,548)** | 14,631 |
| Accounts payable and accrued liabilities | **(50,600)** | (174,834) |
| | $ **(463,951)** | $ (195,622) |

*Non-cash transactions*

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

| | 2019 | 2018 |
|---|---|---|
| Accounts payable and accrued liabilities included in exploration and evaluation assets | **$ 22,280** | $ **27,318** |