# GOLDEN VALLEY MINES LTD.

**Management's Discussion and Analysis**
**For the three months ended March 31, 2019**
**Dated: May 27, 2019**

## INTRODUCTION

The following is Management's Discussion and Analysis of the financial condition and results of operations of Golden Valley Mines Ltd. (the "**Company**" or "**Golden Valley**") for the three months ended March 31, 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. This discussion and analysis should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 and the audited consolidated financial statements of the Company for the year ended December 31, 2018, and the related notes thereto. All figures are in Canadian dollars unless otherwise specified.

The technical content in this Management's Discussion & Analysis has been prepared under the supervision of Mr. Glenn J. Mullan who is a "Qualified Person" as such term is defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*. All technical disclosure regarding the Company's joint venture properties has been derived solely from the public disclosure of the Company's various joint venture partners, without independent verification.

This MD&A has been reviewed by the audit committee and approved by the Company's Board of Directors on May 27, 2019.

## FORWARD-LOOKING STATEMENTS

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

## COMPANY OVERVIEW

Golden Valley is a mineral exploration company whose assets, direct or indirect through entities, include 71 exploration properties located in the following areas: (i) the Abitibi Greenstone Belt (Ontario and Québec); (ii) the James Bay; (iii) the Nunavik (Ungava and Labrador) region of northern Québec; and (v) the James Bay Lowlands of Ontario. Refer below to "Abitibi Greenstone Belt ("AGB") Grassroots Exploration Project" and "Option and Joint Venture Properties" for further details.

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 Business Corporations Act (British Columbia).

The Company's investments 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's shares trade on the TSX Venture Exchange (the "Exchange") under the symbol "GZZ".

The Company's other significant assets are the shares that it holds in other mining or exploration companies, the fair market value of which has a continuing impact on the Company's financial condition:

a) *Abitibi Royalties Inc. ("Abitibi Royalties")*

As at March 31, 2019, Golden Valley holds a 44.96% equity interest in Abitibi Royalties, a company listed on the Exchange under symbol "RZZ", that has the objective to build a premium quality royalty company by acquiring first class royalties and by exploring, evaluating and promoting its mineral properties and other projects. Abitibi Royalties owns various 1.5% to 3% Net Smelter Returns ("NSR") and 15% Net Profit Interests ("NPI") in areas located at or near the Canadian Malartic Mine, a partnership jointly operated by Agnico Eagle Mines Limited ("Agnico Eagle") and Yamana Gold Inc. ("Yamana").

Refer below to "Property Interests Assigned to Abitibi Royalties" for further details.

b) *Val-d'Or Mining Corporation ("Val-d'Or Mining")*

As at March 31, 2019, Golden Valley holds a 32.51% equity interest in Val-d'Or Mining, a company listed on the Exchange under symbol "VZZ", that is involved in the process of exploring, evaluating and promoting its mineral properties and whose 100%-owned assets include eleven (11) exploration properties located in the Abitibi Greenstone Belt (Québec), the Nunavik Region (Ungava Belt and Labrador Trough) in northern Québec, and in north-central (James Bay) Québec. It also has an option agreement with Golden Valley to acquire a 100% interest in the Abitibi Greenstone Belt Prospect consisting of 61 grassroots properties.

Refer below to "Investment in Associates" for further details.

*c) International Prospect Ventures Ltd. ("International Prospect"),*

As at March 31, 2019, Golden Valley holds a 16.50% equity interest in International Prospect, a company listed on the Exchange under symbol "IZZ", that is also in the in the process of exploring, evaluating and promoting its mineral properties and whose assets include a 100% interest in the Porcupine Miracle Prospect (Ontario), and a 40% interest in the Beartooth Island Prospect (Saskatchewan).

On September 19, 2018, International Prospect was granted one exploration licence and on January 9, 2019, International Prospect was granted a further seven exploration licences in the Pilbara region in western Australia. The eight licenses cover more than 1,026 square kilometres and are proximal to and/or cover target lithologies for gold-bearing conglomerate/sedimentary rocks at the base of the Mt. Roe Basalt (2 tenements), gold-bearing Mosquito Creek and Hardey formations (4 tenements), and other prospective rocks of the Fortescue Group (2 tenements).

Refer below to "Investment in Associates" for further details.

The information detailed in this report and pertaining to Abitibi Royalties, Val-d'Or Mining and International Prospect has been extracted from publicly available documents prepared by each of these companies and electronically filed with regulators, which are publicly available on SEDAR website (www.sedar.com) under their respective issuer profile.

## CORPORATE STRATEGY

Golden Valley is focused on project generation and evaluates opportunities to enhance its mining exploration property portfolio. The Company typically seeks partners to fund projects by way of option and joint venture agreements. Most of the agreements allow the partner to earn into a property by incurring exploration expenditures typically over periods of three to five years. In some instances, Golden Valley acts as the operator and continues exploration on these same properties funded in advance by or recovered from the partner. Furthermore, in addition to third party disbursements for exploration funding, the Company's option agreements typically provide for receipt by Golden Valley of either cash, shares, or both from its partners as well as the retention of a free-carried interest or a net smelter royalty.

## PROPERTIES AND INTEREST

The Company's exploration activities for the first quarter of 2019 focused primarily on managing and/or monitoring joint venture and/or option project exploration programs, and project generation activities directed to identifying and evaluating new opportunities and business development purposes.

### ***Abitibi Greenstone Belt ("AGB") Grassroots Exploration Project***

The AGB properties (67), including the grassroots properties optioned to Val-d'Or Mining (as discussed below) are comprised of gold (38), copper-zinc-silver (25), nickel-copper-PGE (1), molybdenum (1) and cobalt-silver-nickel (2) prospects located in Québec (48) and Ontario (19).

Golden Valley's exploration strategy consists of a systematic approach designed to reduce grassroots exploration risk, and increase the possibility of exploration success, through the sequential exploration of a large number of grassroots properties. Preliminary fieldwork conducted over the Company's properties typically includes grid establishment, geophysical and/or geochemical surveys, prospecting, reconnaissance and grid mapping and sampling, with the objective of upgrading and advancing each property to the group of "drill-ready" prospects. This exploration pattern is consistently being repeated throughout the year as much as financial and logistical circumstances permit.

## OPTION AND JOINT VENTURE PROPERTIES

*Abitibi Greenstone Belt ("AGB") Programs*

### *a) Mining Option Agreement with Val-d'Or Mining Corporation*

On July 17, 2017, the Company announced that the Exchange had issued its final acceptance of the Mining Option Agreement (the "Option Agreement") made as of April 18, 2017, pursuant to which Golden Valley had 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). 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.

Golden Valley will retain 17 of its currently held properties (in whole or in part pursuant to its interests in the various joint venture agreements it has entered into with third parties) and will continue to meet the listing requirements to be a Tier 2 mining issuer on the Exchange.

Val-d'Or Mining has exceeded its obligation to incur $500,000 of expenditures on or before December 31, 2018 as required under the Option Agreement. Val-d'Or Mining intends to continue the earn-in process on the 61 properties optioned from Golden Valley and has therefore issued during the current quarter a total of 4,166,667 of its common shares, valued at $416,667, to Golden Valley pursuant to the share consideration to be received on grant of the option to Val-d'Or Mining.

Val-d'Or Mining's objective for 2019 is to advance a limited number of key properties to the drill-stage. During this process, Val-d'Or Mining as a matter of courses takes or acquires otherwise additional claims and/or drops claims as circumstances determine.

*Program Details – Key Properties*

Val-d'Or Mining's main efforts were concentrated on the Oregon and Magoma prospects, both located in northwestern Québec.

Val-d'Or Mining conducted ground geophysical surveys and geological and prospecting programs are planned for further delineation of geophysical anomalies, together with reviews of historical mineralization and regional exploration activity, all to assist with drill target selection.

*Program Details – Other Programs*

Val-d'Or Mining completed remote sensing studies on three additional Québec-based prospects (Dionne, Mona Lisa and Riviere Lois) and additional reconnaissance exploration work over other prospects.

Prospecting of geophysical anomalies and geological targets also caused Val-d'Or Mining, in consultation with Golden Valley, to drop two of the grassroots projects.

*New Initiatives*

Val-d'Or Mining acquired, by way of staking, the Luc Bourdon Prospect located in the Ring of Fire in the McFauld's Lake area of northern Ontario. The property is prospective for base metals and gold mineralization based in prior work and regional activity. There are several known VMS Cu-Zn showings and some significant drill intersections which will be the focus of follow-up work.

For additional details with respect to the exploration and field work completed to date at Val-d'Or Mining, please refer to Val-d'Or Mining's continuous disclosure documents available at the SEDAR website (www.sedar.com) by accessing Val-d'Or Mining's issuer profile).

***b) Mining Option Agreement with Battery Mineral Resources - Island 27 Property, Ontario***

On June 1, 2017, the Company entered into a 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 4 year period. Once the option is exercised, the Company will have a 20% free carried interest in the property and a 1% NSR. In 2017, 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.

The Island 27 Prospect is located at the northern margin of the Cobalt Embayment and is underlain by early Proterozoic rocks which rest unconformable on Archean intrusive and metavolcanics rocks of the

Superior Province. In addition, Golden Valley and Battery Minerals ground staked 12 new claims in 2017 and 73 mining cells in 2018. The Island 27 Prospect is now comprised of 233 mining cells covering an area of 4,641 hectares.

A 12-hole, 2,119.5 metre diamond drilling program was completed on the property. The primary objective of the drill program is to test the geometry and grade distribution of the mineralization discovered by Golden Valley Mines in 2008 (DDH GIS-08-04) grading 4.18% Co, 0.38% Ni and 12.1 g/t Ag over 4.0 from 110.0-114.0 m:

Selective assay intervals for GIS-08-04 are shown below:

| Sample | From | To | Width (m)* | Co | Ni | Ag |
|---|---|---|---|---|---|---|
| | | | | | | |
| 311708 | 110.00 | 111.00 | 1.0 | 1.785% | 0.131% | 3.0 g/t |
| 311709 | 111.00 | 111.90 | 0.9 | 4.36% | 0.364% | 7.0 g/t |
| 311710 | 111.90 | 112.30 | 0.4 | 1.305% | 0.107% | 4.0 g/t |
| 311711 | 112.30 | 114.00 | 1.7 | 6.33% | 0.607% | 22.0 g/t |

**True widths have not yet been established*

In addition, a number of untested induced polarization anomalies are to be tested for possible extensions of the mineralized corridor and/or additional zones of Co-Ag-Ni mineralization.

Although no economic grade Co-Ag-Ni was intersected, a number of anomalous multi-element mineralized zones were intersected and are associated with similar fracturing and alteration observed in the original discovery drillhole intersection. Following completion of the diamond drill hole database, 3D modeling and a proposed follow-up drill program, a structural geological review was undertaken on the historical and 2018 drill core (SRK Senior Consultant - Structural Geology). The objective of SRK's work was to constrain the structural framework of cobalt mineralization and support exploration targeting. It is now understood that cobalt mineralization is hosted within breccia veins locally developed as dilational jogs along regional faults or shear zones. These breccia veins and dilational jogs will be targeted by a potential future drill program.

For additional details with respect to the exploration and field work completed to date on the Island 27 project, please refer to Battery Minerals' documents available for viewing by the public through the internet at www.batterymineralresources.com.

On May 8, 2019, the Company received notice from Battery Minerals terminating their participation on the Island 27 property. The Company intends to pursue a business development process to identify a new partner, or subject to market conditions, continue as operator on the Island 27 property.

### *c) Mining Option Agreement with Alexandria Minerals Corporation - Centremaque Property, 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:

- $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.

A total of seven (7) drillholes totaling 3,348 metres were completed on the Centremaque Prospect. Three (3) new gold-bearing zones have been intersected, located approximately 2 kilometres west of the Bulldog Zone (area west of the Orenada open pit). Drillholes CAX-18-001 and CAX-18-003) intersected gold bearing hosted in brecciated, biotite and chlorite altered ultramafic volcanic rocks north of the Cadillac Break. Drillhole CAX-18-006 intersected a gold bearing zone associated with strongly altered shear zones hosted within the Pontiac sediments located south of the Cadillac Break.

Presently the Company is planning a 6-hole, 1,000 metre drill program to commence in the second quarter of 2019. Contingent of these results, a Phase II program of 5,000 metres is planned for the fourth quarter of 2019.

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

### *d) Mining Option Agreement with BonTerra Resources Inc. – Lac Barry, 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 AGB, northeast of Val-d'Or, Québec. In accordance with the option agreement, BonTerra issued to Golden Valley 519,480 common shares in the capital of BonTerra having an aggregate value of $200,000, and BonTerra must incur expenditures in an aggregate amount of $2,000,000 over a three (3) year period.

Upon BonTerra exercising the option, it will obtain an 85% interest in the property and, Golden Valley 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 million payable by BonTerra to Golden Valley.

BonTerra agreed to a $250,000 work commitment in the first year. Prospecting, till sampling, line-cutting, geophysical surveys and data compilation were conducted on the property in 2016. As BonTerra did not incur $250,000 in exploration expenditures by March 15, 2017 in accordance with the terms of the option agreement, the Company agreed to extend this date to April 15, 2017, in consideration for which BonTerra paid $25,000 to the Company. Subsequent exploration activity and expenditures on the property included prospecting, till sampling/treatment, line-cutting, permitting/access, drilling/assaying, data compilation, in addition to technical support expenses.

BonTerra has met the option agreement expenditure requirements of $2,000,000 before the third anniversary date of the option agreement. Consequently, Golden Valley now retains a 15% free carried interest in the Lac Barry Prospect and a 3% NSR, with 1% of the NSR being subject to a buyback in favour of BonTerra for $1.0 million payable by BonTerra to Golden Valley.

BonTerra completed till sampling (101 samples in 2016 and 26 in 2017), prospecting, grid establishment (79 km in 2016, 26 km in 2017, 53 km in 2018), permanent and drill trail construction (13.8 km), geophysical surveying (74-line km of IP and 310 km of ground and airborne magnetic), LiDAR survey and two phases of diamond drilling programs totalling 19,936.7 metres in fifty-five (55) holes. The results of these exploration activities led to a new discovery of a gold and silver bearing horizon termed the Temica Gold Zone, with grades up to 2.7 metres at 4.7 g/t Au as reported by BonTerra. No additional work was reported on the property during the first quarter of 2019.

For additional details with respect to the exploration and fieldwork programs completed to date on the Lac Barry Prospect, as well as for the details on the expenditures made to date by BonTerra on the project, please refer to BonTerra's continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing BonTerra's issuer profile.

### *e) Eldorado Gold Corporation ("Eldorado") – Abitibi Greenstone Belt Joint Venture – Bogside Gold Prospect – Cadillac, Québec*

In 2008, the Company earned a 70% interest in the group of nine (9) properties (8 gold and 1 copper-zinc-silver) located in the AGB (Québec and Ontario) and a joint venture ("JV") was formed with Integra Gold Corporation ("Integra"). Golden Valley is the operator for the joint venture. The Bogside, Perestroika, Recession Larder, Murdoch Creek, Munro, Denovo, Cook Lake and Claw lake prospects are held under a

70:30 JV agreement between Golden Valley and Eldorado, with the latter having acquired their interest through the acquisition of Integra.

A ground prospecting and sampling program during the summer 2019 field season is planned over the Claw Lake Prospect (NE Ontario – Shiningtree area) for follow-up of a remote sensing study previously completed on the property. The joint venture is also planning an exploration program over selective parts of the Cook Lake Prospect (NE Ontario – Kirkland Lake Gold Camp) targeting the historical Scott-Kirkland Gold Mines Shaft #1 where historical sampling yield results of 2.63 oz/t Au over 3 feet (Reid, A., 1929).

<u>*James Bay Properties*</u>

***Sirios Resources Ltd. – Cheechoo Prospect***

Pursuant to an agreement dated October 23, 2013, Golden Valley granted Sirios Resources Inc. ("Sirios") an option to acquire Golden Valley's remaining 55% interest in the Cheechoo prospect. Also, on October 23, 2013, Sirios abandoned the claims comprising the Cheechoo B East and Sharks property claims resulting in Golden Valley retaining a 100% interest in the Cheechoo B East and Sharks Prospects.

The option was conditional on certain obligations being fulfilled by Sirios. On May 11, 2016, Sirios provided notice to Golden Valley that it had completed all of its obligations under the agreement to earn a 100% interest in the Cheechoo prospect, including the issuance of 1,250,000 common shares to the Company at a deemed price of $0.40 per share for a total value of $500,000. As a result, Sirios now holds 100% of the Cheechoo prospect, subject to the royalty described below.

As additional consideration, Sirios granted to Golden Valley a royalty equal to 4% of the net returns from all mineral products mined or removed from the Cheechoo gold project. Notwithstanding the foregoing, the royalty relevant to gold mineral products mined or removed from the Cheechoo gold prospect may vary between 2.5% and 3.5% depending on the market price of gold at the time of the payment.

Sirios reported the completion of its 2019 winter diamond drilling campaign. Forty-seven (47) drillholes were completed for a total of 11,322 metres drilled. Initial drilling results announced by Sirios, included 315 g/t over 1.1 metres.

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

## PROPERTY INTERESTS ASSIGNED TO THE REPORTING SUBSIDIARIES

### Abitibi Royalties Inc.

Abitibi Royalties' objective is to build a premium quality royalty company by acquiring first class royalties and by exploring, evaluating and promoting its mineral properties and other projects.

Golden Valley holds approximately 44.96% interest in Abitibi Royalties as at March 31, 2019.

As of the date of this Management's Discussion and Analysis ("MD&A"), Abitibi Royalties holds interests amongst others, in the following assets:

The Canadian Malartic Mine, where Abitibi Royalties owns various Net Smelter Returns ("NSR") and Net Profit Interests ("NPI"), is jointly operated by Agnico Eagle Mines Limited ("Agnico Eagle") and Yamana Gold Inc. ("Yamana") (the "Partnership"). Abitibi Royalties' NSRs and NPIs cover portions of the Odyssey (3% NSR), East Malartic (3% NSR), Sladen (3% NSR), Sheehan (3% NSR), Jeffrey (3% NSR), Barnat Extension (3% NSR) and portions of the Gouldie (2% NSR) and all of the Charlie Zone (2% NSR). In 2018, Abitibi Royalties acquired a 1.5% NSR on the Midway Project and a 15% NPI on the Radium Property, all operated and located at the Canadian Malartic Mine. In addition, in 2018, Abitibi Royalties acquired the following early stage exploration royalties near producing mines throughout the Abitibi region in Québec: 2% NSR on the Revillard property, 1.0% NSR on the New Alger Project, and various 1.5% NSR on projects owned by Agnico Eagle. Abitibi Royalties also owns additional royalties in Canada and Turkey.

*Malartic CHL 3% NSR Royalty - Malartic, Québec*

The area covered by the 3% NSR is located immediately east of the current Canadian Malartic Mine open pit. The 3% NSR covers a number of known mineralized zones; the eastern part of the Barnat Extension, the Jeffrey Zone and portions of the East Malartic Odyssey, Sladen and Sheehan. No value for accounting purposes has been assigned to the 3% NSR royalty.

As announced by Abitibi Royalties on January 16, 2019, production commenced at the end of fourth quarter of 2018 in the area covered by the royalty.

*Canadian Malartic 2% NSR Royalty – Malartic, Québec*

The area covered by the 2% NSR is on a single claim located just to the south of the Canadian Malartic open pit and covers the eastern portion of the Gouldie Zone and the historic Charlie Zone. Production on the 2% net smelter royalty area started in 2014 and total royalty payments of $348,795 were received. Canadian Malartic Mine reported that mining at the Gouldie deposit stopped at the end of June 2015.

*Revillard Property 2% NSR – Malartic, Québec*

The area covered by the 2.0% NSR is located approximately 10 kilometres northwest of the Canadian Malartic Mine and forms part of a larger set of claims known as the Malartic Project.

*Radium 15% NPI – Malartic, Québec*

The area covered by the 15% NPI is located immediately west of the Canadian Malartic Mine open pit. The 15% NPI covers the historic Radium Zone.

*Midway Project 1.5% NSR*

The area covered by the 1.5% NSR is located east and south of the Canadian Malartic Mine open pit. The 1.5% NSR covers a number of known mineralized zones; Piche-Harvey, Briar and Chabela. 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*

The areas covered by the various 1.5% NSRs are on projects owned by Agnico Eagle throughout the Abitibi region in Québec. These projects include 1) Callahan (6.5 km northeast and northwest of the Canadian Malartic Mine and Agnico Eagle's 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.

*1.0% NSR on the New Alger Project*

The area covered by the 1.0% NSR is located in the Abitibi region of northwest Québec. The New Alger project contains the historic Thompson-Cadillac Mine and adjoins Agnico Eagle's LaRonde mine.

*Abitibi Royalty Search*

In 2015, Abitibi Royalties launched the "Abitibi Royalty Search", by which it would reimburse renewal fees on existing claims or staking fees on new claims and will receive in exchange 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 close to an existing mine, having good geology and showing signs of mineralization through previous exploration.

Since launching the program, Abitibi Royalties invested a total of $194,376 in 13 projects located in Canada, in the provinces of Ontario, Québec and Saskatchewan, and in the Republic of Turkey. These amounts were expensed in the corresponding years because Abitibi Royalties does not expect to receive royalty income in the foreseeable future.

## INVESTMENTS IN ASSOCIATES

### International Prospect Ventures

International Prospect is involved in the process of exploring, evaluating and promoting its mineral property interest. It owns a 100% interest in the Porcupine Miracle Prospect located in Langmuir Township in Ontario; a 40% interest in the Beartooth Island Prospect located in the Athabasca Basin in Saskatchewan, which is the subject of an agreement with Ditem Explorations Inc ("Ditem") and of which Ditem is the operator; and a 100% interest in the Otish and Mistassini Prospects located in the North central region of Québec.

Golden Valley holds approximately 16.50% interest in International Prospect as at March 31, 2019.

*Projects in the Pilbara Craton, Western Australia*

On September 21, 2017, International Prospect entered into an agreement with Valroc PTY Ltd. ("Valroc"), a New South Wales company, located in Australia, pursuant to which International Prospect and Valroc will jointly acquire certain mining claims located in Western Australia, each with an undivided 50% interest. Valroc will be responsible for arranging to have had the claims acquired, registered and held in good standing. International Prospect will pay all of the costs of acquiring the claims, and other related costs including the costs of initial technical compilations and program reviews up to a maximum of $120,000 to allow International Prospect and Valroc to consider establishing a proper joint venture arrangement on or around December 31, 2017.

On December 12, 2017, International Prospect and Valroc entered into a binding share exchange agreement ("Valroc agreement") to acquire 100% interest in Valroc. Pursuant to the terms of the Valroc agreement, the owner of Valroc will exchange with International Prospect all of the issued and outstanding shares of Valroc for 1,600,000 common shares of International Prospect on the terms and conditions set forth in the Valroc agreement and Valroc will become a wholly owned subsidiary of International Prospect such that International Prospect will then own a 100% interest in the tenements upon the applications for such tenements being granted. Completion of the transactions contemplated by the Valroc agreement is conditional on the applications for the tenements being granted and acceptance by the TSX Venture Exchange.

International Prospect has made application for rights to eight tenements totalling more than 1,026 square kilometres in the Marble Bar and Nullagine districts of Western Australia where new conglomerate-hosted gold discoveries have been made, led by Novo Resources Corp. The tenements have been recommended for grant by the Western Australian Department of Mines and are now going through Aboriginal title process. International Prospect has signed three agreements with Aboriginal groups as part of this process and is awaiting their formal approval and grant of the tenements. International Prospect is conducting a review of historical work and planning its initial field exploration program.

On September 19, 2018, International Prospect was granted one exploration licence and on January 9, 2019, International Prospect was granted the remaining seven exploration licences. Furthermore, on January 31, 2019, pursuant to the binding share exchange agreement entered by International Prospect and Valroc in December 12, 2017, the owner of Valroc has exchanged with International Prospect all of the issued and outstanding shares of Valroc for 1,600,000 common shares of the International Prospect on the terms and conditions set forth in the Valroc agreement. Valroc is now a wholly owned subsidiary of International Prospect such that International Prospect now owns a 100% interest in the eight tenements.

Over the next 12 months, the Company plans to implement an exploration program consisting of data review and compilation (ongoing), remote sensing, and interpretation and targeting, and, if warranted, then followed by the prospecting, geological mapping, soil and stream sediment sample surveys, surface geophysics. Contingent on adequate financing being available, targets would then be tested by trenching (bulk sampling) and/or diamond drilling.

For additional details with respect to the exploration and field work completed to date at International Prospect, please refer to International Prospect's continuous disclosure documents available at the SEDAR website (www.sedar.com) by accessing International Prospect's issuer profile).

*The Porcupine Miracle Prospect*

International Prospect owns a 100% interest in the Porcupine Miracle Prospect, located in Langmuir Township, northern-eastern Ontario Timmins-Porcupine district. Subsequent to the mining claim to cell claim conversion process completed by the Ontario government in 2018, the property now consists of 9 claim cells (1 single cell and 8 boundary cell claims), covering an area of 64 hectares. The property is subject to a royalty in favour of 2973090 Canada Inc, a company controlled by the president, equal to 3% of net smelter returns. In addition, advance royalty payments of $10,000 per annum is payable by International Prospect; the advance royalty payments will be deducted from the amounts payable under the royalty.

International Prospect has completed a Phase I property-scale ground magnetic, induced polarization (IP) and Horizontal Loop Electromagnetic (HLEM) geophysical surveying. A follow-up Phase II program of prospecting, mapping, bedrock stripping, sampling and diamond drill is recommended. A NI-43-101 Technical report on the property was completed in 2018.

The property is available for option and International Prospect is actively seeking joint venture partners.

**Val-d'Or Mining Corporation**

Golden Valley holds an approximate 32.51% interest in Val-d'Or Mining as at March 31, 2019.

Val-d'Or Mining is currently focused on the advancement of the AGB grassroots properties optioned from the Company for a drill program in 2019.

Val-d'Or Mining also owns the following assets and subject to market condition, is in the process of exploring, evaluating and promoting its mineral property interest and holds interests:

a) The Boston Bulldog Prospect is comprised of 15 claim cells (14 single cell and 1 boundary cell claim covering an area of 305 ha), located in Kirkland Lake, Ontario. Val-d'Or Mining was granted an option to acquire a 100% interest in the property. An exploration program for the property is currently at the planning stage.

b) The Shoot-Out Prospect is the combination of two former properties, Shoot-Out East and Shoot-Out West, located in the Raglan Belt of northern Québec. Val-d'Or Mining has a 100% ownership interest in this property that is subject to a 3% NSR. Presently no immediate exploration fieldwork is planned on the property.

c) The Fortin Prospect is located in the central part of Ducros Township, located approximately 80 kilometres northeast of the City of Val-d'Or, Québec. The property consists of 5 contiguous mining claims (200 hectares), which Val-d'Or Mining holds a 100% interest in this property that is subject to a 1.5% NSR. Presently no immediate exploration fieldwork is planned on the property; and,

d) The Marymac Prospect is located in the Labrador Trough of Québec. Val-d'Or Mining holds a 100% interest in the Marymac Prospect that is subject to a 2% NSR. Presently no immediate exploration fieldwork is planned on the property.

For additional details with respect to the exploration and field work completed to date at Val-d'Or Mining, please refer to Val-d'Or Mining's continuous disclosure documents available at the SEDAR website (www.sedar.com) by accessing Val-d'Or Mining's issuer profile).

## SELECTED INFORMATION

This table represents selected consolidated information for the Company for the three months ended March 31, 2019, 2018 and 2017:

| | | 2019 | | 2018 | | 2017 |
|---|---|---|---|---|---|---|
| Total Revenue | **$** | 481,320 | $ | 79,324 | $ | 92,792 |
| Net income (loss) and total comprehensive income (loss) | | 2,440,487 | | (2,773,304) | | (1,011,941) |
| Net income (loss) and total comprehensive income (loss) attributable to shareholders of Golden Valley Mines Ltd. | | 1,007,073 | | (1,789,777) | | (699,586) |
| Net income (loss) and total comprehensive income (loss) attributable to the non-controlling interest | | 1,433,414 | | (983,527) | | (312,355) |
| | | | | | | |
| Basic earnings (loss) per share ($) | **$** | 0.008 | $ | (0.014) | $ | (0.006) |
| Diluted earnings (loss) per share | | 0.007 | | (0.014) | | (0.006) |
| | | | | | | |
| Total Assets | **$** | 43,294,844 | $ | 44,660,465 | $ | 46,283,609 |
| Total Liabilities | | 4,669,046 | | 4,623,062 | | 4,686,172 |

*Discussion on Consolidated Financial Results*

For the three months ended March 31, 2019, the Company reported consolidated net income of $2,440,487 (or $0.008 earnings per share) compared to consolidated net loss of $2,773,304 (or $0.014 loss per share) for the same period in 2018. The better results for the three months ended March 31, 2019 are mainly from the royalty contribution of $389,129 (2018 - $nil) received from Abitibi Royalties' Malartic CHL 3% NSR royalty interest, from the increase of $2,202,209 (2018 - decrease of $2,733,239) in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana since the beginning of the year, from the increase of $474,048 (2018 - $426,865) in the fair value of derivative financial instruments held by Abitibi Royalties and from the increase of $358,005 (2018 - decrease of $285,765) in the market value of Company's marketable securities.

Total Assets increased from $41,066,815 as at December 31, 2018 to $43,294,844 as at March 31, 2019 as a result of the increase of $2,202,209 in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana since the beginning of 2019. The common shares of Agnico Eagle and Yamana have increased from a share price of $55.10 and $3.21 as at December 31, 2018 to a share price of $58.10 and $3.48 as at March 31, 2019, respectively.

Total Liabilities increased from $4,604,430 as at December 31, 2018 to $4,669,046 as at March 31, 2019 due to increase of $376,650 in the deferred tax liabilities, net of a decrease of $261,437 associated with Abitibi Royalties' derivative financial instruments. The deferred tax liability totaled $1,809,115 as at March 31, 2019 compared to $1,432,465 as at December 31, 2018. The deferred tax liability consists of the potential tax liability of $4,186,590 on the capital gain to be realized on the eventual sale of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, net of the tax reduction of $1,380,467 from Abitibi Royalties' operating losses realized in the current and prior years, $687,695 and $309,313 in respect of temporary differences between the carrying amounts of Abitibi Royalties' assets and liabilities for financial reporting purposes and the amounts used for taxation purposes for exploration and evaluation expenditures and derivative financial instruments, respectively.

## OUTLOOK

The Company is evaluating certain strategic business opportunities in the exploration/mining industry. A number of internal reviews and assessments have been completed, or are in progress, for distressed companies and assets, both in Canada and abroad. Additionally, various property submittals are routinely considered for acquisitions.

Furthermore, the general public market volatility that has continued to affect the overall state of the exploration industry has offered Golden Valley new opportunities for its project generation ("PGEN") activities, where previously the demand for prospective land was at a much more competitive state. One of the Company's most important attributes is its ability to identify new high priority exploration opportunities and flexibility to adapt quickly to changing market conditions in base, precious and energy minerals. The Company routinely assesses government data and/or historical work reports together with proprietary data to acquire prospective mining claims. The past results of this grassroots exploration generative business model have led to the identification of several new mineral discoveries (Co-Ag-Ni, Ni-Cu-PGE and Au-VMS) in the Abitibi Greenstone Belt on 100%-owned properties; it has also assisted the Company in the successful creation of several option/joint venture agreements allowing for diamond drilling, in particular on those projects on which reconnaissance work has already been completed to identify prospective drill targets (such as the Island 27 Prospect near Matachewan, Ontario for Co-Ni-Ag; the Centremaque Prospect near Val-d'Or and the Lac Barry Prospect NE of Val-d'Or, the latter two properties primarily for gold). In this manner, the Company remains focused on its core business of early-stage acquisitions, PGEN and drill target definition, while working with its public subsidiaries and arms-length joint venture partners to conduct the more expensive and detailed drill-based exploration programs.

## SUPPLEMENTARY INFORMATION ON OPERATING RESULTS

| For the three months ended March 31, 2019 | Golden Valley | Abitibi Royalties | Calone Mining | Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Royalties | $ - | $ 389,129 | $ - | **$ 389,129** |
| Dividends | - | 92,191 | - | **92,191** |
| | - | 481,320 | - | **481,320** |
| **Operating Expenses** | | | | |
| Salaries and other employee benefits | 47,959 | 228,583 | - | **276,542** |
| Share-based compensation | 119,200 | - | - | **119,200** |
| Professional and legal fees | 46,945 | 146,779 | 350 | **194,074** |
| Impairment of exploration and evaluation assets | 170,698 | - | - | **170,698** |
| General and administrative expenses | 15,403 | 46,472 | - | **61,875** |
| Management fees | 41,550 | - | - | **41,550** |
| Exploration and evaluation | 22,840 | - | - | **22,840** |
| Depreciation of property and equipment | 888 | - | - | **888** |
| | 465,483 | 421,834 | 350 | **887,667** |
| **Operating loss** | (465,483) | 59,486 | (350) | **(406,347)** |
| **Other income (loss)** | | | | |
| Change in fair value of investments | 358,005 | 2,956,500 | - | **3,314,505** |
| Finance income | 1,294 | 3,299 | - | **4,593** |
| Foreign exchange loss | - | (17,220) | - | **(17,220)** |
| Finance cost | (866) | (21,265) | (58) | **(22,189)** |
| Share of loss of associates | (56,205) | - | - | **(56,205)** |
| | 302,228 | 2,921,314 | (58) | **3,223,484** |
| **Net income (loss) before income taxes** | (163,255) | 2,980,800 | (408) | **2,817,137** |
| Deferred tax expense | - | (376,650) | - | **(376,650)** |
| **Net income (loss)and total comprehensive income (loss) for the period** | $ (163,255) | $ 2,604,150 | $ (408) | **$ 2,440,487** |

## SUPPLEMENTARY INFORMATION ON OPERATING RESULTS (CONTINUED)

| For the three months ended March 31, 2018 | Golden Valley | Abitibi Royalties | Calone Mining | Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Royalties | $ - | $ - | $ - | **$ -** |
| Dividends | - | 75,643 | - | **75,643** |
| Geological fees | 3,681 | - | - | **3,681** |
| | 3,681 | 75,643 | - | **79,324** |
| **Operating Expenses** | | | | |
| Salaries and other employee benefits | 64,901 | 219,739 | - | **284,640** |
| Share-based compensation | 191,049 | 55,923 | - | **246,972** |
| Professional and legal fees | 39,826 | 112,706 | 1,421 | **153,953** |
| General and administrative expenses | 79,511 | 45,927 | | **125,438** |
| Management fees | 41,550 | - | - | **41,550** |
| Exploration and evaluation | 18,179 | - | - | **18,179** |
| Depreciation of property and equipment | 1,514 | - | - | **1,514** |
| | 436,530 | 434,295 | 1,421 | **872,246** |
| **Operating loss** | (432,849) | (358,652) | (1,421) | **(792,922)** |
| **Other income (loss)** | | | | |
| Change in fair value of investments | (285,765) | (2,031,247) | - | **(2,317,012)** |
| Finance income | 1,356 | 3,741 | - | **5,097** |
| Foreign exchange gain | | 100,901 | - | **100,901** |
| Finance cost | (913) | (8,650) | (58) | **(9,621)** |
| Share of loss of associates | (102,555) | - | - | **(102,555)** |
| | (387,877) | (1,935,255) | (58) | **(2,323,190)** |
| **Net loss before income taxes** | (820,726) | (2,293,907) | (1,479) | **(3,116,112)** |
| Deferred tax recovery | - | 342,808 | - | **342,808** |
| **Net loss and total comprehensive loss for the period** | $ (820,726) | $ (1,951,099) | $ (1,479) | **$ (2,773,304)** |

## DISCUSSION AND RESULTS OF OPERATIONS

**Revenues**

For the three months ended March 31, 2019, the Company recognized consolidated revenues of $481,320 compared to $79,324 for the same period in 2018. Consolidated revenues for the first quarter of 2019 mainly consisted of royalty contribution of $389,129 (2018 - $nil) from Abitibi Royalties' Malartic CHL 3% NSR royalty interest at the Canadian Malartic Mine near Val-d'Or Québec where production commenced at the end of 2018 in the area covered by the Abitibi Royalties' 3% NSR; and, dividends of $92,191 (2018 -$75,643) from Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana. The increase in dividend revenue is a result of higher number of Agnico Eagle shares as Abitibi Royalties purchased 35,600 shares of Agnico Eagle under its put contracts in November 2018.

***Operating Expenses***

For the three months ended March 31, 2019, the Company recognized consolidated operating expenses of $887,667 compared to $872,246 for the same period in 2018. Significant variances in operating expenses are as follows:

- Share-based compensation expense has decreased to $119,200 for 2019 compared to $246,972 for 2018. Share-based compensation for 2019 of $119,200 includes $68,628 (2018 - $nil) from the Golden Valley's June 2018 grant of 2,300,000 incentive stock option at an exercise price of $0.275 and $50,572 (2018 – $191,049) from Golden Valley's September 2016 grant of 9,305,934 incentive stock option at an exercise price of $0.35 per share, which vest equally over a period of 3 years, that is allocated to 2019.

  Share-based compensation expense for 2018 includes $55,923 for restricted share units granted to Abitibi Royalties' officers, directors and consultants. There is no share-based compensation relating to restricted share units for 2019 as the restricted share unit plan was terminated by Abitibi Royalties in June 2018.

- Professional and legal fees, which comprised of audit, tax and accounting fees, legal fees, investor relations fees, and other consultation fees have increased to $194,074 for 2019 from $153,953 for 2018. The increase for 2019 relates to fees incurred by Abitibi Royalties for executive compensation benchmarking and admission on the Nasdaq International Designation program.

- Impairment of $170,698 (2018 - $nil) on exploration and evaluation assets relates to the Company's Island 27 property whereby, as discussed above, on May 8, 2019, the Company received notice from Battery Minerals terminating their participation on the Island 27 property. The carrying value of the property has been written down to its estimated recoverable value.

- General and Administrative expenses, which consist of office expenses, advertising, exhibitions and travelling have decreased to $61,875 for 2019 compared to $125,438 for 2018. The decrease relates to lower advertising, exhibition and travel expenses as the Company has become selective on new business opportunities and ways to enhance shareholder value via participation in different trade shows, corporate venues, and participation on occasional trade missions while assisting its subsidiaries and associates in enhancing their own corporate development in Canada and internationally.

### *Other Income (loss)*

For the three months ended March 31, 2019, the Company recognized consolidated other income of $3,223,484 compared to consolidated other loss of $2,323,190 for the same period in 2018.

Other income for 2019 includes a favourable change in fair value of investments of $3,314,505 compared to unfavourable change of $2,317,012 for the same period in 2018. The favourable change in the fair value of investments of $3,314,505 primarily relates to the increase of $2,202,209 in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana and to the fair value gain of $474,048 in Abitibi Royalties' outstanding derivative financial instruments since the beginning of the year. In addition, the Company has unrealized gains of $358,005 on its marketable securities representing shares of publicly traded mining exploration companies.

Other income in 2019 is also net of foreign exchange loss of $17,220 compared to foreign exchange gains of $100,901 for 2018. Abitibi Royalties is subject to fluctuation in the exchange rate with the US dollar as its derivative financial instruments are in US dollars. In addition, as at March 31, 2019, Abitibi Royalties' cash on hand included US$657,222 (December 31, 2018 - US$553,504), representing $878,245 (December 31, 2018 - $755,090) of the total cash on hand of $1,320,878 (December 31, 2018 - $1,689,511). As at March 31, 2019, a fluctuation of 1% in the U.S dollar value relative to the Canadian dollar has an impact of $8,782 (December 31, 2018 - $7,551) on the Company's cash on hand.

### *Deferred Taxes*

For the three months ended March 31, 2019, Abitibi Royalties recognized deferred tax expense of $376,650 compared to deferred tax recovery of $342,808 for the same period in 2018.

The deferred tax expense for 2019 mainly relates to Abitibi Royalties recognizing an increase in the market value of $2,202,209 in its investments in the common shares of Agnico Eagle and Yamana. Deferred income tax is impacted by the change in the fair value as the tax cost on these investments is insignificant compared to the market value of those common shares.

## FINANCIAL CONDITION REVIEW

| | | Golden Valley (1) | | Abitibi Royalties | | Calone Mining | | As at March 31, 2019 | | As at December 31, 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Current Assets* | | | | | | | | | | |
| Cash and cash equivalents | $ | 412,782 | $ | 1,320,878 | $ | 98 | $ | **1,733,758** | $ | 2,240,996 |
| Short-term financial assets | | 920,019 | | - | | - | | **920,019** | | 610,228 |
| Royalty receivable | | - | | 389,129 | | - | | **389,129** | | 14,105 |
| Other assets | | 51,644 | | 44,407 | | 15 | | **96,066** | | 61,287 |
| Prepaid expenses | | 20,093 | | 5,600 | | - | | **25,693** | | 22,145 |
| *Non-current assets* | | | | | | | | | | |
| Property and equipment | | 3,693 | | - | | - | | **3,693** | | 4,580 |
| Investments in associates | | 1,502,205 | | - | | - | | **1,502,205** | | 1,558,410 |
| Exploration and evaluation assets | | 2,092,437 | | - | | - | | **2,092,437** | | 2,231,238 |
| Investments | | - | | 36,531,844 | | - | | **36,531,844** | | 34,323,826 |
| **Total Assets** | | 5,002,873 | | 38,291,858 | | 113 | | **43,294,844** | | 41,066,815 |
| *Current liabilities* | | | | | | | | | | |
| Accounts payable and accrued liabilities | | 192,705 | | 332,785 | | - | | **525,490** | | 576,087 |
| Derivative financial instruments | | - | | 2,334,441 | | - | | **2,334,441** | | 2,595,878 |
| *Non-current liabilities* | | | | | | | | | | |
| Deferred taxes | | - | | 1,809,115 | | - | | **1,809,115** | | 1,432,465 |
| **Total Liabilities** | | 192,705 | | 4,476,341 | | - | | **4,669,046** | | 4,604,430 |

Note (1): Golden Valley's equity interest in Abitibi Royalties, a subsidiary of the Company, is eliminated for financial reporting purposes of the supplementary consolidated financial information.

### *Cash and cash equivalents*

The Company ended the first quarter of 2019 with consolidated cash and cash equivalents of $1,733,758 compared to $2,240,996 as at December 31, 2018. The Company holds cash balances in both Canadian and U.S. dollars.

### *Short-term financial assets*

The Company held publicly traded securities comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements having a market value of $920,019 as at March 31, 2019.

### *Royalty receivable*

Royalty receivable as at March 31, 2019 represents the royalty contribution of $389,129 (or US$291,198) earned from Abitibi Royalties' Malartic CHL 3% NSR royalty for the three months ended March 31,2019.

***Other assets***

Other assets of $96,066 mainly comprised of sales taxes recoverable of $61,572 (2018 - $34,028) and dividends receivable of $23,200 (2018 – $23,000) from Abitibi Royalties' investments in Agnico Eagle and Yamana shares.

***Investment in Associates***

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

The Company's ownership in International Prospect has decreased from 17.53% as at December 31, 2018 to 16.50% as at March 31, 2019 mainly as result of International Prospect issuing 1,600,000 of its common shares in January 2019 to acquire Valroc as described above.

The Company's ownership in Val-d'Or Mining has increased from 24.82% as at December 31, 2018 to 32.51% interest as at March 31, 2019 mainly as result of the share consideration of 4,166,667 common shares received from Val-d'Or Mining in accordance with the Option Agreement.

The Company has accounted for its investments in International Prospect and Val-d'Or Mining using the equity method. For the three months ended March 31, 2019, the Company recognized a loss of $56,205 from its share in associates, compared to $102,555 for the same period in 2018. The Company has no contingent liabilities relating to its interest in the associates.

***Exploration and evaluation assets***

Exploration and evaluation assets totaled $2,092,437 as at March 31, 2019 compared to $2,231,238 as at December 31, 2018. The decrease in Exploration and evaluation assets relates to the impairment charge of $170,698 on the Island 27 property as a result of the termination of the mining option agreement with Battery Minerals.

As at March 31, 2019, the Company's exploration and evaluation assets consist of projects and interest as follows:

| | 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 period | | | | | | | $ **2,092,437** |

Golden Valley's Abitibi Greenstone Belt Grassroots exploration projects comprising of gold, copper-zinc-silver, nickel-copper-PGE, molybdenum and cobalt-silver-nickel prospects located in Québec and Ontario. The Company has optioned exploration projects to Val-d'Or Mining, Battery Minerals, and Alexandria in 2017, BonTerra in 2016, Sirios in 2013 and Integra in 2005.

***Investments***

| | As at Number of Shares | Fair Value | As at 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” of the Company’s unaudited condensed consolidated interim financial statements as at March 31, 2019.

As at the date of this report, Abitibi Royalties holds 3,549,695 shares of Yamana and 414,597 shares of Agnico Eagle.

***Derivative Financial Instruments***

The status of the Abitibi Royalties’ call option contracts as of May 15, 2019, the date of Abitibi Royalties’ Management’s Discussion and Analysis for the three months ended March 31, 2019, is presented in the table below:

| | Price in US Dollars | Number of shares | Option Expiry Date | % of shares held |
|---|---|---|---|---|
| **Yamana Gold** | $ 3.00 | 23,600 | January 17, 2020 | 0.66% |
| | $ 3.00 | 5,700 | January 15, 2021 | 0.16% |
| | $ 3.50 | 546,000 | January 17, 2020 | 15.38% |
| | $ 4.00 | 1,575,400 | January 17, 2020 | 44.38% |
| | $ 4.00 | 388,300 | January 15, 2021 | 10.94% |
| | $ 4.50 | 267,700 | January 17, 2020 | 7.54% |
| | $ 5.00 | 708,700 | January 17, 2020 | 19.97% |
| | $ 5.00 | 19,800 | January 15, 2021 | 0.56% |
| | | **3,535,200** | | **99.59%** |

| | Price in US Dollars | Number of shares | Option Expiry Date | % of shares held |
|---|---|---|---|---|
| **Agnico Eagle** | $ 42 | 7,600 | January 15, 2021 | 1.83% |
| | $ 43 | 31,000 | January 17, 2020 | 7.48% |
| | $ 47 | 4,000 | January 17, 2020 | 0.96% |
| | $ 49 | 8,200 | January 17, 2020 | 1.98% |
| | $ 50 | 261,100 | January 17, 2020 | 62.98% |
| | $ 50 | 49,900 | January 15, 2021 | 12.04% |
| | $ 55 | 30,000 | January 17, 2020 | 7.24% |
| | $ 60 | 22,700 | January 17, 2020 | 5.48% |
| | | 414,500 | | **99.98%** |

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 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 Eagle shares and 3,148 calls on Yamana shares) for total cash proceeds of $333,487 (or US$267,470). In addition, 18,677 call option contracts expired (774 on Agnico Eagle and 17,903 on Yamana) and 1,114 contracts were repurchased before expiration (463 calls and 651 puts all on Agnico Eagle) for $10,757 (or US$9,563).

Abitibi Royalties only sells call options when it owns the underlying shares. Should covered calls be sold, it is Abitibi Royalties' objective to use strike prices that are anticipated to be well above the share price of Agnico Eagle and Yamana at the time the contract is written, with contracts generally expiring between 1 month and 2 years. Abitibi Royalties only writes put contracts when it has the required funds (in the currency which the contract was written) to purchase the underlying shares should the put contract be exercised.

***Accounts payable and accrued liabilities***

Accounts payable and accrued liabilities of $525,490 (December 31, 2018 - $576,087) consist of trade payables of $128,668 (December 31, 2018 - $53,270), director fees of $70,000 (December 31, 2018 - $70,000), 2018 performance bonuses payable of $298,563 (December 31, 2018 - $368,063) and accrued liabilities of $28,169 (December 31, 2018 - $84,754). For the Company, director fees and 2018 performance bonuses payable as at March 31, 2019 amounted to $32,500 and $66,938, respectively.

***Deferred tax liability***

The deferred tax liability totaled $1,809,115 as at March 31, 2019 compared to $1,432,465 as at December 31, 2018. The deferred tax liability consists of the potential tax liability of $4,186,590 on the capital gain to be realized on the eventual sale of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, net of the tax reduction of $1,380,467 from operating losses realized in the current and prior years, $687,695 and $309,313 in respect of temporary differences between the carrying amounts of Abitibi Royalties' assets and liabilities for financial reporting purposes and the amounts used for taxation purposes for exploration and evaluation expenditures and derivative financial instruments, respectively.

***Equity***

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.

## SUMMARY OF QUARTERLY RESULTS

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

| | Mar-19 | Dec-18 | Sep-18 | Jun-18 | Mar-18 | Dec-17 | Sep-17 | Jun-17 |
|---|---|---|---|---|---|---|---|---|
| Total revenues ($) | 481,320 | 100,308 | 78,552 | 105,450 | 79,324 | 19,311 | 70,201 | 125,080 |
| Net income (loss) and total comprehensive income (loss) for the period ($) | 2,440,487 | 1,656,125 | (9,173,837) | 2,419,475 | (2,773,304) | 1,506,461 | (1,854,520) | (1,653,527) |
| Net income (loss) and total comprehensive income (loss) attributable to shareholders of Golden Valley ($) | 1,007,073 | 239,908 | (4,587,186) | 700,530 | (1,789,777) | 717,526 | (1,561,757) | (1,061,126) |
| Net income (loss) and total comprehensive income (loss) attributable to the non-controlling interest ($) | 1,433,414 | 1,416,217 | (4,586,651) | 1,718,945 | (983,527) | 788,935 | (292,763) | (592,401) |
| Net earnings (loss) per share ($) | | | | | | | | |
| Basic | 0.008 | 0.012 | (0.034) | 0.005 | (0.014) | 0.006 | (0.012) | (0.009) |
| Diluted | 0.007 | 0.012 | (0.034) | 0.005 | (0.014) | 0.006 | (0.012) | (0.009) |

- For the three months ended March 31, 2019, the Company reported consolidated net income of $2,440,487, resulting mainly from a royalty contribution of $389,129 (2018-$nil) received from Abitibi Royalties' Malartic CHL 3% NSR royalty interest and from the increase of $2,202,209 (2018-decrease of $2,733,239) in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana since the beginning of the year.

- For the three months ended December 31, 2018, the Company reported consolidated net income of $1,656,125 compared to a net income of $1,506,461 for the same period in 2017. The net income for the three months ended December 31, 2018 is mainly from the increase of $4,400,722 in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, and royalty expense of $192,500 relating to the NSR acquired by Abitibi Royalties in November 2018, net of unrealized losses of $991,499 in the fair value of the liability associated with its derivative instruments

- For the three months ended September 30, 2018, the Company reported consolidated net loss of $9,173,837 compared to a net loss of $1,854,520 for the same period in 2017. The net loss for the three months ended September 30, 2018 is mainly from the unfavourable change in the fair value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana in the amount of

$8,286,116 and royalty expense of $1,972,750 relating to the NSR and NPI interests acquired by Abitibi Royalties in July 2018, net of deferred tax recovery of $1,681,377.

- For the three months ended June 30, 2018, the Company reported a consolidated net income of $2,419,475 compared to a net loss of $1,653,527 for the same period in 2017, respectively. The improved results for the three months ended June 30, 2018 is due to the favourable change in fair value of investments of $3,654,659, which substantially relates to the change in fair value of Abitibi Royalties' investments and derivative instruments in the common shares of Agnico Eagle Mines and Yamana, offset by higher salaries and employee benefits expense from payroll levies associated with the exercise of stock options and conversion of the RSUs into common shares on the transaction with CDPQ and by higher share-based compensation from the Company's September 2016 incentive stock option grant, which fair value is allocated over the vesting period of three years.

- For the three months ended March 31, 2018, the Company reported a net loss of $2,773,304 compared to a net loss of $1,011,941 for the same period in 2017. The increase in loss in the first quarter of 2018 is due to the unfavourable change in fair value of investments of $2,317,012 which substantially relates to the change in fair value of Abitibi Royalties' investments and derivative instruments in the common shares of Agnico Eagle and Yamana in the amount of $2,031,247.

- For the three months ended December 31, 2017, the Company recognized consolidated net income of $1,506,461, resulting from the $2,801,666 change in fair value of investments and a gain of $483,292 recognized on loss of control of Val-d'Or Mining, net of impairment loss of $560,942 on exploration and evaluation assets and bonuses of $297,250.

- For the three months ended September 30, 2017, the Company recognized consolidated net loss of $1,854,520, resulting mainly from higher share-based compensation recognized in the current quarter of $1,347,606. Shares-based compensation expense includes the amount of $1,211,139 from Golden Valley's September 2016 grant of 9,305,934 common shares at an exercise price of $0.35 per share, which vest equally over a period of 3 years, that is allocated for the three months ended September 30, 2017.

- For the three months ended June 30, 2017, the Company reported consolidated net loss of $1,653,527, resulting mainly from the $1,316,028 decrease in fair value of the investment in the common shares of Agnico Eagle and Yamana held by Abitibi Royalties, net of deferred tax recovery of $250,675.

## EXPLORATION ACTIVITIES

Total investments in exploration and evaluation assets decreased from $2,231,238 to $2,092,437 as at March 31, 2019. The decrease in Exploration and evaluation assets substantially relates to the Company's impairment charge of $170,698 on the Island 27 property. As discussed above, on May 8, 2019, the Company received a notice from Battery Minerals terminating their participation on the Island 27 property.

The Company's and the Reporting Subsidiaries' property interests in Québec, Ontario and Saskatchewan are considered to be prospective for precious metals (i.e. gold, silver and platinum group metals), base-metals (i.e. nickel, copper, zinc, and cobalt), and energy minerals (i.e. uranium).

The Company’s exploration activities for the first quarter of 2019 focused primarily on managing and/or monitoring joint venture and/or option project exploration programs, and project generation activities directed to identifying and evaluating new opportunities and business development purposes.

The primary focus for the Company’s project generation activities was in the AGB region of Québec and Ontario. During the first quarter of 2019, 19 mining claims were staked on two (2) existing properties in Québec and, four (4) additional mining claims were staked on two (2) existing properties in Ontario, totaling 23 claims, covering 405 hectares.

## LIQUIDITY AND CAPITAL RESOURCES

Consolidated total assets of the Company as at March 31, 2019 totaled $43,294,844 (December 31, 2018- $41,066,815), which included cash and cash equivalents of $1,733,758 (December 31, 2018- $2,240,996), short-term financial assets consisting of marketable securities totaling $920,019 (December 31, 2018- $610,228) and long-term investments mainly consisting of common shares in Agnico Eagle and Yamana totaling $36,531,844 (December 31, 2018- $34,323,826).

Cash outflow used by operating activities for the three months ended March 31, 2019 totaled $597,108 compared to $744,582 for the same period in 2018. The cash outflows in 2019 was primarily due to the timing of working capital requirements in Abitibi Royalties.

Investing activities resulted in net cash outflows of $1,166 for the three months ended March 31, 2019, compared with cash inflows of $230,000 for the same period in 2018. The cash outflows for 2019 was the result of the acquisitions and dispositions in shares of other publicly traded mining companies that are either held as long-term investments by Abitibi Royalties or short-term marketable securities by the Company. The cash outflows for 2018 of $230,000 relates to a maturity of a guaranteed investment certificate in the Company’s short-term financial assets.

Financing activities resulted in net cash inflows of $108,256 for the three months ended March 31, 2019 compared with cash inflows of $456,054 for the same period in 2018. Cash flows from financing activities was related primarily to Abitibi Royalties’ sale of calls option contracts for total cash proceeds of $504,350, net of $409,024 resulting from Abitibi Royalties’ repurchase and cancellation of 34,200 of its common shares at prices varying from $9.49 to $12.83 per share.

## CAPITAL STOCK INFORMATION

### *Authorized*

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

### *Issued and Outstanding*

The following details the issued and outstanding securities of the Company as at May 27, 2019:

| | Total Outstanding | Escrowed |
|---|---|---|
| Common shares | 133,993,577 | Nil |
| Preferred shares | Nil | Nil |
| Warrants | Nil | Nil |
| Incentive stock options | 14,023,189 | Nil |

*Incentive Stock Options:*

| Expiry Date | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| June 30, 2019 | 304,025 | $ 0.17 |
| July 24, 2020 | 675,000 | $ 0.11 |
| January 1, 2021 | 100,000 | $ 0.10 |
| June 30, 2021 | 2,300,000 | $ 0.30 |
| February 3, 2022 | 100,000 | $ 0.47 |
| September 30, 2026 | 8,244,164 | $ 0.35 |
| June 21, 2023 | 2,300,000 | $ 0.28 |
| | 14,023,189 | $ 0.32 |

## CAPITAL STOCK INFORMATION OF REPORTING SUBSIDIARIES

### *Abitibi Royalties Inc.*

Issued and Outstanding

The following details the issued and outstanding securities of Abitibi Royalties as of May 15, 2019, the date of Abitibi Royalties' Management's Discussion and Analysis for the three months ended March 31, 2019:

| | Total Outstanding | Escrowed |
|---|---|---|
| Common shares | 12,484,978 | Nil |
| Preferred shares | Nil | Nil |
| Warrants | Nil | Nil |
| Incentive stock options | 63,933 | Nil |
| Restricted share units | Nil | Nil |

Incentive Stock Options

The following details the outstanding incentive stock options of Abitibi Royalties as of May 15, 2019, the date of Abitibi Royalties' Management's Discussion and Analysis for the three months ended March 31, 2019, are as follows:

| Expiry Date | Number of Options | Exercise Price | |
|---|---|---|---|
| June 2, 2019 | 47,733 | $ | 2.18 |
| September 15, 2019 | 2,649 | $ | 3.62 |
| September 17, 2019 | 13,551 | $ | 3.70 |
| | 63,933 | $ | 2.56 |

## RELATED PARTY TRANSACTIONS

The information pertaining to related party transactions are disclosed in Note 18 of the unaudited condensed consolidated interim financial statements as at March 31, 2019.

## OFF BALANCE SHEET ARRANGEMENTS

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

## CONTRACTUAL COMMITMENTS AND OBLIGATIONS

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. 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.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Any changes in accounting policies including those that have not been adopted are explained in note 3 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019.

## JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The judgements, estimates and assumptions used by management are described in note 5 of the audited consolidated financial statements for the year ended December 31, 2018.

## NON-IFRS MEASURE

The Company has referred to consolidated working capital throughout this document. Working capital is a Non-IFRS performance measure. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following tables provide a reconciliation of consolidated working capital to the financial statements as at March 31, 2019 and December 31, 2018:

| | Golden Valley | Abitibi Royalites | Calone Mining | As at March 31, 2019 | As at December 31, 2018 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | $ 412,782 | $ 1,320,878 | $ 98 | $ 1,733,758 | $ 2,240,996 |
| Short-term financial assets | 920,019 | - | - | 920,019 | 610,228 |
| Royalty receivable | - | 389,129 | - | 389,129 | 14,105 |
| Other assets | 51,644 | 44,407 | 15 | 96,066 | 61,287 |
| Prepaid expenses | 20,093 | 5,600 | - | 25,693 | 22,145 |
| | 1,404,538 | 1,760,014 | 113 | 3,164,665 | 2,948,761 |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | $ 192,705 | $ 332,785 | $ - | $ 525,490 | $ 576,087 |
| Derivative financial instruments | - | 2,334,441 | - | 2,334,441 | 2,595,878 |
| | 192,705 | 2,667,226 | | 2,859,931 | 3,171,965 |
| **Working Capital** | $ 1,211,833 | $ (907,212) | $ 113 | $ 304,734 | $ (223,204) |

Although Abitibi Royalties has negative working capital as at March 31, 2019, it is able to meets its obligations when due and be able to remedy the working capital deficiency through cash flow generated primarily from option premiums and royalties. In addition, Abitibi Royalties has investments in the common shares of Agnico Eagle and Yamana with a fair value of $36,531,844 as at March 31, 2019.

## RISK AND UNCERTAINTIES

### Investment of Speculative Nature

Investing in the Company is of a highly speculative nature.

### Nature of Mineral Exploration and Mining

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

**Mineral Deposits and Production Costs; Metal Prices**

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

**Exploration and Development Risks**

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

**Additional Financing**

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

**Permits and Licenses**

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

**Competition**

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

**Dependence on Key Individuals**

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

### Environmental and other Regulatory Requirements

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

### Political Regulatory Risks

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

### Currency Risk

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

### Conflicts of Interest

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

### Insurance

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

### Influence of Third-Party Stakeholders

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

### Fluctuation in Market Value of Shares

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

### Derivatives instruments

Due to the complex nature and market volatility that may influence the market value of the shares, selling of call and put options is subject to risk including limiting the potential upside gains and being obligated to purchase the underlying shares above the current market value. Although all risks cannot be eliminated, the Company is mitigating these risks by owning the underlying shares or having the cash requirement to meet its obligations.

## ADDITIONAL INFORMATION

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