



Golden Valley Mines Ltd.

Condensed Consolidated Interim Financial Statements as at June 30, 2017 and 2016

Golden Valley Mines Ltd.
152 chemin de la Mine Ecole
Val-d'Or, Québec, J9P 7B6
www.goldenvalleymines.com
Tel: 819.824.2808 fax: 819.824.3379

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 June 30, 2017
(Unaudited)
(in Canadian dollars)

	Notes	June 30, 2017 \$	December 31, 2016 \$
ASSETS			
Current			
Cash and cash equivalents		7,890,401	2,725,177
Short-term financial assets	6	1,761,946	2,322,465
Other accounts receivable		36,434	46,572
Sales taxes recoverable		49,056	37,139
Tax credits receivable		78,763	85,035
Prepaid expenses		23,272	21,965
		<u>9,839,872</u>	<u>5,238,353</u>
Non-current			
Property and equipment		9,670	11,642
Investment in associate	9	417,091	-
Exploration and evaluation assets	7	3,105,101	3,029,712
Investment	10	30,730,410	38,457,271
Total assets		<u>34,262,272</u>	<u>41,498,625</u>
		<u>44,102,144</u>	<u>46,736,978</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities			
Related parties controlled by directors		36,154	36,154
Others		281,341	284,037
Derivative financial instrument	10	432,988	489,131
		<u>750,483</u>	<u>809,322</u>
Non-Current			
Deferred income taxes		3,334,745	3,826,422
		<u>3,334,745</u>	<u>3,826,422</u>
Total liabilities		<u>4,085,228</u>	<u>4,635,744</u>
EQUITY			
Capital stock	11.1	26,407,390	25,317,470
Warrants	11.2	261,816	424,448
Contributed surplus		3,841,363	3,843,686
Deficit		(9,704,516)	(7,993,946)
Total equity attributable to owners of the parent company		<u>20,806,052</u>	<u>21,591,657</u>
Non-Controlling interest		19,210,864	20,509,577
Total equity		<u>40,016,916</u>	<u>42,101,234</u>
Total liabilities and equity		<u>44,102,144</u>	<u>46,736,978</u>

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 28, 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 six-month period ended June 30, 2017 and 2016

(Unaudited)

(in Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2017 \$	June 30, 2016 \$	June 30, 2017	June 30, 2016
Revenues					
Dividends		67,471	68,381	134,753	138,343
Option Revenue		57,067	-	82,067	-
Royalties		-	-	-	1,542
Geological fees		542	-	1,052	-
		<u>125,080</u>	<u>68,381</u>	<u>217,872</u>	<u>139,885</u>
Operating Expenses					
Salaries and other employee benefits	12	429,075	857,120	1,218,450	1,596,759
Office expenses		35,557	37,655	77,060	81,915
Management fees		41,550	22,800	83,100	47,832
Professional and legal fees		372,739	342,737	646,928	551,720
Advertising and exhibitions		32,979	13,312	85,503	24,452
Travelling		81,980	24,023	123,800	35,535
Exploration and evaluation expenditures	7	23,430	12,439	27,624	16,644
Royalty purchase	8	-	7,550	20,977	29,500
Depreciation of property and equipment		678	2,234	1,355	4,109
Reversal of success fee liability		-	-	-	(4,157,110)
Loss / (gain) on the disposal of exploration and evaluation assets		-	1,106,927	-	1,106,927
		<u>1,017,988</u>	<u>2,426,797</u>	<u>2,284,797</u>	<u>(661,717)</u>
Operating income (loss)		<u>(892,908)</u>	<u>(2,358,416)</u>	<u>(2,066,925)</u>	<u>801,602</u>
Other income (loss)					
Finance cost		(18,803)	(3,918)	(38,196)	(19,956)
Finance income		2,371	3,034	4,729	5,862
Foreign exchange gain (loss)		(146,921)	11,599	(171,961)	117,571
Reversal of liability of component related to flow-through shares		17,175	-	19,941	-
Gain resulting from loss of control of subsidiary	9	450,912	-	450,912	-
Change in fair value of financial assets at fair value through profit or loss		(1,316,028)	17,133,957	(1,355,645)	26,721,563
		<u>(1,011,294)</u>	<u>17,144,672</u>	<u>(1,090,220)</u>	<u>26,825,040</u>
Net income (loss) before income taxes		<u>(1,904,202)</u>	<u>14,786,256</u>	<u>(3,157,145)</u>	<u>27,626,642</u>
Deferred income taxes		(250,675)	2,571,324	(491,677)	3,705,846
Net income (loss) and total comprehensive income (loss) for the period		<u>(1,653,527)</u>	<u>12,214,932</u>	<u>(2,665,468)</u>	<u>23,920,796</u>
Net income (loss) and total comprehensive income (loss) attributable to:					
Shareholders of Golden Valley Mines		(1,061,126)	5,545,231	(1,760,712)	11,382,860
Non-controlling interest		(592,401)	6,669,701	(904,756)	12,537,936
		<u>(1,653,527)</u>	<u>12,214,932</u>	<u>(2,665,468)</u>	<u>23,920,796</u>
Income (loss) per share attributable to Golden Valley Mines shareholders					
Basic earnings (loss) per share	13	(0.009)	0.048	(0.015)	0.101
Diluted earning per share	13	(0.009)	0.040	(0.015)	0.087

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

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
For the six-month period ended June 30, 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	\$	\$	\$	\$	\$	\$		
Balance at January 1, 2017		116,103,577	25,317,470	424,448	3,843,686	(7,993,947)	21,591,657	20,509,577	42,101,234
Share based payments				36,918		36,918			36,918
Units issued by exercise of stock options	12.2	590,000	83,740	(35,240)		48,500			48,500
Units issued by exercise of warrants	11.2	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
Net loss and total comprehensive loss for the period						(699,586)	(699,586)	(312,355)	(1,011,941)
Balance at March 31, 2017		119,693,577	25,860,231	379,448	3,845,364	(8,614,905)	21,470,137	20,129,300	41,599,437
Units issued by exercise of stock options	12.2	45,000	10,751	(4,001)		6,750			6,750
Units issued by exercise of warrants	11.2	3,000,000	537,632	(117,632)		420,000			420,000
Share issue expenses			(1,224)			(1,224)			(1,224)
Change in interest of subsidiaries					(28,485)	(28,485)	(326,035)		(354,520)
Transactions with owners		3,045,000	547,159	(117,632)	(4,001)	(28,485)	397,041	(326,035)	71,006
Net loss and total comprehensive loss for the period						(1,061,126)	(1,061,126)	(592,401)	(1,653,527)
Balance at June 30, 2017		122,738,577	26,407,390	261,816	3,841,363	(9,704,516)	20,806,052	19,210,864	40,016,916

Golden Valley Mines Ltd.
Consolidated Statement of Changes in Equity
For the six-month period ended June 30, 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	\$	\$	\$	\$	\$	\$	
Balance at January 1, 2016		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
Net income and total comprehensive income for the period					5,837,629	5,837,629	5,868,235		11,705,864
Balance at March 31, 2016		114,124,974	24,991,263	424,448	2,812,260	(4,867,571)	23,360,400	17,211,717	40,572,117
Share based payments									
Units issued by exercise of stock options	12.2	35,000	4,587		643,469	643,469			643,469
Units issued by exercise of warrants	11.2	1,166,665	163,333		(2,137)	2,450			2,450
Share issue expenses						163,333			163,333
Change in interest of subsidiaries					(557,957)	(557,957)	1,668,099		1,110,142
Transactions with owners		1,201,665	167,920		641,332	(557,957)	251,295	1,668,099	1,919,394
Net loss and total comprehensive loss for the period					5,545,231	5,545,231	6,669,701		12,214,932
Balance at June 30, 2016		115,326,639	25,159,183	424,448	3,453,592	119,703	29,156,926	25,549,517	54,706,443

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

Golden Valley Mines Ltd.
Consolidated Statement of Cash Flows
For the six-month period ended June 30, 2017 and 2016

(Unaudited)
(in Canadian dollars)

	Three-month period ended		Six-month period ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
OPERATING ACTIVITIES				
Net income (loss)	(1,653,527)	12,214,932	(2,665,468)	23,920,796
Adjustments				
Depreciation of property and equipment	678	2,233	1,355	4,108
Reversal of liability component related to flow-through shares	2,766	-	-	-
Gain on the disposal of exploration and evaluation assets	-	1,106,927	-	1,106,927
Gain resulting from loss of control of subsidiary	9 (450,912)	-	(450,912)	-
Reversal of success fee liability	-	-	-	(4,157,110)
Share-based payments	134,984	570,187	305,402	1,097,112
Impairment of exploration and evaluation assets	-	-	-	-
Changes in fair value of financial assets at fair value through profit and loss	1,316,028	(17,133,957)	1,355,645	(26,721,563)
Deferred tax expense	(250,675)	2,571,324	(491,677)	3,705,846
	<u>(900,658)</u>	<u>(668,354)</u>	<u>(1,945,655)</u>	<u>(1,043,884)</u>
Changes in working capital items	-	-	-	-
Other accounts receivable	(20,285)	(16,933)	(19,437)	42,232
Sales taxes recoverable	637	(8,384)	(18,563)	(37,810)
Prepaid expenses	(1,105)	6,140	(11,877)	18,616
Accounts payable and accrued liabilities	(237,476)	(27,016)	62,595	26,074
Cash flows used by operating activities	<u>(1,158,887)</u>	<u>(714,547)</u>	<u>(1,932,937)</u>	<u>(994,772)</u>
INVESTING ACTIVITIES				
Acquisition of short-term financial assets	-	-	(260,000)	(300,000)
Disposal of short-term financial assets	115,747	180,000	325,747	215,000
Tax credits received	6,272	-	6,272	6,983
Additions to exploration and evaluation assets	(85,026)	(57,523)	(154,005)	(111,840)
Cash on loss of control of subsidiary	9 (536,673)	-	(536,673)	-
Purchase of property and equipment	-	(8,660)	-	(8,660)
Payment of success fees	-	-	-	(15,890)
Disposal of investments	-	-	6,098,350	-
Cash flows from (or used by) investing activities	<u>(499,680)</u>	<u>113,817</u>	<u>5,479,691</u>	<u>(214,407)</u>
FINANCING ACTIVITIES				
Issuance of shares by exercise of stock options	6,750	2,450	55,250	2,450
Convertible unsecured debenture	-	-	-	415,000
Share issue expenses	(1,224)	-	(7,203)	(10,255)
Issuance of units by exercise of warrants	420,000	163,333	840,000	163,333
Derivative financial instruments	320,503	34,033	736,496	347,168
Change in interest of subsidiaries	68,722	1,108,120	(6,073)	991,869
Cash flows from financing activities	<u>814,751</u>	<u>1,307,936</u>	<u>1,618,470</u>	<u>1,909,565</u>
Net change in cash and cash equivalents	<u>(843,815)</u>	<u>707,206</u>	<u>5,165,224</u>	<u>700,386</u>
Cash, beginning of the period	<u>8,734,217</u>	<u>1,898,547</u>	<u>2,725,177</u>	<u>1,905,367</u>
Cash, end of the period	<u><u>7,890,401</u></u>	<u><u>2,605,753</u></u>	<u><u>7,890,401</u></u>	<u><u>2,605,753</u></u>

See Note 16 for additional information on cash flows

Cash transactions:

Interest received	2,371	3,034	4,729	5,862
Interest paid	508	166	932	484

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

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

Golden Valley Mines Ltd.

Notes to the condensed consolidated interim financial statements

For the six-month period ended June 30, 2017 and 2016

(in Canadian dollars)

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. and Val-d'Or Mining Corporation (previously Nunavik Nickel 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 ACCOUNTING POLICIES

These interim financial statements cover the six-month period ended June 30, 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.

Investment in associate

Associates are entities over which the Corporation has significant influence, but not control. Significant influence is generally presumed to exist where the Corporation has between 20 percent and 50 percent of the voting rights of the associate. The Corporation accounts for its investment in associate using the equity method, under which, the investment in associate was initially recognized at fair value and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the associate. Dilution gains and losses arising from changes in the interest in investment in associates where significant influence is retained are recognized in the statement of loss.

At each reporting date, the Corporation determines whether there is any objective evidence that the investment in associate is impaired. If impairment is determined to exist, the amount of the impairment is recognized in the statement of loss. The amount of impairment is calculated as the difference between the recoverable amount of the investment in associates and its carrying value.

Golden Valley Mines Ltd.**Notes to the condensed consolidated interim financial statements****For the six-month period ended June 30, 2017 and 2016**(in Canadian dollars)

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 June 30, 2017.

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 June 30, 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 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 Val-d'Or Mining Corporation (previously Nunavik Nickel Mines Ltd), Golden Valley Mines Ltd. exercises control through its own percentage holding in Val-d'Or Mining Corporation combined with interest of certain members of its Board of Directors in Val-d'Or Mining Corporation as well as its ability to appoint key management who have the ability to direct its activities. All subsidiaries have a reporting date of June 30. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Corporation ceases to have control; any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Golden Valley Mines Ltd.**Notes to the condensed consolidated interim financial statements****For the six-month period ended June 30, 2017 and 2016**

(in Canadian dollars)

5. BASIS OF CONSOLIDATION (continued)**Subsidiaries**

Details of the Corporation's subsidiaries at June 30, 2017 and December 31, 2016 are as follows:

Name of subsidiaries	Principal activity	Country of incorporation	Percentage of ownership	
			June 30, 2017	December 31, 2016
			Interest and voting / Power held	Interest and voting / Power held
Abitibi Royalties Inc. ("Abitibi Royalties")	Mineral exploration in Canada	Canada	49.57%	49.45%
Val-d'Or Mining Corporation (previously Nunavik Nickel Mines Ltd.) ¹	Mineral exploration in Canada	Canada	44.49%	60.27%
Calone Mining Ltd. ("Calone")	Mineral exploration	Canada	100%	100%

⁽¹⁾ See Subsequent Events note 17**6. SHORT-TERM FINANCIAL ASSETS**

	June 30, 2017	December 31, 2016
	\$	\$
Guaranteed investment certificates 0.5% maturing in December 2017 and March 2018	230,000	250,000
Money market investment funds	854	854
Marketable securities in quoted mining exploration companies	1,504,306	2,071,611
Undeposited certificates	26,786	
Short-term financial assets	<u>1,761,946</u>	<u>2,322,465</u>

Golden Valley Mines Ltd.**Notes to the condensed consolidated interim financial statements****For the six-month period ended June 30, 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	Balance at June 30, 2017 \$
Golden Valley Mines Ltd. Properties				
Acquisition and claims maintenance	3,239,269	29,548		3,268,817
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	65,927		4,554,905
Airborne geophysics	780,702	2,000		782,702
Geophysics	2,315,628			2,315,628
Line cutting	1,099,431			1,099,431
Sampling and testing	736,963	11,828		748,791
Travel and transport	1,682,529	1,474		1,684,003
Program management and consultants	420,767	14,074		434,841
Professional Fees	4,715			4,715
Depreciation, insurance and office expenses	566,960	9,220		576,180
Communications	45,435	463		45,898
Option payments received	(1,838,650)	(67,933)		(1,906,583)
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	66,601		4,589,760
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>66,601</u>		<u>2,982,833</u>
Abitibi Royalties Inc. Properties				
Acquisition and claims maintenance	27,791	200		27,991
Technical and field staff	8,655			8,655
Program management and consultants	2,551	56		2,607
Net expenses incurred during the period	<u>38,997</u>	<u>256</u>		<u>39,253</u>
Val-d'Or Mining Corporation (previously Nunavik Nickel Mines Ltd.) Properties				
Acquisition and claims maintenance	1,850,318	2,293		1,852,611
Technical and field staff	9,625	20,713		30,338
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>23,006</u>		<u>83,015</u>
Uranium Valley Mines Ltd.				
	<u>14,474</u>		<u>(14,474)</u>	<u>-</u>
Summary				
Mining rights	6,933,131	32,041		6,965,172
Exploration and evaluation assets	(1,890,483)	57,822		(1,832,661)
Exploration and evaluation assets sold to third parties	(1,606,927)			(1,606,927)
Disposal of a subsidiary	(406,009)		(14,474)	(420,483)
	<u>3,029,712</u>	<u>89,863</u>	<u>(14,474)</u>	<u>3,105,101</u>

Golden Valley Mines Ltd.
Notes to the condensed consolidated interim financial statements
For the six-month period ended June 30, 2017 and 2016
(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Island 27 property - Battery Mineral Resources - Mathachewan, Kirkland Lake, Ontario

On June 1, 2017, the Corporation entered into mining option agreement with Battery Mineral Resources Limited (which superceded a term sheet dated March 4, 2017) pursuant to which the Corporation will grant to Battery Minerals an option to acquire up to an 80% interest in the Island 27 Property, located in the Mathachewan area, west of Kirkland Lake, Ontario, in consideration for which the Corporation 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 Corporation will have a 20% free carried interest in the property and a 1% NSR. The Corporation 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.

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 357,143 common shares in its capital (issued), and (ii) Alexandria must incur expenditures in an aggregate amount of \$4,000,000 over a four (4) year period.

8. ROYALTY PURCHASE

Abitibi Royalty Search

In the first six period ended June 30, 2017, Abitibi Royalties invested \$20,977 (\$41,193 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. INVESTMENT IN ASSOCIATE

The investment in associate relates to the Corporation's investment in Uranium Valley Mines Ltd. ("Uranium Valley"). In prior years and up to May 23, 2017, the Corporation had control over Uranium Valley. On May 23, 2017, Uranium Valley issued 1,400,000 common shares pursuant to an exercise of share purchase warrants further reducing Golden Valley's interest in Uranium Valley to 20.8% (December 31, 2016 - 22.8%). As a result of this transaction, Golden Valley reviewed the criteria for previously consolidating this entry and determined it no longer controls Uranium Valley but just has significant influence. Consequently, the Corporation recognized the investment in Uranium Valley using the equity method, under which the investment is recognized at fair value.

	June 30, 2017	
	Number of shares	Value
Uranium Valley Mines Ltd.	4,170,910	\$ 417,091

On loss of control of Uranium Valley as described above, the Company recognized a gain as follows:

Fair value of investment retained in Uranium Valley on May 23, 2017	\$ 417,091
Carrying value of subsidiary's net assets	(33,821)
Gain resulting from loss of control	<u>450,912</u>

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10. INVESTMENTS

Abitibi Royalties Inc. Investments

	June 30, 2017		December 31,
	Number of shares	Fair Value	2016
			\$
Yamana Gold Inc. ("YRI")	3,549,695	11,110,545	13,382,350
Agnico Eagle Mines Limited ("AEM")	335,497	19,619,865	25,074,921
		30,730,410	38,457,271

Sale of Agnico Eagle Shares

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.

Derivative financial instrument

In the first six months ended June 30, 2017, Abitibi Royalties sold 22,684 (11,346 in 2016) call/put option contracts (1,678 calls and 3,258 puts on Agnico Eagle shares and 17,748 calls on Yamana) for total cash proceeds of \$736,496 (\$451,318 in 2016). During the same period, 14,425 (None in 2016) option contracts (calls and puts combined) expired (588 calls and 2,172 puts on Agnico Eagle and 11,665 calls on Yamana) and 1,087 (None in 2016) option contracts were exercised.

The total call/put options sold outstanding at June 30, 2017 and December 31, 2016 are as follows:

	Expiry date	Number of	Exercise price	Market Value (CAD) at	
		shares under option	range	June 30, 2017	December 31, 2016
		June 30, 2017	(USD)	\$	\$
Call			\$		
Yamana Gold Inc.	January 20, 2017		4.50 to 12.00	-	15,954
Yamana Gold Inc.	January 19, 2018	1,832,900	5.00 to 10.00	124,827	128,780
Yamana Gold Inc.	January 18, 2019	480,800	7.00	93,530	
Agnico Eagle Mines Ltd	January 20, 2017		40.00 to 55.00	-	344,397
Agnico Eagle Mines Ltd	January 19, 2018	167,800	85.00	76,694	
Put					
Agnico Eagle Mines Ltd	August 18, 2017	108,600	39.00 to 44.00	137,937	
		2,590,100		432,988	489,131

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11. EQUITY
11.1 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 second quarter ending June 30, 2017 the Corporation issued 6,635,000 of its common shares for a total consideration of \$420,000. 6,000,000 common shares (4,150,000 @ \$0.14 in 2016) were issued from the exercise of share purchase warrants at \$0.14 per share. 635,000 common shares were issued from the exercise of incentive stock options (500,000 @ \$0.07 and 135,000 @ \$0.15).

11.2 Warrants

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

	June 30, 2017		June 30, 2016	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of reporting period	14,900,000	0.14	12,250,000	0.14
Granted			4,150,000	0.14
Exercised	(6,000,000)	0.14	(1,166,665)	0.14
Balance, end of reporting period	<u>8,900,000</u>	<u>0.14</u>	<u>15,233,335</u>	<u>0.14</u>

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

Expiry date	June 30, 2017		June 30, 2016	
	Number	Exercise price \$	Number	Exercise price \$
November 30, 2017	6,250,000	0.14	10,750,000	0.14
December 5, 2017			83,333	0.22
December 5, 2017			250,000	0.14
March 18, 2018	2,650,000	0.14	4,150,000	0.14
	<u>8,900,000</u>	<u>0.14</u>	<u>15,233,333</u>	<u>0.14</u>

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11.3 Share capital and warrants transaction of subsidiaries

a) Abitibi Royalties Inc.

During the six month period ended June 30, 2017, Abitibi Royalties repurchased and cancelled 59,800 (52,100 in 2016) of its common shares at prices varying from \$9.03 to \$9.30 (from \$2.90 to \$4.15 in 2016) for a total of \$552,094 (\$181,805 in 2016).

b) Val-d'Or Mining Corporation (previously Nunavik Nickel Mines Ltd.)

On March 30, 2017, Val-d'Or Mining Corporation ("Val-d'Or Mining") 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 Val-d'Or Mining 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, Val-d'Or Mining 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 Val-d'Or Mining by the finders and issued 225,200 non-transferable finders warrants entitling the purchase of an aggregate 225,200 common shares of Val-d'Or Mining 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. Val-d'Or Mining also incurred regulatory fees in relation with the private placement of \$2,238.

On February 3, 2017, a total of 890,000 warrants were exercised at a price of \$0.12 for a total gross proceeds of \$106,800.

	June 30, 2017		June 30, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of reporting period	1,291,250	0.12	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	4,578,661	0.085	1,291,250	0.085

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

Expiry date	June 30, 2017		June 30, 2016	
	Number of warrant	Exercise price	Number of warrants	Exercise price
January 30, 2017	-	\$ -	1,291,250	0.12
March 30, 2019	4,578,661	0.085	-	-

The expected volatility used above in the assumptions was determined by reference to historical data of Val-d'Or Mining'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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12. EMPLOYEE REMUNERATION

12.1 Salaries and other employee benefits expense

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

	Three-month period ended		Six-month period ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	\$	\$	\$	\$
Salaries and other employee benefits	281,663	225,406	869,424	415,729
Share-based payments	134,984	570,187	415,373	1,097,112
Payroll levies ⁽¹⁾	12,428	61,527	43,624	83,918
	<u>429,075</u>	<u>857,120</u>	<u>1,328,421</u>	<u>1,596,759</u>
Less: salaries capitalized in exploration and evaluation assets			(109,971)	
Salaries and other employee benefits expense	<u>429,075</u>	<u>857,120</u>	<u>1,218,450</u>	<u>1,596,759</u>

⁽¹⁾ 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.

12.2 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:

	June 30, 2017		June 30, 2016	
	Number of options	Weighted average exercise price \$	Number of options	average \$
Outstanding, beginning of period	16,349,959	0.28	6,114,025	0.17
Granted	100,000	0.465	2,775,000	0.30
Exercised	(635,000)	0.087	(35,000)	0.07
Outstanding, end of period	<u>15,814,959</u>	<u>0.29</u>	<u>8,854,025</u>	<u>0.17</u>
Exercisable, end of period	6,554,025	0.19	8,854,025	0.21

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12. EMPLOYEE REMUNERATION (continued)

12.2 Share-based payments (continued)

The table below summarizes the information related to share options as at June 30, 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	355,000	0.15	0.06	355,000
August 1, 2018	1,500,000	0.07	1.09	1,500,000
June 30, 2019	579,025	0.17	2.00	579,025
July 24, 2020	1,100,000	0.11	3.07	1,100,000
January 1, 2021	100,000	0.10	3.51	100,000
June 30, 2021	2,775,000	0.30	4.00	2,775,000
February 3, 2022	100,000	0.465	4.60	100,000
September 30, 2026	9,305,934	0.35	9.26	3,101,978
	15,814,959	0.29		9,611,003

Incentive stock options

During the six month period ended June 30, 2017, certain employees and consultants exercised 635,000 incentive stock options (35,000 at \$0.07 in 2016) at prices ranging from \$0.07 (500,000 shares) to \$0.15 (135,000) for gross proceeds of \$55,250.

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 fair value of the granted options of \$0.37 (\$0.08 for the January 1, 2016 grant and \$0.23 for the June 27, 2016 grant) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	February 3, 2017	January 1, 2016	June 27, 2016
Share price at date of grant	\$ 0.465	\$ 0.095	\$ 0.290
Expected dividends yield	0%	0%	0%
Expected weighted volatility	111.66%	114.00%	114.67%
Risk-free interest average rate	1.11%	73.00%	56.00%
Expected average life	5 years	5 years	5 years
Exercise price at date of grant	\$ 0.465	\$ 0.100	\$ 0.300

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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12.2 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.

During the first six months ended on June 30, 2017, Abitibi Royalties issued 30,275 (458,975 in 2016) of its common shares for a total consideration of \$65,999 (\$1,147,099 in 2016) from the exercise of stock options at prices of \$2.18 per share (\$2.18 for 1,059 shares and \$2.50 for 457,916 shares in 2016).

There has been no incentive stock options issued in the six month periods ended June 30, 2017 and June 30, 2016.

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

	June 30, 2017		June 30, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	766,003	1.08	1,224,978	1.61
Exercised	(30,275)	2.18	(458,975)	2.50
Outstanding, end of period	735,728	1.04	766,003	1.08
Exercisable, end of period	735,728	1.04	766,003	1.08

The table below summarizes the information related to outstanding share options as at June 30, 2017:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
		\$		
September 27, 2018	587,500	0.55	1.24	587,500
June 2, 2019	68,228	2.18	1.92	68,228
September 15, 2019	60,000	3.62	2.22	60,000
September 17, 2019	20,000	3.70	2.22	20,000
	735,728	1.04		735,728

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12.2 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 June 30, 2017, 583,365 Share Units had been granted.

	June 30, 2017
Units Granted	583,365
Units Vested	291,682
Units Forfeited	-
Outstanding at June 30, 2017	583,365

None of the vested RSU were converted to common shares as at June 30, 2017.

b) Nunavik Nickel Mines Ltd.

A summary of the status of Val-d'Or Mining's incentive stock option plan for the reporting period is presented below

	June 30, 2017		June 30, 2016	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of period	565,000	0.07	793,199	0.18
Granted	-	-	446,801	0.065
Outstanding, end of period	565,000	0.07	1,240,000	0.14
Exercisable, end of period	565,000	0.07	1,240,000	0.14

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12.2 Share-based payments (continued)

The table below summarizes the information related to outstanding share options as at June 30, 2017:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
		\$		
April 3, 2019	60,000	0.065	1.76	60,000
November 20, 2019	58,199	0.080	2.39	58,199
May 16, 2021	446,801	0.065	3.88	446,801
	565,000	0.07		565,000

Restricted Share Unit Plan

At the annual general and special meeting of shareholders of Val-d'Or Mining 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 Val-d'Or Mining's Board upon receipt of acceptance by the Exchange. The RSU Plan provides that restricted share units ("Share Units") may be granted by Val-d'Or Mining'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. Val-d'Or Mining has yet to make the submission to the Exchange to obtain its acceptance of the RSU Plan.

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13. 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 June, 2017 and 2016.

As at June 30, 2016, 4,390,000 warrants and stock options (n/a in 2017) were excluded from the calculation of diluted earnings per share attributable to shareholders of the Corporation.

	Three-month period ended		Six-month period ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
Net income (loss) attributable to shareholders of Golden Valley Mines Ltd.	(1,061,126)	5,545,231	(1,760,712)	11,382,860
Weighted average number of shares in circulation - basic	120,360,288	114,440,340	118,984,321	112,504,086
Dilutive effect of stock options and warrants		19,697,358		19,043,333
Weighted average number of shares in circulation - basic	<u>120,360,288</u>	<u>134,137,698</u>	<u>118,984,321</u>	<u>131,547,419</u>
Basic earnings (loss) per share	\$ (0.009)	0.048	\$ (0.015)	0.101
Diluted earnings (loss) per share	\$ (0.009)	0.041	\$ (0.015)	0.087

14. 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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14. RELATED PARTY TRANSACTIONS (continued)

14.1 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.

	Three-month period ended		Six-month period ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses	157,806	144,974	562,977	272,664
Benefits	48,519	58,075	63,734	84,265
Director's fees ⁽¹⁾	110,000	46,917	183,750	100,667
Additional cash amounts ⁽²⁾			87,750	
Total short-term employee benefits	<u>316,325</u>	<u>249,966</u>	<u>898,211</u>	<u>457,596</u>
Other transactions with key management				
Rent ⁽³⁾	4,492	4,764	9,807	9,749
Management Fees	51,550	22,800	93,100	47,832
Professional Fees ⁽⁴⁾	36,501	15,000	73,002	30,000
Expenses capitalized in exploration and evaluation assets	28,815	31,633	59,918	59,388
Success Fee included in gain on the disposal of exploration and evaluation assets				15,890
Total other transactions with key management	<u>121,358</u>	<u>74,197</u>	<u>235,827</u>	<u>162,859</u>
Share-based payments ⁽⁵⁾	134,984	558,593	305,402	1,083,643
Total remuneration	<u><u>572,667</u></u>	<u><u>882,756</u></u>	<u><u>1,439,440</u></u>	<u><u>1,704,098</u></u>

⁽¹⁾ All 2017 amounts have been paid. In 2016, an amount of \$64,417 was accrued in director's fees which were deferred and not paid.

⁽²⁾ 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.

⁽³⁾ \$6,000 (\$6,000 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. \$3,807 (\$3,749 in 2016) paid by Abitibi Royalties to its President.

⁽⁴⁾ \$30,000 (\$30,000 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. \$43,002 (\$4,000 in 2016) of Consulting Fees paid by Golden Valley Mines to Abitibi Royalties' CFO. \$10,000 of Consulting Fees paid to Val-d'Or Mining's CFO.

⁽⁵⁾ Please refer to note 12.2 for information on incentive stock options and restricted share units granted to key management.

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14. RELATED PARTY TRANSACTIONS (continued)

14.1 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.

15. 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.

16. ADDITIONAL INFORMATION - CASH FLOWS

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

	June 30, 2017	June 30, 2016
	\$	\$
Accounts payable and accrued liabilities included in exploration and evaluation assets	11,049	3,990
Depreciation of exploration and evaluation equipment charged to exploration and evaluation assets	618	806
Common shares issued by subsidiary in consideration of payment of transaction costs included in gain on disposal of exploration and evaluation assets	14,638	
Options on exploration and evaluation assets received as shares of quoted mining exploration companies included in short-term financial assets	25,000	200,000
Common shares received in consideration of disposal of exploration and evaluation assets		500,000

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17. SUBSEQUENT EVENTS

On July 31, 2017, the Corporation's subsidiary, Nunavik Nickel Mines Ltd., changed its company name to Val-d'Or Mining Corporation. Effective August 1, 2017, the common shares of Val-d'Or Mining began to trade on the TSX Venture Exchange under the symbol "MZZ", and the common shares of Nunavik Nickel Mines Ltd. trading under "KZZ" were delisted.