



**Golden Valley Mines and Royalties Ltd.  
Mines et Redevances de la Vallée de l'Or Itée**

**(Previously Golden Valley Mines Ltd.)**

**Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2021 and 2020**

**(Expressed in Canadian dollars)**

**(UNAUDITED)**

**GOLDEN VALLEY MINES AND ROYALTIES 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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

## GOLDEN VALLEY MINES AND ROYALTIES LTD.

### Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(unaudited)

	Notes		As at June 30, 2021		As at December 31, 2020
<b>ASSETS</b>					
<b>Current</b>					
Cash and cash equivalents	5	\$	16,418,583	\$	13,703,034
Restricted cash	8		3,961,104		385,415
Other assets	6		279,333		406,280
Royalty receivable	11		450,564		425,180
Prepays and other receivables	7		148,820		335,716
			<b>21,258,404</b>		<b>15,255,625</b>
<b>Non-current</b>					
Investments	8		31,064,391		49,501,916
Investments in associates	9		1,715,248		2,127,431
Exploration and evaluation assets	10		400,929		463,429
Other assets	6		812,440		110,957
<b>TOTAL ASSETS</b>		<b>\$</b>	<b>55,251,412</b>	<b>\$</b>	<b>67,459,358</b>
<b>LIABILITIES</b>					
<b>Current</b>					
Accounts payable and accrued liabilities		\$	356,347	\$	890,496
Income taxes payable			58,852		2,464,798
Derivative financial instruments	12		1,566,137		4,243,318
			<b>1,981,336</b>		<b>7,598,612</b>
<b>Non-Current</b>					
Loan	13		60,000		60,000
Deferred taxes	17		998,484		2,693,658
<b>Total liabilities</b>			<b>3,039,820</b>		<b>10,352,270</b>
<b>EQUITY</b>					
Capital stock	14		29,832,917		28,636,185
Contributed surplus			5,832,532		6,324,653
Deficit			(9,681,450)		(7,304,410)
<b>Total equity attributable to owners of the parent company</b>			<b>25,983,999</b>		<b>27,656,428</b>
Non-controlling interest			26,227,593		29,450,660
<b>Total equity</b>			<b>52,211,592</b>		<b>57,107,088</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$</b>	<b>55,251,412</b>	<b>\$</b>	<b>67,459,358</b>

Approved by the Board of Directors on August 23, 2021.

"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 AND ROYALTIES LTD.

### Condensed Consolidated Interim Statements of Net loss and Statement of Comprehensive loss

(Expressed in Canadian Dollars)

(unaudited)

Notes	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Revenues</b>				
Royalties	\$ 450,564	\$ 93,633	\$ 639,106	\$ 167,918
Dividends	174,925	169,400	355,009	232,565
Option revenue	100,000	50,000	100,000	50,000
	<b>725,489</b>	<b>313,033</b>	<b>1,094,115</b>	<b>450,483</b>
<b>Operating Expenses</b>				
Salaries and other employee benefits	303,348	354,064	682,435	764,571
Professional fees	323,914	230,463	507,760	432,284
General and administrative expenses	16 73,949	55,445	148,664	222,274
Management fees	20 41,550	41,550	83,100	83,100
Royalty interests	11 34,000	37,701	58,800	37,701
Exploration and evaluation	18,047	18,114	36,095	50,580
Share-based compensation	15 14,148	126,326	29,611	224,291
Depreciation of property and equipment	-	-	-	1,028
	<b>808,956</b>	<b>863,663</b>	<b>1,546,465</b>	<b>1,815,829</b>
<b>Operating loss</b>	<b>(83,467)</b>	<b>(550,630)</b>	<b>(452,350)</b>	<b>(1,365,346)</b>
<b>Other income (loss)</b>				
Change in fair value of investments	489,400	22,413,712	(9,160,304)	8,603,228
Change in fair value of derivatives	736,837	(3,641,315)	4,269,228	3,382,139
Change in fair value of derivatives resulting from foreign exchange	15,549	240,466	48,181	(167,275)
Change in fair value of other assets	(46,675)	189,705	(140,811)	10,344
Foreign exchange gain (loss)	(248,420)	(221,240)	(475,155)	2,584,905
Share of loss of associates	9 (96,409)	(403,229)	(194,168)	(451,348)
Gains on dilution of equity investments	9 113,212	-	113,212	-
Gain on loss of significant influence	9 384,119	-	384,119	-
Finance income	456	2,115	1,949	69,634
Finance cost	(30,688)	63,734	(90,085)	(76,443)
	<b>1,317,381</b>	<b>18,643,948</b>	<b>(5,243,834)</b>	<b>13,955,184</b>
<b>Net income (loss) before income taxes</b>	<b>1,233,914</b>	<b>18,093,318</b>	<b>(5,696,184)</b>	<b>12,589,838</b>
<b>Income tax expense (recovery)</b>				
Current tax	(80,817)	(371,701)	712,159	1,965,913
Deferred tax	17 59,962	2,409,033	(1,695,174)	(299,958)
	<b>(20,855)</b>	<b>2,037,332</b>	<b>(983,015)</b>	<b>1,665,955</b>
<b>Net income (loss) and total comprehensive income (loss) for the period</b>	<b>\$ 1,254,769</b>	<b>\$ 16,055,986</b>	<b>\$ (4,713,169)</b>	<b>\$ 10,923,883</b>
<b>Net income (loss) and total comprehensive income (loss) attributable to:</b>				
Shareholders of Golden Valley Mines Ltd.	\$ 655,577	\$ 5,748,019	\$ (2,277,335)	\$ 3,058,703
Non-controlling interest	599,192	10,307,967	(2,435,834)	7,865,180
	<b>\$ 1,254,769</b>	<b>\$ 16,055,986</b>	<b>\$ (4,713,169)</b>	<b>\$ 10,923,883</b>
<b>Earnings (loss) per share attributable to shareholders of Golden Valley Mines Ltd:</b>				
Basic earnings (loss) per share	19 \$ 0.048	\$ 0.426	\$ (0.168)	\$ 0.227
Diluted earnings (loss) per share	19 \$ 0.046	\$ 0.410	\$ (0.168)	\$ 0.219

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

## GOLDEN VALLEY MINES AND ROYALTIES LTD.

### Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

(unaudited)

	Notes	Capital Stock	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity	
	Number							
<b>Balance at January 1, 2021</b>		13,518,460	\$ 28,636,185	\$ 6,324,653	\$ (7,304,410)	\$ 27,656,428	\$ 29,450,660	\$ 57,107,088
Shares issued on exercise of stock options		225,000	1,196,732	(521,732)	-	-	-	675,000
Share-based payments	15	-	-	29,611	-	29,611	-	29,611
Change in interest of subsidiaries		-	-	-	(99,705)	(99,705)	(787,233)	(886,938)
		13,743,460	29,832,917	5,832,532	(7,404,115)	27,586,334	28,663,427	56,924,761
<b>Net loss and total comprehensive loss for the period</b>					(2,277,335)	(2,277,335)	(2,435,834)	(4,713,169)
<b>Balance at June 30, 2021</b>		13,743,460	\$ 29,832,917	\$ 5,832,532	\$ (9,681,450)	\$ 25,308,999	\$ 26,227,593	\$ 52,211,592
<b>Balance at January 1, 2020</b>		13,434,760	\$ 28,420,603	\$ 6,033,488	\$ (11,945,215)	\$ 22,508,876	\$ 22,966,935	\$ 45,475,811
Share-based payments		-	-	349,504	-	349,504	-	349,504
Shares issued on exercise of stock options	14	83,700	215,582	(89,952)	-	125,630	-	125,630
Change in interest of subsidiaries		-	-	-	(178,662)	(178,662)	(768,693)	(947,355)
		13,518,460	28,636,185	6,293,040	(12,123,877)	22,805,348	22,198,242	45,003,590
<b>Net income and total comprehensive income for the period</b>					3,058,703	3,058,703	7,865,180	10,923,883
<b>Balance at June 30, 2020</b>		13,518,460	\$ 28,636,185	\$ 6,293,040	\$ (9,065,174)	\$ 25,864,051	\$ 30,063,422	\$ 55,927,473

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

## GOLDEN VALLEY MINES AND ROYALTIES LTD.

### Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

(unaudited)

	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Net income (loss) for the period		\$ (4,713,169)	\$ 10,923,883
Adjustments:			
Share-based payments	15	29,611	224,291
Foreign exchange loss (gain)		418,492	(93,199)
Share of loss in associates	9	194,168	451,348
Gains on dilution of equity investments		(113,212)	-
Gain on loss of significant influence		(384,119)	-
Deferred tax recovery		(1,695,174)	(299,958)
Royalty interests	11	58,800	-
Change in fair value of investments		9,160,304	(8,603,228)
Change in fair value of derivatives		(4,269,228)	(3,382,139)
Change in fair value of derivatives resulting from foreign exchange		(48,181)	167,275
Change in fair value of other assets		140,811	(10,344)
Depreciation of property and equipment		-	1,028
		(1,220,897)	(621,043)
Changes in working capital items:			
Accounts receivable		-	268,195
Royalty receivable		(25,384)	905,619
Prepays and other receivables		161,896	(20,714)
Accounts payable and accrued liabilities		(534,151)	(377,458)
Income taxes payable		(2,405,946)	1,965,913
		(2,803,585)	2,741,555
<b>Cash flows from (used by) operating activities</b>		<b>(4,024,482)</b>	<b>2,120,512</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from settlement of derivative financial instruments	8	9,314,033	26,057,132
Payment on settlement of derivative financial instruments		-	(23,566,715)
Repurchase of derivative financial instruments		(10,276)	(29,117)
Proceeds from sale of derivative financial instruments	8	1,650,504	1,426,901
Increase in restricted cash		(3,575,689)	-
Acquisition of investments		(5,731)	(12,754)
Acquisition of royalty interests		(58,800)	-
Proceeds from mining option agreement		25,000	-
Proceeds from sale of investments		31,420	-
Additions to exploration and evaluation expenses		-	(71,250)
<b>Cash flows from investing activities</b>		<b>7,370,461</b>	<b>3,804,197</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from exercise of stock options		675,000	125,630
Proceeds from loan		-	40,000
Change in interest of subsidiaries		(886,938)	(947,355)
<b>Cash flows used by financing activities</b>		<b>(211,938)</b>	<b>(781,725)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(418,492)</b>	<b>93,199</b>
<b>Net change in cash and cash equivalents</b>		<b>\$ 2,715,549</b>	<b>\$ 5,236,183</b>
Cash and cash equivalents, beginning of period		13,703,034	3,003,083
<b>Cash and cash equivalents, end of period</b>		<b>\$ 16,418,583</b>	<b>\$ 8,239,266</b>

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

**GOLDEN VALLEY MINES AND ROYALTIES LTD.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**June 30, 2021 and 2020**  
(unaudited)  
(Expressed in Canadian dollars unless otherwise noted)

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**1) NATURE OF OPERATIONS**

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

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, Québec, J9P 7B6. The address of Golden Valley's principal place of business is 2864 Chemin Sullivan, Val-d'Or, Québec, J9P 0B9. The Company's common shares are trading on the TSX Venture Exchange under the trading symbol "GZZ" and on the OTCQX under the symbol "GLVMF".

At the Company's Annual General and Special Meeting of Shareholders held on June 25, 2021, the shareholders passed a special resolution to change the Company's name to "Golden Valley Mines and Royalties Ltd". On July 15, 2021, the Company filed Articles of Amendment to effect the name change and commenced trading under the new name on the TSXV under its current trading symbol, "GZZ," at the opening of trading on July 16, 2021.

Golden Valley has the following subsidiaries: Abitibi Royalties Inc. ("Abitibi Royalties") and Calone Mining Ltd ("Calone Mining") both incorporated under the British Columbia Business Corporations Act. 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, J9P 7B6, registered and records office located at #530 -355 Burrard Street, Vancouver, B.C. V6C 2G8 and principal place of business located at 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, 2020, except for the changes in accounting policies 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, 2020.

**GOLDEN VALLEY MINES AND ROYALTIES LTD.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**June 30, 2021 and 2020**  
(unaudited)  
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**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 23, 2021.

*c) Basis of consolidation*

The Company's financial statements consolidate the accounts of Golden Valley and its subsidiaries until June 30, 2021.

*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 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 AND ROYALTIES LTD.**  
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**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, 2021 and 2020.

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, 2021	As at December 31, 2020
<b>Subsidiaries</b> (consolidated)		
Abitibi Royalties Inc.	<b>44.98%</b>	44.93%
Calone Mining Ltd.	<b>100.00%</b>	100.00%
<b>Investment in associates</b> (equity method)		
International Prospect Ventures Ltd. (note 9)	-	13.44%
Val-d'Or Mining Corporation	<b>37.96%</b>	39.57%

As at June 30, 2021, the Company’s investment in associates relate to Val-d'Or Mining Corporation (“Val-d'Or Mining”), which is involved in the process of exploring, evaluating and promoting its mineral properties and other projects.

For the period up to June 15, 2021 (note 9), the Company’s investment in associates included International Prospect Ventures Ltd. (“International Prospect”), which is involved in the process of exploring, evaluating and promoting its mineral properties and other projects.

### **3) RECENT ACCOUNTING PRONOUNCEMENTS**

At the date of authorization of these consolidated 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 that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

In May 2020, the IASB issued a package of narrow-scope amendments to three standards (IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets") as well as the IASB's Annual Improvements to IFRS Standards 2018 - 2020. These amendments to existing IFRS standards are to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. These amendments are effective for annual periods beginning on or after January 1, 2022. The Company is assessing the potential impact of these narrow-scope amendments.

### **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, 2020.

#### *Uncertainty due to COVID-19*

The Company continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and financial reporting. The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, companies and others to attempt to reduce the spread of COVID-19.

Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

**GOLDEN VALLEY MINES AND ROYALTIES LTD.**  
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**4) JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Uncertainty due to COVID-19 (continued)*

In properties where the Company holds royalty interests, there has been temporary operational restrictions due to the ongoing COVID-19 pandemic, including operations being previously placed under care and maintenance and thereafter the resumption of mining activities. In the current environment, the assumptions and judgements made by the Company are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions extends, but is not limited to, the Company's valuation of its long-term assets, including the assessment for impairment and impairment reversal. Actual results may differ materially from these estimates.

**5) CASH AND CASH EQUIVALENTS**

	<b>As at June 30, 2021</b>	As at December 31, 2020
Cash	\$ 15,752,817	\$ 13,102,329
Demand deposits, redeemable at any time	665,766	600,705
	<b>\$ 16,418,583</b>	<b>\$ 13,703,034</b>

Demand deposits represent money market mutual funds earning income at an annual rate of 0.30% (December 31, 2020 – 0.30%) that is cashable at any time.

**6) OTHER ASSETS**

Other Assets comprise of equity interests in various public and non-public entities which the Company acquired through transactions.

	<b>As at June 30, 2021</b>	As at December 31, 2020
Equity investments	\$ 692,991	\$ -
Marketable securities	279,333	406,280
Private company investments	106,913	106,913
Warrants	12,536	4,044
Other assets	1,091,773	517,237
Less: current portion of Other assets	(279,333)	(406,280)
Long-term portion of Other assets	<b>\$ 812,440</b>	<b>\$ 110,957</b>

**GOLDEN VALLEY MINES AND ROYALTIES LTD.**  
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**6) OTHER ASSETS (continued)**

Equity investments of \$692,991 (December 31, 2020 - \$nil) represent shares of International Prospect and are recorded at fair value using quoted market prices (note 9).

Marketable securities of \$279,333 (December 31, 2020 -\$406,280) represent shares of publicly traded mining exploration companies and are recorded at fair value using quoted market prices.

Investment of \$106,913 (December 31, 2020 -\$106,913) represent shares in a private company that do not have a quoted market price in an active market. The Company has assessed the fair value of these shares based on techniques and assumptions that emphasize both qualitative and quantitative information.

Special warrants of \$12,536 (December 31, 2020 -\$4,044) represents 80,880 special warrants received from a mining option agreement with Val-d'Or Mining as further described in note 10.

**7) PREPAIDS AND OTHER RECEIVABLES**

	As at June 30, 2021	As at December 31, 2020
Due from related party (note 20)	\$ 38,044	\$ 59,517
Prepaid expenses	14,981	102,427
Sales taxes recoverable	42,847	31,757
Dividend receivable	32,427	70,361
Advances for claim management	20,521	20,521
Payroll levies receivable	-	26,133
Mining option receivable	-	25,000
	<b>\$ 148,820</b>	<b>\$ 335,716</b>

**8) INVESTMENTS**

	As at June 30, 2021		As at December 31, 2020	
	Number of shares	Fair value	Number of shares	Fair value
Yamana Gold Inc.	996,795	\$ 5,203,270	2,105,895	\$ 15,309,857
Agnico Eagle Mines Limited	338,197	25,351,247	375,897	33,676,612
		<b>\$ 30,554,517</b>		<b>\$ 48,986,469</b>
Other investments		509,874	-	515,447
		<b>\$ 31,064,391</b>		<b>\$ 49,501,916</b>

**GOLDEN VALLEY MINES AND ROYALTIES LTD.**  
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**8) INVESTMENTS (continued)**

For the six months ended June 30, 2021, Abitibi Royalties was called to deliver 37,700 common shares of Agnico Eagle at share prices ranging from US\$50.00 to US\$65.00 per share and received, before commissions, \$2,734,388 (or US\$2,149,000) and 1,109,100 common shares of Yamana at share prices ranging from US\$3.00 to US\$5.00 per share and received, before commissions, \$6,579,645 (or US\$5,171,050) from call options it had sold.

For the six months ended June 30, 2020, Abitibi Royalties was called to deliver 350,800 common shares of Agnico Eagle at share prices ranging from US\$43.00 to US\$55.00 per share and received, before commissions, \$22,892,404 (or US\$17,453,800) and 751,800 common shares of Yamana at share prices ranging from US\$2.50 to US\$3.50 per share and received, net of commissions, \$3,164,687 (or US\$2,412,820) from call options it had sold. In addition, the Company was called to purchase 361,400 common shares of Agnico Eagle at a share price of US\$45.00 per share and paid before commissions, \$23,566,715 (or US\$16,263,000) from put options it had sold.

*Restricted cash*

Restricted cash represents funds held as collateral on the put option contracts referred to in the *Derivative financial instruments* below. The funds will become unrestricted once the put option contracts are exercised, repurchased or expired. Restricted cash of \$3,961,104 (or US\$3,193,151) as at June 30, 2021 (December 31, 2020 - \$385,415 (or US\$302,405)) relates to funds held as collateral on the outstanding put option contracts of 180,300 shares (December 31, 2020 – 99,300 shares) of Agnico and of 1,695,500 shares (December 31, 2020 – nil shares) of Yamana as at June 30, 2021.

**9) INVESTMENTS IN ASSOCIATES**

The following table summarizes the changes to investments in associates for the six months ended June 30, 2021 and for the year ended December 31, 2020:

	International Prospect	Val-d'Or Mining	Total
As at January 1, 2021	\$ 304,640	\$ 1,822,791	\$ 2,127,431
Share of net loss from associates	(30,885)	(163,283)	(194,168)
Gains on dilution of equity investments	57,472	55,740	113,212
Gain on loss of significant influence	384,119	-	384,119
Net	715,346	1,715,248	2,430,594
Reclassified to Other Assets	(715,346)	-	(715,346)
As at June 30, 2021	\$ -	\$ 1,715,248	\$ 1,715,248

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**9) INVESTMENTS IN ASSOCIATES (continued)**

	International Prospect	Val-d'Or Mining	Total
As at January 1, 2020	\$ 356,655	\$ 986,378	\$ 1,343,033
Shares from mining option agreement	-	1,291,667	1,291,667
Share of net loss from associates	(52,015)	(455,254)	(507,269)
As at December 31, 2020	\$ 304,640	\$ 1,822,791	\$ 2,127,431

*Val-d'Or Mining*

As at June 30, 2021, the Company held 25,687,444 or 37.96% (December 31, 2020 – 39.57%) interest in Val-d'Or Mining. The shares of Val-d'Or Mining were trading at \$0.11 per share on that date. The Company has no contingent liabilities relating to its interest in the associates.

*International Prospect*

As at June 30, 2021, the Company held 4,470,910 common shares or 11.45% (December 31, 2020 – 13.44%) interest in International Prospect. The shares of International Prospect were trading at \$0.14 per share on that date.

On June 15, 2021, International Prospect completed a private placement of \$800,250 which resulted in an issuance of 5,334,999 Units at a price of \$0.15 per Unit, with each Unit comprising of one common share in the capital of International Prospect and one-half of one non-transferable share purchase warrant. As a result of the private placement, the Company's ownership in International Prospect decreased to 11.45% of the issued and outstanding common shares of International Prospect.

As a result of the decrease in the Company's ownership interest and other indicators, the Company concluded that it no longer had significant influence over International Prospect and classified its investment in the common shares of International Prospect as financial asset at fair value through other comprehensive income on June 15, 2021, presented as Equity investment in Other Assets as at June 30, 2021.

Up to the date of loss of significant influence (for the period from January 1, 2021 to June 15, 2021), the Company recognized its share of the net loss in International Prospect totaling \$30,885. Upon concluding that the Company no longer had significant influence over International Prospect, the Company recorded its investment in International Prospect at fair value using the quoted market price on June 15, 2021 of \$0.15 per share for a total of \$715,346 and recognized a gain on loss of significant influence in associate of \$364,119.

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**10) EXPLORATION AND EVALUATION ASSETS**

The following table summarizes the carrying values of Exploration and Evaluations Assets by properties as at June 30, 2021 and December 31, 2020:

	As at June 30, 2021	As at December 31, 2020
<b><i>Golden Valley Mines Properties</i></b>		
Abitibi Greenstone Belt ("AGB")		
Kirkland Lake / Matachewan (Ontario)	\$ 817,555	\$ 817,555
Lebel-sur-Quevillon (Québec)	359,496	359,496
Val d'Or - Malartic (Québec)	143,181	143,181
Rouyn-Noranda-Cadillac (Québec)	168,405	168,405
Matagami (Québec)	-	-
<b>Total AGB</b>	<b>\$ 1,488,637</b>	<b>\$ 1,488,637</b>
<b>Total other</b>	<b>22,069</b>	<b>22,069</b>
<b>Investment tax credit</b>	<b>(1,198,978)</b>	<b>(1,198,978)</b>
<b>Balance, end of the period</b>	<b>\$ 311,728</b>	<b>\$ 311,728</b>
<b><i>Abitibi Royalties Properties</i></b>		
Bathurst (Ontario)	\$ 12,500	\$ 75,000
Hees (Ontario)	75,000	75,000
Bullfrog South (Nevada, USA)	1,701	1,701
<b>Balance, end of the period</b>	<b>\$ 89,201</b>	<b>\$ 151,701</b>
<b>TOTAL</b>	<b>\$ 400,929</b>	<b>\$ 463,429</b>

***GOLDEN VALLEY PROPERTIES***

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

On April 18, 2017, the Company granted to Val-d'Or Mining an option to acquire a 100% interest in 61 of its grassroots properties, which option was amended and restated as of November 28, 2019 and exercised on December 5, 2019. Pursuant to the option, Val-d'Or Mining issued 8,333,334 shares to Golden Valley in 2020. In addition, Golden Valley is eligible to receive 20% of the proceeds of all third-party transactions pertaining to the properties that Val-d'Or Mining enters into and announces on or before December 31, 2022.

Furthermore, the properties are subject to a royalty in favour of Golden Valley equal to 1.25% of the net smelter returns, whereby Val-d'Or Mining has a partial buyback right. The partial buyback right pertains to each individual property, whereby 1% may be bought for \$500,000 on a property-by-property basis with a maximum total consideration of \$5,000,000 at which point in time the NSR royalty on all the properties would be reduced by 1.0%.

**10) EXPLORATION AND EVALUATION ASSETS (continued)**

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

On October 6, 2020, Val-d'Or Mining entered into an agreement with respect to the sale of several properties referred to as the Ducros Group of Properties. The purchaser of the property is privately-owned Québec Nickel Corp. ("QNC"). In consideration for a 100% interest in the properties, QNC issued 3,589,341 special warrants, with a fair value of \$179,467, to Val-d'Or Mining (of which Golden Valley received 80,880 special warrants, with a fair value of \$4,044, in accordance with the terms of an amended and restated option agreement between Val-d'Or Mining and Golden Valley dated November 28, 2019).

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

On March 16, 2016, the Company granted an option to BonTerra Resources Inc. ("BonTerra") on the Lac Barry Prospect located in the Abitibi Greenstone Belt, northeast of Val-d'Or, Québec. BonTerra issued to Golden Valley 519,480 common shares in the capital of BonTerra having an aggregate value of \$200,000, and incurred expenditures in an aggregate amount of \$2,000,000 over a three-year period. Upon BonTerra exercising the option on June 4, 2019, it earned an 85% interest in the property and, the Company retained 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 payable by BonTerra to Golden Valley. On February 9, 2020, the Company and BonTerra entered into a joint venture agreement on the Lac Barry Prospect.

***c) 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, of which shares and/or cash in the amount of \$150,000 have been received to date; \$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. 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.

On May 28, 2020, the option agreement with O3 Mining Inc ("O3 Mining"), which acquired Alexandria in 2019, was amended to provide that the payment date of the remaining cash consideration of \$100,000 and the date to incur the remaining exploration expenditure commitment of \$3,250,000 to be extended to June 9, 2021. On February 7, 2021, the option agreement was further amended such that the remaining exploration expenditure commitment of \$2,000,000 to be incurred on or before June 9, 2021 can also be satisfied through payment of shares in O3 Mining, provided that O3 Mining commits to complete a drilling program of least 5,000 metres on the Centremaque Prospect.



**10) EXPLORATION AND EVALUATION ASSETS (continued)**

*d) Sharks and Cheechoo Joint Venture - Sirios Resources Ltd. - James Bay Northern Quebec*

On October 23, 2013, Golden Valley granted Sirios Resources Ltd. (“Sirios”) an option to acquire Golden Valley’s remaining 55% interest in the Cheechoo prospect. Sirios completed all its obligations under the agreement to earn a 100% interest in the Cheechoo prospect and therefore holds 100% of the Cheechoo prospect. As additional consideration for the grant of the option, Sirios granted to Golden Valley a royalty equal to 4% of the net returns from all mineral products mined or removed from the Cheechoo gold project. Notwithstanding the foregoing, the royalty relevant to gold mineral products mined or removed from the Cheechoo gold prospect may vary between 2.5% and 3.5% depending on the market price of gold at the time of the payment.

*e) AGB Properties - Eldorado Gold Corporation - Québec and Ontario*

On December 8, 2008, the Company earned a 70% interest in the group of nine properties (eight gold and one copper-zinc-silver) located in the AGB (Québec and Ontario) and a 70:30 joint venture (the “GZZ-I JV”) was formed between Golden Valley and Eldorado Gold Corporation, with the latter having acquired its interest through the acquisition of Integra Gold Corporation. Golden Valley is the operator for the joint venture. The GZZ-I JV is subject to underlying royalties ranging between 3.0% and 3.5% in favour of the original vendors, one of whom is a director and an officer of the Company.

**ABITIBI ROYALTIES’ PROPERTIES**

*Upper Red Lake (formerly “Bathurst property”) (Ontario)*

On November 9, 2020, Abitibi Royalties entered into an agreement with two arm’s length parties to acquire the Upper Red Lake property, a property consisting of seven claims located in Ontario, for the purchase price of \$75,000. Pursuant to the agreement, Abitibi Royalties also granted a 0.5% NSR royalty on the property.

On February 4, 2021, Abitibi Royalties signed an option agreement with Xplore Resources Corp. (“Xplore”) on the Upper Red Lake Project. Xplore may earn a 100% interest in the project by issuing to Abitibi Royalties \$62,500 of Xplore’s common shares based on the daily volume weighted average (the “VWAP”) price of Xplore’s shares for the 14-day period preceding the date of the execution of the Letter of Intent (“LOI”) and by issuing to Abitibi Royalties \$125,000 and \$150,000 of Xplore’s common shares based on the VWAP price of Xplore’s shares for the 14-day period preceding the first and secondary anniversary date of the execution of the LOI, respectively. On Xplore completing its share issuance obligations, Abitibi Royalties will be granted a 1.5% NSR on the Upper Red Lake Project.

On March 5, 2021, Abitibi Royalties received 1,096,491 common shares of Xplore, with a fair value of \$62,500, relating to this mining option agreement.

**10) EXPLORATION AND EVALUATION ASSETS (continued)**

***ABITIBI ROYALTIES' PROPERTIES (continued)***

*Hees Property*

On December 11, 2020, Abitibi Royalties entered into an agreement with two arm's length parties to acquire the Hees property, a property consisting of 30 claims located in Ontario, for the purchase price of \$75,000. Pursuant to the agreement, Abitibi Royalties also granted a 0.5% NSR royalty on the property.

*Bullfrog South Project*

On September 17, 2020, Abitibi Royalties staked the Bullfrog South Project, located in Nevada's Bullfrog Gold District.

On December 9, 2020, Abitibi Royalties entered into a mining option agreement with Bullfrog Mines LLC ("Bullfrog") on the Bullfrog South property. In accordance with the option agreement, in order to acquire a 100% interest in the property, Bullfrog must issue to Abitibi Royalties, over a two-year period, consideration of \$175,000 in cash or share in its capital and reimburse Abitibi Royalties for mining claims fees to be paid in 2021. Upon the option being exercised, the Company will retain a 2.0% NSR on the property, Bullfrog has the option to purchase 0.5% of the NSR for \$500,000 on or before December 9, 2030.

*Hammond Reef South property*

On June 2, 2020, Abitibi Royalties entered into an agreement with two arm's length parties to acquire the Hammond Reef property, a property consisting of 49 claims located in Ontario, for the purchase price of \$70,000. Pursuant to the agreement, the Company also granted one of the parties a 0.5% NSR royalty on the property.

On August 10, 2020, Abitibi Royalties entered into a mining option agreement with Victory Resources Corporation ("Victory") on the Hammond Reef South property. In accordance with the option agreement, in order to acquire a 100% interest in the property, Victory must: (i) issue to Abitibi Royalties, over a two-year period, cash consideration of \$250,000 and share consideration of 2,750,000 common shares in its capital; and (ii) incur exploration expenditures in an aggregate amount of \$550,000 over a three-year period, of which a minimum of \$25,000 is to be spent in the first year of the option agreement. Upon the option being exercised, the Company will retain a 2.0% NSR on the property.

As of the date of approval of these unaudited interim consolidated financial statements, Victory has not fulfilled its obligations to in order to extend the option agreement.

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**10) EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance at January 1, 2021	Additions	Recovery	Credits	Balance at June 30, 2021
<b>Golden Valley Mines</b>					
Acquisition and claims maintenance	\$ 3,312,610	-	-	-	\$ 3,312,610
Property option payments	312,500	-	-	-	312,500
Drilling, excavation and related costs	3,257,961	-	-	-	3,257,961
Technical and field staff	4,624,395	-	-	-	4,624,395
Airborne geophysics	791,822	-	-	-	791,822
Geophysics	2,319,401	-	-	-	2,319,401
Line cutting	1,108,235	-	-	-	1,108,235
Sampling and testing	744,773	-	-	-	744,773
Travel and transport	1,683,141	-	-	-	1,683,141
Program management and consultants	441,560	-	-	-	441,560
Professional Fees	5,215	-	-	-	5,215
Depreciation, insurance and office expenses	581,588	-	-	-	581,588
Communications	45,897	-	-	-	45,897
Option payments received	(1,971,145)	-	-	-	(1,971,145)
Write-off of exploration and evaluation assets	(4,213,235)	-	-	-	(4,213,235)
Impairment of exploration and evaluation assets	(7,525,064)	-	-	-	(7,525,064)
Shares for mining rights	(1,851,475)	-	-	-	(1,851,475)
Government assistance	(1,641,978)	-	-	-	(1,641,978)
Net expenditures incurred during the period	2,026,201	-	-	-	2,026,201
Exploration and evaluation assets sold to third parties	(1,714,473)	-	-	-	(1,714,473)
<b>Balance, end of the period</b>	<b>\$ 311,728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 311,728</b>
<b>Abitibi Royalties</b>					
Acquisition and claims maintenance	\$ 241,959	-	-	-	\$ 241,959
Program management and consultants	8,558	-	-	-	8,558
Option payments received	(98,816)	-	-	(62,500)	(161,316)
	151,701	-	-	(62,500)	89,201
<b>TOTAL</b>	<b>\$ 463,429</b>	<b>-</b>	<b>-</b>	<b>(62,500)</b>	<b>\$ 400,929</b>

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**10) EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance at January 1, 2020	Additions	Recovery	Credits	Balance at December 31, 2020
<b>Golden Valley Mines</b>					
Acquisition and claims maintenance	\$ 3,312,610	-	-	-	\$ 3,312,610
Property option payments	312,500	-	-	-	312,500
Drilling, excavation and related costs	3,257,961	-	-	-	3,257,961
Technical and field staff	4,624,395	-	-	-	4,624,395
Airborne geophysics	791,822	-	-	-	791,822
Geophysics	2,319,401	-	-	-	2,319,401
Line cutting	1,108,235	-	-	-	1,108,235
Sampling and testing	744,773	-	-	-	744,773
Travel and transport	1,683,141	-	-	-	1,683,141
Program management and consultants	441,560	-	-	-	441,560
Professional Fees	5,215	-	-	-	5,215
Depreciation, insurance and office expenses	581,588	-	-	-	581,588
Communications	45,897	-	-	-	45,897
Option payments received	(1,971,145)	-	-	-	(1,971,145)
Write-off of exploration and evaluation assets	(4,213,235)	-	-	-	(4,213,235)
Impairment of exploration and evaluation assets	(7,525,064)	-	-	-	(7,525,064)
Shares for mining rights	(666,666)	-	106,858	(1,291,667)	(1,851,475)
Government assistance	(1,641,978)	-	-	-	(1,641,978)
Net expenditures incurred during the period	3,211,010	-	106,858	(1,291,667)	2,026,201
Exploration and evaluation assets sold to third parties	(1,713,840)	-	-	(633)	(1,714,473)
<b>Balance, end of the period</b>	<b>\$ 1,497,170</b>	<b>-</b>	<b>106,858</b>	<b>(1,292,300)</b>	<b>\$ 311,728</b>
<b>Abitibi Royalties</b>					
Acquisition and claims maintenance	\$ -	241,959	-	-	\$ 241,959
Program management and consultants	-	8,558	-	-	8,558
Option payments received	-	-	48,684	(147,500)	(98,816)
	-	250,517	48,684	(147,500)	151,701
<b>TOTAL</b>	<b>\$ 1,497,170</b>	<b>250,517</b>	<b>155,542</b>	<b>(1,439,800)</b>	<b>\$ 463,429</b>

## **11) ROYALTY INTERESTS OF ABITIBI ROYALTIES**

### *Main royalty interests*

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

The area covered by the 3% net smelter royalty (“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 mineralized zones.

For the three and six months ended June 30, 2021, Abitibi Royalties earned royalties in the amount of \$450,564 (or US\$363,534) and \$639,106 (or US\$513,468) (for the three and six months ended June 30, 2020 - \$93,633 (or US\$68,707) and \$167,918 (or US\$121,068)) 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.

### *Other royalty interests*

#### *Authier North Lithium Royalty & Perrigo Royalties*

In January 2021, Abitibi Royalties acquired a 1% NSR and 15% of any proceeds from a sale or joint venture on the Authier North Lithium property located approximately 40 kilometers north of Malartic, Québec for \$24,000 and acquired, in February 2021, a royalty of 1.25% NSR (0.25% can be repurchased for \$250,000) on the Perrigo project located in Ontario’s Red Lake district for \$8,300.

#### *Malartic South*

In May 2020, Abitibi Royalties entered into a series of agreements to acquire a package of royalties south of the Canadian Malartic Mine and also southeast of the Agnico Eagle’s Goldex Mine. The agreements also entitled Abitibi Royalties to 15% of the gross proceeds (cash and shares) should the underlying properties be sold or joint ventured. The projects are owned and operated by Eagle Ridge Mining Inc. (“Eagle Ridge”).

In May 2021, Abitibi Royalties further entered into two agreements with Eagle Ridge whereby the first agreement amends a previous royalty, increasing Abitibi Royalties’ interest in the Malartic South Property from a 2% to 3% NSR on certain claims and the second agreement expands Abitibi Royalties’ NSR to the south with a new 2.5% royalty and 15% of any gross proceeds (cash and shares) should the property be sold or joint ventured. The purchase price paid by Abitibi Royalties totaled \$26,500.

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**11) ROYALTY INTERESTS OF ABITIBI ROYALTIES (continued)**

*Abitibi Royalties' other royalty interest are as follows:*

- Revillard Property 2% Royalty - Malartic, Québec
- 15% Net Profit Interest (“NPI”) in the vicinity of Canadian Malartic Mine -Malartic, Québec
- Midway Project 1.5% Royalty -Malartic, Québec
- 1.5% Royalty in the Abitibi region, Québec
- 1.0% NSR on the New Alger Project in the Abitibi region, Québec

**12) DERIVATIVE FINANCIAL INSTRUMENTS**

Abitibi Royalties' call and put option contracts outstanding as at June 30, 2021 and December 31, 2020 are as follows:

	Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at June 30, 2021
<b><i>Calls</i></b>				
Yamana	Jul. 16, 2021	<b>140,000</b>	\$ 8.00	<b>\$ 29,498</b>
Yamana	Jan. 21, 2022	<b>642,700</b>	4.50 to 10.00	<b>171,403</b>
Yamana	Jan. 20, 2023	<b>23,100</b>	5.50 to 10.00	<b>19,112</b>
Agnico	Jan. 21, 2022	<b>240,100</b>	60.00 to 100.00	<b>489,123</b>
Agnico	Feb. 18, 2022	<b>10,500</b>	70.00 to 75.00	<b>37,926</b>
Agnico	Jan. 20, 2023	<b>21,500</b>	70.00 to 100.00	<b>132,256</b>
		<b>1,077,900</b>		<b>\$ 879,318</b>
<b><i>Puts</i></b>				
Yamana	Jul. 16, 2021	<b>1,051,000</b>	\$ 4.00	<b>117,235</b>
Yamana	Oct. 15, 2021	<b>644,500</b>	4.00	<b>303,540</b>
Agnico	Nov 19, 2021	<b>81,000</b>	40.00 to 45.00	<b>155,607</b>
Agnico	Jan 21, 2022	<b>99,300</b>	40.00 to 45.00	<b>110,437</b>
		<b>1,875,800</b>		<b>\$ 1,566,137</b>

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**12) DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

	Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at December 31, 2020
<b>Calls</b>				
Yamana	January-15-21	1,247,000	\$ 3.00 to 7.00	\$ 1,574,731
Yamana	April-16-21	320,000	7.00 to 10.00	52,329
Yamana	July-16-21	140,000	8.00	57,039
Yamana	January-21-22	367,700	4.50 to 10.00	522,730
Yamana	January-02-23	2,100	10.00	3,208
Agnico	January-15-21	118,300	50.00 to 85.00	761,259
Agnico	February-19-21	82,200	85.00 to 100.00	53,360
Agnico	May-05-21	57,400	85.00 to 100.00	83,013
Agnico	January-21-22	103,600	60.00 to 100.00	929,767
Agnico	January-20-23	8,000	85.00 to 100.00	83,420
<b>Puts</b>				
Agnico	February-19-21	56,000	40.00 to 45.00	22,217
Agnico	January-21-22	43,300	40.00 to 45.00	100,245
		2,545,600		\$ 4,243,318

For the three months ended June 30, 2021, Abitibi Royalties sold 2,315 call contracts (855 calls on Agnico Eagle shares and 1,460 calls on Yamana Gold shares) and sold 17,765 put contracts (810 puts on Agnico Eagle shares and 16,955 on Yamana Gold shares) for total cash proceeds of \$716,086 (or US\$582,374). In addition, 3,774 call option contracts expired (574 calls on Agnico Eagle shares and 3200 calls on Yamana Gold shares), 15,265 put options expired (810 on Agnico Eagle shares and 14,455 on Yamana Gold shares), and 2,500 put contracts on Yamana Gold shares were repurchased before expiration for \$5,123 (or US\$4,100.) as described in note 8.

For the six months ended June 30, 2021, Abitibi Royalties sold 4,565 call contracts (1,605 calls on Agnico Eagle shares and 2,960, calls on Yamana Gold shares) and sold 36,090 put contracts (2,180 puts on Agnico Eagle shares and 33,910 on Yamana Gold shares) for total cash proceeds of \$1,650,504 (or US\$1,318,041). In addition, 6,801 call option contracts expired (2,202 calls on Agnico Eagle shares and 4,599 calls on Yamana Gold shares), 15,265 put options expired (810 on Agnico Eagle shares and 14,455 on Yamana Gold shares), and 3,060 put contracts (560 on Agnico Eagle shares and 2,500 on Yamana Gold shares) were repurchased before expiration for \$10,276 (or US\$8,150). Also, 11,468 call contracts were exercised (377 calls on Agnico Eagle shares and 11,091 on Yamana Gold shares) as described in note 8.

For the three months ended June 30, 2020, Abitibi Royalties sold 3,630 call contracts (1,134 calls on Agnico Eagle shares and 2,496 calls on Yamana Gold shares) and sold 810 put contracts on Agnico Eagle shares for total cash proceeds of \$830,685 (or US\$601,440). In addition, 810 put option contracts on Agnico Eagle shares expired and 2 call contracts on Yamana shares were exercised before expiration.

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**12) DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

For the six months ended June 30, 2020, Abitibi Royalties sold 10,703 call contracts (1,307 calls on Agnico Eagle shares and 9,396 calls on Yamana Gold shares) and sold 4,984 put contracts on Agnico Eagle shares for total cash proceeds of \$1,426,901 (or US\$1,051,105). In addition, 11,087 call option contracts on Yamana shares expired, 2 call contracts on Yamana shares were exercised before expiration and 3,600 call contracts on Yamana shares were repurchased before expiration for \$29,119 (or US\$22,250).

**13) LONG-TERM LOAN**

The Company applied and received the \$60,000 Canada Emergency Business Account Program ("CEBA Loan"), which provides financial relief during the COVID-19 pandemic. The CEBA Loan has a maturity date of December 31, 2022 and may be extended to December 31, 2025. The CEBA Loan is unsecured, non-revolving and non-interest bearing prior to December 31, 2022. The CEBA Loan is subject to an interest rate of 5% per annum during any extended term, and is repayable at any time without penalty. If \$40,000 of the CEBA Loan is repaid prior to December 31, 2022, the remaining balance of \$20,000 will be forgiven.

**14) 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.



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**14) CAPITAL STOCK (continued)**

**Share Consolidation**

In July 2020, the Company completed its security consolidation on the basis of ten old shares for one new share. The common shares of Golden Valley commenced trading on a consolidated basis at open of market on July 31, 2020. Following the consolidation, a total of approximately 13,518,459 common shares of Golden Valley were issued and outstanding, and incentive stock options to acquire an aggregate of approximately 1,423,691 common shares were outstanding. The number of common shares entitled to be purchased pursuant to the terms of the outstanding options and the per share exercise price for such shares were adjusted accordingly, in accordance with the terms of the respective options. All fractional common shares remaining as a result of the proposed consolidation were cancelled. All historical information presented in the financial statements has been adjusted to reflect the share consolidation.

**Issued share capital**

The change in issued share capital for the six months ended June 30, 2021 and 2020 was as follows:

	2021		2020	
	Number of shares	Stated Value	Number of shares	Stated Value
Balance, as at January 1,	13,518,460	\$ 28,636,185	13,434,760	\$ 28,420,603
Shares issued by exercise of stock options	225,000	675,000	83,700	125,630
Value allocation on options exercised	-	521,732	-	89,952
<b>Balance, as at June 30,</b>	<b>13,743,460</b>	<b>\$ 29,832,917</b>	<b>13,518,460</b>	<b>\$ 28,636,185</b>

Refer to “Share Consolidation” section of Note 14 “Capital Stock”.

*Share capital issued from exercise of incentive stock options*

For the six months ended June 30, 2021, the Company issued 225,000 of its common shares from the exercise of incentive stock options at a price of \$3.00 per share for a total consideration of \$675,000.

For the six months ended June 30, 2020, the Company issued 83,700 of its common shares from the exercise of incentive stock options at prices ranging from \$1.10 to \$3.50 per share for a total consideration of \$125,630.

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**15) SHARE-BASED PAYMENTS**

*Incentive stock options*

Refer to “Share Consolidation” section of Note 14 “Capital Stock”.

The summary of changes in the number of incentive stock options issued by the Company for the three months ended June 30, 2021 and for the year ended December 31, 2020 is presented as follows:

	For the six months ended June 30, 2021		For the year ended December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,421,889	\$ 3.43	1,405,915	\$ 3.10
Granted	-	-	101,474	5.44
Exercised	(225,000)	(3.00)	(83,700)	1.50
Expired	(10,000)	(1.00)	(1,800)	3.40
Outstanding, end of period	1,186,889	\$ 3.53	1,421,889	\$ 3.43
Exercisable, end of period	1,186,889	\$ 3.53	1,415,222	\$ 3.43

The table below summarizes the information related to outstanding share options as at June 30, 2021:

Expiry date	Outstanding options			
	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Exercisable options
February 3, 2022	10,000	4.65	0.60	10,000
June 21, 2023	222,000	2.75	1.98	222,000
June 18, 2024	31,500	3.40	2.97	31,500
March 3, 2025	76,474	5.00	3.68	76,474
June 26, 2025	25,000	6.80	3.99	25,000
September 30, 2026	821,915	3.50	5.25	821,915
	<b>1,186,889</b>	<b>\$ 3.53</b>		<b>1,186,889</b>

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**15) SHARE-BASED PAYMENTS (continued)**

*Incentive stock options (continued)*

The table below summarizes the information related to outstanding share options as at December 31, 2020:

Expiry date	Number of options	Outstanding options		
		Weighted average exercise price	Weighted average remaining contractual life (years)	Exercisable options
January 1, 2021	10,000	1.00	0.00	10,000
June 27, 2021	225,000	3.00	0.49	225,000
February 3, 2022	10,000	4.65	1.09	10,000
June 21, 2023	222,000	2.75	2.47	222,000
June 18, 2024	31,500	3.40	3.47	24,833
March 3, 2025	76,474	5.00	4.17	76,474
June 26, 2025	25,000	6.80	4.49	25,000
September 30, 2026	821,915	3.50	5.75	821,915
	<b>1,421,889</b>	<b>\$ 3.43</b>		<b>1,415,222</b>

*Share-based compensation expense*

Refer to “Share Consolidation” section of Note 14 “Capital Stock”.

The table below summarizes share-based compensation expense for the three and six months ended June 30, 2021 and 2020:

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Golden Valley</b>				
June 2020 option grant <sup>(a)</sup>	\$ -	\$ 90,495	\$ -	\$ 90,495
March 2020 option grant <sup>(b)</sup>	-	-	-	60,203
June 2019 option grant <sup>(c)</sup>	2,779	6,161	5,764	12,728
June 2018 option grant <sup>(d)</sup>	11,369	29,670	23,847	60,865
Share-based compensation expense	\$ 14,148	\$ 126,326	\$ 29,611	\$ 224,291

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**15) SHARE-BASED PAYMENTS (continued)**

*Share-based compensation expense (continued)*

- a) On June 26, 2020, the Company granted to its officers, directors and consultants incentive stock options entitling the purchase of an aggregate 25,000 common shares at an exercise price of \$6.80 per share. The options are exercisable for a period of 5 years until June 26, 2025, subject to earlier termination in accordance with the terms of the Company's stock option plan. The options vest immediately on date of grant.

The fair value of the 25,000 stock options granted has been estimated using the Black-Scholes option pricing model at \$90,495. For the three and six months ended June 30, 2020, an amount of \$nil and \$90,495 has been expensed relating to this incentive stock options.

- b) On March 3, 2020, the Company granted to its officers and directors incentive stock options entitling the purchase of an aggregate 76,475 common shares (22,500 to directors and 53,975 to officers), at an exercise price of \$5.00 per share. The options are exercisable for a period of 5 years until March 3, 2025, subject to earlier termination in accordance with the terms of the Company's stock option plan. The options vest immediately on date of grant.

The fair value of the 22,500 stock options granted has been estimated at \$60,203, using the Black-Scholes option pricing model, which has been expensed for the six months ended June 30, 2020. The fair value of the 53,975 stock options granted has been determined to be \$125,213, representing share-based payment, equating to the cash portion of the 2019 performance bonuses to officers, expensed in Salaries and other employee benefits in fiscal 2019.

- c) On June 18, 2019, the Company granted to its officers, and consultants incentive stock options entitling the purchase of an aggregate 39,000 common shares at an exercise price of \$3.40 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 20,000 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 39,000 stock options granted has been estimated using the Black-Scholes option pricing model at \$84,980 of which to date \$80,297 has been expensed. For the three and six months ended June 30, 2021, an amount of \$2,779 (2020 -\$6,161) and \$5,764 (2020 - \$12,728) has been expensed, respectively. 5,700 incentive stock options have been exercised and 1,800 incentive stock options have expired relating to this grant.

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**15) SHARE-BASED PAYMENTS (continued)**

*d) Share-based compensation expense (continued)*

e) On June 21, 2018, the Company granted to its directors, officers, and consultants incentive stock options entitling the purchase of an aggregate 230,000 common shares at an exercise price of \$2.75 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 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 \$455,441 has been expensed. For the three months ended June 30, 2021, an amount of \$11,369 (2020 -\$29,670) and \$23,847 (2020 - \$60,865) has been expensed. 8,000 incentive stock options have been exercised relating to this grant.

*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 26, 2020	March 3, 2020	June 18, 2019	June 21, 2018
Share price at date of grant	\$ 6.80	\$ 5.00	\$ 3.40	\$ 2.75
Expected dividends yield	0%	0%	0%	0%
Expected weighted volatility	70.44%	69.59%	79.95%	105.67%
Risk-free interest average rate	0.31%	1.10%	1.33%	2.00%
Expected average life	5 years	5 years	5 years	5 years
Exercise price at date of grant	\$ 6.80	\$ 5.00	\$ 3.40	\$ 2.75

Refer to "Share Consolidation" section of Note 14 "Capital Stock".

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**16) GENERAL AND ADMINISTRATIVE EXPENSES**

The following table summarizes general and administrative expenses for the three and six months ended June 30, 2021 and 2020.

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Insurance expenses	\$ 33,617	\$ 7,932	\$ 66,548	\$ 15,870
Office expenses	22,074	34,674	40,294	53,926
Advertising and exhibitions	17,892	8,297	41,202	97,408
Travelling	366	4,542	620	55,070
	\$ 73,949	\$ 55,445	\$ 148,664	222,274

**17) DEFERRED TAXES PAYABLE**

*Deferred tax assets (liabilities) and variation of recognized amounts*

	As at January 1, 2021	Recognized in profit or loss	As at June 30, 2021
Exploration and evaluation assets	\$ 320,013	\$ (92,053)	\$ 227,960
Investments	(3,582,196)	2,144,049	(1,438,147)
Share issuance costs	6,286	(2,096)	4,190
Derivative financial instruments	562,239	(354,726)	207,513
	\$ (2,693,658)	\$ 1,695,174	\$ (998,484)

	As at January 1, 2020	Recognized in profit or loss	As at December 31, 2020
Exploration and evaluation assets	\$ 687,841	(367,828)	\$ 320,013
Investments	(6,047,641)	2,465,445	(3,582,196)
Share issuance costs	8,389	(2,103)	6,286
Non-capital losses	915,903	(915,903)	-
Derivative financial instruments	1,189,723	(627,484)	562,239
	\$ (3,245,785)	\$ 552,127	\$ (2,693,658)

## **18) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES**

### *Dividends*

On December 7, 2020, Abitibi Royalties' Board of Directors approved a 20% dividend increase from \$0.15 to \$0.18 per common share on an annualized basis.

For the three and six months ended June 30, 2021, Golden Valley earned dividends of \$252,236 (2020 - \$210,197) and \$504,472 (2020 - \$378,354) from Abitibi Royalties, respectively. Golden Valley holds 5,605,246 common shares in Abitibi Royalties as at June 30, 2021 and December 31, 2020.

### *Incentive stock option*

Abitibi Royalties 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 from time to time. Abitibi Royalties has not renewed its stock option plan and has not granted stock options under the current plan since 2014. There are no stock options available for grant under the plan.

### *Normal Course Issuer Bid ("NCIB")*

On September 24, 2020, Abitibi Royalties announced it received conditional acceptance to renew its NCIB for another year until October 5, 2021. This new approval allowed Abitibi Royalties to purchase up to 624,145 (representing 5% of the Abitibi Royalties 's total issued and outstanding common shares) of its common shares.

For the three months ended June 30, 2021, the Company repurchased and cancelled 4,400 of its common shares at prices varying from \$22.53 to \$23.00 per share for a total of \$99,847.

For the six months ended June 30, 2021, the Company repurchased and cancelled 11,600 of its common shares at prices varying from \$21.70 to \$25.98 per share for a total of \$269,275.

For the three months ended June 30, 2020, Abitibi Royalties repurchased and cancelled 10,000 common shares at prices varying from \$15.14 to \$22.25 per share for a total of \$195,471.

For the six months ended June 30, 2020, Abitibi Royalties repurchased and cancelled 25,700 common shares at prices varying from \$15.14 to \$22.25 per share for a total of \$481,415.

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**19) EARNINGS (LOSS) PER SHARE**

Both the basic and diluted earnings (loss) per share have been calculated using the net income (loss) attributable to owners of the Company as the numerator, i.e., no adjustment to the net income (loss) were necessary in either three and six months ended June 30, 2021 and 2020.

	For the three months ended		For the six months ended	
	June 30,	June 30,	June 30,	June 30,
	2021	2020	2021	2020
Net income (loss) attributable to shareholders of Golden Valley Mines Ltd.	\$ 655,577	\$ 5,748,019	\$ (2,277,335)	\$ 3,058,703
Weighted average number of shares in circulation - basic	13,543,993	13,478,777	13,531,297	13,469,683
Dilutive effect of stock options and warrants	554,883	537,320	-	500,729
Weighted average number of shares	14,098,877	14,016,096	13,531,297	13,970,412
Basic earnings (loss) per share	\$ 0.048	\$ 0.426	\$ (0.168)	\$ 0.227
Diluted earnings (loss) per share	\$ 0.046	\$ 0.410	\$ (0.168)	\$ 0.219

Refer to “Share Consolidation” section of Note 14 “Capital Stock”.

For the three months ended June 30, 2021, 25,000 incentive stock options 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 respective periods.

For the six months ended June 30, 2021, 1,161,891 incentive stock options have not been included in the loss per share calculation as they would result in a reduction of the loss per share.

For the three and six months ended June 30, 2020, potential dilutive common shares of 25,000 and 25,000 from incentive stock options have not been included in the loss per share calculation as they would result in a reduction of the loss per share.



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**20) RELATED PARTY TRANSACTIONS**

The Company's related parties include its joint key management and related companies, as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Other than the related party transactions disclosed below, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of stock options. Key management includes directors and senior executives.

For the three and six months ended June 30, 2021 and 2020, 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		For the six months ended	
	June 30,	June 30,	June 30,	June 30,
	2021	2020	2021	2020
Short-term employee benefits				
Salaries including bonuses	\$ 229,832	\$ 233,962	\$ 468,852	\$ 467,992
Directors' fees	75,000	70,000	150,000	140,000
Benefits	26,016	69,382	78,461	116,186
<b>Total short-term employee benefits</b>	<b>330,848</b>	<b>373,344</b>	<b>697,313</b>	<b>724,178</b>
Other transactions with key management				
Rent <sup>(1)</sup>	4,660	4,660	9,320	6,320
Management fees <sup>(2)</sup>	41,550	41,550	83,100	83,100
Fees relating to exploration and evaluation activities <sup>(3)</sup>	18,048	18,048	36,096	36,096
<b>Total other transactions with key management</b>	<b>64,258</b>	<b>64,258</b>	<b>128,516</b>	<b>125,516</b>
Share-based payments <sup>(4)</sup>	14,148	35,830	29,611	133,795
<b>Total remuneration</b>	<b>\$ 409,254</b>	<b>\$ 473,432</b>	<b>\$ 855,440</b>	<b>\$ 983,489</b>

- 1) For the three and six months ended June 30, 2021, rent of \$1,660 (2020 -\$1,660) and \$3,320 (2020-\$3,320) was paid by Abitibi Royalties to its President for use of Toronto, Ontario property as an office for Abitibi Royalties and rent of \$3,000 (2020 -\$3,000) and \$6,000 (2020 -\$3,000) was paid to 2973090 Canada Inc., a company controlled by an officer and a director of the Company, for use of a Val-d'Or, Québec property as an administrative and exploration offices for Golden Valley, respectively.
- 2) For the three and six months ended June 30, 2021, management fees of \$41,550 (2020 -\$41,550) and \$83,100 (2020 -\$83,100) paid to 2973090 Canada Inc, respectively. As at June 30, 2021, the Company had a net payable of \$20,034 (December 31, 2020 – net payable of \$201) due from 2973090 Canada Inc, which is netted from due from related parties.

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**20) RELATED PARTY TRANSACTIONS (continued)**

- 3) For the three and six months ended June 30, 2021, fees relating to exploration and evaluation activities include \$14,700 (2020 -\$14,700) and \$29,400 (2020 -\$29,400) paid to 2973090 Canada Inc and of \$3,348 (2020 -\$3,348) and \$6,696 (2020 -\$6,696) paid to Rosatelli Exploration Services, a company controlled by an officer of the Company, respectively.
- 4) Share-based compensation relating to the incentive stock option program for officers and directors of the Company.

*Transactions with related companies*

Effective July 1, 2020, the Company entered into a Cost Sharing Arrangement (the "Sharing Arrangement") with companies related by common management, pursuant to which Golden Valley will provide certain management and financial services such as office space and administrative support relating to the exploration offices located at 2864 Chemin Sullivan, Val-d'Or, Québec, J9P 0B9, in consideration of \$71,348 per year (the "reimbursement"), payable on a monthly basis. The Sharing Arrangement provides for the reimbursement to be reviewed on an annual basis.

For the three and six months ended June 30, 2021, reimbursement of \$9,796 and \$19,592 (for the three and six months ended June 30, 2020 - \$nil) was received from related companies relating to this Sharing Arrangement, respectively.

*Val-d'Or Mining*

For the three and six months ended June 30, 2021, no exploration and evaluation expenses was recharged from Val-d'Or Mining, a company related by common management. For the three and six months ended June 30, 2020, Golden Valley recharged general and exploration and evaluation expenses to Val-d'Or Mining for a total amount of \$500 and \$2,562, respectively

For efficiency reasons, where the Company and Val-d'Or Mining are dealing with the same suppliers one may pay for both and be reimbursed by the other. As at June 30, 2021, the Company had a net payable of \$5,659 (December 31, 2020 – net payable of \$6,064) due from Val-d'Or Mining, which is netted from due from related parties.

*International Prospect*

As at June 30, 2021, Golden Valley has a receivable of \$63,737 (December 31, 2020 - receivable of \$65,782) with International Prospect primarily relating to consulting fees recharged to International Prospect for the services provided by the Company's President and CFO.

## **21) 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, 2021, 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.

## **22) FINANCIAL INSTRUMENTS**

### *Fair value measurement of financial instrument*

Financial assets and liabilities measured at fair value in the statements of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of the significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Cash and cash equivalent (Level 1), royalty and other receivables (Level 3), other assets (Level 3) and accounts payable and accrued liabilities (Level 3) are carried at amortized costs which approximate their fair value due to their short-term nature.

Short-term other assets in the consolidated statements of financial position consisting of marketable securities at June 30, 2021 and December 31, 2020 are classified in Level 1 and are recorded at fair value by reference to their quoted prices at the reporting date.

The Company's other assets relating to the investments in the common shares of a private company do not have a quoted market price in an active market and the Company has assessed a fair value of the investment based on their unobservable net assets. As a result, the fair value is classified within Level 3 of the fair value hierarchy. The process of estimating the fair value of these investments is based on inherent measurement uncertainties and is based on techniques and assumptions that emphasize both qualitative and quantitative information. There is no reasonable quantitative basis to estimate the potential effect of changing the assumptions to reasonably possible alternative assumptions on the estimated fair value of these investments.

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**22) FINANCIAL INSTRUMENTS (continued)**

*Fair value measurement of financial instrument (continued)*

Investments relating to the common shares of Agnico Eagle and Yamana held by Abitibi Royalties and the liability relating to the derivative financial instruments are classified as Level 1.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. There has been no movement between levels during the year.

The carrying amounts and fair value of financial instruments presented in the consolidated statements of financial position are as follows:

	As at June 30, 2021		As at December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<i>Financial Assets at amortized costs</i>				
Cash and cash equivalents	\$ 16,418,583	\$ 16,418,583	\$ 13,703,034	\$ 13,703,034
Restricted cash	3,961,104	3,961,104	385,415	385,415
Royalty receivables	450,564	450,564	425,180	425,180
Dividend receivable	32,427	32,427	70,361	70,361
Other receivables	-	-	25,000	25,000
Due from related parties	38,044	38,044	59,517	59,517
<i>Financial assets at fair value through profit and loss</i>				
Other assets	972,324	972,324	406,280	406,280
Investments	31,064,391	31,064,391	49,501,916	49,501,916
	<b>\$ 52,937,437</b>	<b>\$ 52,937,437</b>	<b>\$ 64,576,703</b>	<b>\$ 64,576,703</b>
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortized cost</i>				
Accounts payable and accrued liabilities	\$ 356,347	356,347	\$ 890,496	890,496
Loan	60,000	60,000	60,000	60,000
<i>Financial liabilities measured at fair value through profit and loss</i>				
Derivatives financial instruments (level 1)	1,566,137	1,566,137	4,243,318	4,243,318
	<b>\$ 1,982,484</b>	<b>\$ 1,982,484</b>	<b>\$ 5,193,814</b>	<b>\$ 5,193,814</b>

**GOLDEN VALLEY MINES AND ROYALTIES LTD.**  
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**June 30, 2021 and 2020**  
(unaudited)  
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**22) FINANCIAL INSTRUMENTS (continued)**

*Financial Risk*

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. The Company focuses on actively securing short-to medium term cash flows by minimizing the exposure to financial markets. The most significant financial risks to which the Company is exposed are described below.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following two types of market risk: foreign currency risk and other price risk.

*Foreign currency risk sensitivity*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Company's transactions are carried out in Canadian dollars. Currency risk arises from the Company's cash, dividends, and royalty revenues in foreign currency, which are primarily denominated in U.S. dollars. The Company does not enter into arrangements to hedge its foreign exchange risk. As at June 30, 2021 and December 31, 2020, foreign currency denominated financial assets and liabilities in U.S. dollars and which expose the Company to the currency risk are as follows:

	As at June 30 2021	As at December 31, 2020
Cash and cash equivalents	\$ 10,397,074	\$ 7,125,721
Restricted cash	3,193,151	302,405
Royalty receivable	363,534	333,946
Dividends receivable	25,137	54,251
Accounts payable and accrued liabilities	(27,110)	(3,040)
Derivative financial instruments	(1,263,625)	(3,332,798)
	\$ 12,688,161	\$ 4,480,485

A 1% change in the Canadian /U.S. exchange rate as at June 30, 2021 would have had an impact of \$157,257 (at December 31, 2020 - \$57,046) on net loss and comprehensive loss of the year.

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**22) FINANCIAL INSTRUMENTS (continued)**

*Other price risk sensitivity*

The Company is exposed to fluctuations in the market prices of its investments in quoted mining companies and marketable securities in quoted mining exploration companies. The fair value of these financial instruments represents the maximum exposure to price risk.

If the quoted price of these instruments had changed by 1% as at June 30, 2021 (1% as at December 31, 2020), net income (loss) and comprehensive income (loss) for the three months then ended would have changed by \$309,185 (for the year ended December 31, 2020 - \$499,082).

b) Credit risk

Credit risk is the risk that another party to a financial instrument fails to discharge its obligation and, thus, leads the Company to incur a financial loss. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	As at June 30, 2021	As at December 31, 2020
Cash and cash equivalents	\$ 16,418,583	\$ 13,703,034
Restricted cash	3,961,104	385,415
Royalty receivables	450,564	425,180
Prepays and other receivables	105,973	303,959
Carrying amounts	\$ 20,936,224	\$ 14,817,588

The risk related to cash and restricted cash is considered negligible as the Company is dealing with a reputable financial institution whose credit rating is excellent. The Company's management considers that the above financial asset is of good credit quality. The credit risk exposure for the Company's accounts, royalty and dividends receivables and other assets is considered minimal as these receivables have since been received subsequent to year-end. The Company continuously monitors defaults of counterparties. No impairment loss has been recognized in the periods presented.

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**22) FINANCIAL INSTRUMENTS (continued)**

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Over the past years, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through placements and through dividends received from the shares it holds in Abitibi Royalties.

The Company's objective is to maintain cash and cash equivalents and short-term investments to meet its liquidity requirements. This objective was met for the reporting periods. The Company considers cash flows from financial assets in assessing and managing liquidity risk, in particular its cash and cash equivalents and short-term investments. The Company's existing cash and cash equivalents and short-term investments exceed the current cash outflow requirements.

The following table presents contractual maturities (including interest payments where applicable) of the Company's consolidated liabilities:

	As at June 30, 2021	As at December 31, 2020
<i>Within 3 months</i>		
Accounts payable and accrued liabilities	\$ 356,347	\$ 890,496
Derivative financial instruments	146,732	2,411,567
	\$ 503,079	\$ 3,302,063
<i>Three to twelve months</i>		
Derivative financial instruments	\$ 1,268,037	\$ 135,341
	\$ 1,268,037	\$ 135,341
<i>Beyond twelve months</i>		
Derivative financial instruments	\$ 151,368	\$ 1,696,410
	\$ 151,368	\$ 1,696,410

### **23) CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are: to ensure the Company's ability to continue as a going concern; to increase the value of the assets of the business; and to provide an adequate return to owners. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means and by identifying and acquiring the right potential royalty rights. The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is comprised of share capital, warrants and contributed surplus. The Company is not exposed to any externally imposed capital requirements as at June 30, 2021 and December 31, 2020. The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce payables. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the quarter.