



Golden Valley Mines Ltd.

Condensed Consolidated Interim Financial Statements For the three months and six ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

(UNAUDITED)

GOLDEN VALLEY MINES LTD.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

GOLDEN VALLEY MINES LTD.**Condensed Consolidated Interim Statements of Financial Position**

(unaudited)

	Notes	As at June 30, 2019	As at December 31, 2018
ASSETS			
Current			
Cash and cash equivalents	5	\$ 1,844,803	\$ 2,240,996
Short-term financial assets	6	728,673	610,228
Royalty receivable	10	814,621	14,105
Other assets	7	114,437	83,432
		3,502,534	2,948,761
Non-current			
Property and equipment		2,804	4,580
Investment in associates	8	1,443,238	1,558,410
Exploration and evaluation assets	9	2,087,676	2,231,238
Investments	11	39,838,143	34,323,826
TOTAL ASSETS		\$ 46,874,395	\$ 41,066,815
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 431,659	\$ 576,087
Derivative financial instruments	12	4,399,353	2,595,878
		4,831,012	3,171,965
Non-Current			
Deferred taxes		2,092,540	1,432,465
Total liabilities		6,923,552	4,604,430
EQUITY			
Capital stock	13	28,317,267	28,289,902
Shares to be issued		49,284	-
Contributed surplus		5,949,745	5,683,266
Deficit		(14,353,069)	(15,150,387)
Total equity attributable to owners of the parent company		19,963,227	18,822,781
Non-controlling interest		19,987,616	17,639,604
Total equity		39,950,843	36,462,385
TOTAL LIABILITIES AND EQUITY		\$ 46,874,395	\$ 41,066,815

Approved by the Board of Directors on August 28, 2019.

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

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

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

GOLDEN VALLEY MINES LTD.
Condensed Consolidated Interim Statements of Net income (loss) and Statement of Comprehensive income (loss)

(unaudited)

	Notes	For the three months ended		For the six months ended	
		June 30,	2018	June 30,	2018
		2019	2018	2019	2018
Revenues					
Royalties		\$ 814,621	\$ -	\$ 1,203,750	\$ -
Dividends		91,923	76,351	184,114	151,994
Option revenue		67,505	25,000	67,505	25,000
Geological fees		504	4,099	504	7,780
		974,553	105,450	1,455,873	184,774
Operating Expenses					
Salaries and other employee benefits		279,113	769,564	555,655	1,054,204
Share-based compensation	14	158,494	402,891	277,694	649,863
Professional and legal fees		235,149	260,416	429,223	414,369
Impairment of exploration and evaluation assets	9	-	-	170,698	-
General and administrative expenses	15	75,619	98,997	137,494	224,435
Management fees		41,550	41,550	83,100	83,100
Exploration and evaluation		14,751	19,952	37,591	38,131
Depreciation of property and equipment		889	1,514	1,777	3,028
		805,565	1,594,884	1,693,232	2,467,130
Operating loss		168,988	(1,489,434)	(237,359)	(2,282,356)
Other income (loss)					
Change in fair value of investments		1,197,418	3,654,659	4,511,923	1,337,647
Finance income		4,754	5,389	9,347	10,486
Foreign exchange gain (loss)		(630)	87,523	(17,850)	188,424
Finance cost		(21,216)	(24,113)	(43,405)	(33,734)
Share of loss of associates	8	(58,967)	(52,598)	(115,172)	(155,153)
		1,121,359	3,670,860	4,344,843	1,347,670
Net income (loss) before income taxes		1,290,347	2,181,426	4,107,484	(934,686)
Deferred tax expense (recovery)		283,425	(238,049)	660,075	(580,857)
Net income (loss) and total comprehensive income (loss) for the period		\$ 1,006,922	\$ 2,419,475	\$ 3,447,409	\$ (353,829)
Net income (loss) and total comprehensive income (loss) attributable to:					
Shareholders of Golden Valley Mines		\$ (215,758)	\$ 692,118	791,315	(1,089,247)
Non-controlling interest		1,222,680	1,727,357	2,656,094	735,418
		\$ 1,006,922	\$ 2,419,475	\$ 3,447,409	\$ (353,829)
Earnings (loss) per share attributable to Golden Valley Mines' shareholders:					
Basic earnings (loss) per share	17	\$ (0.002)	\$ 0.005	\$ 0.006	\$ (0.008)
Diluted earnings (loss) per share	17	\$ (0.002)	\$ 0.005	\$ 0.006	\$ (0.008)

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

GOLDEN VALLEY MINES LTD.
Condensed Consolidated Interim Statements of Changes in Equity
For the six months ended June 30, 2019 and 2018
(unaudited)

		Capital Stock		Warrants		Contributed Surplus		Deficit		Total attributable to owners of the parent company		Non-controlling interest		Total Equity		
	Notes	Number														
Balance at January 1, 2019		133,918,577	\$	28,289,902	\$	-	\$	5,683,266	\$	(15,150,387)	\$	18,822,781	\$	17,639,604	\$	36,462,385
Share-based payments		-		-		-		277,694		-		277,694		-		277,694
Shares issued by exercise of stock options	13	95,000		27,365		-		(11,215)		-		16,150		-		16,150
Change in interest of subsidiary		-		-		-		6,003		6,003		(308,082)		-		(302,079)
		134,013,577		28,317,267		-		5,949,745		(15,144,384)		19,122,628		17,331,522		36,454,150
Net income and total comprehensive income for the period								791,315		791,315		2,656,094		3,447,409		
Balance at June 30, 2019		134,013,577	\$	28,317,267	\$	-	\$	5,949,745	\$	(14,353,069)	\$	19,913,943	\$	19,987,616	\$	39,901,559
Balance at January 1, 2018		129,788,577	\$	27,530,938	\$	168,066	\$	5,011,629	\$	(10,237,073)	\$	22,473,560	\$	19,707,377	\$	42,180,937
Share-based payments		-		-		-		388,960		-		388,960		-		388,960
Shares issued by exercise of stock options	13	575,000		86,604		-		(38,854)		-		47,750		-		47,750
Shares issued by exercise of warrants	13	2,650,000		539,066		(168,066)		-		-		371,000		-		371,000
Share issue expenses		-		(952)		-		-		-		(952)		-		(952)
Change in interest of subsidiaries		-		-		-		191,200		191,200		530,907		-		722,107
		133,013,577		28,155,656		-		5,361,735		(10,045,873)		23,471,518		20,238,284		43,709,802
Net loss and total comprehensive loss for the period								(1,089,247)		(1,089,247)		735,418		(353,829)		
Balance at June 30, 2018		133,013,577	\$	28,155,656	\$	-	\$	5,361,735	\$	(11,135,120)	\$	22,382,271	\$	20,973,702	\$	43,355,973

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

GOLDEN VALLEY MINES LTD.**Condensed Consolidated Interim Statements of Cash Flows****For the six months ended June 30, 2019 and 2018**

(unaudited)

	Note	2019	2018
OPERATING ACTIVITIES			
Net income (loss) for the period		\$ 3,447,409	\$ (353,829)
Adjustments:			
Share-based payments	14	277,694	649,863
Depreciation of property and equipment		1,777	3,028
Option revenue		(67,505)	(25,000)
Foreign exchange loss (gain)		17,850	(188,424)
Share of loss in associates	8	115,172	155,153
Impairment of exploration and evaluation assets	9	170,698	-
Deferred tax expense (recovery)		660,075	(580,857)
Realized loss on sale of short-term financial assets		9,870	-
Change in fair value of short-term financial assets		(191,788)	485,335
Change in fair value of investments		(4,330,005)	(1,822,981)
		111,247	(1,677,712)
Changes in working capital items	20	(975,950)	132,824
Cash flows used by operating activities		(864,703)	(1,544,888)
INVESTING ACTIVITIES			
Acquisition of investments		(202,671)	-
Increase in investment in associates		-	(150,000)
Disposal of investments		50,418	-
Disposal of short-term financial assets		138,473	230,000
Tax credits received		2,821	16,252
Additions to exploration and evaluation assets		(37,452)	(14,000)
Cash flows (used by) from investing activities		(48,411)	82,252
FINANCING ACTIVITIES			
Proceeds from exercise of stock options		65,434	47,750
Share issue expenses		-	(952)
Proceeds from exercise of warrants		-	371,000
Net increase in derivative financial instruments		771,416	1,088,616
Increase in restricted cash		-	220,703
Change in interest of subsidiaries		(302,079)	461,204
Cash flows from financing activities		534,771	2,188,321
Effect of foreign exchange rate changes on cash and cash equivalents		(17,850)	188,424
Net change in cash and cash equivalents		\$ (396,193)	\$ 914,109
Cash and cash equivalents, beginning of period		2,240,996	5,073,071
Cash and cash equivalents, end of period		\$ 1,844,803	\$ 5,987,180

See Note 20 for additional information on 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 three and six months ended June 30, 2019 and 2018

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

1) NATURE OF OPERATIONS

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

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

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

Golden Valley was incorporated on August 15, 2000 under the Canada Business Corporations Act. The address of Golden Valley's registered office is 152 Chemin de la Mine École, Val-d'Or, J9P 7B6, Québec, Canada. The address of Golden Valley's principal place of business is 2864 Chemin Sullivan, Val-d'Or, Québec, J9P 0B9. Golden Valley's shares are listed on the TSX Venture Exchange.

Abitibi Royalties and Calone Mining were incorporated on February 18, 2010 and on February 23, 2010, respectively, pursuant to the British Columbia Business Corporations Act. Both subsidiaries have its head office located at 152 Chemin de la Mine École, Val-d'Or, Québec, Canada, registered and records office located at #530 - 355 Burrard Street, Vancouver, B.C. V6C 2G8 and principal place of business located 2864 Chemin Sullivan, Val-d'Or, Québec, J9P 0B9.

2) BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 – "Interim Financial Reporting". These condensed consolidated interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 4 - Summary of Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2018, except for the changes in accounting policies resulting from the adoption of IFRS 16 – "Leases" and IFRIC Interpretation 23 – "Uncertainty over Income Tax Treatments" as described below. The interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual financial statements for the year ended December 31, 2018.

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2019 and 2018

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

2) BASIS OF PRESENTATION (continued)

b) Approval of Financial Statements

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on August 28, 2019.

c) Basis of consolidation

The Company's financial statements consolidate the accounts of Golden Valley Mines Ltd., the parent company, and all of its subsidiaries until June 30, 2019.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interests. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation. When the Company ceases to have control; any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

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

Associates

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

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2019 and 2018

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

2) BASIS OF PRESENTATION (continued)

Associates (continued)

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

The carrying value of the investment in an associate represents the cost of the investment, including goodwill, a share of the post-acquisition retained earnings and losses, accumulated other comprehensive income ("AOCI") and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment in associate is impaired. No impairment was required for the three and six months ended June 30, 2019 and 2018.

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

Percentage of ownership	As at June 30, 2019	As at December 31, 2018
Subsidiaries (consolidated)		
Abitibi Royalties Inc.	44.74%	44.83%
Calone Mining Ltd.	100.00%	100.00%
Investment in associates (equity method)		
International Prospect Ventures Ltd.	16.50%	17.53%
Val-d'Or Mining Corporation	31.03%	24.82%

3) NEW AND REVISED IFRS

New accounting standards

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

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2019 and 2018

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

3) NEW AND REVISED IFRS (continued)

IFRS 16 - Leases

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

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

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 – “Uncertainty over Income Tax Treatments” (“IFRIC 23”) was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted.

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

4) JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three and six months ended June 30, 2019 and 2018**

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

5) CASH AND CASH EQUIVALENTS

	As at June 30, 2019	As at December 31, 2018
Cash	\$ 1,456,225	\$ 1,929,212
Demand deposits, redeemable at any time	388,578	311,784
	\$ 1,844,803	\$ 2,240,996

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

6) SHORT-TERM FINANCIAL ASSETS

	As at June 30, 2019	As at December 31, 2018
Marketable securities	\$ 727,819	\$ 609,374
Money market investment funds	854	854
	\$ 728,673	\$ 610,228

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

7) OTHER ASSETS

	As at June 30, 2019	As at December 31, 2018
Sales taxes recoverable	\$ 57,973	\$ 34,028
Dividend receivable	23,073	23,000
Deposits	13,913	-
Trade receivables	8,293	2,070
Prepaid expenses	6,865	22,145
Interest receivable and other	4,320	2,189
	\$ 114,437	\$ 83,432

Deposits of \$13,913 relates to funds held with Ministère de l'Énergie et des Ressources Naturelles for claims staking and management on mining properties.

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2019 and 2018

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

8) INVESTMENTS IN ASSOCIATES

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

As at June 30, 2019, the Company has 4,470,910 common shares or 16.50% (December 31, 2018 -17.53%) interest in International Prospect. The shares of International Prospect were trading at \$0.15 per share on that date.

As at June 30, 2019, the Company has 13,187,443 or 32.51% (December 31, 2018 – 24.82%) interest in Val-d'Or Mining. The shares of Val-d'Or Mining were trading at \$0.08 per share on that date.

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

The following table summarizes the changes to investments in associates for the six months ended June 30, 2019 and 2018:

	International Prospects	Val-d'Or Mining	Total
As at January 1, 2019	\$ 405,748	\$ 1,152,662	\$ 1,558,410
Share of net loss from associates	(27,294)	(87,878)	(115,172)
As at June 30, 2019	\$ 378,454	\$ 1,064,784	\$ 1,443,238

	International Prospects	Val-d'Or Mining	Total
As at January 1, 2018	\$ 340,512	\$ 796,139	\$ 1,136,651
Share of net loss from associates	(16,400)	(138,753)	(155,153)
Shares for debt obligations	60,000	90,000	150,000
As at June 30, 2018	\$ 384,112	\$ 747,386	\$ 1,131,498

Shares for debt obligations

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

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three and six months ended June 30, 2019 and 2018

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

8) INVESTMENTS IN ASSOCIATES (continued)

Shares for debt obligations (continued)

On January 1, 2018, the Company entered into a Termination Agreement with Val-d'Or Mining and International Prospect under which the Company agreed to terminate the Management Agreement, in exchange of a settlement fee of \$60,000 payable by each company as consideration for its failure to pay the management fees since the date of suspensions of the respective Management Agreement.

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

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

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three and six months ended June 30, 2019 and 2018**

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

9) EXPLORATION AND EVALUATION ASSETS

The Company holds exploration and evaluation properties located in: (i) the Abitibi Greenstone Belt; (ii) the James Bay, Mistassini and Otish regions of northern Quebec; (iii) the Nunavik (Ungava and Labrador) region of northern Quebec; (iv) the Athabasca Basin of Saskatchewan, and (v) James Bay Lowlands of Ontario.

	Balance at December 31, 2018	Additions	Credits	Impairment Write-off	Balance at June 30, 2019
Golden Valley Mines Ltd.					
Acquisition and claims maintenance	\$ 3,298,296	\$ 9,614	\$ -	\$ -	\$ 3,307,910
Property option payments	312,500	-	-	-	312,500
Drilling, excavation and related costs	3,241,938	16,023	-	-	3,257,961
Technical and field staff	4,615,618	5,555	-	-	4,621,173
Airborne geophysics	791,822	-	-	-	791,822
Geophysics	2,319,401	-	-	-	2,319,401
Line cutting	1,108,235	-	-	-	1,108,235
Sampling and testing	823,818	-	-	-	823,818
Travel and transport	1,689,127	104	-	-	1,689,231
Program management and consultants	501,621	6,156	-	-	507,777
Professional Fees	5,215	-	-	-	5,215
Depreciation, insurance and office expenses	582,713	-	-	-	582,713
Communications	45,897	-	-	-	45,897
Option payments received	(1,963,650)	-	(7,495)	-	(1,971,145)
Write-off of exploration and evaluation assets	(4,213,235)	-	-	-	(4,213,235)
Impairment of exploration and evaluation assets	(7,265,328)	-	-	(170,698)	(7,436,026)
Shares for mining rights	(416,666)	-	-	-	(416,666)
Government assistance	(1,639,157)	-	(2,821)	-	(1,641,978)
Net expenditures incurred during the period	3,838,165	37,452	(10,316)	(170,698)	3,694,603
Exploration and evaluation assets sold to third parties	(1,606,927)	-	-	-	(1,606,927)
Balance, end of the period	\$ 2,231,238	37,452	(10,316)	(170,698)	\$ 2,087,676

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three and six months ended June 30, 2019 and 2018**

(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

9) EXPLORATION AND EVALUATION ASSETS (continued)

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

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9) EXPLORATION AND EVALUATION ASSETS (continued)

The following table summarizes the carrying values of Exploration and Evaluations Assets by properties as at June 30, 2019:

	Properties optioned to Val- d'Or Mining	Properties optioned to Eldorado Gold	Properties optioned to Battery Minerals	Properties optioned to BonTerra Resources	Properties optioned to Alexandria Minerals	Other	Balance at June 30, 2019
<i>Abitibi Greenstone Belt ("AGB")</i>							
Chibougamau (Québec)	\$ 82,089	-	-	-	-	1,459	\$ 83,548
Matachewan, Kirkland Lake (Ontario)	1,037,226	-	178,247	-	-	5,690	1,221,163
Matagami (Québec)	16,412	-	-	-	-	-	16,412
Rouyn-Noranda-Cadillac (Québec)	74,670	-	-	-	-	8,737	83,407
Val d'Or - Malartic (Québec)	324,804	146,302	-	-	-	33,176	504,282
Lebel-sur-Quevillon (Québec)	6,521	-	-	359,461	-	6	365,988
Rouyn-Noranda-Cadillac (Québec)	-	168,405	-	-	-	-	168,405
Kirkland Lake / Matachewan (Ontario)	-	812,032	-	-	-	-	812,032
Total AGB	1,541,722	1,126,739	178,247	359,461		49,068	3,255,237
<i>James Bay (Québec)</i>	-	-	-	-	-	31,267	31,267
<i>Nunavik (Ungava-Labrador)</i>	-	-	-	-	-	150	150
Total other	-	-	-	-	-	31,417	31,417
Investment tax credit	-	-	-	-	-	-	(1,198,978)
Balance, end of the year							\$ 2,087,676

Golden Valley Properties**Mining Option Agreement with Val-d'Or Mining**

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

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

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9) EXPLORATION AND EVALUATION ASSETS (continued)

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

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

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

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

AGB Properties – Eldorado Gold Corporation – Québec and Ontario

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

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

GOLDEN VALLEY MINES LTD.

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9) EXPLORATION AND EVALUATION ASSETS (continued)

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

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

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

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

On March 16, 2016, the Company entered into an option agreement with BonTerra Resources Inc. (“BonTerra”) on the Lac Barry Prospect located in the Abitibi Greenstone Belt, northeast of Val-d’Or, Québec. In accordance with the option agreement, BonTerra issued to the Company 519,480 common shares in the capital of BonTerra having an aggregate value of \$200,000 and must incur expenditures in an aggregate amount of \$2,000,000 over a three-year period, of which \$250,000 is to be spent in the first year of the option agreement. Upon exercising the option, BonTerra will obtain an 85% interest in the property and, the Company will retain a 15% free carried interest and a 3% NSR, with 1% of the NSR being subject to a buyback in favour of BonTerra for \$1.0 million.

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

Centremaque Prospect – Alexandria Minerals Corporation - Val-d’Or Québec

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

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9) EXPLORATION AND EVALUATION ASSETS (continued)

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

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

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

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

10) ROYALTY INTERESTS OF ABITIBI ROYALTIES

Main royalty interests

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

Malartic CHL 3% Royalty - Malartic, Québec

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

For the three and six months ended June 30, 2019, Abitibi Royalties earned royalties in the amount of \$814,621 (or US\$624,470) and \$1,203,750 (or US\$915,668), respectively (for the three and six months ended June 30, 2018 - \$nil) from this royalty interest.

Canadian Malartic 2% Royalty - Malartic, Québec

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

GOLDEN VALLEY MINES LTD.

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10) ROYALTY INTEREST OF ABITIBI ROYALTIES (continued)

Other royalty interests

Revillard Property 2% Royalty - Malartic, Québec

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

15% NPI in the vicinity of Canadian Malartic Mine – Malartic, Québec

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

1.5% NSR on the Midway Project – Malartic, Québec

On July 9, 2018, Abitibi Royalties entered into an agreement with an arm's length party to acquire a 1.5% NSR royalty, for the purchase price of \$752,000 (or US\$575,000), on an area known as the Midway project, located east and south of the Canadian Malartic Mine in Abitibi, Québec. The Midway Project is owned and operated by the Canadian Malartic Mine. A total of 1.0% of the NSR can be repurchased by the Canadian Malartic Mine by paying US\$1.0 million to Abitibi Royalties.

1.5% NSR in the Abitibi region, Québec

On July 11, 2018, Abitibi Royalties entered into an agreement with an arm's length party seller, to acquire various 1.5% NSR royalties on projects owned by Agnico Eagle throughout the Abitibi region in Québec for the purchase price of \$755,000 (or US\$575,000). These projects include 1) Callahan (6.5 km northeast and northwest of the Canadian Malartic Mine and Goldex Mine and 1.5 km north of the Wesdome Gold Mines' Kiena Deep discovery), 2) Cadillac (part of the LaRonde Mine), 3) Thompson River (part of the Goldex Mine) and 4) Malartic Break (6 km northwest of the Canadian Malartic Mine). A total of 1.0% of the NSR royalties can be repurchased by Agnico Eagle by paying US\$1.0 million to Abitibi Royalties.

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10) ROYALTY INTEREST OF ABITIBI ROYALTIES (continued)

Other royalty interests (continued)

1.0% NSR on the New Alger Project

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

Abitibi Royalty Search Program

In 2015, Abitibi Royalties launched the “Abitibi Royalty Search Program”, by which it would reimburse renewal fees on existing claims or staking fees on new claims in exchange for a net smelter return royalty. The program offers mining companies and prospectors an alternative to dropping potentially interesting claims or projects due to a lack of funds. Projects have to meet specific criteria to be eligible, such as being located in the close vicinity of an existing mine and showing good geology or signs of mineralization through previous exploration.

For the three and six months ended June 30, 2019, no NSR royalties were acquired from Abitibi Royalties’ royalty search program.

11) INVESTMENTS

	As at June 30, 2019		As at December 31, 2018	
	Number of shares	Fair value	Number of shares	Fair value
Yamana Gold Inc.	3,549,695	\$ 11,784,987	3,549,695	\$ 11,394,521
Agnico Eagle Mines Limited	414,597	27,836,043	414,597	22,844,295
		\$ 39,621,030		\$ 34,238,816
Other investments		217,113	-	85,010
		\$ 39,838,143		\$ 34,323,826

Sale and Purchase of Agnico Eagle shares

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

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12) DERIVATIVE FINANCIAL INSTRUMENTS

Abitibi Royalties' total call options outstanding as at June 30, 2019 and December 31, 2018 are as follows:

Expiry date		Number of shares under option	Exercise price range (USD)	Market value as at June 30, 2019
<i>Calls</i>				
Yamana	January 17, 2020	2,985,000	\$ 2.00 to 5.00	\$ 652,650
Yamana	January 15, 2021	564,600	3.00 to 5.00	385,936
Agnico	January 17, 2020	356,800	43.00 to 55.00	2,660,986
Agnico	January 15, 2021	57,700	42.00 to 50.00	699,781
		3,964,100		\$ 4,399,353
Expiry date		Number of shares under option	Exercise price range (USD)	Market value as at December 31, 2018
<i>Calls</i>				
Yamana	January 18, 2019	142,700	\$ 4.00	\$ 9,734
Yamana	January 17, 2020	2,797,400	4.00 to 7.00	732,794
Yamana	January 15, 2021	269,400	4.00	338,114
Agnico	January 18, 2019	46,000	50.00	5,020
Agnico	May 18, 2019	5,000	50.00	9,686
Agnico	January 17, 2020	305,900	43.00 to 65.00	1,247,648
Agnico	January 15, 2021	24,100	43.00 to 50.00	252,882
		3,590,500		\$ 2,595,878

For the three months ended June 30, 2019, Abitibi Royalties sold 8,044 call contracts (747 calls on Agnico Eagle shares and 7,297 calls on Yamana Gold shares) for total cash proceeds of \$322,124 (or US\$240,739). In addition, 7,915 contracts were repurchased before expiration (663 calls on Agnico Eagle and 7,252 calls on Yamana) for \$55,237 (or US\$41,270). For the six months ended June 30, 2019, Abitibi Royalties sold 18,299 call contracts (1,573 calls on Agnico Eagle shares and 16,726 calls on Yamana Gold shares) for total cash proceeds of \$852,647 (or US\$639,790). In addition, 1,887 call option contracts expired (460 on Agnico Eagle and 1,427 on Yamana) and 12,676 contracts were repurchased before expiration (778 calls on Agnico Eagle and 11,898 calls on Yamana) for \$81,231 (or US\$60,717).

The liability associated with derivative financial instruments can be settled, if required, through the Company's investments in the common shares of Agnico Eagle and Yamana.

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13) CAPITAL STOCK**Capital Stock**

The capital stock of the Company consists of fully paid common shares.

Authorized

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

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

Issued share capital

The change in issued share capital for the six months ended June 30, 2019 and 2018 was as follows:

	2019		2018	
	Number of shares	Stated Value	Number of shares	Stated Value
Balance, as at January 1,	133,918,577	\$ 28,289,902	129,788,577	\$ 27,530,938
Shares issued by exercise of stock options	95,000	16,150	575,000	47,750
Shares issued by exercise of warrants	-	-	2,650,000	371,000
Share issue expenses	-	-	-	(952)
Value allocation on options exercised	-	11,215	-	38,854
Value allocation on warrants exercised	-	-	-	168,066
Balance, as at June 30,	134,013,577	\$ 28,317,267	133,013,577	\$ 28,155,656

Share capital issued from exercise of incentive stock options

For the six months ended June 30, 2019, the Company issued 95,000 of its common shares from the exercise of incentive stock options at a price of \$0.17 per share for a total consideration of \$16,150.

For the six months ended June 30, 2018, the Company issued 575,000 of its common shares from the exercise of incentive stock options of 500,000 at a price of \$0.07 per share and of 75,000 at a price of \$0.17 per share for a total consideration of \$47,750.

Share capital issued from exercise of share purchase warrants

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

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three and six months ended June 30, 2019 and 2018**

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14) SHARE-BASED PAYMENTS

The summary of changes in the number of incentive stock options issued by the Company for the six months ended June 30, 2019 and 2018 is presented as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	14,098,189	\$ 0.31	13,278,189	\$ 0.29
Granted	390,000	0.34	2,300,000	0.28
Exercised	(429,025)	0.17	(575,000)	0.17
Cancelled	-	-	-	-
Outstanding, end of period	14,059,164	\$ 0.33	15,003,189	\$ 0.30
Exercisable, end of period	9,677,776	\$ 0.31	9,955,134	\$ 0.29

The table below summarizes the information related to outstanding share options as at June 30, 2019:

Expiry date	Outstanding options			
	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Exercisable options
July 24, 2020	675,000	0.11	1.07	675,000
January 1, 2021	100,000	0.10	1.51	100,000
June 30, 2021	2,300,000	0.30	2.00	2,300,000
February 3, 2022	100,000	0.47	2.60	100,000
June 18, 2024	390,000	0.34	4.97	256,667
September 30, 2026	8,244,164	0.35	7.26	5,496,109
June 21, 2023	2,250,000	0.28	3.98	750,000
	14,059,164	\$ 0.33		9,677,776

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14) SHARE-BASED PAYMENTS (continued)*Share-based compensation expense*

The table below summarizes share-based compensation expense for the three and six months ended June 30, 2019 and 2018:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Golden Valley				
June 2019 option grant ^(a)	\$ 42,276	\$ -	\$ 42,276	\$ -
June 2018 option grant ^(b)	65,647	6,862	134,275	6,862
September 2016 option grant ^(c)	50,571	191,049	101,143	382,098
Abitibi Royalties				
2016 Restricted Share Units grant ^(d)	-	204,980	-	260,903
Share-based compensation expense	\$ 158,494	\$ 402,891	\$ 277,694	\$ 649,863

- a) On June 18, 2019, the Company granted to its officers, and consultants incentive stock options entitling the purchase of an aggregate 390,000 common shares at an exercise price of \$0.34 per share. The options are exercisable for a period of 5 years until June 18, 2024, subject to earlier termination in accordance with the terms of the Company's Stock Option Plan. With the exception of 200,000 options which vest over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control, all of the other options vest immediately on grant. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$84,980 of which to date \$42,276 has been expensed.
- b) On June 21, 2018, the Company granted to its directors, officers, and consultants incentive stock options entitling the purchase of an aggregate 2,300,000 common shares at an exercise price of \$0.275 per share. The options are exercisable for a period of 5 years until June 21, 2023, subject to earlier termination in accordance with the terms of the Company's Stock Option Plan. All of the options vest equally over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$455,441 of which to date \$281,444 has been expensed.

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14) SHARE-BASED PAYMENTS (continued)*Share-based compensation expense (continued)*

- c) On September 30, 2016, the Company granted to its directors, officers, employees and consultants incentive stock options entitling the purchase of an aggregate 9,305,934 common shares at an exercise price of \$0.35 per share. The options are exercisable for a period of 10 years until September 30, 2026, subject to earlier termination in accordance with the terms of the Company's Stock Option Plan. All of the options vest equally over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control. To date, 5,496,109 options have vested under this grant. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$2,427,448 of which to date \$2,343,050 has been expensed and \$33,826 has been capitalized to exploration and evaluation assets.
- d) Abitibi Royalties' compensation related to its 2016 restricted share unit grants totalled \$2,107,701, which was to be allocated over the vesting period of three years to 2019. For the three and six months ended June 30, 2019, Abitibi Royalties did not recognize any share-based expense on its restricted share unit as the restricted share units were fully converted to common shares as part of the transaction with Caisse de dépôt et placement du Québec ("CDPQ") on June 29, 2018. Following the transaction with CDPQ, Abitibi Royalties terminated its restricted share unit plan.

Fair value of options granted

The fair value of the granted options was determined using the Black-Scholes option pricing model and based on the following assumptions:

Date of Grant	June 18, 2019	June 21, 2018	September 30, 2016
Share price at date of grant	\$ 0.340	\$ 0.275	\$ 0.34
Expected dividends yield	0%	0%	0%
Expected weighted volatility	79.95%	105.67%	125.00%
Risk-free interest average rate	1.33%	2.00%	1.00%
Expected average life	5 years	5 years	10 years
Exercise price at date of grant	\$ 0.340	\$ 0.275	\$ 0.35

GOLDEN VALLEY MINES LTD.

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15) GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes general and administrative expenses for the three and six months ended June 30, 2019 and 2018.

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Office expenses	\$ 38,519	\$ 28,812	\$ 60,564	\$ 56,517
Advertising and exhibitions	17,154	50,124	50,196	126,862
Travelling	19,946	20,061	26,734	41,056
	\$ 75,619	\$ 98,997	\$ 137,494	\$ 224,435

16) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES

Normal Course Issuer Bid

On September 26, 2018, Abitibi Royalties announced the renewal of its normal course issuer bid ("NCIB") for another year until October 5, 2019. This new approval allows Abitibi Royalties to purchase up to 626,306 (representing 5% of its total issued and outstanding common shares as of September 25, 2018) of its common shares. Common shares purchased under the NCIB were cancelled.

For the three months ended June 30, 2019, Abitibi Royalties repurchased and cancelled 4,900 common shares at prices varying from \$11.05 to \$12.90 per share for a total of \$60,032. For the six months ended June 30, 2019, Abitibi Royalties repurchased and cancelled 39,100 common shares at prices varying from \$9.49 to \$12.90 per share for a total of \$469,056.

For the three and six months ended June 30, 2018, Abitibi Royalties did not repurchase any common shares under the NCIB.

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

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

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(unaudited)

(Expressed in Canadian dollars unless otherwise noted)

16) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES (continued)*Incentive stock option*

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

A summary of changes in the number of incentive stock option for the six months ended June 30, 2019 and 2018 is presented as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	81,171	\$ 2.79	625,311	\$ 1.10
Exercised	(64,971)	2.57	(544,140)	0.85
Outstanding, end of period	16,200	\$ 3.69	81,171	\$ 2.79
Exercisable, end of period	16,200	\$ 3.69	81,171	\$ 2.79

For the three and six months ended June 30, 2019, the Company issued 64,971 of its common shares for a total consideration of \$166,975 from the exercise of stock options at prices varying from \$2.18 per share (47,733 stock options), \$3.62 per share (10,789 stock options) and \$3.70 per share (6,449 stock options).

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

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16) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES (continued)

The table below summarizes the information related to outstanding share options as at June 30, 2019 and 2018:

Range of Exercise price	Number of options	2019	Number of options	2018
		Weighted average remaining contractual life (year)		Weighted average remaining contractual life (year)
\$ 2.18			47,733	0.92
\$ 3.62	2,649	0.21	13,438	0.96
\$ 3.70	13,551	0.22	20,000	0.97
	16,200		81,171	

Restricted Share Unit Plan

A summary of changes in the number of Restricted Share Units (“Share Units”) for the six ended June 30, 2019 and 2018 is presented as follows:

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

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

On June 29, 2018, the Share Units were converted into 583,365 common shares of Abitibi Royalties, of which 360,572 were sold to CDPQ (note 14). The remaining shares of 222,794 were held in escrow until their original expiration dates of February 4, 2019 and March 19, 2019. Following the transaction with CDPQ, Abitibi Royalties terminated its Share Units Plan, thereby eliminating the remaining 313,404 Share Units that were available for issuance.

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17) EARNINGS (LOSS) PER SHARE

Both the basic and diluted earnings (loss) per share have been calculated using the net income (loss) attributable to owners of the Company as the numerator, i.e. no adjustment to the net income (loss) were necessary in either period ended June 30, 2019 and 2018.

As at June 30, 2019 8,344,164 stock options (12,944,164 stock options as at June 30, 2018) were excluded from the calculation of diluted earnings per share attributable to shareholders of the Company as their exercise price was higher than the Company's average share price for the three and six months ended June 30, 2019.

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Net income (loss) attributable to shareholders of Golden Valley Mines Ltd.	(215,758)	\$ 692,118	791,315	\$ (1,089,247)
Weighted average number of shares in circulation - basic	134,002,021	132,586,945	133,967,527	131,792,146
Dilutive effect of stock options and warrants	4,491,388	1,639,260	4,228,964	1,639,260
Weighted average number of shares	138,493,409	134,226,205	138,196,491	133,431,406
Basic earnings (loss) per share	(0.002)	\$ 0.005	0.006	\$ (0.008)
Diluted earnings (loss) per share	(0.002)	\$ 0.005	0.006	\$ (0.008)

18) COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee. As at June 30, 2019, the total annual base fee of the officers and consultants under the agreements is \$765,000. As a triggering event has not taken place, the contingent payments have not been reflected in the consolidated financial statements.

19) RELATED PARTY TRANSACTIONS

The Company's related parties comprise of 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.

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three and six months ended June 30, 2019 and 2018**

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19) RELATED PARTY TRANSACTIONS (continued)

For the three and six months ended June 30, 2019 and 2018, the compensation paid to key management for employee and consulting services for Golden Valley and its subsidiaries is presented below:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Short-term employee benefits				
Salaries including bonuses	\$ 190,578	\$ 184,867	\$ 373,328	\$ 377,858
Directors' fees	70,000	70,000	140,000	140,000
Benefits ⁽¹⁾	38,872	474,178	75,653	502,446
Total short-term employee benefits	299,450	729,045	588,981	1,020,304
Other transactions with key management				
Rent ⁽²⁾	2,409	2,051	4,041	3,653
Management fees ⁽³⁾	41,550	41,550	83,100	83,100
Fees relating to exploration and evaluation activities ⁽⁴⁾	18,281	16,875	36,329	31,575
Total other transactions with key management	62,240	60,476	123,470	118,328
Share-based payments ⁽⁵⁾	75,239	396,518	192,751	637,117
Total remuneration	\$ 436,929	\$ 1,186,039	\$ 905,202	\$ 1,775,749

- 1) Benefits are the Company's contributions to mandatory governmental benefits plans related to salaries, director fees and taxable benefits on exercise of incentive stock options. The amounts of \$474,178 and \$502,446 for the three and six months ended June 30, 2018, include the Abitibi Royalties' payroll levies of \$471,820 on the taxable benefits on the conversion of the RSU into common shares and the exercise of stock options relating to the transaction with CDPQ.
- 2) Rent of \$4,041 (2018 - \$3,653) paid by Abitibi Royalties to its President for use of Toronto Property as an office for Abitibi Royalties.
- 3) Management fees of \$41,550 (2018 - \$41,550) and \$83,100 (2018 - \$83,100) paid to 2973090 Canada Inc. a company controlled by an officer and a director of the Company.
- 4) Fees relating to exploration and evaluation activities include \$29,400 (2018 - \$29,400) paid to 2973090 Canada Inc and of \$6,929 (2018 - \$2,175) paid to Rosatelli Exploration Services, a company controlled by an officer of the Company.
- 5) Share-based compensation relating to the incentive stock option program for officers and directors of the Company.

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19) RELATED PARTY TRANSACTIONS (continued)

a) Transactions with related companies

For efficiency reasons, where Golden Valley and related companies are dealing with the same suppliers one may pay for both and be reimbursed by the other.

Val-d'Or Mining

For the three and six months ended June 30, 2019, Golden Valley recharged general and administrative expenses to Val-d'Or Mining, a company related by common management, for a total amount of \$17,057 and \$33,151, (for the three and six months ended June 30, 2018 - \$30,839 and \$67,402), respectively.

As at June 30, 2019, Golden Valley has an advance of \$26,943 (December 31, 2018 - \$nil), which is included in accounts payable and accrued liabilities, from Val-d'Or Mining for claims renewal and maintenance fees on optioned properties reimbursable under mining option agreement with Val-d'Or Mining.

International Prospect

For the three and six months ended June 30, 2019, Golden Valley recharged general and administrative expenses to International Prospect, a company related by common management, for a total amount of \$3,000 and \$6,793 (\$5,047 and \$7,314 were recharged for the three and six months ended June 30, 2018, respectively).

As at June 30, 2019, Golden Valley has a receivable of \$3,449 ((December 31, 2018 - \$nil) with International Prospect, which is included in Other assets.

20) ADDITIONAL INFORMATION - CASH FLOWS

Cash transactions

	For the six months ended June 30,	
	2019	2018
Interest received	\$ 5,152	\$ 6,247
Dividends received	161,041	\$ 129,994

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(Expressed in Canadian dollars unless otherwise noted)

20) ADDITIONAL INFORMATION - CASH FLOWS (continued)*Changes in non-cash working capital items*

	2019	2018
Royalty receivable	\$ (800,516)	\$ -
Other assets	(42,823)	(4,816,557)
Prepaid expenses and deposits	15,280	17,970
Accounts payable and accrued liabilities	(147,891)	4,931,411
	\$ (975,950)	\$ 132,824

Non-cash transactions

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

	For the six months ended June 30,	
	2019	2018
Accounts payable and accrued liabilities included in exploration and evaluation assets	\$ 22,620	\$ 13,786
Options on exploration and evaluation assets received as shares of quoted mining exploration companies included in short-term financial assets	50,000	25,000
Common shares received in consideration of settlement fee and loan receivable from associates	-	150,000

21) SUBSEQUENT EVENT

On July 17, 2019, Abitibi Royalties' board of directors has approved, subject to regulatory approval, an initial quarterly dividend on Abitibi Royalties' outstanding common shares of CDN\$0.03 per common share (which would amount to CDN\$0.12 per common share on an annual basis). The record and payment dates for the initial quarterly dividend will be September 9 and 30, 2019, respectively. The ex-dividend date has yet to be announced. As at June 30, 2019, Golden Valley holds 5,605,246 common shares (or 44.74% equity interest) in Abitibi Royalties.