



## **Golden Valley Mines Ltd.**

### **Condensed Consolidated Interim Financial Statements as at March 31, 2017 and 2016**

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

**Golden Valley Mines Ltd.**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2017**

(Unaudited)  
(in Canadian dollars)

	Notes	March 31, 2017 \$	December 31, 2016 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		8,734,217	2,725,177
Short-term financial assets	6	2,263,779	2,322,465
Other accounts receivable		45,724	46,572
Sales taxes recoverable		56,339	37,139
Tax credits receivable		85,035	85,035
Prepaid expenses		32,737	21,965
		<u>11,217,831</u>	<u>5,238,353</u>
<b>Non-current</b>			
Property and equipment		10,656	11,642
Exploration and evaluation assets	7	3,099,000	3,029,712
Investment	9	31,956,122	38,457,271
<b>Total assets</b>		<u>35,065,778</u>	<u>41,498,625</u>
		<u>46,283,609</u>	<u>46,736,978</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities			
Related parties controlled by directors		7,698	36,154
Liability component related to flow-through shares		17,175	
Others		599,794	284,037
Derivative financial instrument	9	474,085	489,131
		<u>1,098,752</u>	<u>809,322</u>
<b>Non-Current</b>			
Deferred income taxes		3,585,420	3,826,422
		<u>3,585,420</u>	<u>3,826,422</u>
<b>Total liabilities</b>		<u>4,684,172</u>	<u>4,635,744</u>
<b>EQUITY</b>			
Capital stock	10.1	25,860,231	25,317,470
Warrants	10.2	379,448	424,448
Contributed surplus		3,845,364	3,843,686
Deficit		(8,614,905)	(7,993,946)
<b>Total equity attributable to owners of the parent company</b>		<u>21,470,137</u>	<u>21,591,657</u>
Non-Controlling interest		20,129,300	20,509,577
<b>Total equity</b>		<u>41,599,437</u>	<u>42,101,234</u>
<b>Total liabilities and equity</b>		<u>46,283,609</u>	<u>46,736,978</u>

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

These condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on May 29, 2017.

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

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

**Golden Valley Mines Ltd.****Consolidated Statement of income (loss) and Statement of Comprehensive Income (loss)****For the three-month period ended March 31, 2017 and 2016**

(Unaudited)

(in Canadian dollars)

	Notes	Three-month period ended	
		March 31, 2017 \$	March 31, 2016 \$
<b>Revenues</b>			
Dividends		67,282	69,962
Option Revenue		25,000	
Royalties			1,542
Geological fees		510	
		<u>92,792</u>	<u>71,504</u>
<b>Operating Expenses</b>			
Salaries and other employee benefits	11	789,375	739,639
Office expenses		41,503	44,260
Management fees		41,550	25,032
Professional and legal fees		274,189	208,982
Advertising and exhibitions		52,524	11,140
Travelling		41,820	11,512
Exploration and evaluation expenditures		4,194	4,205
Royalty purchase	8	20,977	21,950
Depreciation of property and equipment		677	1,875
Reversal of success fee liability			(4,157,110)
		<u>1,266,809</u>	<u>(3,088,514)</u>
<b>Operating income (loss)</b>		<u>(1,174,017)</u>	<u>3,160,018</u>
<b>Other income (loss)</b>			
Finance cost		(19,393)	(16,038)
Finance income		2,358	2,828
Foreign exchange gain / (loss)		(25,040)	105,972
Reversal of liability of component related to flow-through shares		2,766	
Change in fair value of financial assets at fair value through profit or loss		(39,617)	9,587,606
		<u>(78,926)</u>	<u>9,680,368</u>
<b>Net income (loss) before income taxes</b>		<u>(1,252,943)</u>	<u>12,840,386</u>
Deferred income taxes		(241,002)	1,134,522
<b>Net income (loss) and total comprehensive income (loss) for the period</b>		<u><u>(1,011,941)</u></u>	<u><u>11,705,864</u></u>
Net income (loss) and total comprehensive income (loss) attributable to:			
Shareholders of Golden Valley Mines		(699,586)	5,837,629
Non-controlling interest		(312,355)	5,868,235
		<u><u>(1,011,941)</u></u>	<u><u>11,705,864</u></u>
<b>Income (loss) per share attributable to Golden Valley Mines shareholders</b>			
Basic earnings (loss) per share	13	(0.006)	0.053
Diluted earning per share	13	(0.006)	0.051

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

**Golden Valley Mines Ltd.**  
**Consolidated Statement of Changes in Equity**  
**For the three-month period ended March 31, 2017 and 2016**

(Unaudited)  
(in Canadian dollars)

	Note	Capital Stock	Warrants	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity	
	Number	\$	\$	\$	\$	\$	\$		
<b>Balance at January 1, 2017</b>		116,103,577	25,317,470	424,448	3,843,686	(7,993,947)	21,591,657	20,509,577	42,101,234
Share based payments				36,918		36,918			36,918
Units issued by exercise of stock options	11.1	590,000	83,740	(35,240)		48,500			48,500
Units issued by exercise of warrants	10.2	3,000,000	465,000	(45,000)		420,000			420,000
Share issue expenses			(5,979)			(5,979)			(5,979)
Change in interest of subsidiaries					78,627	78,627	(67,922)		10,705
Transactions with owners		119,693,577	25,860,231	379,448	3,845,364	(7,915,320)	22,169,723	20,441,655	42,611,378
<b>Net loss and total comprehensive loss for the period</b>						(699,586)	(699,586)	(312,355)	(1,011,941)
<b>Balance at March 31, 2017</b>		119,693,577	25,860,231	379,448	3,845,364	(8,614,905)	21,470,137	20,129,300	41,599,437
<b>Balance at January 1, 2016</b>		109,974,974	24,847,407	161,250	2,812,260	(10,947,451)	16,873,466	11,175,002	28,048,468
Share issue expenses			(271,144)	263,198		(7,946)			(7,946)
Shares issued for conversion of debenture		4,150,000	415,000			415,000			415,000
Change in interest of subsidiaries					242,251	242,251	168,480		410,731
Transactions with owners		114,124,974	24,991,263	424,448	2,812,260	(10,705,200)	17,522,771	11,343,482	28,866,253
<b>Net income and total comprehensive income for the period</b>						5,837,629	5,837,629	5,868,235	11,705,864
<b>Balance at March 31, 2016</b>		114,124,974	24,991,263	424,448	2,812,260	(4,867,571)	23,360,400	17,211,717	40,572,117

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

**Golden Valley Mines Ltd.**  
**Consolidated Statement of Cash Flows**  
**For the three-month period ended March 31, 2017 and 2016**

(Unaudited)  
(in Canadian dollars)

	For the three-month period ended	
	March 31, 2017	March 31, 2016
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	(1,011,941)	11,705,864
Adjustments		
Depreciation of property and equipment	677	1,875
Reversal of liability component related to flow-through shares	(2,766)	
Reversal of success fee liability	-	(4,157,110)
Share-based payments	170,418	526,925
Changes in fair value of financial assets at fair value through profit and loss	39,617	(9,587,606)
Deferred tax expense	(241,002)	1,134,522
	<u>(1,044,997)</u>	<u>(375,530)</u>
Changes in working capital items		
Other accounts receivable	848	59,164
Sales taxes recoverable	(19,200)	(29,426)
Prepaid expenses	(10,772)	12,476
Accounts payable and accrued liabilities	300,071	53,090
Cash flows used by operating activities	<u>(774,050)</u>	<u>(280,226)</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of short-term financial assets	(260,000)	(300,000)
Disposal of short-term financial assets	210,000	35,000
Tax credits received	-	6,983
Additions to exploration and evaluation assets	(68,979)	(54,317)
Payment of success fees	-	(15,890)
Disposal of investments	6,098,350	-
Cash flows from (or used by) investing activities	<u>5,979,371</u>	<u>(328,224)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares by exercise of stock options	48,500	-
Convertible unsecured debenture		415,000
Share issue expenses	(5,979)	(10,255)
Issuance of units by exercise of warrants	420,000	-
Derivative financial instruments	415,993	313,135
Change in interest of subsidiaries	(74,795)	(116,251)
Cash flows from financing activities	<u>803,719</u>	<u>601,629</u>
<b>Net change in cash and cash equivalents</b>	<b>6,009,040</b>	<b>(6,820)</b>
Cash, beginning of the period	2,725,177	1,905,367
Cash, end of the period	<u>8,734,217</u>	<u>1,898,547</u>

See Note 15 for additional information on cash flows

**Cash transactions:**

Interest received	2,358	2,828
Interest paid	424	318

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

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

**Golden Valley Mines Ltd.****Notes to the condensed consolidated interim financial statements****For the three-month period ended March 31, 2017 and 2016**(in Canadian dollars)

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**1. NATURE OF OPERATIONS**

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

**2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

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

Golden Valley Mines Ltd. was incorporated on August 15, 2000 under the Business Corporations Act (Canada).

The address of Golden Valley Mines Ltd.'s registered office is 152 Chemin de la Mine École, Val-d'Or, J9P 7B6, Quebec, Canada. The address of Golden Valley Mines Ltd.'s principal place of business is 2864 chemin Sullivan, Val-d'Or, Quebec, J9P 0B9. Golden Valley Mines Ltd.'s shares are listed on the TSX Venture Exchange.

**3. BASIS OF PRESENTATION AND SIGNIFICANT**

These interim financial statements cover the three-month period ended March 31, 2017 and were 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 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 Corporation's audited consolidated annual financial statements for the year ended December 31, 2016. 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, 2016.

**4 USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the unaudited condensed interim consolidated financial statements requires management to undertake a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 5 of the Corporation's 2016 consolidated annual financial statements and are still applicable for the period ended March 31, 2017.

**Golden Valley Mines Ltd.****Notes to the condensed consolidated interim financial statements****For the three-month period ended March 31, 2017 and 2016**

(in Canadian dollars)

**5 Basis of consolidation**

The Corporation's financial statements consolidate the accounts of Golden Valley Mines Ltd., the parent company, and all of its subsidiaries until March 31, 2017. The parent company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and the ability to affect those returns through its power over the subsidiary. For Uranium Valley Mines Ltd., Golden Valley Mines Ltd. exercises control through its own percentage holding in Uranium Valley Mines Ltd. combined with interest of certain members of its Board of Directors in Uranium Valley as well as its ability to appoint key management who have the ability to direct its activities. For Abitibi Royalties Inc., the Corporation has control through its own percentage holding in Abitibi Royalties Inc. combined with interest of certain members of its Board of Directors in Abitibi Royalties as well as its ability to appoint members of the Board of Directors and key management who have the ability to direct activities. For Nunavik Nickel Mines Ltd, Golden Valley Mines Ltd. exercises control through its own percentage holding in Nunavik Nickel Mines combined with interest of certain members of its Board of Directors in Nunavik Nickel Mines as well as its ability to appoint key management who have the ability to direct its activities. All subsidiaries have a reporting date of March 31. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

**Subsidiaries**

Details of the Corporation's subsidiaries at March 31, 2017 and December 31, 2016 are as follows:

Name of subsidiaries	Principal activity	Country of incorporation	Percentage of ownership	
			March 31, 2017	December 31, 2016
			Interest and voting / Power held	Interest and voting / Power held
Abitibi Royalties Inc. ("Abitibi Royalties")	Mineral exploration in Canada	Canada	49.66%	49.45%
Nunavik Nickel Mines Ltd. ("Nunavik Nickel")	Mineral exploration in Canada	Canada	44.49%	60.27%
Uranium Valley Mines Ltd. ("Uranium Valley")	Mineral exploration in Canada	Canada	22.36%	22.36%
Calone Mining Ltd. ("Calone")	Mineral exploration	Canada	100%	100%

**6. SHORT-TERM FINANCIAL ASSETS**

	March 31, 2017	December 31, 2016
	\$	\$
Guaranteed investment certificates 0.5% maturing in December 2017 and March 2018	300,000	250,000
Money market investment funds	854	854
Marketable securities in quoted mining exploration companies	1,962,925	2,071,611
Undeposited certificates		
Short-term financial assets	<u>2,263,779</u>	<u>2,322,465</u>

**Golden Valley Mines Ltd.****Notes to the condensed consolidated interim financial statements****For the three-month period ended March 31, 2017 and 2016**

(in Canadian dollars)

**7. EXPLORATION AND EVALUATION ASSETS**

The carrying amount can be analyzed as follows:

	Balance at January 1, 2017 \$	Additions \$	Disposition	Impairment Write-off	Balance at March 31, 2017 \$
<b>Golden Valley Mines Ltd. Properties</b>					
Acquisition and claims maintenance	3,239,269	13,530			3,252,799
Property option payments	312,500				312,500
Drilling, excavation and related costs	3,227,329				3,227,329
Technical and field staff	4,488,978	35,544			4,524,522
Airborne geophysics	780,702				780,702
Geophysics	2,315,628				2,315,628
Line cutting	1,099,431				1,099,431
Sampling and testing	736,963				736,963
Travel and transport	1,682,529	83			1,682,612
Program management and consultants	420,767	8,419			429,186
Professional Fees	4,715				4,715
Depreciation, insurance and office expenses	566,960	6,279			573,239
Communications	45,435	275			45,710
Option payments received	(1,838,650)				(1,838,650)
Write-off of exploration and evaluation assets	(4,082,705)				(4,082,705)
Impairment of exploration and evaluation assets	(6,853,787)				(6,853,787)
Government assistance	(1,622,905)				(1,622,905)
Net expenses incurred during the period	4,523,159	64,130			4,587,289
Exploration and evaluation assets sold to third parties	(1,606,927)				(1,606,927)
Balance, end of the period	<u>2,916,232</u>	<u>64,130</u>		-	<u>2,980,362</u>
<b>Abitibi Royalties Inc. Properties</b>					
Acquisition and claims maintenance	27,791	150			27,941
Technical and field staff	8,655				8,655
Program management and consultants	2,551	55			2,606
Net expenses incurred during the period	<u>38,997</u>	<u>205</u>		-	<u>39,202</u>
<b>Nunavik Nickel Mines Ltd. Properties</b>					
Acquisition and claims maintenance	1,850,318	2,293			1,852,611
Technical and field staff	9,625	389			10,014
Program management and consultants	8,257				8,257
Airborne geophysics	290,304				290,304
Amortization, insurance, administration	219				219
Government assistance	(128,456)				(128,456)
Impairment of exploration and evaluation assets	(1,970,258)				(1,970,258)
Net expenses incurred during the period	<u>60,009</u>	<u>2,682</u>		-	<u>62,691</u>
<b>Uranium Valley Mines Ltd. Properties</b>					
Acquisition and claims maintenance	1,577,522				1,577,522
Technical and field staff	3,994	1,600			5,594
Geophysics	-	671			671
Travel and transport	41,452				41,452
Program management and consultants	4,809				4,809
Communication	60				60
Government assistance	(706)				(706)
Write-off of exploration and evaluation assets	(1,612,657)				(1,612,657)
Net expenses incurred during the period	<u>14,474</u>	<u>2,271</u>		-	<u>16,745</u>
<b>Summary</b>					
Mining rights	6,933,131	15,973			6,949,104
Exploration and evaluation assets	(1,890,483)	53,315			(1,837,168)
Exploration and evaluation assets sold to third parties	(1,606,927)				(1,606,927)
Disposal of a subsidiary	(406,009)				(406,009)
	<u>3,029,712</u>	<u>69,288</u>		-	<u>3,099,000</u>



**Golden Valley Mines Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended March 31, 2017 and 2016**  
(in Canadian dollars)

**8. ROYALTY PURCHASES**

***Abitibi Royalty Search***

In the first quarter ended March 31, 2017, Abitibi Royalties invested \$20,977 (\$21,950 in 2016) to acquire NSR royalties in three projects; one in Saskatchewan and two in Ontario. These amounts were expensed in the corresponding years because Abitibi Royalties does not expect to receive royalty income in the foreseeable future.

**9. INVESTMENTS**

**Abitibi Royalties Inc. Investments**

	March 31, 2017		December 31,
	Number of shares	Fair Value	2016
			\$
Yamana Gold Inc. ("YRI")	3,549,695	13,027,380	13,382,350
Agnico Eagle Mines Limited ("AEM")	335,497	18,928,741	25,074,921
		31,956,121	38,457,271

**Sale of Agnico Eagle Shares**

On January 20, 2017, Abitibi Royalties was called to deliver 108,700 shares of Agnico from the covered call options it had sold. For more details refer to Derivative financial instruments section below.

**Derivative financial instrument**

In the first quarter of 2017, Abitibi Royalties sold 10,999 (9,058 in Q1 2016) call/put option contracts covering 1,099,900 (905,800 in Q1 2016) shares of its investment in Yamana and Agnico, for total cash proceeds of \$415,993 (\$313,135 in Q1 2016). In the first quarter of 2017, 13,339 (None in Q1 2016) option contracts expired and 1,087 (None in Q1 2016) option contracts were exercised. The position of Abitibi Royalties regarding call /put options at March 31, 2017 and December 31, 2016.

On January 20, 2017, Abitibi Royalties was called to deliver 108,700 shares of Agnico (43,600 at US \$45 and 65,100 at US \$40) and received, net of commission paid, CA \$6,071,202 (using a conversion rate of 1.33) from the covered call options it had sold. None of the other covered call options expiring on January 20, 2017 have been called.

The total call/put options sold outstanding at March 31, 2017 and December 31, 2016 are as follows:

	<u>Expiry date</u>	<u>Number of shares</u>	<u>Exercise price range</u> (USD)	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
			\$	\$	\$
Yamana Gold Inc.	January 20, 2017		4.50 to 12.00	-	15,954
Yamana Gold Inc.	January 19, 2018	1,137,700	5.00 to 10.00	108,399	128,780
Yamana Gold Inc.	January 18, 2019	200,000	7.00	61,175	
Agnico Eagle Mines Ltd	January 20, 2017		40.00 to 55.00	-	344,397
Agnico Eagle Mines Ltd	January 19, 2018	83,900	85.00	35,705	
Agnico Eagle Mines Ltd	May 19, 2017	108,600	39.00 to 44.00	268,806	
		<u>1,530,200</u>		<u>474,085</u>	<u>489,131</u>

**Golden Valley Mines Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended March 31, 2017 and 2016**  
(in Canadian dollars)

**10. EQUITY**

**10.1 Capital Stock**

The Capital Stock of the Corporation consists of fully paid common shares.

**Authorized**

Unlimited number of common shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of the Corporation.

**Issued share capital**

During the first quarter ending March 31, 2017 the Corporation issued 3,000,000 of its common shares for a total consideration of \$420,000. 3,000,000 common shares were issued from the exercise of share purchase warrants at \$0.14 per share.

**10.2 Warrants**

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

	March 31, 2017	
	Number of warrants	Weighted average exercise price \$
Balance, beginning of reporting period	14,900,000	0.14
Granted		
Exercised	(3,000,000)	0.14
Balance, end of reporting period	<u>11,900,000</u>	<u>0.14</u>

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

	March 31, 2017	
Expiry date	Number	Exercise price \$
November 30, 2017	7,750,000	0.14
March 18, 2018	4,150,000	0.14
	<u>11,900,000</u>	<u>0.14</u>

**Golden Valley Mines Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended March 31, 2017 and 2016**  
(in Canadian dollars)

**10.3 Share capital and warrants transaction of subsidiaries**

**a) Abitibi Royalties Inc.**

During the first quarter ended March 31, 2017, Abitibi Royalties had repurchased and cancelled 50,100 of its common shares at prices varying from \$8.93 to \$9.55 for a total of \$462,817. (Q1 - 2016 : 35,700 common shares cancelled at prices from \$2.90 to \$4.12 for a total of \$118,380).

**b) Nunavik Nickel Mines**

On March 30, 2017, Nunavik Nickel closed a non-brokered private placement financing pursuant to which it issued 4,353,461 units at a price of \$0.065 per unit for a gross proceeds of \$282,975. Each unit consists of one common share in the capital of Nunavik Nickel and one non-transferable share purchase warrant, each whole warrant entitling the purchase of one common share at a per share price of \$0.085 until March 30, 2019.

In connection with the financing, Nunavik Nickel issued an aggregate 225,200 common shares at a deemed per share price of \$0.04 for \$9,008 representing 8% of the purchase proceeds received from subscribers introduced to Nunavik Nickel by the finders and issued 225,200 non-transferable finders warrants entitling the purchase of an aggregate 225,200 common shares of Nunavik Nickel at a per share price of \$0.085 until March 30, 2019, representing 8% of the number of units placed with the assistance of the finders. When granted, the fair value of the 225,200 non-transferable finders warrants of \$5,630, issued as compensation warrants to settle finder's fees, was established based on the value of the service received and recorded as an increase of issuance costs, deducted from share capital, and as an increase of Warrants in the statement of changes in equity. Nunavik Nickel also incurred regulatory fees in relation with the private placement of \$2,238.

On January 30, 2017, a total of 890,000 warrants were exercised at a price of \$0.12 for a total gross proceeds of \$106,800.

	March 31, 2017	
	Number	Weighted
	of warrants	average
		exercise price
Balance, beginning of reporting period	1,291,250	0.12
Granted	4,578,661	0.085
Exercised	(890,000)	0.12
Expired	(401,250)	0.12
Balance, end of reporting period	<u>4,578,661</u>	<u>0.085</u>

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

<u>Expiry date</u>	<u>Number of warrants</u>	<u>Exercise price</u>
		\$
March 30, 2019	4,578,661	0.09

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

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**10.3 Share capital and warrants transaction of subsidiaries**

**c) Uranium Valley Mines Ltd.**

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

	March 31, 2017	
	Number of warrants	Weighted average exercise price
Balance, beginning of reporting period	7,291,832	0.11
Granted		
Balance, end of reporting period	<u>7,291,832</u>	<u>0.11</u>

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

<u>Expiry date</u>	<u>Number of warrants</u>	<u>Exercise price</u> \$
September 23, 2017	4,991,999	0.10
September 23, 2017	145,833	0.15
October 31, 2017	2,154,000	0.13
	<u>7,291,832</u>	<u>0.11</u>

**11. EMPLOYEE REMUNERATION**

**11.1 Salaries and other employee benefits expense**

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

	March 31, 2017	March 31, 2016
	\$	\$
Salaries and other employee benefits	587,761	190,323
Share-based payments	280,389	526,925
Payroll levies <sup>(1)</sup>	31,196	22,391
	<u>899,346</u>	<u>739,639</u>
Less: salaries capitalized in exploration and evaluation assets	(109,971)	
Salaries and other employee benefits expense	<u>789,375</u>	<u>739,639</u>

<sup>(1)</sup> The payroll levies are the Corporation's contributions to mandatory governmental benefits plans related to salaries, director's fees and taxable benefits on the exercise of incentive stock options.

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**11. EMPLOYEE REMUNERATION (continued)****11.2 Share-based payments**

The Corporation has in place a stock option incentive plan under which directors, officers, employees and consultants are eligible to receive incentive stock options for the purchase of common shares of the Corporation. Under the terms of the option plan, the aggregate number of shares issuable upon the exercise of options may not exceed 19,006,732, which represents 20% of the Corporation's issued and outstanding common shares on May 25, 2015, the date of adoption of the option plan by the Corporation's Board of Directors. The option plan was approved by the Corporation's disinterested shareholders on June 25, 2015, and subsequently accepted by the TSX Venture Exchange. The exercise price of each option is fixed by the Board of Directors at the time of grant and shall not be less than the closing price of the Corporation's shares on the trading day immediately prior to the date of grant less any discount permitted by the TSX Venture Exchange; if no sales were reported on such day, the exercise price shall be based on the closing sales price on the last trading day prior to the time of determination on which sales were reported. The term of any options granted under the option plan will be fixed by the Board of Directors and may not exceed ten years and the vesting period of options granted under the plan, if any, shall be determined by the Board of Directors at the time of grant. All options granted under the option plan will be in accordance with the rules and regulations of the TSX Venture Exchange.

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

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

	March 31, 2017	
	Number of options	Weighted average exercise price \$
Outstanding, beginning of reporting year	16,349,959	0.28
Granted	100,000	0.465
Exercised	(590,000)	0.08
Cancelled	-	
Expired		
Outstanding, end of reporting year	15,859,959	0.29
Exercisable, end of reporting year	6,554,025	0.19

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**11.2 Share-based payments (continued)**

The table below summarizes the information related to share options as at March 31, 2017:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
July 23, 2017	400,000	0.15	0.31	400,000
August 1, 2018	1,500,000	0.07	1.34	1,500,000
June 30, 2019	579,025	0.17	2.25	579,025
July 24, 2020	1,100,000	0.11	3.32	1,100,000
January 1, 2021	100,000	0.10	3.76	100,000
June 30, 2021	2,775,000	0.30	4.25	2,775,000
February 3, 2022	100,000	0.465	4.85	100,000
September 30, 2026	9,305,934	0.35	9.51	9,305,934
	15,859,959	0.29		15,859,959

**Incentive stock options**

During the quarter ended March 31, 2017, certain employees and consultants exercised 590,000 incentive stock options at prices ranging from \$0.07 (500,000 shares) to \$0.15 (90,000) for gross proceeds of \$48,500.

On February 3, 2017, the Corporation granted 100,000 incentive stock options with an exercise price of \$0.465 to a consultant. The options are exercisable for a period of 5 years from the date of grant. All options are exercisable immediately. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$36,918.

The weighted fair value of the granted options of \$0.37, was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	February 3, 2017
Share price at date of grant	\$ 0.465
Expected dividends yield	0%
Expected weighted volatility	111.66%
Risk-free interest average rate	1.11%
Expected average life	5 years
Exercise price at date of grant	\$ 0.465

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

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**11.2 Share-based payments (continued)**

**a) Abitibi Royalties Inc.**

**Incentive stock options**

Abitibi Royalties has adopted a 20% fixed option plan (the "New Plan") in 2013. Pursuant to the New Plan, options, for an aggregate total of 1,740,200 common shares, may be granted to its directors, officers, employees, consultants or management companies employees from time to time. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of Abitibi Royalties' share on the trading day immediately prior to the date of grant less any discount permitted by the Exchange; if no sales were reported, it shall be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options shall be determined by the Board of Directors, in accordance with the rules and regulations of the TSX Venture Exchange.

There has been no incentive stock option issued in the quarters ended March 31, 2017 and March 31, 2016.

**11.2 Share-based payments (continued)**

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

	March 31, 2017	
	Number of options	Weighted average exercise price
		\$
Outstanding at January 1	766,003	1.08
Exercised		
Outstanding at March 31		
Exercisable, end of reporting period	766,003	1.08

The table below summarizes the information related to outstanding share options as at March 31, 2017:

<u>Range of exercise price</u>	March 31, 2017	
	Outstanding options	
	Number of options	Weighted average remaining contractual life
\$0.55 to \$1.00	587,500	1.49
\$1.01 to \$3.00	98,503	2.17
\$3.01 to \$4.00	80,000	2.46
	766,003	

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**11.2 Share-based payments (continued)**

**Restricted Share Unit Plan**

Abitibi Royalties' Board of Directors has implemented a RSU (the "RSU Plan"), which provides that restricted share units ("Share Units") may be granted by Abitibi Royalties's Compensation and Corporate Governance Committee (the "Committee") to executive officers, directors, employees and consultants (each a "Participant") as a bonus or similar payment in respect of services rendered or otherwise as compensation, including as an incentive for future performance, or in satisfaction of dividends declared by Abitibi Royalties and payable to Participants. The aggregate number of common shares issuable pursuant to Share Units granted under the RSU Plan will not, at any given time, exceed 896,769 common shares, among other limits with respect to individual grants under the RSU Plan. At the time Share Units are granted to a Participant, the Committee will determine any time-based or other conditions as to the vesting of the Share Units and the expiry date (the "Expiry Date") for such Share Units. The Expiry Date of a Share Unit granted will be the third anniversary of its date of grant, unless the Committee determines an earlier date, or subject to accelerated expiry in the event of a change of control of Abitibi Royalties. As of March 31, 2017, 583,365 Share Units had been granted.

	<u>March 31, 2017</u>
Units Granted	<u>583,365</u>
Units Vested	<u>145,841</u>
Units Forfeited	<u>-</u>
Outstanding at March 31, 2017	<u>583,365</u>

None of the vested RSU were converted to common shares as at March 31, 2017.

**b) Nunavik Nickel Mines Ltd.**

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

	<u>March 31, 2017</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>
		\$
Outstanding as at March 31	565,000	0.07



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**11.2 Share-based payments (continued)**

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

Exercise price	Expiry date	March 31, 2017	
		Number of options	Weighted average remaining contractual life
0.200	July 24, 2017		
0.065	April 3, 2019	60,000	2.01
0.08	November 20, 2019	58,199	2.64
0.065	May 16, 2021	446,801	4.13
		<u>565,000</u>	

**Restricted Share Unit Plan**

At the annual general and special meeting of shareholders of Nunavik Nickel held on June 27, 2016, the shareholders approved the adoption and implementation of a Restricted Share Unit Plan (the "RSU Plan"). The RSU Plan will be adopted and implemented by Nunavik Nickel's Board upon receipt of acceptance by the Exchange. The RSU Plan provides that restricted share units ("Share Units") may be granted by Nunavik Nickel's Compensation and Corporate Governance Committee (the "Committee") to executive officers, directors, employees and consultants (each a "Participant") as a bonus or similar payment in respect of services rendered or otherwise as compensation, including as an incentive for future performance. At the time Share Units are granted to a Participant, the Committee will determine any time-based or other conditions as to the vesting of the Share Units and the expiry date (the "Expiry Date") for such Share Units. The Expiry Date of a Share Unit will be the third anniversary of its date of grant. The aggregate number of common shares issuable pursuant to Share Units granted under the RSU Plan will not, at any given time, exceed 896,769 common shares. Nunavik Nickel has yet to make the submission to the Exchange to obtain its acceptance of the RSU Plan.

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**12. EARNINGS PER SHARE**

Both the basic and diluted earnings (loss) per share have been calculated using the net loss attributable to owners of the Corporation as the numerator, i.e. no adjustment to the net loss were necessary in either periods ended March, 2017 and 2016.

As at March 31, 2016, 22,514,025 warrants and stock options (n/a in 2017) were excluded from the calculation of diluted earnings per share attributable to shareholders of the Corporation.

	March 31, 2017	March 31, 2016
Net income (loss) attributable to shareholders of Golden Valley Mines Ltd.	(699,586)	5,837,629
Weighted average number of shares in circulation - basic	116,103,575	110,567,831
Dilutive effect of stock options and warrants		3,325,000
Weighted average number of shares in circulation - basic	<u>116,103,575</u>	<u>113,892,831</u>
Basic earnings (loss) per share	\$ (0.006)	0.05
Diluted earnings (loss) per share	\$ (0.006)	0.05

**13. RELATED PARTY TRANSACTIONS**

The Corporation's related parties include its joint key management and related companies, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Other than the related party transactions disclosed below, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of stock options.

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**13. RELATED PARTY TRANSACTIONS (continued)**

**13.1 Transaction with key management**

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

	March 31, 2017 \$	March 31, 2016 \$
Short-term employee benefits		
Salaries including bonuses	405,171	127,690
Benefits	15,215	26,190
Director's fees <sup>(1)</sup>	73,750	53,750
Additional cash amounts <sup>(2)</sup>	87,750	
Total short-term employee benefits	<u>581,886</u>	<u>207,630</u>
Other transactions with key management		
Rent <sup>(3)</sup>	5,315	4,985
Management Fees	41,550	25,032
Professional Fees <sup>(4)</sup>	36,501	15,000
Expenses capitalized in exploration and evaluation assets	31,103	27,755
Total other transactions with key management	<u>114,469</u>	<u>72,772</u>
Share-based payments <sup>(5)</sup>	<u>170,418</u>	<u>525,050</u>
Total remuneration	<u><u>866,773</u></u>	<u><u>805,452</u></u>

<sup>(1)</sup> All 2017 and 2016 amounts have been paid.

<sup>(2)</sup> Also in April, for the first quarter ended March 31, 2017, Abitibi's Board of Directors approved additional cash payments (\$87,750) to its directors, chairman, president and CEO, the CFO and 2 consultants. These amounts were awarded as a substitute for stock options or RSUs on the understanding that each individual would use the after-tax portion of such payment to purchase shares of Abitibi Royalties. Abitibi's board will review this plan on a quarterly basis. It is designed to reduce share dilution and better align the Board and the employees with shareholders.

<sup>(3)</sup> \$3,000 (\$3,000 in 2016) paid to 2973090 Canada Inc., a company controlled by Mr. Glenn J. Mullan who is an officer and a director of the Corporation. \$2,315 (\$1,985 in 2016) paid by Abitibi Royalties to its President.

<sup>(4)</sup> \$15,000 (\$15,000 in 2016) of consulting Fees paid to the spouse of the President and CEO of Golden Valley, pursuant to a consulting agreement related to corporate finance services dated January 1, 2016. \$21,501 (\$6,000 in 2016) of Consulting Fees paid by Golden Valley Mines to Abitibi Royalties' CFO.

<sup>(5)</sup> Please refer to note 11.2 for information on incentive stock options and restricted share units granted to key management.

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**13. RELATED PARTY TRANSACTIONS (continued)****13.1 Transactions with key management (continued)**

## Termination of Management Success Fees Agreement

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

**14. CONTINGENCIES AND COMMITMENTS**

The Corporation is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Corporation is engaged in realizing mining exploration work.

These tax rules set deadlines for carrying out the exploration work, which must be performed no later than the first of the following dates:

- \_ Two years following the flow-through placements;
- \_ One year after the Corporation has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Corporation is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

**15. ADDITIONAL INFORMATION - CASH FLOWS**

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

	March 31, 2017	March 31, 2016
	\$	\$
Accounts payable and accrued liabilities included in exploration and evaluation assets	(7,996)	9,116
Units issued by subsidiary in consideration of payment of finder's fees	14,638	
Options on exploration and evaluation assets received as shares of quoted mining exploration companies included in short-term financial assets		200,000

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**16. SUBSEQUENT EVENTS****Centremaque property - Alexandria Minerals Corporation - Québec**

On April 13, 2017, the Corporation entered into an mining option agreement with Alexandria Minerals Corporation (“Alexandria”) on the Centremaque Prospect located in the Abitibi Greenstone Belt, northeast of Val-d’Or, Québec. In accordance with the option agreement, (i) Alexandria must issue to Golden Valley Mines 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, and (ii) Alexandria must incur expenditures in an aggregate amount of \$4,000,000 over a four (4) year period.