



Golden Valley Mines Ltd.  
Mines de la Vallée de l'Or ltée

May 20, 2016

Dear Shareholders and Stakeholders:

The challenges confronting the mining exploration sector continued through most of the past year and our share price evidences the turmoil. The downturn, manifest in the trading volumes and value as seen on the TSX Venture Exchange, left few natural resource companies untouched. Even the TSXV Offices held “Workshops” and “Townhall Meetings” across the country in an effort to confront the investor malaise. The reasons are diverse but still left many public companies in unaccustomed territory. Access to capital and access to land are the prime challenges and many small market capitalization public companies are facing distress conditions. The term “zombie-companies” was often bandied about by newsletter writers and market aficionado’s, and while the moniker may not have branding-consensus, it serves a purpose in highlighting the multitude of small companies facing difficult conditions.

We have addressed these issues at your Company through continued decreases in expenditures. This has touched all facets of our business including exploration, legal and financial, including our ongoing general and administrative costs. We have attempted to confront this by curtailing most self-funded grassroots exploration and becoming more reliant, as a consequence, on joint venture partner-funded activity.

Unfortunately, the downturn has severely affected the trading range and financial capacity of most of our partners as well, further reducing our exploration activity. When joint venture partners have consolidated their share capital to maintain their capacity to finance, it underscores the broader market difficulties.

Our employees and consultants, along with our directors and officers, have all borne their share of seemingly relentless budget-cutting exercise. Our external service providers have also been asked to share in the expense reductions to preserve our financial resources and facilitate our capacity to conduct required activity as a public company and to enable us to continue to provide you, our shareholders, with basic services. To our employees in particular, I am grateful for your service, and loyalty in the face of both decreasing activity and capacity, and the consequent impact on morale.

I am optimistic that the current conditions will demonstrate an improvement over time as we have seen in such economic cycles in the past. Still, it is worth reminding ourselves that past activity, including our own trading range, is no barometer of future success. Against this backdrop of “doom & gloom”, several events transpired that appear to offer hope for some near-term respite. It is often repeated by market analysts and other stock market pundits that the prosperity that follows the despair is relative in intensity and duration – let’s hope that is the case.

Two of our public company holdings enjoyed real success in 2015 and again to date in 2016: Abitibi Royalties Inc. on the Malartic CHL Prospect near Val-D’Or, Québec and Sirios Resources Inc. on the Cheechoo Prospect in James Bay, Québec. Accolades to our financial partners who undertook the commitment, endured the difficulties and were rewarded with exploration success. Both of these ventures are gold prospects, boding well for Golden Valley should the current gold market continue to show signs of renewed interest.

Both of these ventures underscore another quality, one often forgotten by many focused exclusively on short-term share price. The Malartic property was staked in 2006, and joint-ventured soon after. Multiple exploration programs indicated favourable potential. Still, the value was not always evident to the general market. Similarly, the Cheechoo Prospect is one of the few that was optioned by Golden Valley from the original holder (Sirios). The original joint venture transaction was entered into in December 2004, following the (then) announcement by

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Virginia Gold of a significant gold discovery in the same area (Éléonore) now operated by Goldcorp. Sirios deserves much credit for perseverance. It has taken 12-years for this project to become a focus asset. Both of these property assets have led to transactions that Management consider beneficial to Golden Valley, including financial components, in exposure to the continued success through our shareholdings in public companies and, in the case of the Cheechoo transaction, through our royalty holdings. Leveraging our assets into new opportunities has become a more dominant theme.

In terms of exploration activity, a total of 91 exploration properties are currently held by Golden Valley (and/or its public subsidiaries) and located in the following areas:

- (i) the Abitibi Greenstone Belt (“AGB”) (Ontario and Québec), which is our focus, with over 77 projects;
- (ii) the James Bay, Mistassini and Otish regions, north-central Québec;
- (iii) the Nunavik (Ungava and Labrador) region, northern Québec;
- (iv) the Athabasca Basin, Saskatchewan; and
- (v) the James Bay Lowlands, northern Ontario (McFauld’s Lake area).

The AGB properties are comprised of gold (47), copper-zinc-silver (25), nickel-copper-PGE (2), molybdenum (1) and cobalt-silver-nickel (2) prospects located in Québec (49) and Ontario (28).

Since the original AGB Grassroots Exploration Program was initiated in 2003, Golden Valley has directly funded, and drilled a total of 195 targets (25,475m) on 51 separate properties. Our largest, and more significant programs, are the ones that were de-risked through Joint Venture programs (Abitibi Greenstone Belt, and James Bay in Québec).

Golden Valley was able to complete a significant financing near year-end and to those shareholders who continued to support us, I am very appreciative for their patience. The dilution was difficult for many of us, in particular those who have financed at higher prices. It also marked the first time, since incorporation, that someone, other than myself, became the largest shareholder. I am also delighted to welcome several other significant new shareholders, and investment funds, as their participation has allowed us to take several progressive steps forward. We will continue the arduous process of survival first, to ensure there may be success to follow. As one of our directors has been fond to say “the most important rule in business, is to stay in business”.

The nature of disclosure for small capitalization public companies, requires that risks be disclosed, quantified and even occasionally, highlighted. We highlight the risks and do not shirk from the often daunting challenges; rather, we embrace them for creating the abundance of affordable opportunities on the Canadian and global stages. It is often forgotten in a world of “no fault” that risks define not only negative outcomes and consequences, but are the genesis of real opportunity. Early recognition is critical, followed by a prompt response.

I wish to thank our Board of Directors for their service and efforts to enhance shareholder value. This year four incumbents (Avril Cole, Joseph Groia, Jimmy Lee and Glenn Mullan) are joined by a new nominee, Mr. Bill McCartney, for the election to the board of Golden Valley at the AGM. Mr. John Caldbick and Dr. Jens Zinke are not standing for re-election as directors for the upcoming year. I thank them both for their recent contributions and past participation and wish them both well in future endeavours. In the case of Dr. Zinke, he will continue to be active in some of our subsidiary companies. As one of the longest-standing directors, I underline his contributions within our board committees and many other corporate matters spanning more than a decade. Finally, a robust “*merci*” to you, our shareholders, for your past and continued support. We will continue to work hard as a group to optimize our assets, leverage into new opportunities and continue our efforts to enhance shareholder value during these challenging times, and to protect our share capital as we continue to assess new challenges, grapple with older ones, and endeavour to add to shareholder value through our focus assets.

(signed) “*Glenn J. Mullan*”

Glenn J. Mullan  
Chief Executive Officer, President, and Chairman



# **Golden Valley Mines Ltd.**

## **Audited Consolidated Annual Financial Statements as at December 31, 2015 and 2014**

Golden Valley Mines Ltd.  
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## Independent Auditor's Report

To the Shareholders of  
Golden Valley Mines Ltd.

**Raymond Chabot Grant Thornton LLP**

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We have audited the accompanying consolidated financial statements of Golden Valley Mines Ltd., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Golden Valley Mines Ltd. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

*Raymond Chabot Grant Thornton L.L.P.*

1

Val-d'Or  
April 29, 2016

**Golden Valley Mines Ltd.**  
**Consolidated Statement of Financial Position**  
(in Canadian dollars)

	Notes	December 31, 2015 \$	December 31, 2014 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	7	1,905,367	1,347,620
Short-term financial assets	8	1,243,206	575,465
Other accounts receivable	9	106,523	40,126
Sales taxes recoverable		24,389	29,193
Tax credits receivable		54,399	40,362
Prepaid expenses		36,984	42,864
		<u>3,370,868</u>	<u>2,075,630</u>
<b>Non-current</b>			
Property and equipment	10	9,968	15,158
Exploration and evaluation assets	11	6,687,723	8,647,860
Investment	13 - 17	25,278,161	
<b>Total assets</b>		<u>31,975,852</u>	<u>8,663,018</u>
		<u>35,346,720</u>	<u>10,738,648</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities			
Related parties controlled by directors		23,219	12,009
Others		336,656	780,066
Derivative financial instrument	13	124,579	
Short term portion of success fee liability	21	3,383,000	
		<u>3,867,454</u>	<u>792,075</u>
<b>Non-Current</b>			
Long term portion of success fee liability	21	790,000	
Deferred income taxes	18	2,640,798	
		<u>3,430,798</u>	
<b>Total liabilities</b>		<u>7,298,252</u>	<u>792,075</u>
<b>EQUITY</b>			
Capital stock	14.1	24,847,407	23,494,150
Warrants	14.2	161,250	45,571
Contributed surplus		2,812,260	2,752,785
Deficit		(10,947,451)	(18,855,041)
<b>Total equity attributable to owners of the parent company</b>		<u>16,873,466</u>	<u>7,437,465</u>
Non-Controlling interest		11,175,002	2,509,108
<b>Total equity</b>		<u>28,048,468</u>	<u>9,946,573</u>
<b>Total liabilities and equity</b>		<u>35,346,720</u>	<u>10,738,648</u>

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 29, 2016.

**Golden Valley Mines Ltd.****Consolidated Statement of Comprehensive Loss**

(in Canadian dollars)

	Notes	For the year ended December 31, 2015 \$	December 31, 2014 \$
<b>Revenues</b>			
Royalties		348,795	
Dividends		420,117	
Geological fees		1,494	10,979
		<u>770,406</u>	<u>10,979</u>
<b>Operating Expenses</b>			
Salaries and other employee benefits	16.1	953,467	3,017,119
Office expenses		170,632	145,511
Management fees		27,075	16,500
Professional and legal fees		771,642	918,986
Advertising and exhibitions		32,143	56,794
Travelling		76,792	103,212
Exploration and evaluation expenditures		22,867	23,401
Royalty purchase	11	74,774	
Write-off of exploration and evaluation assets		108,255	
Impairment of exploration and expenditures		1,984,179	2,544,373
Part XII.6 and other taxes		5,779	10,089
Depreciation of property and equipment	10	11,856	9,501
Gain on the disposal of exploration and evaluation assets	17	(25,158,174)	
		<u>(20,918,713)</u>	<u>6,845,486</u>
<b>Operating income (loss)</b>		<u>21,689,119</u>	<u>(6,834,507)</u>
Finance cost		(7,090)	(19,195)
Finance income		16,693	5,768
Foreign exchange gain		39,906	
Change in fair value of financial assets at fair value through profit or loss		<u>(4,317,716)</u>	<u>(130,046)</u>
		<u>(4,268,207)</u>	<u>(143,473)</u>
<b>Net income (loss) before income taxes</b>		<u>17,420,912</u>	<u>(6,977,980)</u>
Deferred income taxes	18	<u>(2,640,798)</u>	<u>183,814</u>
<b>Net income (loss) and total comprehensive income (loss) for the period</b>		<u><u>14,780,114</u></u>	<u><u>(6,794,166)</u></u>
Net income (loss) and total comprehensive income (loss) attributable to:			
Shareholders of Golden Valley Mines		7,388,988	(5,298,471)
Non-controlling interest		7,391,126	(1,495,695)
		<u><u>14,780,114</u></u>	<u><u>(6,794,166)</u></u>
<b>Income (loss) per share attributable to Golden Valley Mines shareholders</b>			
Basic earnings (loss) per share	20	0.080	(0.058)
Diluted earning per share	20	0.070	-

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

## Golden Valley Mines Ltd.

## Consolidated Statement of Changes in Equity

(in Canadian dollars)

		Capital Stock	Warrants	Contributed Surplus	Equity Component of Convertible Debenture	Deficit	Total attributable to owners of the parent company	Non- controlling interest	Total Equity
	Note	Number	\$	\$	\$	\$	\$	\$	
<b>Balance at January 1, 2015</b>		94,933,664	23,494,150	45,571	2,752,785	(18,855,041)	7,437,465	2,509,108	9,946,573
Share issue expenses			(51,488)				(51,488)		(51,488)
Share-based payments	16.2			93,055			93,055		93,055
Units issued for a debt settlement	14.1	1,831,310	201,444				201,444		201,444
Units issued by exercise of stock options	16.2	550,000	72,080	(33,580)			38,500		38,500
Units issued by exercise of warrants	14.2	1,910,000	217,471	(45,571)			171,900		171,900
Units issued by private placements	14.1	10,750,000	913,750	161,250			1,075,000		1,075,000
Change in interest of subsidiaries	6					518,602	518,602	1,274,768	1,793,370
Transactions with owners		109,974,974	24,847,407	161,250	2,812,260	(18,336,439)	9,484,478	3,783,876	13,268,354
<b>Net loss and total comprehensive loss for the period</b>						7,388,988	7,388,988	7,391,126	14,780,114
<b>Balance at December 31, 2015</b>		109,974,974	24,847,407	161,250	2,812,260	(10,947,451)	16,873,466	11,175,002	28,048,468



## Golden Valley Mines Ltd.

## Consolidated Statement of Changes in Equity

(in Canadian dollars)

		Capital Stock	Warrants	Contributed Surplus	Equity Component of Convertible Debenture	Deficit	Total attributable to owners of the parent company	Non- controlling interest	Total Equity	
	Note	Number	\$	\$	\$	\$	\$	\$		
Balance at January 1, 2014		89,601,356	22,853,604	328,352	2,393,819	16,729	(14,715,129)	10,877,375	677,569	11,554,944
Share issue expenses			(16,903)				(16,903)			(16,903)
Share-based payments	16				106,449		106,449	2,060,399		2,166,848
Compensation warrants expired	14.2			(267,781)	267,781		-			-
Shares issued for conversion of debenture	15	1,428,571	100,000			(16,729)	83,271			83,271
Cancellation of conversion option of convertible unsecured debenture	15						-			-
Shares issued for interest payment on debenture		78,739	9,435				9,435			9,435
Shares issued by exercise of stock options	16.2	325,000	38,014		(15,264)		22,750			22,750
Shares issued by exercise of warrants	14.2	500,000	60,000	(15,000)			45,000			45,000
Units issued by private placements	14.1	2,999,998	450,000				450,000			450,000
Changes in interest of subsidiaries	6					1,158,559	1,158,559	1,266,835		2,425,394
Transactions with owners		5,332,308	640,546	(282,781)	358,966	(16,729)	1,158,559	1,858,561	3,327,234	5,185,795
Net loss and total comprehensive loss for the period						(5,298,471)	(5,298,471)	(1,495,695)		(6,794,166)
Balance at December 31, 2014		94,933,664	23,494,150	45,571	2,752,785	-	(18,855,041)	7,437,465	2,509,108	9,946,573

Share issue expenses were reduced by deferred income taxes of \$6,220 in 2014.

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

**Golden Valley Mines Ltd.**  
**Consolidated Statement of Cash Flows**  
(in Canadian dollars)

	For the years ended	
	December 31, 2015	December 31, 2014
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	14,780,114	(6,794,166)
Adjustments		
Depreciation of property and equipment	11,856	9,501
Gain on the disposal of exploration and evaluation assets	(25,158,174)	
Share-based payments	85,300	2,152,091
Shares issued for debt settlement		9,435
Accrued interest on debenture		9,271
Write-off of exploration and evaluation assets	108,255	
Impairment of exploration and evaluation assets	1,984,179	2,544,373
Changes in fair value of financial assets at fair value through profit or loss	4,317,716	130,046
Deferred income tax expense	2,640,798	(183,814)
Changes in working capital items		
Other accounts receivable	(66,397)	(26,487)
Sales taxes recoverable	4,804	10,189
Prepaid expenses	5,880	383
Accounts payable and accrued liabilities	(283,902)	141,377
Cash flows from operating activities	(1,569,571)	(1,997,801)
<b>INVESTING ACTIVITIES</b>		
Acquisition of short-term financial assets	(1,250,000)	(301,358)
Disposal of short-term financial assets	663,922	503,513
Tax credits received	33,327	71,434
Additions to exploration and evaluation assets	(303,308)	(393,906)
Purchase of property and equipment	(7,505)	
Payment of success fees	(117,000)	
Disposal of investment less transaction costs	427,350	
Disposal of exploration and evaluation assets transaction costs	(74,563)	
Cash flows from investing activities	(627,777)	(120,317)
<b>FINANCING ACTIVITIES</b>		
Issuance of shares by exercise of stock options	38,500	22,750
Issuance of units by private placements	1,075,000	450,000
Share issue expenses	(51,488)	(23,123)
Issuance of units by exercise of warrants	171,900	45,000
Derivative financial instruments	134,646	
Change in interest of subsidiaries	1,386,537	2,418,727
Cash flows from financing activities	2,755,095	2,913,354
<b>Net change in cash and cash equivalents</b>	557,747	795,237
Cash, beginning of year	1,347,620	552,383
Cash, end of year	1,905,367	1,347,620

See Note 23 for additional information on cash flows

**Cash transactions:**

Interest received	16,394	4,410
Interest paid	126	
Amounts paid or received for interest and dividend are reflected as operating cash flows		

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

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**1. NATURE OF OPERATIONS**

Golden Valley Mines Ltd. and its subsidiaries (hereinafter "The Corporation") is specialized in the exploration and evaluation of minerals in Canada.

**2. GENERAL INFORMATION**

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

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

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

**3. CHANGES IN ACCOUNTING POLICIES**

***Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Corporation***

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 Corporation.

Management anticipates that all of the pronouncements will be adopted in the Corporation'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 Corporation's consolidated 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 Corporation's consolidated financial statements.

**IFRS 9 - Financial Instruments**

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Corporation has not yet assessed the impact of this new standard on its consolidated financial statements.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

**3. CHANGES IN ACCOUNTING POLICIES (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 in the statement of financial position 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. Management has yet to assess the impact of this new standard on its consolidated financial statements.

**4. SUMMARY OF ACCOUNTING POLICIES**

**4.1 Overall considerations**

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

**4.2 Basis of consolidation**

The Corporation's financial statements consolidate the accounts of Golden Valley Mines Ltd., the parent company, and all of its subsidiaries until December 31, 2015. The parent company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and the ability to affect those returns through its power over the subsidiary. For Uranium Valley Mines Ltd., Golden Valley Mines Ltd. exercises control through its power to appoint all the members of the board of directors. All subsidiaries have a reporting date of December 31. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

**Subsidiaries**

Details of the Corporation's subsidiaries at December 31, 2015 are as follows (see Note 6):

Name of subsidiaries	Principal activity	Country of incorporation	Percentage of ownership	
			December 31, 2015	December 31, 2014
			Interest and voting / Power held	Interest and voting / Power held
Abitibi Royalties Inc. ("Abitibi Royalties")	Mineral exploration in Canada	Canada	51%	56%
Nunavik Nickel Mines Ltd. ("Nunavik Nickel")	Mineral exploration in Canada	Canada	60%	69%
Uranium Valley Mines Ltd. ("Uranium Valley")	Mineral exploration in Canada	Canada	37%	37%
Calone Mining Ltd. ("Calone")	Mineral exploration	Canada	100%	100%

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**4.3 Foreign currency translation**

**Functional and presentation**

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company and all subsidiaries.

**Foreign currency transactions**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates recognized in profit or loss.

Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the dates when fair value was determined.

**4.4 Revenue recognition**

**Geological fees**

The geological fees are measured by reference to the fair value of consideration received or receivable by the Corporation for services provided. They are recognized when there is reasonable evidence that an agreement has occurred, that the services were rendered, that the amount of the fees is fixed or measurable and that the collection is reasonably assured.

**Royalties**

Royalties consist of revenues earned directly from royalty agreement. Revenue recognition generally occurs in the month of production from the royalty property. Revenue is measured at fair value of the consideration received or receivable when management can reliably estimate the amounts pursuant to the terms of the royalty agreement. In some instances, the Corporation will not have access to sufficient information to make a reasonable estimate of revenue and accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimated and actual amounts are adjusted and recorded in the period that the actual amounts are known.

**Dividends**

Dividends are recognized at the time the right to receive payment is established.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**4.5 Basic and diluted earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net income attributable to common equity holders of the Corporation by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and warrants.

When a loss is incurred during a period, basic and diluted loss per share are the same because the exercise of share equivalents is then considered to be anti-dilutive.

To determine the dilutive impact of stock options, the Corporation uses the Treasury Stock Method which assumes that any proceeds from the exercise of in-the-money stock options would be used to purchase the maximum number of common shares of the Corporation at the average market price during the period. The assumption of exercise is not reflected in the calculation of earnings per share when the exercise price of the share equivalents considered individually exceeds the average market price for the period.

**4.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash in bank and demand deposits, which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**4.7 Financial instruments**

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:

**Financial assets**

For the purpose of subsequent measurement, financial assets of the Corporation are classified into the category loans and receivables or financial assets at fair value through profit or loss upon initial recognition.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within dividends, finance income, finance cost or change in fair value of financial assets at fair value through profit or loss, if applicable.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

---

**4.7 Financial instruments (continued)**

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at their fair value with all finance income or loss and gains and losses recognized in profit or loss. The fair value of financial assets in this category are determined by reference to active market transactions.

The Corporation's money market investment funds, mutual fund, investments in quoted mining companies and marketable securities in quoted mining exploration companies fall into this category. The Corporation designated the investments in quoted mining companies at fair value through profit or loss on initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and cash equivalents, guaranteed investment certificates and other accounts receivable fall into this category of financial instruments.

**Impairment of financial assets**

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

**Financial Liabilities**

The Corporation's financial liabilities include accounts payable and accrued liabilities (excluding Wages and salaries payable and Benefits of \$131,943; \$579,243 as at December 31, 2014) and derivative financial instruments. Financial liabilities are measured subsequently at amortized cost using the effective interest method except for derivatives, which are carried subsequently at fair value with gains or losses recognized in profit or loss. All interest-related charges are reported in profit or loss within Finance costs, if applicable.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

---

**4.8 Tax credits receivable**

The Corporation is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized against the exploration and evaluation expenditures incurred, based on estimates made by management. The Corporation records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Corporation will comply with the conditions associated to them.

**4.9 Property and equipment**

Property and equipment are recognized at cost less accumulated depreciation.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part of it. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the Mining assets under construction category are then transferred to Mining assets.

Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods generally applicable are as follow:

	<u>Useful life</u>
Office furniture	5 years
Computer equipment	3 years
Leasehold improvement	5 years
Exploration and evaluation equipment	3 years

The depreciation expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the depreciation expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project.

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

**4.10 Exploration and evaluation expenditures and exploration and evaluation assets**

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.



**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

---

**4.10 Exploration and evaluation expenditures and exploration and evaluation assets (continued)**

Once the legal right to undertake exploration and evaluation activities has been obtained, the costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties less refundable tax credits related to these expenses are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expense is recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.12); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.12) and any impairment loss is recognized in profit or loss before reclassification. To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

Although the Corporation has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Corporation's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**Disposal of interest in connection with option agreement**

On the disposal of interest in connection with an option agreement, the Corporation does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the share consideration received directly from the acquirer is credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation asset in profit or loss.

**Royalty purchase**

Royalty purchase consist of acquiring royalties in exploration and evaluation stage properties. These properties represent early stage exploration properties that are speculative and are expected to require more than two years to generate revenues, if ever, or are currently not active. Acquisition cost of royalty purchase are recorded in profit or loss in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resource.

**4.11 Operating lease agreement**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged as they are incurred.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

---

**4.12 Impairment of property and equipment and exploration and evaluation assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances apply:

- a) the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- b) no further exploration or evaluation expenditures in the areas are planned or budgeted;
- c) no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- d) sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

**4.13 Provisions**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Corporation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Provisions are discounted when the time value of money is significant.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

---

**4.13 Provisions (continued)**

The Corporation's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Corporation's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

As at December 31, 2015 and 2014, there was no provision recognized in the consolidated statement of financial position.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**4.14 Income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Corporation's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 "Income Taxes " specifies limited exemptions. As a result of these exemptions the Corporation does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

However, since the Corporation is at the exploration stage there is no taxable income, the tax expense recognized in profit and loss is currently comprised only of deferred tax.

**Tax related to flow-through placements**

According to the provisions of tax legislation relating to flow-through placements, the Corporation has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Corporation has fulfilled its obligation to transfer its right, which happens when the Corporation has incurred, eligible expenditures and has renounced (or has the intention to renounce) its right to tax deductions, a deferred tax liability is recognized for taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**4.15 Equity**

**Capital stock**

Capital stock represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when stock options, warrants and conversion of convertible unsecured debenture are exercised, the capital stock account also comprises the compensation costs and the fair value of the options, warrants and equity of convertible debenture previously recorded as contributed surplus and warrants.

**Unit placements**

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

**Flow-through placements**

Issuance of flow-through shares units represents in substance an issue of common shares, warrants and the sale of a right to tax deduction to the investors. When the flow-through share units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the consolidated statement of financial position. The proceeds received from flow-through units placements are allocated between common shares, warrants and other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance then to warrants according to their fair value at the time of issuance and the residual proceeds are allocated to the other liabilities. The fair value of warrants is determined using the Black-Scholes evaluation model. The other liabilities component recorded initially on the issuance of shares is reversed on the renouncement or the intention of renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

**Other elements of equity**

Contributed surplus includes charges related to stock options and call options on shares of a subsidiary until such stock options are exercised and charges related to warrants expired.

Warrants include expenses relating to warrants until the exercise of the warrants.

Conversion option of convertible unsecured debenture represent the equity component of convertible debenture.

Deficit includes all current and prior period retained profits or losses.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

---

**4.16 *Equity-settled share-based payments***

The Corporation operates equity-settled share-based remuneration plans (stock options plans) for its eligible directors, officers, employees and consultants. The Corporation's plans do not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or services received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Corporation measured the fair value of the services received by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excluded the impact of non-market vesting conditions.

All equity-settled share-based payments (except compensation warrants) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed Surplus, in equity. Compensation warrants, in respect of an equity financing, are recognized as shares issue expenses of the equity instruments with a corresponding credit to Warrants, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of stock options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if stock options ultimately exercised are different to that estimated on vesting.

**Restricted Share Unit Plan**

Abitibi Royalties operates a Restricted Share Unit ("RSU") plan for its directors, executive officers, full or part-time employees and consultants. RSUs that have been vested will be payable, in cash or common shares, at the sole discretion of Abitibi Royalties. The share-based remuneration expense of the RSUs is based on the fair value of Abitibi Royalties' common shares at the grant date.

**4.17 *Segmental reporting***

The Corporation's presents and discloses segmental information based on information that is regularly review by the Executive Chairman and the Board of Directors.

The Corporation has determined that it has only one operating segment, the sector of exploration and evaluation of mineral resources. All its exploration and evaluation assets are located in Canada.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**5. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

**5.1 Significant management judgements**

The following are significant management judgements in applying the accounting policies of the Corporation that have the most significant effect on the consolidated financial statements.

**Recognition of deferred income tax assets and measurement of income tax expense**

Management continually evaluates the likelihood that its deferred tax could be realized. The assessment of availability of future taxable profits involves significant judgement. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. To date, management has not recognized any tax assets in excess of existing temporary differences expected to reverse within the carry-forward period (see Note 4.14).

**Control assessment**

See Note 4.2.

**5.2 Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

**Impairment of exploration and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and assumptions in many cases (see Note 4.12).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Corporation must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Corporation's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Note 11 for the exploration and evaluation assets impairment analysis.

The impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to \$1,984,179 and write-off of exploration and evaluation assets in profit or loss amounts to \$108,255 for the year ended December 31, 2015 (\$2,544,373 and \$nil for the year ended December 31, 2014). No reversal of impairment losses has been recognized for the reporting periods.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**5.2 Estimation uncertainty (continued)**

**Share-based payments**

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of its own shares, the probable life of share options and compensation warrants granted and the time of exercise of those share options and compensation warrants. The model used by the Corporation is the Black-Scholes valuation model.

**Tax credits receivable**

The calculation of the Corporation's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods. See Note 5.8 for more information.

**Revenue recognition - Royalties**

The determination of royalties revenue is recognized based on management estimates (see note 4.4).

**6. INVESTMENT IN SUBSIDIARIES**

The aggregate amount of subsidiaries are summarized as follows:

Abitibi Royalties Inc.

	December 31, 2015	December 31, 2014
	\$	\$
Current assets	1,794,093	1,267,590
Non-current assets	25,313,308	168,064
Current liabilities	3,680,612	253,641
Non-current liabilities	3,430,798	
Total equity attributable to non-controlling interest	10,526,726	1,793,087
Net income (loss) and total comprehensive income (loss)	17,764,432	(3,418,725)
Net income (loss) and total comprehensive income (loss) attributable to non-controlling interest	7,597,079	(1,406,118)
Cash flows from operating activities	(580,611)	(1,120,712)
Cash flows from investing activities	228,185	(7,771)
Cash flow from financing activities	816,692	2,332,625

On February 5, 2014, Abitibi Royalties closed a private placement pursuant to which 500,000 units were issued for a gross proceed of \$150,000. The Corporation was the sole subscriber under the offering.

On June 20, 2014, the Corporation has exercised its warrants of Abitibi Royalties. Accordingly, Abitibi Royalties issued 250,000 common shares of its capital stock against a payment of \$112,500.

On July 17, 2014, Abitibi Royalties closed a non-brokered private placement to which it has issued 800,000 of its common shares at a price of \$2.50 per share for gross proceeds of \$2,000,000.

**Golden Valley Mines Ltd.****Notes to the consolidated financial statements****December 31, 2015 and 2014**

(in Canadian dollars)

**6. INVESTMENT IN SUBSIDIARIES (continued)**

On September 8, 2014, after receiving Exchange approval and pursuant to share for debt subscription agreements between Abitibi Royalties and its executive officers and directors, Abitibi Royalties issued 38,055 common shares, at a price of \$3.70 per common share, in settlement of \$140,803 in accrued executive officer salary and director fees, covering the period from June 1, 2013 to July 31, 2014.

On September 10, 2014, the Corporation completed private sales of an aggregate of 93,750 common shares of Abitibi Royalties resulting in gross proceeds of \$42,188, representing 93,750 call options issued in December 2013.

On October 10, 2014, Abitibi Royalties recorded 50,000 common shares to be issued to Red Cloud Mining Capital Inc. ("Red Cloud"), at a price of \$2.68 per common share, for a total amount of \$134,000, in payment of advisory services received.

On November 25, 2014, the Corporation completed private sales of an aggregate of 31,250 common shares of Abitibi Royalties resulting in gross proceeds of \$14,062, representing 31,250 call options issued in December 2013.

On December 17, 2014, a former director of Abitibi Royalties exercised 127,500 options at a price of \$0.55 per share.

During the year ended on December 31, 2015, Abitibi Royalties issued 387,522 of its common shares for a total consideration of \$747,914 from the exercise of stock options.

Abitibi Royalties elected to settle the fairness opinion fee and the advisory fee of \$367,500, incurred in the sale process of its Malartic CHL Property by issuing 100,791 of its common shares.

On October 2, 2015, Abitibi Royalties received the Exchange acceptance of its notice to commence a normal course issuer bid ("NCIB"). This approval allows Abitibi to purchase back up to 546,300 of its common shares (representing 5% of its total issued and outstanding common shares as of September 21, 2015) from October 6, 2015 to October 5, 2016. Common shares that will be purchased under the NCIB will be cancelled. As of December 31, 2015, Abitibi had repurchased and cancelled 25,500 of its common shares at prices varying from \$2.45 to \$2.70 for a total of \$65,868.

Following these transactions, the Corporation owned 5,605,246 common shares or 51% (56% in 2014) of Abitibi Royalties and changed the investment in the subsidiary for a total amount of \$1,136,561, recorded as an increase of non-controlling interest.

**Nunavik Nickel Mines Ltd.**

	December 31, 2015 \$	December 31, 2014 \$
Current assets	77,156	9,738
Non-current assets	1,460,725	1,381,437
Current liabilities	6,100	31,100
Total equity attributable to non-controlling interest	619,224	515,392
Net loss and total comprehensive loss	(92,631)	(147,055)
Net loss and total comprehensive loss attributable to non-controlling interest	(32,162)	(44,450)
Cash flows from operating activities	(121,287)	(96,497)
Cash flows from investing activities	(37,949)	38,422
Cash flow from financing activities	228,337	2,553

On April 11, 2014, Nunavik Nickel issued 39,272 common shares for a consideration of \$2,553 on the exercise of stock options at a price of \$0.065 per share.

On October 3, 2014, Nunavik Nickel issued 150,000 common shares, at a deemed price of \$0.10 per share to Red Cloud in payment of services received.



**Golden Valley Mines Ltd.****Notes to the consolidated financial statements****December 31, 2015 and 2014**

(in Canadian dollars)

**6. INVESTMENT IN SUBSIDIARIES (continued)**

On January 30, 2015, Nunavik Nickel closed a non-brokered private placement financing pursuant to which it has issued 2,500,000 units at a price of \$0.10 per unit for a gross proceeds of \$250,000, of which 800,000 units were issued to the Corporation. Each unit consists of one common share in the capital of Nunavik Nickel and one-half of one non-transferable share purchase warrant, each whole warrant entitling the purchase of one common share at a per share price of \$0.12 until January 30, 2017. In connection with this private placement, Nunavik Nickel paid finder's fees of \$3,300 and issued compensation warrants entitling the purchase of 41,250 of its common shares at a per share price of \$0.10 until January 30, 2017. The fair value of compensation warrants has been estimated using the Black-Scholes option-pricing model at \$4,877. The total share issue expenses related to this private placement amounted to \$26,540 (including finder's fees and compensation warrants).

On April 10, 2015, after having received Exchange acceptance of the Mining Option Agreement to acquire the Boston Bulldog Prospect, Nunavik Nickel issued 300,000 common shares at a price of \$0.12 per share.

Following these transactions, the Corporation owned 7,763,634 common shares or 64% (69% in 2014) of Nunavik Nickel and changed the investment in the subsidiary for a total amount of \$135,894, recorded as an increase of non-controlling interest.

Uranium Valley Mines Ltd.

	December 31, 2015	December 31, 2014
	\$	\$
Current assets	37,408	105,266
Non-current assets	11,725	216,791
Current liabilities	2,169	1,821
Total equity attributable to non-controlling interest	29,527	200,629
Net loss and total comprehensive loss	(276,605)	(72,230)
Net loss and total comprehensive loss attributable to non-controlling interest	(173,790)	(45,126)
Cash flows from operating activities	(66,845)	(68,347)
Cash flows from investing activities	(1,136)	(1,377)

On July 25, 2014 Uranium Valley issued 66,666 common shares in accordance with the Porcupine Miracle Prospect Mining Option Agreement. This was the first tranche of a total of 200,000 common shares to be issued under this agreement.

On July 17, 2015 Uranium Valley issued 66,667 common shares in accordance with the Porcupine Miracle Prospect Mining Option Agreement. This was the second tranche of a total of 200,000 common shares to be issued under this agreement.

Following this transaction, the Corporation owned 4,170,910 common shares or 37% (37% in 2014) of Uranium Valley and changed the investment in the subsidiary for a total amount of \$2,689, recorded as an increase of non-controlling interest.

Calone Mining Ltd.

There is no significant operations in Calone.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

**7. CASH AND CASH EQUIVALENTS**

	December 31, 2015	December 31, 2014
	\$	\$
Cash	1,825,367	137,620
Demand deposits, 0.925%, redeemable at any time	-	1,125,000
Demand deposits, 0.7% and 0.65% (0.9% in 2014), redeemable at any time	80,000	85,000
	<u>1,905,367</u>	<u>1,347,620</u>

**8. SHORT-TERM FINANCIAL ASSETS**

	December 31, 2015	December 31, 2014
	\$	\$
Guaranteed investment certificates 0.65% to 1% (0.95% in 2014) maturing in August and December 2016 (June 2015 in 2014)	910,000	175,000
Money market investment funds	854	3,901
Mutual funds	-	107,654
Marketable securities in quoted mining exploration companies	332,352	288,910
Short-term financial assets	<u>1,243,206</u>	<u>575,465</u>

**9. OTHER ACCOUNTS RECEIVABLE**

	December 31, 2015	December 31, 2014
	\$	\$
Dividends receivable	76,750	-
Others	29,773	40,126
	<u>106,523</u>	<u>40,126</u>

**Golden Valley Mines Ltd.****Notes to the consolidated financial statements****December 31, 2015 and 2014**

(in Canadian dollars)

**10. PROPERTY AND EQUIPMENT**

The carrying amount can be analysed as follows:

	<b>Property and equipment</b>				<b>Exploration and evaluation equipment</b>			
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>								
Balance at January 1 and December 31, 2015	46,282	72,693	60,385	179,360	55,334	27,725	36,215	119,274
Acquisition		3,797		3,797			3,708	3,708
	46,282	76,490	60,385	183,157	55,334	27,725	39,923	122,982
								306,139
<b>Accumulated depreciation</b>								
Balance at January 1, 2015	36,675	68,115	59,975	164,765	55,334	27,725	35,652	118,711
Depreciation	6,393	5,053	410	11,856			839	839
Balance at December 31, 2015	43,068	73,168	60,385	176,621	55,334	27,725	36,491	119,550
<b>Carrying amount at December 31, 2015</b>	3,214	3,322		6,536			3,432	9,968

The carrying amount can be analysed as follows:

	<b>Property and equipment</b>				<b>Exploration and evaluation equipment</b>			
	Office furniture	Computer equipment	Leasehold improvement	Total	Automotive equipment	Machinery and equipment	Computer equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>								
Balance at January 1 and December 31, 2014	46,282	72,693	60,385	179,360	55,334	27,725	36,215	119,274
								298,634
<b>Accumulated depreciation</b>								
Balance at January 1, 2014	33,497	61,975	59,792	155,264	55,334	27,725	32,162	115,221
Depreciation	3,178	6,140	183	9,501			3,490	3,490
Balance at December 31, 2014	36,675	68,115	59,975	164,765	55,334	27,725	35,652	118,711
<b>Carrying amount at December 31, 2014</b>	9,607	4,578	410	14,595			563	15,158

All depreciation charges (or reversals, if any) are included within, depreciation of property and equipment \$11,856 (\$9,501 at December 31, 2014), except for depreciation charges related to exploration and evaluation equipment used for specific projects which are capitalized as exploration and evaluation assets during the year \$839 (\$3,490 at December 31, 2014).

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

**11. EXPLORATION AND EVALUATION ASSETS**

The carrying amount can be analyzed as follows

	Balance at January 1, 2015 \$	Additions \$	Disposition \$	Impairment Write-off \$	Balance at December 31, 2015 \$
<b>Golden Valley Mines Ltd. Properties</b>					
Acquisition and claims maintenance	4,925,117	43,840			4,968,957
Property option payments	312,500				312,500
Drilling, excavation and related costs	3,431,557				3,431,557
Technical and field staff	4,563,566	130,737			4,694,303
Airborne geophysics	671,742				671,742
Geophysics	2,383,411				2,383,411
Line cutting	1,153,807				1,153,807
Sampling and testing	771,830	573			772,403
Travel and transport	1,774,034	2,649			1,776,683
Program management and consultants	299,462	30,153			329,615
Professional Fees	6,978				6,978
Depreciation, insurance and office expenses	526,803	20,457			547,260
Communications	57,269	1,207			58,476
Option payments received	(1,682,035)				(1,682,035)
Write-off of exploration and evaluation assets	(3,974,450)			(108,255)	(4,082,705)
Impairment of exploration and evaluation assets	(4,381,156)			(1,775,470)	(6,156,626)
Government assistance	(1,494,095)	(47,332)			(1,541,427)
Net expenses incurred during the period	9,346,340	182,284		(1,883,725)	7,644,899
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)				(2,464,773)
Balance, end of the period	6,881,567	182,284		(1,883,725)	5,180,126
<b>Abitibi Royalties Inc. Properties</b>					
Acquisition and claims maintenance	31,647		(6,462)		25,185
Technical and field staff	10,456	2,583	(4,384)		8,655
Program management and consultants	125,511	770	(124,974)		1,307
Geophysics					
Depreciation, insurance and office expenses	450		(450)		
Communications					
Net expenses incurred during the period	168,064	3,353	(136,270)		35,147
<b>Nunavik Nickel Mines Ltd. Properties</b>					
Acquisition and claims maintenance	1,760,625	79,109			1,839,734
Technical and field staff	5,268	309			5,577
Program management and consultants	2,701	502			3,203
Airborne geophysics	290,304				290,304
Government assistance	(127,220)	(632)			(127,852)
Impairment of exploration and evaluation assets	(550,241)				(550,241)
Net expenses incurred during the period	1,381,437	79,288			1,460,725
<b>Uranium Valley Mines Ltd. Properties</b>					
Acquisition and claims maintenance	1,574,016	3,456			1,577,472
Technical and field staff	3,139	131			3,270
Travel and transport	41,452				41,452
Program management and consultants	2,726	56			2,782
Communication	60				60
Government assistance	(654)				(654)
Write-off of exploration and evaluation assets	(1,403,948)			(208,709)	(1,612,657)
Net expenses incurred during the period	216,791	3,643		(208,709)	11,725
<b>Summary</b>					
Mining rights	8,529,636	126,405	(6,462)		8,649,579
Exploration and evaluation assets	2,989,005	142,163	(129,808)	(2,092,434)	908,926
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)				(2,464,773)
Disposal of a subsidiary	(406,009)				(406,009)
	8,647,859	268,568	(136,270)	(2,092,434)	6,687,723

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

**11. EXPLORATION AND EVALUATION ASSETS (continued)**

	Balance at January 1, 2014 \$	Additions \$	Impairment Write-off \$	Balance at December 31, 2014 \$
<b>Golden Valley Mines Ltd. Properties</b>				
Acquisition and claims maintenance	4,865,581	59,536		4,925,117
Property option payments	312,500			312,500
Drilling, excavation and related costs	3,431,557			3,431,557
Technical and field staff	4,422,837	140,729		4,563,566
Airborne geophysics	671,742			671,742
Geophysics	2,373,572	9,839		2,383,411
Line cutting	1,153,751	56		1,153,807
Sampling and testing	770,260	1,570		771,830
Travel and transport	1,762,637	11,397		1,774,034
Program management and consultants	286,693	12,769		299,462
Professional Fees	6,978			6,978
Depreciation, insurance and office expenses	500,800	26,003		526,803
Communications	56,715	554		57,269
Option payments received	(1,682,035)			(1,682,035)
Write-off of exploration and evaluation assets	(3,974,450)			(3,974,450)
Impairment of exploration and evaluation assets	(1,836,783)		(2,544,373)	(4,381,156)
Government assistance	(1,447,228)	(46,867)		(1,494,095)
Net expenses incurred during the period	11,675,127	215,586	(2,544,373)	9,346,340
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)			(2,464,773)
Balance, end of the period	9,210,354	215,586	(2,544,373)	6,881,567
<b>Abitibi Royalties Inc. Properties</b>				
Acquisition and claims maintenance	31,572	75		31,647
Technical and field staff	9,082	1,374		10,456
Program management and consultants	115,726	9,785		125,511
Geophysics	-	450		450
Depreciation, insurance and office expenses				
Communications				
Net expenses incurred during the period	156,380	11,684		168,064
<b>Nunavik Nickel Mines Ltd. Properties</b>				
Acquisition and claims maintenance	1,748,760	11,865		1,760,625
Technical and field staff	4,034	1,234		5,268
Program management and consultants	2,199	502		2,701
Airborne geophysics	290,304			290,304
Government assistance	(128,092)	872		(127,220)
Impairment of exploration and evaluation assets	(550,241)			(550,241)
Net expenses incurred during the period	1,366,964	14,473		1,381,437
<b>Uranium Valley Mines Ltd. Properties</b>				
Acquisition and claims maintenance	1,567,349	6,667		1,574,016
Technical and field staff	2,599	540		3,139
Travel and transport	41,452			41,452
Program management and consultants	1,007	1,719		2,726
Communication	60			60
Government assistance	(654)			(654)
Write-off of exploration and evaluation assets	(1,403,948)			(1,403,948)
Net expenses incurred during the period	207,865	8,926	-	216,791
<b>Summary</b>				
Mining rights	8,451,493	78,143		8,529,636
Exploration and evaluation assets	5,360,853	172,526	(2,544,373)	2,989,006
Exploration and evaluation assets transferred to subsidiaries	(2,464,773)			(2,464,773)
Disposal of a subsidiary	(406,009)			(406,009)
	10,941,564	250,669	(2,544,373)	8,647,860

All impairment charges are included within Write-off of exploration and evaluation assets or Impairment of exploration and evaluation assets in profit or loss. During the year and the previous year, some mining claims and exploration and evaluation assets were written off or impaired for the following reasons: abandoned mining claims, negative results obtained after exploration surveys and/or absence of exploration fees over the past three years.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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**11. EXPLORATION AND EVALUATION ASSETS (continued)**

The Corporation holds (together with its subsidiaries) 91 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.

***Abitibi Greenstone Belt Properties – Integra Gold Corp. (formerly Kalahari Resources Inc.) – Quebec and Ontario***

On February 21, 2005, the Corporation was granted an option by Integra to acquire up to a 85% interest in nine mineral properties provided that, amongst other things, it incur 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 Corporation provided Integra with notice of its intent to vest as to a 70% interest in the properties and, a joint venture agreement was concluded as at 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 Corporation. On January 11, 2012, the Corporation and Integra granted an option (the "GZZ-I Option") to Golden Cariboo Resources Ltd. ("GCC") to acquire a 70% interest in some of the properties comprising the GZZ-I JV. Upon the GZZ-I Option being exercised, the Corporation and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley Mines/7.5% Integra) in those properties.

The agreement governing the GZZ-I Option was amended and restated by the parties on January 10, 2013. As of the date hereof, the GZZ-I Option and the agreement continue to be in good standing as does the GZZ-I JV. For additional information with respect to the transaction between the Corporation and GCC, please refer to the GZZ Properties - Golden Cariboo Resources Ltd. – Abitibi Greenstone Belt, Quebec and Ontario paragraph herein.

***Broker's Fee Prospect - Cambrian Corp. - Kirkland Lake, Ontario***

On October 7, 2010 (the "Effective Date"), the Corporation granted an option (the "Cambrian Option") to Cambrian Corp. ("Cambrian"), a private company, to acquire up to a 70% interest in the Broker's Fee prospect. On April 2, 2013, the parties entered into a third amended and restated mining option agreement with respect to the Cambrian Option. Pursuant to this third further amended and restated agreement, in order to maintain in force the Cambrian Option, Cambrian must incur aggregate exploration expenditures of \$6,000,000 over a six year period, of which \$200,000 must be spent on or before October 7, 2013, issue an aggregate 600,000 common shares (issued), and deliver a definitive feasibility study on the property on or before the 6th anniversary of the Effective Date. Upon the Cambrian Option vesting, the Corporation will retain a 30% free and carried interest to production.

In January 2015, the Cambrian Option has been terminated. As a result, the Corporation retains a 100% interest in the Broker's Fee Prospect.

***Sirios Resources Ltd. - Sharks and Chechoo Joint Venture - James Bay Northern Quebec***

Pursuant to a binding term sheet dated June 12, 2012, as amended and restated on October 23, 2013, Sirios Resources Ltd. ("Sirios") provided the Corporation with notice (the "Option Notice") of its intent to acquire the remaining 55% interest in the Sharks and Chechoo prospects (the "S&C Properties"), located in the James Bay area of northern Québec, from the Corporation. In accordance with the agreement Sirios has issued 2,898,374 common shares to Golden Valley Mines (the "Payment Shares"). In addition, within 3 years of the Option Notice Sirios will have to: (i) further complete approximately \$4,000,000 in exploration expenditures; and (ii) pay \$500,000 in cash or in shares to the Corporation. The Corporation retains a royalty equal to 4% of the net returns from all mineral products mined or removed from the S&C Properties. Notwithstanding the foregoing, the royalty relevant to gold mineral products mined or removed from the S&C Properties (the "Gold Portion") may vary between 2.5% and 3.5% depending on the market price of gold at the time of the payment of the Gold Portion.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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**11. EXPLORATION AND EVALUATION ASSETS (continued)**

Sirios is the operator and the exploration expenditures incurred on the S&C Properties shall include an amount representing 10% of same in lieu of the payment of operator's fees in cash by the Corporation. Sirios must keep the S&C Properties in good standing during the Option period and for a period of at least one year from the lapse or termination of the Option. In 2013, Sirios abandoned the claims comprising the Sharks Prospect in favour of the Corporation resulting in the Corporation retaining a 100% interest in the Sharks Prospect. As of the date hereof, the Sirios Option is in good standing for Cheechoo prospect.

***GZZ Properties - Golden Cariboo Resources Ltd. – Abitibi Greenstone Belt, Quebec and Ontario***

On January 11, 2012, the Corporation granted an option to GCC to acquire a 70% interest in certain properties held as to a 100% interest by the Corporation (the "GZZ Option") and located in the Abitibi Greenstone Belt of northwestern Quebec and northeastern Ontario (the "GZZ Properties"). Concurrently, and subject to net smelter return royalty interests and advance royalty interests in favour of the original vendors (one of which is a director and officer of the Corporation), the Corporation and Integra granted an option to GCC to acquire a 70% interest in certain properties located in the Abitibi Greenstone Belt of northwestern Quebec (the "GZZ-I Option"); these properties are held as to a 70% interest by the Corporation and as to a 30% interest by Integra pursuant to the GZZ-I JV between Integra and Golden Valley Mines (the "GZZ-I Properties"). The GZZ Option and the GZZ-I Option are together referred to herein as "the Option".

The Corporation is the operator during the option phase. On January 10, 2013, the Corporation, Integra and GCC entered into an amended and restated agreement in respect of the Option. In order to maintain in force and exercise the Option, GCC must: (i) issue to the Corporation such number of common shares (the "GCC Payment Shares") in the capital of GCC as is equal to 9.9% of GCC's issued share capital (the "GZZ Share Interest") (issued), calculated forthwith after and taking into account the issuance of the Payment Shares; (ii) incur expenditures in an aggregate amount of \$4,500,000 over a 6 year period (the "Expenditures") to be allocated between the GZZ Properties and the GZZ-I Properties as GCC may determine provided that no more than \$4,000,000 of the Expenditures shall be incurred with respect to the GZZ Properties and at least \$500,000 of the Expenditures shall be incurred with respect to the GZZ-I Properties; and (iii) reimburse the Corporation for all costs related to the preparation of any technical reports.

The Corporation has the right, but not the obligation to participate in future financings of GCC in order to maintain the GZZ Share Interest. Upon the GZZ Option being exercised, the Corporation shall retain a 30% free carried interest to production in respect of the GZZ Properties. Upon the GZZ-I Option being exercised, the Corporation and Integra shall retain a combined 30% free carried interest to production (allocated as to 22.5% the Corporation/7.5% Integra). The Option was terminated in January 2016.

***Malartic CHL Prospect - Malartic, Québec***

On March 19, 2015, Abitibi Royalties sold its 30% free carried interest in the Malartic CHL Prospect for a consideration in shares and a 3% net smelter return royalty. For more information on the transaction, please refer to Note 16 - Sale of Malartic CHL Prospect.

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

The area covered by the 3% net smelter royalty is located immediately east of the Canadian Malartic Mine operated by Agnico Eagle Mines Ltd. ("Agnico Eagle") and Yamana Gold Inc. ("Yamana"). The 3% net smelter royalty covers a number of known mineralized zones; the historic Shaft Zone and Porphyry 12 Zone, the Norrie Zone, the Mammoth Zone (eastern extension of the Barnat Zone), the Jeffrey Zone, the Hal Zone, the Geo Zones and the recent Odyssey North discovery. No value has been assigned to the 3% NSR royalty.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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**11. EXPLORATION AND EVALUATION ASSETS (continued)**

Odyssey North is proximate to the Odyssey South Zone and together, these zones comprise the “Odyssey Zones”, “Odyssey deposit” or “Odyssey” that is east of the main Canadian Malartic Mine open pit. The mine operators recently reported that as of the end of the fourth quarter (December 30, 2015) 44 holes totaling 35,870 metres had been completed on the Odyssey Zones. Yamana states in its Q4-2015 news release (February 18, 2016) that exploration drilling of the Odyssey deposit transitioned to definition drilling in the fourth quarter with the goal of completing a 100 metre by 100 metre grid on the current defined mineral extents by the third quarter of 2016. The tighter grid spacing will allow for the reclassification of the mineralization as inferred mineral resources, will provide a basis for an in house scoping study and will aid the optimization of subsequent infill drill programs. Abitibi Royalties has not received any additional assay results or drill hole locations, since the Abitibi Royalties last reported exploration results on February 23, 2015, and there are no assurances that all or any of the recent drilling at Odyssey has encountered additional mineralization on the Malartic CHL property that is covered by Abitibi Royalties’s 3% NSR.

Abitibi Royalties holds a 3% NSR on the Barnat Extension and the Jeffrey Zone located inside the Malartic CHL property. Both areas were included in the submitted initial Environmental Impact Assessment (“EIA”) Project Notification Form. The formal EIA was submitted in February 2015. The mine operators have indicated that the process remains on schedule for receipt of the necessary permits by year-end 2016 and that initial production from areas where Abitibi Royalties holds a royalty is set for 2017.

***Canadian Malartic 2% Royalty- Malartic, Québec***

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

***Abitibi Royalty Search***

On June 9, 2015, Abitibi Royalties launched the “Abitibi Royalty Search”, by which it would reimburse a company for the renewal fees on existing claims or staking fees on new claims and receive in exchange a net smelter return royalty. The program offers junior mining companies 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. As at December 31, 2015, Abitibi Royalties closed seven NSR royalty acquisitions for a total investment of \$74,774. The amounts spent to acquire mining royalties are expensed.

***Porcupine Miracle Prospect - Langmuir Township, Ontario***

On July 3, 2014, Uranium Valley entered into a Mining Option Agreement to acquire up to 100% property in the Porcupine Miracle Prospect from 2973090 Canada Inc., a company owned and controlled by Mr. Glenn J. Mullan, the CEO of Uranium Valley.

The Porcupine Miracle Prospect is constituted of four (4) mineral claims located in the Langmuir Township in the province of Ontario, Canada. In consideration for the option, Uranium Valley will issue 200,000 common shares as follows: 66,666 common shares (which shares have been issued on July 25, 2014 at a price of \$0.10 per share), 66,667 common shares (which have been issued on July 17, 2015 at a price of \$0.05 per share) and, 66,667 common shares on July 17, 2016. In order to exercise the option, Uranium Valley is required to incur exploration expenditures of \$50,000 by July 17, 2016 and, in addition, to maintain the property in good standing. The property will be subject to a royalty in favour of 2973090 Canada Inc. equal to 3% of net smelter returns. Advance royalty payments of \$10,000 per annum will be payable by Uranium Valley commencing on July 17, 2017; the advance royalty payments will be deducted from the amounts payable under the royalty.



**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

**11. EXPLORATION AND EVALUATION ASSETS (continued)**

**Boston Bulldog Prospect - Kirkland Lake, Ontario**

On February 16, 2015, Nunavik Nickel entered into a Mining Option Agreement, amended on March 27, 2015, pursuant to which it has been granted by 2973090 Canada Inc., a Canadian private company wholly-owned and controlled by Glenn J. Mullan, the CEO and a director of Nunavik Nickel, an option to acquire a 100% interest in the mineral claims comprising the Boston Bulldog Prospect, located in Kirkland Lake, Ontario, subject to a 3% net smelter returns royalty. In consideration of the grant of the option, Nunavik Nickel paid 2973090 Canada Inc. a sum of \$5,000 in cash to cover the cost of staking the property and issued 300,000 common shares. To maintain and exercise the option, Nunavik Nickel must keep the property in good standing and incur minimum mining operations expenditures of \$50,000 by the second anniversary of the date that the Exchange issues its written acceptance of the option.

In accordance with the terms of the option, Nunavik Nickel has the right to reduce the royalty from 3% to 2% of the net smelter returns by paying 2973090 Canada Inc. \$1,000,000 at any time on or before February 16, 2022. On April 7, 2015, Nunavik Nickel received the Exchange acceptance of the option and the issuance of the 300,000 shares. The shares were issued on April 10, 2015 at a price of \$0.12 per share.

**Marymac Prospect - Labrador Trough, Québec**

The Marymac Prospect located in the Labrador Trough of Québec, consists of 182 Map Designated Units that collectively encompass approximately 10,000 hectares. Nunavik Nickel holds a 100% interest in the Marymac Prospect. The Marymac Prospect is subject to a 2% net smelter royalty interest in favour of Capex Group Inc. (formerly 862539 Alberta Ltd.), which was granted to 862539 Alberta Ltd. pursuant to an agreement dated March 1, 2001.

**12. LEASES**

The Corporation's future minimum operating lease payments are as follows:

	Within 1 year	1 to 5 years	Minimum lease payments due Total
	\$	\$	\$
December 31, 2015	33,812		33,812
December 31, 2014	57,244	33,393	90,637

The Corporation leases its offices under a lease expiring in July 2016.

Lease payments recognized as an expense during 2015 amount to \$ 57,244 (\$56,121 2014). This amount consists of minimum lease payments. No surface payments or contingent rent payments were made or received. The Corporation's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing.

**13. INVESTMENTS**

	Number of shares	Market value	December 31, 2015
		\$	\$
Yamana Gold Inc.	3,549,695	2.57	9,122,716
Agnico Eagle Mines Limited	444,197	36.37	16,155,445
			<u>25,278,161</u>

**Sale of Agnico Eagle Shares**

On August 5, 2015, Abitibi Royalties sold 15,000 of its Agnico Eagle shares at a price of \$28.49 per share.

**Derivative financial instrument**

Abitibi Royalties sold 3,995 call option contracts, covering 3,995,000 shares of its holding in Yamana and Agnico Eagle, for total cash proceeds of \$134,646 (\$122,030 USD). The call options are exercisable until January 20, 2017 and January 19, 2018 at prices varying from \$40 to \$45 USD for the contracts covering the Agnico Eagle shares and from \$5 to \$12 USD for those on Yamana Shares.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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**14. EQUITY**

**14.1 Capital Stock**

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

**Authorized**

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

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

**Private Placements**

On May 30 and June 5, 2014, the Corporation closed a non-brokered private placement offerings for gross proceeds of \$450,000, having issued 2,999,998 units (each a "Unit") at a per Unit price of \$0.15. Each Unit consisted of one common share in the capital of the Corporation and one-half of one non-transferable share purchase warrant, each whole warrant entitling the holder to purchase one common share of the Corporation at a per share price of \$0.22 for a period of 18 months from the closing of the offering. No value has been assigned to the warrants.

On November 30, 2015, the Corporation closed the first tranche of a non-brokered private placement pursuant to which it issued 10,750,000 units at a per unit price of \$0.10 for gross proceeds of \$1,075,000. Each unit consist of one common share in the capital of the Corporation and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one common share of the Corporation at a per share price of \$0.14 until November 30, 2017. An amount of \$161,250 related to issued warrants was recorded to contributed surplus.

**Shares issued for debt settlement**

On September 1, 2015, the Corporation issued 1,831,310 common shares in settlement of an aggregate of \$201,444 in accrued management and director fees covering the period April 1, 2012 to June 30, 2015. Shares issued by the Corporation in settlement of the debt was issued at a deemed per share price of \$0.11 in accordance with the policies of the TSX Venture Exchange and was subject to a hold period of four months and one day from the date of issuance in accordance with applicable securities legislation.

Please refer to Note 6 for transaction in the equity of the subsidiaries.

**14.2 Warrants**

On May 30 and June 5, 2014, 1,500,000 warrants were issued at an exercise price of \$0.22 per share.

In 2014, 500,000 warrants, issued on December 2013, were exercised. The capital stock increased from \$45,000 in cash received plus \$15,000 transferred from warrants representing the fair value of the warrants.

On November 30, 2015, 10,750,000 warrants were issued at an exercise price of \$0.14 per share.

In 2015, 1,910,000 warrants, issued on December 2013, were exercised at an exercise price of \$0.09 per share for a total consideration of \$171,900. The capital stock increased from \$171,900 in cash received plus \$45,571 transferred from warrants representing the fair value of the warrants.

In 2015, the Corporation has modified 1,500,000 warrants already issued. The respective contractual lives of these warrants were extended up to November 30, and December 5, 2017. This represented an extension of life of 24 months. The price of 1,416,667 extended warrants was reduced to \$0.14 per share.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

**14.2 Warrants (continued)**

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

	December 31, 2015		December 31, 2014	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, beginning of reporting year	3,410,000	0.15	10,711,192	0.17
Granted	10,750,000	0.14	1,500,000	0.22
Exercised	(1,910,000)	0.09	(500,000)	0.09
Expired			(8,301,192)	0.20
Balance, end of reporting year	<u>12,250,000</u>	<u>0.14</u>	<u>3,410,000</u>	<u>0.15</u>

The weighted average share price at the date of exercise was \$0.16 (\$0.165 as at December 31, 2014).

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

Expiry date	December 31, 2015		December 31, 2014	
	Number	Exercise price \$	Number	Exercise price \$
June 19, 2015			1,210,000	0.09
June 20, 2015			700,000	0.09
November 30, 2015			1,000,000	0.22
December 5, 2015			500,000	0.22
November 30, 2017	11,750,000	0.14		
December 5, 2017	83,333	0.22		
December 5, 2017	416,667	0.14		
	<u>12,250,000</u>	<u>0.14</u>	<u>3,410,000</u>	<u>0.15</u>

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

**14.2 Warrants (continued)**

**Nunavik Nickel Mines Ltd.**

On January 30, 2015, 1,250,000 warrants were issued at an exercise price of \$0.12 and 41,250 compensation warrants were issued at an exercise price of \$0.10.

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

	December 31, 2015	
	Number of warrants	Weighted average exercise price
		\$
Balance, beginning of reporting year	-	-
Granted	1,291,250	0.12
Balance, end of reporting year	1,291,250	0.12

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

	December 31, 2015	
Expiry date	Number of warrants	Exercise price
		\$
January 30, 2017	1,291,250	0.12

When granted, the fair value of the 41,250 warrants issued as compensation warrants was measured by the reference to the fair value of the equity instruments granted, the fair value of services received cannot be estimated reliably. The fair value of \$4,877 was recorded for these warrants.

The fair value of \$0.12 each to the warrants issued as compensation warrants was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	2015
Share price at date of grant	\$0.18
Expected dividends yield	0%
Expected weighted volatility	100%
Risk-free interest average rate	0.39%
Expected average life	2 years
Exercise price at date of grant	\$0.10

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

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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**15. CONVERTIBLE UNSECURED DEBENTURE**

On July 18, 2014, the Corporation issued 33,019 common shares at a deemed per share price of \$0.18 to SIDEX in settlement of accrued interest to June 20, 2014.

On December 12, 2014, SIDEX converted the debenture of the Corporation in the principal amount of \$100,000 at \$0.07 resulting in the issuance by the Corporation of 1,428,571 common shares. Additionally, in accordance with the terms of the debenture and in settlement of accrued interest to December 1, 2014, the Corporation has issued a further 45,720 common shares to SIDEX at a deemed price of \$0.12. The conversion shares and the debt shares are subject to a hold period until April 12, 2015 in accordance with applicable securities legislation.

On December 31, 2014, the total amount recorded for the settlement of interest is \$9,435.

**16. EMPLOYEE REMUNERATION**

**16.1 Salaries and other employee benefits expense**

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

	December 31, 2015	December 31 2014
	\$	\$
Salaries and other employee benefits	889,850	908,458
Share-based payments	85,300	2,166,848
	975,150	3,075,306
Less: salaries capitalized in exploration and evaluation assets	(21,683)	(58,187)
Salaries and other employee benefits expense	953,467	3,017,119

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

**16.2 Share-based payments**

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

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

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

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of reporting year	7,369,025	0.22	7,595,000	0.22
Granted	1,200,000	0.11	854,025	0.17
Exercised	(550,000)	0.07	(325,000)	0.07
Cancelled	(1,250,000)	0.26		
Expired	(655,000)	0.50	(755,000)	0.30
Outstanding, end of reporting year	6,114,025	0.17	7,369,025	0.22
Exercisable, end of reporting year	6,114,025	0.17	7,369,025	0.22

The weighted average share price at the date of exercise was \$0.13 (\$0.15 as at December 31, 2014).

The table below summarizes the information related to share options as at December 31, 2015:

	Outstanding options			Exercisable options
Expiry date	Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number of options
October 5, 2016	1,615,000	0.35	0.76	1,615,000
July 23, 2017	520,000	0.15	1.56	520,000
August 1, 2018	2,125,000	0.07	2.59	2,125,000
June 30, 2019	654,025	0.17	3.50	654,025
July 24, 2020	1,200,000	0.11	4.57	1,200,000
	6,114,025	0.17		6,114,025

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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

The table below summarizes the information related to share options as at December 31, 2014:

Expiry date	Outstanding options			Exercisable options
	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options
		\$		
December 22, 2015	765,000	0.50	0.98	765,000
October 5, 2016	2,200,000	0.35	1.76	2,200,000
July 23, 2017	675,000	0.15	2.56	675,000
August 1, 2018	2,875,000	0.07	3.59	2,875,000
June 30, 2019	854,025	0.17	4.50	854,025
	<u>7,369,025</u>	<u>0.22</u>		<u>7,369,025</u>

On June 30, 2014, the Corporation granted an aggregate 854,025 incentive stock options with an exercise price of \$0.17 to its directors, officers, employees and consultants. The options are exercisable for a period of 5 years from the date of grant. All options are exercisable immediately. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$100,821.

On June 2, 2015 an ex-officer of the Corporation exercised 300,000 options at \$0.07 for a total consideration of \$21,000. The share price, prior to the exercise date, was \$0.16. The fair value of the options of \$18,316 was recorded as an increase of the share capital and a decrease of contributed surplus.

On July 24, 2015, the Corporation granted an aggregate 1,200,000 incentive stock options with an exercise price of \$0.11 to its directors, officers, employees and consultants. The options are exercisable for a period of 5 years from the date of grant. All options are exercisable immediately. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$93,055.

On August 13, 2015 an ex-director of the Corporation exercised 250,000 options at \$0.07 for a total consideration of \$17,500. The share price, prior to the exercise date, was \$0.115. The fair value of the options of \$15,264 was recorded as an increase of the share capital and a decrease of contributed surplus.

The weighted fair value of the granted options of \$0.0775 (\$0.12 in 2014) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2015	2014
Share price at date of grant	\$0.12	\$0.18
Expected dividends yield	0%	0%
Expected weighted volatility	85.3%	80.5%
Risk-free interest average rate	0.79%	1.53%
Expected average life	5 years	5 years
Exercise price at date of grant	\$0.11	\$0.17

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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

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

**Abitibi Royalties Inc.**

**Exercise of incentive stock options**

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

There has been no incentive stock option issued in the year ended December 31, 2015.

In 2014, the initially calculated fair value of \$333,396 of the 860,000 incentive stock options granted on September 27, 2013 was increased by \$1,590,424 to reflect the fair value at the approval date. The fair value has been estimated, using the Black-Scholes option-pricing model, with the following assumptions: stock price at date of grant of \$2.55, exercise price at date of grant of \$0.55, weighted risk-free interest rate of 2%, projected volatility of 100%, predicted average life of stock-options of 4.25 years and no dividend yield. In reason of the limited trading history of the Abitibi Royalties' common shares, the underlying expected volatility was determined by reference to historical data of comparable mining exploration companies' share on the TSX Venture Exchange over the expected average life of the options.

On June 2, 2014, the four directors at the time, agreed to surrender for cancellation a portion of their stock options entitling them to purchase an aggregate of 130,000 common shares (32,500 each) such that the reserve under the Abitibi Royalties' plan had sufficient room to provide for the grant of stock options to new directors.

On June 2, 2014, Abitibi Royalties granted an aggregate 150,000 incentive stock options at an exercise price of \$2.18 per common share to two consultants (who were subsequently elected to Abitibi Royalties' Board on June 30, 2014). The options are exercisable at the date of grant and expire 5 years from the date of grant on June 2, 2019. The fair value of the options granted, calculated using the Black-Scholes option-pricing model at the date of grant, was estimated to \$246,771.

On September 13, 2014, Abitibi Royalties terminated previously granted stock options entitling the purchase of an aggregate of 80,000 common shares. Abitibi Royalties subsequently issued the following incentive stock options: On September 15, 2014, 60,000 incentive stock options at an exercise price of \$3.62 per common share were granted to the President of Abitibi Royalties and on September 19, 2014, 20,000 incentive stock options at an exercise price of \$3.70 per common share were granted to the CEO and the directors. The fair value of the options granted, was estimated respectively to \$162,347 and \$51,826. The options expire 5 years from the date of grant.



**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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

A summary of the status of Abitibi Royalties' incentive stock option plan as at December 31, 2015 and 2014, is presented below:

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of reporting year	1,612,500	1.69	1,720,000	1.53
Granted			230,000	2.69
Exercised	(387,522)	1.93	(127,500)	0.55
Cancelled			(210,000)	2.13
Outstanding, end of reporting year	1,224,978	1.61	1,612,500	1.69
Exercisable, end of reporting year	1,224,978	1.61	1,612,500	1.69

The Weighted average price at the date of exercise was \$3.49 (\$2.10 in 2014).

The table below summarizes the information related to outstanding share options as at December 31, 2015 and 2014:

Range of exercise price	2015		2014	
	Outstanding options		Outstanding options	
	Number of options	Weighted average remaining contractual life (year)	Number of options	Weighted average remaining contractual life (year)
\$0.55 to \$1.00	587,500	2.74	692,500	3.74
\$1.01 to \$3.00	557,478	1.23	840,000	2.23
\$3.01 to \$4.00	80,000	3.71	80,000	4.71
	1,224,978		1,612,500	

In 2014, the weighted fair value of stock options granted of \$2.00 has been estimated on the date of issue, using the Black-Scholes option-pricing model with the following assumptions:

	June 2, 2014	September 15, 2014	September 19, 2014
Share price at date of grant	\$2.20	\$3.62	\$3.50
Expected dividend yield	0%	0%	0%
Expected volatility	100%	100%	100%
Risk-free interest rate (based on 5 years Canada Bonds)	1.56%	1.69%	1.71%
Expected life (years)	5	5	5
Exercise price at date of grant	\$2.18	\$3.62	\$3.70

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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

In reason of the limited trading history of Abitibi Royalties' common shares, the underlying expected volatility was determined by reference to historical data of comparable mining exploration companies' share on the TSX Venture Exchange over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, \$2,051,368 of share-based payments (all of which related to equity-settle share-based payment transactions) was included in share-based payments, profit or loss (none as at December 31, 2015).

**Restricted Share Unit Plan**

Abitibi Royalties' Board of Directors has implemented a RSU Plan (the "RSU Plan"), which provides that restricted share units ("Share Units") may be granted by Abitibi Royalties Compensation and Corporate Governance Committee (the "Committee") to executive officers, directors, employees and consultants (each a "Participant") as a bonus or similar payment in respect of services rendered or otherwise as compensation, including as an incentive for future performance, or in satisfaction of dividends declared by Abitibi Royalties and payable to Participants. The aggregate number of common shares issuable pursuant to Share Units granted under the RSU Plan will not, at any given time, exceed 896,769 common shares, among other limits with respect to individual grants under the RSU Plan. At the time Share Units are granted to a Participant, the Committee will determine any time-based or other conditions as to the vesting of the Share Units and the expiry date (the "Expiry Date") for such Share Units. The Expiry Date of a Share Unit will be the tenth anniversary of its date of grant, unless the Committee determines an earlier date, or subject to accelerated expiry in the event of a change of control of Abitibi Royalties. As of December 31, 2015, no Share Units have been granted. Refer to Note 26 Subsequent Events for grants made subsequently to December 31, 2015.

**Nunavik Nickel Mines Ltd.**

Nunavik Nickel has adopted an incentive stock option plan pursuant to which directors, officers, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 10% of the Nunavik Nickel's common shares issued and outstanding at the time of grant. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of the Nunavik Nickel's share on the trading day immediately prior to the date of grant less any discount permitted by the Exchange; if no sales were reported, it shall be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options shall be determined by the Board of Directors, in accordance with the rules and regulations of the Exchange.

On April 3, 2014, Nunavik Nickel granted incentive stock options to directors, officers and consultants to purchase an aggregate of 114,272 of the Nunavik Nickel's common shares. The options are exercisable at a price of \$0.065 until April 3, 2019 and are vested immediately. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$5,556.

On April 11, 2014, Nunavik Nickel issued 39,272 common shares for a consideration of \$2,553 on the exercise of stock options at a price of \$0.065 per share. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$1,909.

On November 20, 2014, Nunavik Nickel granted incentive stock options to its directors and officers to purchase an aggregate of 58,199 of the Nunavik Nickel's common shares. The options are exercisable at a price of \$0.08 until November 20, 2019 and are vested immediately. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$3,475.

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

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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

A summary of the status of Nunavik Nickel's incentive stock option plan as at December 31, 2015 and 2014, is presented below:

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of reporting year	1,008,199	0.18	875,000	0.20
Granted			172,471	0.07
Exercised			(39,272)	0.07
Forfeited	(215,000)	0.19		
Outstanding, end of reporting year	793,199	0.18	1,008,199	0.18

In 2014, the weighted average share price at the date of exercise was \$0.095.

The table below summarizes the information related to stock options as at December 31, 2015 and 2014:

		2015		2014	
		Outstanding and exercisable options		Outstanding and exercisable options	
		Number of options	Weighted average remaining contractual life (year)	Number of options	Weighted average remaining contractual life
Exercise price	Expiry date				
0.20	July 24, 2017	675,000	1.58	875,000	2.58
0.07	April 3, 2019	60,000	3.25	75,000	4.25
0.08	November 20, 2019	58,199	3.87	58,199	4.87
		793,199		1,008,199	

An amount of \$9,031 of share-based payments expense was included in profit and loss for the year ended December 31, 2014 while none were incurred for the period ended December 31, 2015.

In 2014, the weighted fair value of stock options granted of \$0.05 has been estimated on the date of issue, using the Black-Scholes option-pricing model with the following assumptions:

	November 20, 2014	April 3, 2014
Share price at date of grant	\$0.08	\$0.07
Expected dividend yield	0%	0%
Expected volatility	100%	100%
Risk-free interest rate	1.51%	1.78%
(based on 5 years Canada Bonds)		
Expected life (years)	5	5
Exercise price at date of grant	\$0.08	\$0.07

In reason of the limited trading history of Nunavik Nickel's common shares, the underlying expected volatility was determined by reference to historical data of comparable mining exploration companies' share on the TSX Venture Exchange over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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

**Uranium Valley Mines Ltd.**

The Uranium Valley has adopted an incentive stock option plan pursuant to which directors, officers, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 10% of the Uranium Valley's common shares issued and outstanding at the time of grant. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of the Uranium Valley's share on the trading day immediately prior to the date of grant less any discount permitted by the Exchange; if no sales were reported, it shall be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options shall be determined by the Board of Directors, in accordance with the rules and regulations of the Exchange. As of December 31, 2015 and December 31, 2014, no options had been granted.

**17. SALE OF MALARTIC CHL PROSPECT BY ABITIBI ROYALTIES**

On March 19, 2015, Abitibi Royalties entered into a sell agreement with Canadian Malartic GP, a general partnership, Yamana and Agnico to sell its 30% free carried interest in the Malartic CHL Prospect (the "Project") in consideration for 3,549,695 shares of Yamana and 459,197 shares of Agnico and a 3% net smelter return royalty on the Project. Based on the prices of the shares of Yamana (\$4.74) and Agnico (\$36.29) on the TSX the consideration received is worth \$33,489,813 excluding the 3% NSR royalty. No value has been assigned to the 3% NSR royalty: the Project still being at the early stage of exploration, future cash flow could not be reliably estimated.

Abitibi Royalties engaged Maxit Capital LP as its financial advisor and Getz Prince Wells LLP as its legal advisor in connection with this transaction. The \$367,500 advisory fees of Maxit Capital LP were paid by issuing 100,791 common shares. These fees are included in the transaction costs below.

The gain on this transaction has been determined as follows:

Market value of consideration received	33,489,813
Less: Fair value of mandatory retention period <sup>(1)</sup>	(3,374,856)
Fair value of consideration received	<u>30,114,957</u>
Less: Transaction costs <sup>(2)</sup>	(530,513)
Success fee payable as a result of the sale of the Malartic CHL prospect	(4,290,000)
Fair value of consideration received net of transaction costs	<u>25,294,444</u>
Less: Book value of exploration and evaluation asset sold	(136,270)
Gain on the sale of the Malartic CHL Prospect (no tax impact)	<u>25,158,174</u>

<sup>(1)</sup> As per securities regulations, shares received from Agnico and Yamana were subject to a mandatory retention period of four months and one day, ending on July 20, 2015.

<sup>(2)</sup> As at December 31, 2015, transaction costs included in Accounts payable and accrued liabilities amounts to \$ 88,450.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

**18. INCOME TAXES**

The relationship between the expensed tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive income can be reconciled as follows:

	2015	2014
	\$	\$
Income (loss) before income taxes	17,420,912	(6,977,980)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9%	4,686,225	(1,877,078)
Adjustments for the following items		
Issuance of flow-through shares		
Temporary difference not recorded	293,255	1,093,034
Share-based payments	24,214	582,882
Variation of non deductible fair value	4,487,811	11,726
Non taxable disposition of mining property	(6,767,549)	
Capital losses recognized	(18,683)	
Other non deductible expenses	(64,475)	5,622
	<u>2,640,798</u>	<u>(183,814)</u>

**Composition of deferred income taxes in the income statements**

	2015	2014
	\$	\$
Inception and reversal of temporary differences	2,347,543	(1,276,848)
Temporary difference not recorded	293,255	1,093,034
	<u>2,640,798</u>	<u>(183,814)</u>

**Variation of 2015 deferred income taxes**

	January 1, 2015	Deferred income taxes		December 31, 2015
	\$	Recognized in equity	Recognized in profit or loss	\$
Exploration and evaluation assets	(620,742)		413,036	(207,706)
Property and equipment	105,577		(105,577)	
Capital assets and intangibles			3,512	3,512
Tax credits receivable	(3,972)		(699)	(4,671)
Investments			(3,307,364)	(3,307,364)
Share issued expenses	30,488		(2,232)	28,256
Capital losses			588,844	588,844
Non-capital losses	488,649		(230,318)	258,331
			<u>(2,640,798)</u>	<u>(2,640,798)</u>
Reversal of liabilities related to flow-through shares				
Deferred income taxes liability			<u>(2,640,798)</u>	

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

**18. INCOME TAXES (continued)**

**Variation of 2014 deferred income taxes**

	January 1, 2014	Differed income taxes		December 31, 2014
	\$	Recognized in equity	Recognized in profit or loss	\$
Exploration and evaluation assets	(1,301,029)		680,287	(620,742)
Property and equipment	102,083		3,494	105,577
Tax credits receivable			(3,972)	(3,972)
Share issued expenses	42,611	6,220	(18,343)	30,488
Non-capital losses	966,301		(477,652)	488,649
	(190,034)	6,220	183,814	
Reversal of liabilities related to flow-through shares				
Deferred income tax liability			183,814	

As at December 31, 2015, the Corporation had deductible temporary differences which it did not record in deferred tax assets:

	\$
Exploration and evaluation assets	3,743,970
Public shares	329,495
Non-capital losses	4,607,925
	<u>8,681,390</u>

As at December 31, 2014, the Corporation had deductible temporary differences which it did not record in deferred tax assets:

	\$
Exploration and evaluation assets	4,143,851
Property, plant and equipment	13,055
Public shares	410,416
Capital losses	69,320
Non-capital losses	6,360,750
	<u>10,997,392</u>

The Corporation has the following tax losses available to reduce future years' taxable income. Taxable losses, for which the total tax effect has not been recorded in the statement of balance sheet, are maturing as follows:

2030	\$ 922,857
2031	\$ 172,904
2032	\$ 1,415,422
2033	\$ 520,916
2034	\$ 559,529
2035	\$ 1,016,297

The Corporation has an amount of \$319,859 in 2015 and 2014 in investment tax credits that has not been recorded. These credits can be used to reduce federal income tax and will expire between 2025 and 2033.

The Corporation has an amount of \$127,820 as at December 31, 2015 and 2014, in resources tax credit that has not been recorded. These credits can be used to reduce Québec income tax and will expire in 2017.

**Golden Valley Mines Ltd.****Notes to the consolidated financial statements****December 31, 2015 and 2014**(in Canadian dollars)

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**19. FAIR VALUE MEASUREMENT****Fair value measurement of financial instrument**

Financial assets and liabilities measured at fair value in the statement 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.

Money market investment funds, mutual funds (in 2014), marketable securities in quoted mining exploration companies, investments and derivative financial instrument at fair value in the consolidated statement of financial position as at December 31, 2015 and 2014 are classified in Level 1 and have been estimated by reference to their quoted prices at the reporting date.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**20. EARNINGS (LOSS) PER SHARE**

Both the basic and diluted earnings (loss) per share have been calculated using the net loss attributable to owners of the Corporation as the numerator, i.e. no adjustment to the net loss were necessary in 2015 and 2014.

As at December 31, 2015, 13,846,039 warrants and stock options (10,779,025 warrants and stock option in 2014) were excluded from the calculation of diluted net income per share attributable to owners of the Company.

	December 31, 2015	December 31, 2014
Net income (loss) attributable to shareholders of Golden Valley Mines Ltd.	7,388,988	(5,298,471)
Weighted average number of shares in circulation - basic	97,800,920	91,692,223
Dilutive effect of stock options and warrants	1,584,997	
Weighted average number of shares in circulation - basic	<u>99,385,917</u>	<u>91,692,223</u>
Basic earnings (loss) per share	\$ 0.08	\$ (0.058)
Diluted earnings (loss) per share	\$ 0.07	\$ (0.058)

**21. RELATED PARTY TRANSACTIONS**

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

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



**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

**21.1 Transaction with key management**

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

	December 31, 2015 \$	December 31 2014 \$
Short-term employee benefits		
Salaries including bonuses <sup>(1)</sup>	469,490	371,329
Benefits	100,801	59,814
Director's fees <sup>(2)</sup>	226,129	352,502
Total short-term employee benefits	<u>796,420</u>	<u>783,645</u>
Other transactions with key management		
Rent <sup>(3)</sup>	49,816	
Management Fees	27,075	16,500
Professional Fees <sup>(4)</sup>	8,177	149,000
Expenses capitalized in exploration and evaluation assets <sup>(5)</sup>	154,468	97,188
Success Fee included in gain on the disposal of exploration and evaluation assets <sup>(6)</sup>	4,290,000	
Total other transactions with key management	<u>4,529,536</u>	<u>262,688</u>
Share-based payments	85,250	1,829,467
Total remuneration	<u><u>4,614,786</u></u>	<u><u>2,875,800</u></u>

<sup>(1)</sup> All 2015 amounts have been paid. An amount of \$80,000 has been accrued in salaries including bonuses by the Corporation in 2014.

<sup>(2)</sup> An amount of \$74,743 (\$137,583 by the Corporation and \$86,587 by Abitibi Royalties in 2014) has been accrued in director's fees which have been deferred and not yet paid.

<sup>(3)</sup> Amount paid to 2973090 Canada Inc., a company controlled by Mr. Glenn J. Mullan who is an officer and a director of the Corporation. This amount represents 3 years of rent owing for the Val-d'Or office. \$7,816 paid by Abitibi Royalties to its President.

<sup>(4)</sup> In 2014, Professional fees were paid by the issuance of shares to Red Cloud. 150,000 common shares of Abitibi Royalties at a fair value of \$134,000 and 150,000 common shares of Nunavik Nickel at a fair value of \$15,000.

<sup>(5)</sup> 2973090 Canada Inc. received 300,000 common shares of Nunavik Nickel at a deemed price of \$0.12. Please refer to Note 11 - Exploration and Evaluation Assets for more details.

<sup>(6)</sup> Effective March 11, 2016, Abitibi's Board of Directors terminated the Management Success Fees Agreement and the unpaid balance of \$4,157,110 was reversed. Please refer to Note 26 - Subsequent Events for more details.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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

**21.1 Transactions with key management (continued)**

**Abitibi Royalties - Transaction with key management**

Advisory agreement with Red Cloud Mining Capital Inc.

On April 10, 2014, Abitibi Royalties entered into an advisory agreement with Red Cloud as a non-exclusive independent contractor to provide strategic advisory services to Abitibi Royalties. The term of the agreement is for a period of eight months until December 10, 2014. Abitibi Royalties will, subject to prior approval by the Exchange, issue Red Cloud 50,000 common shares in the capital of Abitibi Royalties (refer to Note 6 - Abitibi Royalties) and reimburse Red Cloud for reasonable out-of-pocket expenses incurred in performing the services. The fair value of the 50,000 common shares were estimated at \$134,000 and accounted in professional fees as at December 31, 2014. Abitibi Royalties has also entered into a Corporate Finance Bonus Agreement dated April 10, 2014 with Red Cloud which provides that in the event of a successful transaction completed by Abitibi Royalties, Red Cloud will be entitled, subject to the approval of the Exchange, to a financial bonus payable in cash or shares, at the discretion of Abitibi Royalties, based on the value of such transaction. The agreement is for a period of eight months until December 10, 2014.

Management success fees agreement with 2973090 Canada Inc.

Abitibi Royalties entered into an agreement with 2973090 Canada Inc., a company of which Glenn J. Mullan is the sole shareholder, director and officer, as the "Trustee" and the CEO of Abitibi Royalties. This agreement provides that upon Abitibi Royalties completing a transaction or series of transactions (in either case, a "Transaction") pursuant to which:

- a) Abitibi Royalties is acquired by or combined with a third party,
- b) a third party acquires any of Abitibi Royalties' assets or operations,
- c) Abitibi Royalties completes an equity or debt financing that meet particular thresholds, subject to Exchange approval,
- or
- d) there is a change of control of Abitibi Royalties.

Abitibi Royalties will get an independent determination of the value of the Transaction based on the value of the consideration received by Abitibi Royalties or its shareholders for the shares or assets subject to the Transaction. Once the value of the transaction has been determined, Abitibi Royalties will pay to the Trustee a success fee (the "Success Fee") which the Trustee will then allocate among the members of Abitibi Royalties' management (including its President, Chief Executive Officer and its Chief Financial Officer) and/or its key consultants. After consultation with Abitibi Royalties' Compensation and Corporate Governance Committee, the Trustee will have sole discretion to determine how the Success Fee is to be allocated. The amount of the Success Fee is to be based on the value of the Transaction.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**21.1 Transactions with key management (continued)**

Following the sale of the Malartic CHL Property, the Board of Directors and the Trustee opened discussions which resulted, on May 16, 2015, in a second amendment to the Management Success Fees Agreement. On May 22, 2015, the Board of Directors approved the Management Success Fees Agreement by virtue of the sale of the Malartic CHL Prospect, and established that the amount of the Success Fee payable with respect to the sale is \$4,290,000 of which \$3,500,000 of the Success Fee is payable in one or more payments, from time to time as and when Abitibi Royalties has the funds available to do so, as determined by its Board of Directors, in accordance with the Management Success Fees Agreement. A first tranche of \$75,000 was paid in August 2015 and a second tranche of \$42,000 was approved for payment in November 2015. Abitibi Royalties and the Trustee have agreed, however, that portions of the remaining \$790,000 (the "Contingent Amount") will become payable in the same way but only as Proven and Probable Reserves are established on the Malartic CHL Project in accordance with National Instrument 43-101, provided that if Abitibi Royalties undergoes a Change of Control (as defined in the Management Success Fees Agreement), any remaining portion of the Contingent Amount that has not already become payable will be paid on the Change of Control (see Note Shares for debts

On September 8, 2014, after receiving Exchange approval and pursuant to share for debt subscription agreements between Abitibi Royalties and its executive officers and directors, Abitibi Royalties issued 38,055 common shares, at a price of \$3.70 per common share, in settlement of \$140,803 in accrued executive officer salary and director fees, covering the period from June 1, 2013 to July 31, 2014. This is the maximum number of shares in replacement of cash that could be issued in accordance with the policies of the Exchange.

**Uranium Valley Mines Ltd - Transaction with key management**

In July 2014, Uranium Valley entered into a Mining Option Agreement to acquire up to 100% property in the Porcupine Miracle Prospect from 2973090 Canada Inc., a Canadian private company wholly-owned and controlled by Mr. Glenn J. Mullan, the CEO of Uranium Valley.

**Nunavik Nickel Mines - Transaction with key management**

In April 2015, Nunavik Nickel issued 300,000 of its common shares to acquire the Boston Bulldog Prospect from 2973090 Canada Inc. a private company wholly-owned and controlled by Glenn J. Mullan the CEO and a director of Nunavik Nickel.

In 2014, Nunavik Nickel entered into consulting and success fee agreements with Red Cloud. At the time, Chad Williams, was a director of the Corporation and was also the President of Red Cloud.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**22. CONTINGENCIES AND COMMITMENTS**

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

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

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

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

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
*(in Canadian dollars)*

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**23. ADDITIONAL INFORMATION - CASH FLOWS**

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

	December 31, 2015	December 31 2014
	\$	\$
Tax credits deducted from exploration and evaluation assets	47,364	39,491
Accounts payable and accrued liabilities included in exploration and evaluation assets		35,303
Accounts payable and accrued liabilities of transaction costs related to the disposal of exploration and evaluation assets	88,450	
Stock base compensation included accounted in exploration and evaluation assets	7,755	
Depreciation of exploration and evaluation equipment charged to exploration and evaluation assets	839	3,490
Common shares issued for a debt settlement	201,444	
Common shares issued by subsidiary in consideration of payment of transaction costs included in gain on disposal of exploration and evaluation assets	367,500	
Common shares issued by subsidiaries in consideration of exploration and evaluation assets	39,333	6,667
Success fee payable included in gain on disposal of exploration and evaluation assets	4,290,000	
Common shares received in consideration of disposal of exploration and evaluation assets net of the fair value of the retention period	30,114,957	
Fair value of options granted for services included in exploration and evaluation assets		14,757
Differed income taxes included in share issue expenses		6,220

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Corporation's capital management objectives are:

- to ensure the Corporation'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 Corporation's own means.

The Corporation monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in Note 14.1 and in the consolidated statement of changes in equity.

The Corporation is not exposed to any externally imposed capital requirements except when the Corporation issues flow-through shares for which an amount should be used for exploration work. See all the details in Notes 14.1 and 22, when applicable.

The Corporation sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Corporation 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 Corporation may return capital to shareholders, issue new shares, or sell assets to reduce payables. When financing conditions are not optimal, the Corporation 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 reporting periods.

**25. FINANCIAL INSTRUMENT RISKS**

The Corporation is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Corporation focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. The Corporation does not actively engage in the trading of financial instruments for speculative

The most significant financial risks to which the Corporation is exposed are described below.

**Golden Valley Mines Ltd.**
**Notes to the consolidated financial statements**
**December 31, 2015 and 2014**

(in Canadian dollars)

**25. FINANCIAL INSTRUMENT RISKS (continued)**
**25.1 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 Corporation 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 Corporation's transactions are carried out in Canadian dollars. Currency risk arises from the Corporation's cash, dividends receivable and the derivative financial instrument in foreign currency, which are primarily denominated in U.S. dollars. The Corporation does not enter into arrangements to hedge its foreign exchange risk.

Foreign currency denominated financial assets and liabilities in U.S. dollars, translated into Canadian dollars at the closing rate, and which expose the Corporation to the currency risk are as follows:

	Short-term exposure
December 31, 2015	\$
Cash	9,668
Dividends receivable	76,750
Derivative financial instruments	124,579
	<u>210,997</u>

A  $\pm$  1% change in the Canadian /U.S. exchange rate as at December 31, 2015 would have had an impact of \$2,110 at December 31, 2015 on profit or loss of the period and equity.

**Other price risk sensitivity**

The Corporation is exposed to fluctuations in the market prices of its investments in quoted mining companies, derivative financial instrument, 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  $\pm$  1% as at December 31, 2015 ( $\pm$  1% as at December 31, 2014), comprehensive loss and equity would have changed by \$257,351 (\$3,966 in 2014).

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

**25. FINANCIAL INSTRUMENT RISKS (continued)**

**25.2 Credit risk**

Credit risk is the risk that another party to a financial instrument fails to discharge obligation and, thus, leads the Corporation to incur a financial loss

The Corporation's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	December 31, 2015	December 31, 2014
	\$	
Cash and cash equivalents	1,905,367	1,347,620
Guaranteed investment certificates 0.65% to 1% (0.95% in 2014) maturing in August and December 2016 (June 2015 in 2014)	910,000	175,000
Other accounts receivables	106,523	40,126
Carrying amounts	<u>2,921,890</u>	<u>1,562,746</u>

The other accounts receivable are dividends receivable from quoted mining companies and receivables from partners on mineral properties options. The exposure to credit risk for the Corporation's receivable is considered immaterial. The Corporation continuously monitors defaults of counterparties. No impairment loss has been recognized in the periods presented.

**25.3 Liquidity risk**

Liquidity risk is the risk that the Corporation 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 Corporation has financing sources such as private and public investments for a sufficient amount.

Over the past period, the Corporation has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through placements.

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

	2015	2014
	\$	\$
Within three months		
Accounts payable and accrued liabilities (excluding salaries and employee benefits)	227,932	212,832
	<u>227,932</u>	<u>212,832</u>
Twelve to thirty six months		
Derivative financial instruments	165,066	-
	<u>165,066</u>	<u>-</u>



**Golden Valley Mines Ltd.****Notes to the consolidated financial statements****December 31, 2015 and 2014**(in Canadian dollars)

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**25. FINANCIAL INSTRUMENT RISKS (continued)****25.3 Liquidity risk (continued)**

The Corporation'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 Corporation considers cash flows from financial assets in assessing and managing liquidity risk, in particular its cash and cash equivalents, short-term investments. The Corporation's existing cash and cash equivalents and short-term investments receivable significantly exceeds the current cash outflow requirements.

**Golden Valley Mines Ltd.**  
**Notes to the consolidated financial statements**  
**December 31, 2015 and 2014**  
(in Canadian dollars)

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**26. SUBSEQUENT EVENTS**

On January 25, 2016, the Corporation issued a \$415,000 principal amount convertible debenture to an arm's length existing shareholder, which constituted the second and final tranche of a non-brokered private placement offering.

The debenture was automatically convertible into Units of the Corporation at a deemed price of \$0.10 per Unit upon confirmation from the TSX Venture Exchange that it has completed satisfactory background searches on the lender, who would become an insider of the Corporation on conversion of the debenture. On conversion, each Unit would be comprised of one common share in the capital of the Corporation and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one common share of the Corporation at a per share price of \$0.14 for two years from the date of issuance of the warrants.

The debenture automatically converted on March 18, 2016, into 4,150,000 Units of the Corporation. The warrants are subject to the condition that they cannot be exercised until such time as the Corporation obtains disinterested shareholder approval for the potential creation of the lender as a new control person.

All common shares issued on conversion of the debenture and shares which may be acquired upon the exercise of the warrants issued on conversion of the debenture are subject to a hold period until May 26, 2016, in accordance with applicable securities legislation and Exchange policy.

No finder's fees were paid in connection with the convertible debenture. The \$415,000 gross proceeds raised from the debenture, will be used by the Corporation for general corporate purposes.

**Abitibi Royalties Inc.**

**Termination of Management Success Fees Agreement**

Effective March 11, 2016, Abitibi Royalties' Board of Directors terminated the Management Success Fees Agreement. Prior to its termination an amount of \$132,890 (including an amount of \$15,890 paid in January 2016) was paid out under the terms of the Management Success Fees Agreement, with no further amounts payable. Following this termination the remaining liability of \$4,157,110 was reversed in the first quarter of 2016.

**Restricted Share Units**

In January and March 2016, Abitibi Royalties granted 583,365 RSU to its officers, directors and consultant of which 145,841 vested immediately. The market price of its shares at the time of grant was as follows: \$3.00 for the first grant of 72,500 RSU and \$3.60 for the second grant of 510,865 RSU.

***Management's Discussion and Analysis***  
***Golden Valley Mines Ltd.***  
***For the period ended December 31, 2015***  
***Dated: April 29, 2016***

**INTRODUCTION**

The following is Management's Discussion and Analysis of the financial condition and results of operations of Golden Valley Mines Ltd. (the "**Company**" or "**Golden Valley Mines**") for the period ended December 31, 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. This discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015, and the related notes thereto. All figures are in Canadian dollars unless otherwise specified. The technical content in this Management's Discussion & Analysis has been prepared under the supervision of Glenn J. Mullan who is a "Qualified Person" as such term is defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

**Forward-Looking Statements**

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

**NATURE OF OPERATIONS**

Golden Valley Mines is a mineral exploration company whose assets and those of its subsidiaries (including the Reporting Subsidiaries (as hereinafter defined), include 91 exploration properties located in the following areas: (i) the Abitibi Greenstone Belt (Ontario and Québec); (ii) the James Bay, Mistassini and Otish regions of northern Québec; (iii) the Nunavik (Ungava and Labrador) region of northern Québec; (iv) the Athabasca Basin of Saskatchewan; and (v) the James Bay Lowlands of Ontario.

Golden Valley Mines' primary objective is to conduct basic exploration while the Company owns 100% of most of its properties. In instances where the exploration results are less than conclusive (such as when favourable geological conditions are encountered, but without an economically significant discovery) the Company will typically seek joint-venture partners (normally other public mining companies) to conduct follow-up exploration programs and continue the exploration effort. In most instances, Golden Valley Mines continues to act as the operator during the earn-in phase thus allowing the Company to reduce dilution to its share capital and decrease the amount of self-funded expenditures, while continuing exploration on these same properties with larger budgets than its own initial investment (most of the agreements allow the partner to earn into a property by incurring

exploration expenditures typically over periods of three to six years). Furthermore, in addition to third party disbursements for exploration funding, the Company's option agreements typically provide for receipt by Golden Valley Mines of either cash or shares, or both from its partners and the retention of a free-carried interest or an NSR royalty. This allows the Company to focus primarily on other early-stage, 100%-owned properties while partners fund exploration on more expansive option/joint ventures and remote projects.

The Company has three subsidiaries: Abitibi Royalties Inc. ("Abitibi Royalties"), Nunavik Nickel Mines Ltd. ("Nunavik Nickel"), and Uranium Valley Mines Ltd. ("Uranium Valley"), together, the "Reporting Subsidiaries". See section 3 herein, *Property Interests Assigned to the Reporting Subsidiaries*.

The information detailed in this report and pertaining to Abitibi Royalties, Nunavik Nickel, and Uranium Valley, has been extracted from Management's Discussion and Analysis prepared by each of the Reporting Subsidiaries and electronically filed with regulators, which are publicly available for viewing through the internet on the SEDAR website (www.sedar.com) under the respective issuer profile.

## **OVERALL PERFORMANCE**

### **1. Exploration Activity:**

#### **A. Abitibi Greenstone Belt ("AGB") Grassroots Exploration Project, located in Québec and Ontario, 100%-owned Projects**

The AGB properties are comprised of gold (47), copper-zinc-silver (25), nickel-copper-PGE (2), molybdenum (1) and cobalt-silver-nickel (2) prospects located in Québec (49) and Ontario (28). Golden Valley Mines' exploration strategy consists of a systematic approach designed to reduce grassroots exploration risk, and increase the possibility of exploration success, through the sequential exploration of a large number of grassroots properties. Preliminary fieldwork conducted over the Company's 100%-owned properties includes grid establishment, geophysical and/or geochemical surveys, prospecting, reconnaissance and grid mapping and sampling, with the objective of upgrading and advancing each property to the group of "drill-ready" prospects. This exploration pattern is consistently being repeated throughout the year as much as financial and logistical circumstances permit.

During the fourth quarter and year ended December 31, 2015, the Company's exploration work was focused on the completion of property compilations (for mandatory government assessment report filing and business development purposes), and on project generation activities directed to identifying and evaluating new opportunities.

### **2. Option and Joint Venture Properties Portfolio Review:**

#### **Abitibi Greenstone Belt Programs**

##### **A. Integra Gold Corp. ("Integra") Joint Venture – AGB**

In 2008, the Company earned a 70% interest in the group of nine properties located on the AGB (Québec and Ontario) and a joint venture was formed thereon with Integra (the "GZZ-I JV"). The Company is the operator during the joint venture phase. In January 2012, the Company and Integra granted an option (the "GZZ-I Option") to Golden Cariboo Resources Ltd. ("Golden Cariboo") to acquire a 70% interest in certain properties comprising the GZZ-I JV. Upon the GZZ-I Option being

exercised, Golden Valley Mines and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley Mines/7.5% Integra).

A prospecting and sampling program was completed on the Matachewan Prospect at the beginning of October 2015. The report was filed for assessment purposes and the property claims renewed. No other exploration fieldwork was conducted on any of the other joint venture property claims during the year ended December 31, 2015.

**B. Golden Cariboo Resources Ltd. – GZZ Properties and GZZ-I Properties**

The Company granted an option to Golden Cariboo to acquire a 70% interest in certain properties held as to a 100% interest by the Company (the "GZZ Option") and located in the Abitibi Greenstone Belt of northwestern Québec and northeastern Ontario (the "GZZ Properties"). Concurrently, and subject to net smelter return royalty interests and advance royalty interests in favour of the original vendors (one of which is a director and officer of the Company), Golden Valley Mines and Integra granted an option to Golden Cariboo to acquire a 70% interest in certain properties located in the Abitibi Greenstone Belt of northwestern Québec (the "GZZ-I Option"); these properties are held as to a 70% interest by Golden Valley Mines and as to a 30% interest by Integra pursuant to a joint venture agreement between Integra and Golden Valley Mines (the "GZZ-I Properties"). The GZZ Option and the GZZ-I Option are together referred to herein as "the Option". Golden Valley Mines is the operator during the Option phase.

No exploration fieldwork was conducted during the year ended December 31, 2015. The Option was terminated effective January 3, 2016, in accordance with its terms.

**James Bay Properties**

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

Golden Valley Mines currently owns a 55% interest in the Cheechoo gold project, with Sirios owning the remaining 45% interest. Under the terms of a revised JV agreement, Sirios may acquire Golden Valley Mines' remaining 55% interest subject to the following general conditions:

- (a) Sirios must spend an aggregate \$4,200,000 in exploration expenditures prior to June 13, 2016 (of which \$3,172,213 has been indicated as spent as of January 31, 2016, leaving approximately \$1,027,787 remaining);
- (b) Sirios issued 9.9% of its share capital to Golden Valley Mines as of December 31, 2013 (2,898,374 shares, currently representing approximately 4% of Sirios); and
- (c) Sirios must make a payment to Golden Valley Mines of \$500,000 (cash or equivalent in SOI shares) prior to June 13, 2016 (notwithstanding the foregoing, Sirios shall have the obligation to pay in cash that portion of the \$500,000 which would result in Golden Valley Mines becoming an insider of Sirios).

As additional consideration for the grant of the Option and in order for Sirios to acquire Golden Valley Mines' remaining 55% interest in the Cheechoo gold project, Sirios has granted to Golden Valley Mines a royalty (the "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 (the "Gold Portion") may vary between 2.5% and 3.5% depending on the market price of gold at the time of the payment of the Gold Portion.

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

**Property Interests Assigned to the Reporting Subsidiaries:**

**A. Abitibi Royalties Inc.**

Golden Valley Mines holds an approximate 51% interest in Abitibi Royalties as at April 29, 2016.

As of the date of this Management's Discussion and Analysis, Abitibi Royalties holds interests in the following assets.

**a) Sale of Malartic CHL Property – March 19, 2015**

The Malartic CHL Property was acquired through staking by Golden Valley Mines in 2006. Golden Valley Mines and Osisko Mining Corporation ("**Osisko**") entered into an option agreement pursuant to which Osisko acquired a 70% interest in the Malartic CHL Property. Pursuant to an Amended and Restated Transfer and Assignment and Assumption Agreement dated March 31, 2011, among Abitibi Royalties, Golden Valley Mines, and Osisko, Golden Valley Mines' interest in the property was assigned to Abitibi Royalties.

On April 16, 2014, Osisko, Agnico Eagle Mines Limited ("**Agnico**") and Yamana Gold Inc. ("**Yamana**") entered into an arrangement agreement pursuant to which Osisko agreed to transfer its Canadian Malartic assets to a new partnership that would ultimately be owned by Agnico and Yamana as to 50% each.

On March 19, 2015, Abitibi Royalties entered into an acquisition agreement with Canadian Malartic GP, a general partnership, Yamana and Agnico to sell its 30% free carried interest in the Malartic CHL Property in consideration for 3,549,695 shares of Yamana and 459,197 shares of Agnico and a 3% net smelter return royalty on the Malartic CHL Property. Based on the closing prices of the shares of Yamana (\$4.93) and Agnico (\$38.11) on the TSX (on February 20, 2015, the last trading day before the day the transaction was announced), the consideration received by Abitibi Royalties amounted to \$35 million excluding the royalty.

Abitibi Royalties has recorded a gain of \$25,158,174 on the sale of its 30% free carried interest in the Malartic CHL Property, which was calculated as follows:

Market value of consideration received	33,489,813
Less Fair value of mandatory retention period <sup>(1)</sup>	<u>(3,374,856)</u>
Fair value of consideration received	30,114,957
Less Transaction costs	(530,513)
Success fee payable as a result of the sale of the Malartic CHL Prospect <sup>(2)</sup>	<u>(4,290,000)</u>
Fair value of consideration received net of transaction costs	25,294,444
Less Book value of exploration and evaluation asset sold	<u>(136,270)</u>
Gain on the sale of the Malartic CHL Property (no tax impact)	<u>25,158,174</u>

<sup>(1)</sup> As per securities regulations, shares received from Agnico and Yamana were subject to a hold period of four months and one day.

<sup>(2)</sup> Effective March 11, 2016, the Board of Directors of Abitibi Royalties terminated the Management Success Fees Agreement and the unpaid balance of \$4,157,110 was reversed.

As of the date of this Management's Discussion and Analysis, Abitibi Royalties holds interests in the following assets, as further described below:

- a) 3,549,695 shares of Yamana and 444,197 shares of Agnico,
- b) a 3% net smelter return royalty on the Malartic CHL Property,
- c) a 2% net smelter return royalty on the Canadian Malartic Property, and
- d) a 100% interest in the Luc Bourdon and Bourdon West Prospects, and
- e) various royalty interests on early stage properties near operating mines.

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

The area covered by the 3% net smelter royalty is located immediately east of the Canadian Malartic Mine operated by Agnico and Yamana. The 3% net smelter royalty covers a number of known mineralized zones; the historic Shaft Zone and Porphyry 12 Zone, the Norrie Zone, the Mammoth Zone (eastern extension of the Barnat Zone), the Jeffrey Zone, the Hal Zone, the Geo Zones and the recent Odyssey North discovery. No value has been assigned to the 3% NSR royalty. See the news release of Abitibi Royalties publicly disseminated and filed with regulators on February 22, 2016.

Abitibi Royalties has not received any additional assay results or drill hole locations, since it last reported exploration results on February 23, 2015, and there are no assurances that all or any of the recent drilling at Odyssey has encountered additional mineralization on the Malartic CHL property that is covered by the Company's 3% NSR.

**c) Canadian Malartic 2% NSR Royalty - Malartic, Québec**

Also pursuant to a separate agreement, Golden Valley Mines assigned to Abitibi Royalties a 2% net smelter royalty interest (the "NSR") on a claim block originally acquired by Golden Valley Mines through staking and subsequently sold to Osisko. The NSR is located on a single claim just south of

the Canadian Malartic main pit, and covers the historic Charlie Zones and the Eastern portion of the Gouldie Zone. Production on the 2% net smelter royalty area started in 2014 and total royalty payments of \$348,795 were received: \$191,869, covering the last two quarters of 2014, \$80,236 for the first quarter of 2015 and \$48,492 for the second quarter of 2015 and \$28,198, as a final payment, received in October 2015. Canadian Malartic GP (50% owned by Agnico and Yamana) reported that mining at the Gouldie deposit, stopped at the end of June 2015.

**d) McFauld's Lake ("Ring of Fire") Area – Bourdon Prospects**

Abitibi Royalties holds a 100% interest in the Luc Bourdon and Bourdon West prospects (the "Bourdon Prospects"). Abitibi Royalties is now seeking new partnerships to fund future exploration programs and, if warranted by the results, to further develop the Bourdon Prospects.

**The Abitibi Royalty Search**

On June 9, 2015, Abitibi Royalties launched the "Abitibi Royalty Search", by which it would reimburse a company for the renewal fees on existing claims or staking fees on new claims and receive in exchange a net smelter return royalty. The program offers junior mining companies 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. As of December 31, 2015, Abitibi Royalties had acquired royalties on eight properties for a total investment of \$79,774 (of which one of the royalty agreements in the amount of \$5000, was signed with Golden Valley Mines). The properties are located in the provinces of Québec, Ontario and Manitoba and in Turkey. The amounts spent to acquire mining royalties are expensed.

Further discussion and analysis of the financial condition and results of operations of Abitibi Royalties for the year ended December 31, 2015, is included in Abitibi Royalties' Management's Discussion and Analysis, which has been electronically filed with regulators by Abitibi Royalties and is available for viewing at the SEDAR website ([www.sedar.com](http://www.sedar.com)) under Abitibi Royalties' issuer profile.

**B. Nunavik Nickel Mines Ltd.**

Golden Valley Mines holds an approximate 60% interest in Nunavik Nickel as at April 29, 2016.

As of the date of this Management's Discussion and Analysis, Nunavik Nickel holds interests in the following assets.

**a) Marymac Prospect**

Nunavik Nickel holds a 100% interest in the Marymac Prospect located in the Labrador Trough of Québec. Nunavik Nickel acquired its interest in the Marymac Prospect pursuant to a Further Amended and Restated Property Transfer Agreement dated March 30, 2011, between Golden Valley Mines and Nunavik Nickel. The Marymac Prospect consists of 182 Map Designated Units that collectively encompass approximately 10,000 hectares. The Marymac Prospect is subject to a 2% net smelter royalty interest in favour of Capex Group Inc. (formerly 862539 Alberta Ltd.), which was granted to 862539 Alberta Ltd. pursuant to an agreement dated March 1, 2001.

**b) Fortin Property**

The Fortin Property is located in the central part of Ducros Township, approximately 80 km northeast of the Town of Val-d'Or, Québec, and consists of five contiguous mining claims. Nunavik Nickel



holds a 100% interest in this property, subject to a 1.5% NSR in favour of the original vendors. Nunavik Nickel retains the right to buy back the NSR at any time as follows: (i) 0.5% in exchange for \$500,000; and (ii) 1% in exchange for \$1,000,000. The Fortin Property is without known resources or reserves.

**c) Shoot Out Prospect**

The Shoot Out Prospect (Shoot Out East and Shoot Out West) consists of 161 claims covering a surface area of approximately 7,526 hectares located in the Raglan Belt of Northern Québec. Nunavik Nickel holds a 100% interest in this property. The Shoot Out Prospect is subject to a 3% NSR in favour of the original vendors, one of which is a director and officer of Nunavik Nickel.

**d) 2973090 Canada Inc. - Boston Bulldog Prospect**

On February 16, 2015, Nunavik Nickel was granted an option to acquire a 100% interest in the Boston Bulldog Prospect from 2973090 Canada Inc. ("2973090"). The Boston Bulldog Prospect is a group of three mineral claims located in Kirkland Lake, Ontario. In consideration of the grant of the option Nunavik Nickel paid 2973090 \$5,000 to cover 2973090's costs of staking the property and issued 300,000 common shares to 2973090. Nunavik Nickel must incur mining operation expenditures of \$50,000 by April 7, 2017 and must keep the property in good standing.

The property is subject to a 3% NSR, which in accordance with the terms of the option agreement, Nunavik Nickel can reduce from 3% to 2% NSR by paying \$1,000,000 at any time on or before February 16, 2022. To this date there is no known mineral deposit on the Boston Bulldog Prospect. See "Related Parties Transactions" in this report.

The information detailed above has been extracted from Nunavik Nickel's issuer profile which is publicly available for viewing through the internet on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Further discussion and analysis of the financial condition and results of operations of Nunavik Nickel for the year ended December 31, 2015, is included in Nunavik Nickel's Management's Discussion and Analysis, which has been electronically filed with regulators by Nunavik Nickel and is available for viewing at the SEDAR website ([www.sedar.com](http://www.sedar.com)) under Nunavik Nickel's issuer profile.

**C. Uranium Valley Mines Ltd.**

Golden Valley Mines holds an approximate 37% interest in Uranium Valley as at April 29, 2016.

As of the date of this Management's Discussion and Analysis, Uranium Valley holds interests in the following assets.

**a) Mistassini-Otish Basins Project**

Uranium Valley holds a 100% interest in the Mistassini Otish Project.

On March 28, 2013, the Government of Québec announced it had decreed a "moratorium" on all exploration, development and mining for uranium. Following this announcement, Uranium Valley has indicated that it is of the view that it will be difficult and potentially impossible, to conduct exploration programs on its Otish and Mistassini prospects, which are located in Québec. Consequently, Uranium Valley's financial statements for the year ended December 31, 2012 reflect its decision to impair the carrying value of its uranium properties located in the Province of Québec. As a result, any further uranium exploration activities by Uranium Valley will be executed outside the Province of Québec.

**b) 2973090 Canada Inc. - Porcupine Miracle Prospect**

On July 3, 2014, Uranium Valley entered a Mining Option Agreement with 2973090 Canada Inc., ("2973090") pursuant which Uranium Valley has the option to acquire a 100% interest in the Porcupine Miracle Prospect. The Porcupine Miracle Prospect is constituted of four mineral claims located in the Langmuir Township in the province of Ontario, Canada. In consideration for the option, Uranium Valley agreed to issue to 2973090 common shares as follows: 133,332 common shares (which shares have been issued) and, 66,667 common shares on July 17, 2016. In order to exercise the option, Uranium Valley is required to incur exploration expenditures of \$50,000 by July 17, 2016 and, in addition, to maintain the property in good standing. The property will be subject to a royalty in favour of 2973090 equal to 3% of net smelter returns. Advance royalty payments of \$10,000 per annum are payable by Uranium Valley commencing on July 17, 2017; the advance royalty payments will be deducted from the amounts payable under the royalty. See "Related Parties Transactions" in this report.

**Transfer of Listing to NEX**

By letter dated November 3, 2015, the TSX Venture Exchange placed Uranium Valley on notice that its listing would be transferred to NEX if it did not, by May 3, 2016, resolve a continued listing deficiency under Exchange Policy 2.5. The deficiency identified relates to activity for an issuer classified as a Tier 2 Mining issuer. NEX is a separate board of the TSX Venture Exchange that provides a trading forum for listed issuers that have fallen below the Exchange's ongoing listing standards. Management of Uranium Valley has determined that it will take the required steps to transfer its listing to NEX and carry on its business as a NEX listed issuer.

Further discussion and analysis of the financial condition and results of operations of Uranium Valley for the year ended December 31, 2015, is included in Uranium Valley's Management's Discussion and Analysis, which has been electronically filed with regulators by Uranium Valley and is available for viewing at the SEDAR website ([www.sedar.com](http://www.sedar.com)) under Uranium Valley's issuer profile.

**3. Calone Mining Company (S.L.) Ltd. ("Calone SL") /Calone Mining Ltd. ("Calone Canada"):**

Calone Canada is Golden Valley Mines' wholly-owned Canadian subsidiary. During the year ended December 31, 2015, Calone Canada reviewed its previous holdings and others in Sierra Leone in terms of land status, access, recent work and general geological potential. Calone Canada continues to assess its alternatives.

**SELECTED ANNUAL INFORMATION <sup>(1)</sup>**

	2015	2014	2013
Total Revenue (\$)	\$770,406	\$10,979	\$10,131
Net income (loss) and total comprehensive income (loss) for the period (\$)	\$14,780,114	(\$6,794,166)	(\$4,001,532)
Basic earnings (loss) per share (\$)	\$0.08	(\$0.058)	(\$0.039)
Diluted earnings per share	\$0.07	--	--
Total Assets (\$)	\$35,346,720	\$10,738,648	\$12,598,337
Total Liabilities (\$)	\$3,867,454	\$792,075	\$1,043,393

<sup>(1)</sup> This table represents selected annual information for the Company and its Subsidiaries.

## DISCUSSION AND RESULTS OF OPERATIONS

In the year ended December 31, 2015, the Company reported a net income before income taxes of \$17,420,912 compared to a net loss before income taxes of \$6,977,980 for the same period in 2014. The gain of \$25,158,174 realized on the sale of the Malartic CHL Property by Abitibi Royalties is a contributing factor towards the increase.

### Revenues

Royalties of \$348,795 were earned from the 2% NSR owned by Abitibi Royalties on the Canadian Malartic Property. In addition, Abitibi Royalties received dividend income of \$420,117 as a shareholder of Agnico and Yamana.

An amount of \$1,494 was generated from the Company's active option and joint-venture properties for the year ended December 31, 2015 (\$10,979 for 2014).

### Other Revenue

Other sources of income are interest and dividend income from cash and short-term financial assets (\$16,693 for the year ended December 31, 2015 compared to \$5,768 for 2014). The Company sold short-term investments held in its portfolio and realized a loss of \$1,496 during the period ended December 31, 2015, compared to a gain of \$41,713 in 2014.

The Company held money market investment and mutual funds having a market value of \$854 as at December 31, 2015 as well as publicly traded securities comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements having a market value of \$332,352 as at December 31, 2015 compared to \$288,910 for the same period in 2014). The Company also has 2 guaranteed investment certificates. One in the amount of \$10,000, at an interest rate of 0.65% maturing in August 2016 and the second in the amount of \$900,000, at an interest rate of 1% maturing in December 2016).

### Investments

	Number of shares held at December 31, 2015	Value at	
		March 19, 2015	December 31, 2015
Yamana Gold Inc.	3,549,695	16,825,554	9,122,716
Agnico Eagle Mines Ltd.	444,197	16,664,259	16,155,445
Fair value of retention period (1)		(3,374,856)	-
Total fair value		30,114,957	25,278,161
Variation during the period			(4,836,796)

(1) As per securities regulations, shares received from Agnico and Yamana are subject to a mandatory retention period of four months and one day.

On August 5, 2015, Abitibi Royalties sold 15,000 of its Agnico shares at price of \$28.49 each for net proceeds after brokerage commission of \$426,900.

As of December 31, 2015, Abitibi Royalties sold call option contracts, covering 355,000 shares of its holding in Yamana and 44,500 shares of its holding in Agnico, for total cash proceeds of US \$122,030. The call options are exercisable until January 20, 2017 and January 19, 2018 at prices varying from US \$40 to \$45 for the contracts covering the Agnico shares and from US \$5 to \$12 for those on Yamana Shares. The obligations related to the call option contracts has been valued at December 31, 2015 at \$124,579 and has been included in the accrued liabilities.

### **Non-Exploration Expenditures**

For the year ended December 31, 2015, the Company recorded a total operating income of \$21,689,119, as opposed to an operating loss of \$6,834,507 in 2014.

The sale of the Malartic CHL Property was made without generating any immediate income tax payable. There is a potential tax liability on the capital gain to be realized on the eventual sale of those shares, which Abitibi Royalties has recognized by recording a deferred income tax liability of \$2,640,798 at December 31, 2015.

The value of Abitibi Royalties' investment in the shares of Agnico and Yamana, received as consideration for the sale of the Malartic CHL Property, has to be shown at fair value. At December 31, 2015, Abitibi Royalties recorded an adjustment of \$4,836,796 to reflect the variation in the fair value of the investment between March 19, 2015 and December 31, 2015.

The largest operating expense is impairment of exploration and evaluation assets in the amount of \$1,984,179 (\$2,544,373 in 2014).

The second largest operating expense, which is salaries and other employee benefits decreased to \$953,467 for the year ended December 31, 2015 (compared to \$3,017,119 in the prior year). Included in this amount are director's fees, in the amount of \$74,543 (\$70,084 in 2014 not being paid as a result of the austerity measures implemented in 2012 and reinstated in the third quarter of 2013) for Golden Valley Mines' directors that were paid in September by the issuance of shares and \$98,629 (\$130,000 in 2014) for Abitibi Royalties' directors fees paid or accrued.

Professional and legal fees decreased from \$918,986 in 2014 to \$771,642 in 2015. Part of the professional fees can be attributed to professional fees incurred by Abitibi Royalties for the year ended December 31, 2015, which amounted to \$394,618. For further details, please review the Management Discussion and Analysis for Abitibi Royalties for the year ended December 31, 2015, which can be accessed under Abitibi Royalties' issuer profile at [www.sedar.com](http://www.sedar.com).

The following expenditures - travelling (from \$103,212 in 2014 to \$76,792 for 2015) and advertising and exhibition (from \$56,794 for 2014 to \$32,143 for 2015) decreased. Office expenses increased to \$170,632 for the year 2015 (compared to \$145,511 for 2014). Management fees also increased from \$16,500 in 2014 to \$27,075 in 2015. Part XII.6 and other taxes decreased from \$10,089 for 2014 to \$5,779 for 2015.

### **Exploration Activities and Expenditures**

For the year ended December 31, 2015, total investments in exploration and evaluation assets decreased to \$6,687,723, compared to \$8,647,860 as at December 31, 2014. In accordance to

accounting policies, the Company reviewed certain of its exploration expenses and determined to record an amount of \$2,092,435 as an impairment of exploration and evaluation assets.

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

Over the course of the Company's 2015 exploration program in the year ended December 31, 2015, expenditures were allocated to the following activities: (i) regional and property compilation maps and reports for mandatory government assessment report filing and business development purposes; and (ii) project generation activities, directed at identifying and evaluating new opportunities.

The primary focus for the Company's project generation activities during the year ending December 31, 2015 was in the Abitibi Greenstone Belt ("AGB") region of Québec and Ontario. During the year ending December 31, 2015, a total of 32 claims units, covering 1,710 hectares were added to eight (8) existing properties. Claim acquisition and maintenance fees for this period on the Company's AGB properties amounted to \$43,839.

No line cutting and geophysical surveys were conducted on any of the Company's AGB properties during the year ended December 31, 2015.

Technical and field staff expenditures amounted to \$130,737 during the year ended December 31, 2015 for the Company's self-funded AGB Grassroots Exploration Project, project generation activities and/or related corporate developments, and \$3,180 for the Golden Valley Mines/Integra Joint Venture related property costs.

No drilling activities were completed during 2015.

Related exploration program expenditures included \$573 for sampling and testing, \$20,457 for amortization, office and general expenses, \$30,153 for program management and consultants, \$2,650 for travel and transport, and \$1,207 for communications, were incurred during the year ended December 31, 2015.

## SUMMARY OF QUARTERLY RESULTS

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

	<b>Dec 15</b>	<b>Sep 15</b>	<b>Jun 15</b>	<b>Mar 15</b>	<b>Dec 14</b>	<b>Sep 14</b>	<b>Jun 14</b>	<b>Mar 14</b>
Total revenues (\$)	152,859	164,554	130,813	322,180	2,981	5,475	2,523	0
Net income (loss) (\$)	2,262,625	(5,813,736)	(6,817,650)	25,148,875	(4,661,186)	(802,220)	(966,611)	(364,149)
Net earnings (loss) per share								
- Basic	(0.016)	(0.028)	(0.023)	0.147	0.04	(0.002)	(0.008)	(0.004)
- Diluted	(0.02)	(0.027)	(0.022)	0.139	0.04	(0.002)	(0.008)	(0.004)

## FINANCIAL CONDITION

### Liquidity and Capital Resources

As at December 31, 2015, the Company had cash and cash equivalents of \$1,905,367 and a working capital deficiency of \$496,586 compared to a positive working capital of \$1,283,555 as of December 31, 2014. The working capital deficiency is the result of the accrual of the short term portion of the success fee related to the sale by Abitibi Royalties of its stake in the Malartic CHL Property. Effective March 11 2016 the Success Fee Agreement was terminated and the related liability reversed. Should this reversal have been reflected at December 31, 2015, the Company would have shown a positive working capital of \$2,886,414.

During the year ended December 31, 2015, Abitibi Royalties collected an aggregate \$747,914 from the exercise of incentive stock options. Golden Valley Mines collected \$187,900 from the exercise of incentive stock options and warrants.

### Contractual Obligations

#### 1. Golden Valley Mines Ltd.

##### a) Office Lease

		Payments due by period	
Obligation	Total	1 year or less	2 years or more
Office Lease	\$ 33,812	\$ 33,812	\$ -

##### b) Advisory Agreement

On April 4 2015, the Company entered into an advisory agreement with Maxit Capital LP to provide advisory services. The engagement is for an indefinite term and either Golden Valley Mines or Maxit may terminate the engagement at any time upon five days written notice to the other party. For its services under the engagement, Maxit is entitled to a fee on delivery of a fairness opinion in connection with a potential future transaction, should preparation of a fairness opinion be requested by Golden Valley Mines, and is entitled to a transaction fee should a potential future transaction be completed and, in certain circumstances, a termination fee should a transaction be announced by Golden Valley Mines and not completed, all plus any applicable taxes. Maxit is also entitled to be reimbursed for its reasonable out-of-pocket expenses incurred in entering into and providing services under the engagement. A transaction or termination fee may be paid in cash or satisfied by issuance of shares (subject to acceptance by the TSX Venture Exchange) at the election of Golden Valley Mines.

#### 2. Abitibi Royalties Inc.

##### a) Management Success Fees Agreement

On May 28, 2014, Abitibi Royalties entered into an Amended and Restated Management Success Fees Agreement, as amended on September 11, 2014, with 2973090 Canada Inc., a company of which Glenn J. Mullan is the sole shareholder, director and officer, as the "Trustee" pursuant to which a success fee would be paid in certain circumstances.

Effective March 11, 2016, Abitibi's Board of Directors terminated the Management Success Fees Agreement. Prior to its termination, \$132,890 was paid (\$117,000 as at December 31, 2015 and

\$15,890 in January 2016) under the terms of the Management Success Fees Agreement, with no further amounts payable. In March 2016, the liability of \$4,157,110 representing the unpaid balance of the success fee was reversed.

b) Advisory Agreement

On February 2015, Abitibi Royalties entered into an advisory agreement with Maxit Capital LP to provide advisory services and a fairness opinion in relation with the sales of the Malartic CHL Property. The advisory fee and the fairness opinion was paid by the issuance of 100,791 common shares of Abitibi Royalties in April 2015.

## **FOURTH QUARTER**

On November 13, 2015, Golden Valley Mines announced a non-brokered private placement offering pursuant to which it will issue up to 14,900,000 units (each a "Unit") at a per Unit price of \$0.10 for gross proceeds of up to \$1,490,000. Each Unit will consist of one common share in the capital of Golden Valley Mines and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one common share of Golden Valley Mines at a per share price of \$0.14 for a period of two years from the closing of the offering. The TSX Venture Exchange provided its conditional acceptance of the financing on November 26, 2015, and the first tranche of the offering closed on November 30, 2015. The second and final tranche of the offering closed on January 25, 2016, and the Exchange issued its final acceptance of the offering on February 3, 2016.

## **CAPITAL STOCK INFORMATION**

### **Authorized**

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

### **Issued and Outstanding**

The following details the issued and outstanding securities of the Company as at April 29, 2016:

*Common shares:* 114,124,974

*Preferred Shares:* Nil

*Escrowed Shares:* Nil

*Share Purchase Warrants:* 16,400,000

*Incentive Stock Options:*

<b>Expiry Date</b>	<b>Outstanding</b>	<b>Exercise Price</b>
October 5, 2016	1,615,000	\$0.35
July 23, 2017	520,000	\$0.15
August 1, 2018	2,125,000	\$0.07
June 30, 2019	654,025	\$0.17

Expiry Date	Outstanding	Exercise Price
July 24, 2020	1,200,000	\$0.11
<b>TOTAL:</b>	<b>6,114,025</b>	

### **Incentive stock options**

On July 24, 2015, the Company granted an aggregate 1,200,000 incentive stock options with an exercise price of \$0.11 to its directors, officers, employees and consultants. The options are exercisable for a period of 5 years from the date of grant. All options are exercisable immediately.

On August 13, 2015 an ex-director of Golden Valley Mines exercised 250,000 options at \$0.07 for a total consideration of \$17,500. The share price at the day before the exercise was \$0.115.

On September 1, 2015, Golden Valley Mines issued an aggregate 1,831,310 common shares in settlement of an aggregate of \$201,444 in accrued management and director fees covering the period April 1, 2012 to June 30, 2015.

### **Exercise of Share Purchase Warrants**

On June 18, 2016, 1,160,000 common shares were issued pursuant to the exercise of share purchase warrants at a price of \$0.09 per warrant for a total of \$149,400.

### **2015 Stock Option Incentive Plan**

The Company's Board of Directors implemented a new 2015 Stock Option Incentive Plan (the "2015 Plan") following receipt of approval by the Company's disinterested shareholders and by the TSX Venture Exchange. The 2015 Plan replaces the Company's prior stock option plan, which terminated on implementation of the 2015 Plan by the Board of Directors, and all incentive stock options then outstanding under the prior plan are now outstanding under and governed by the 2015 Plan.

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

### **Abitibi Royalties Inc.**

#### **a) Exercise of incentive stock options**

In March 2015, 330,000 common shares were issued pursuant to the exercise of 225,000 incentive stock options at a price per share of \$2.50, and 105,000 incentive stock options at a price per share of \$0.55.



In August 2015, 28,792 common shares were issued pursuant to the exercise of incentive stock options at a price per share of \$2.18.

In November 2015, 22,999 common shares were issued pursuant to the exercise of 7,084 incentive stock options at a price per share of \$2.50 and 15,915 incentive stock options at 2.18.

In December 2015, 5,731 common shares were issued pursuant to the exercise of incentive stock options at a price per share of \$2.18.

In January 2016, 755 common shares were issued pursuant to the exercise of incentive stock options at a price per share of \$2.18.

In February 2016, 304 common shares were issued pursuant to the exercise of incentive stock options at a price per share of \$2.18.

No incentive stock options were granted by Abitibi Royalties in 2015.

b) Restricted Share Units

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

c) Normal Course Issuer Bid

On October 2, 2015, Abitibi Royalties received the Exchange acceptance of its notice to commence a normal course issuer bid ("NCIB"). This approval allows Abitibi Royalties to purchase back up to 546,300 of its common shares (representing 5% of Abitibi Royalties total issued and outstanding common shares as of September 21, 2015) from October 6, 2015 to October 5, 2016. Common shares that will be purchased under the NCIB will be cancelled. As of December 31, 2015, Abitibi Royalties had repurchased and cancelled 25,500 of its common shares at a total cost of \$65,868.

In 2016, to date, 35,700 common shares were repurchased and cancelled for a total of \$118,382.

**RELATED PARTIES TRANSACTIONS**

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

	Twelve-Month Period ended December 31	
	2015	2014
Short-term employee benefits		
Salaries including bonuses <sup>(1)</sup>	469,490	371,329
Benefits	100,801	59,815
Director's Fees <sup>(2)</sup>	226,129	352,502
Total short-term employee benefits	<u>796,420</u>	<u>783,646</u>
Other transaction with consultants		
Rent <sup>(3)</sup>	49,816	
Management Fees	27,075	16,500
Expenses capitalized in exploration and evaluation assets	154,468	97,188
Professional Fees <sup>(4)</sup>	8,177	149,00
Success Fee included in gain on the disposal of exploration and evaluation assets <sup>(5)</sup>	4,290,000	
Total transactions with consultants	<u>4,529,536</u>	<u>262,688</u>
Share-based payments	<u>85,250</u>	<u>1,829,467</u>
Total remuneration	<u>4,614,786</u>	<u>2,875,801</u>

<sup>(1)</sup> All 2015 amounts have been paid. An amount of \$80,000 has been accrued in salaries including bonuses by the Company in 2014.

<sup>(2)</sup> An amount of \$74,543 (\$70,084 by the Company and \$130,000 by Abitibi Royalties in 2014) has been accrued in director's fees which have been deferred and not yet paid.

<sup>(3)</sup> Amount paid to 2973090 Canada Inc., a private company controlled by Mr. Glenn J. Mullan, an officer and director of the Company. This amount represents 3 years of rent owing for the Val-d'Or Office. \$7,816 paid by Abitibi Royalties to its President.

<sup>(4)</sup> In 2014, professional fees were paid by the issuance of shares to Red Cloud. 150,000 common shares of Abitibi Royalties. The fair value of \$134,000, and 150,000 common shares of Nunavik Nickel at a fair value of \$15,000.

<sup>(5)</sup> Effective March 11, 2016, the Board of Directors of Abitibi Royalties terminated the Management Success Fees Agreement and the unpaid balance of \$4,157,110 was reversed.

The fees detailed above are equivalent to what the Company would otherwise pay to an unrelated third party in the industry and were completed in the normal course of the Company's operations.

## OFF BALANCE SHEET ARRANGEMENTS

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

## CORPORATE DEVELOPMENTS

### Golden Valley Mines Ltd.

On March 15, 2016, Jimmy S.H. Lee was appointed as a director of Golden Valley Mines.

### Abitibi Royalties Inc.

Mr. Ian J. Ball, the President of Abitibi Royalties since August 5, 2014, was appointed by the Abitibi Royalties' board of directors as President and CEO following the Annual General Meeting of Abitibi Royalties' shareholders held on June 25, 2015. Mr. Glenn J. Mullan, the former CEO of Abitibi Royalties, retained the office of Chairman of the Board.

### **Nunavik Nickel Mines Ltd.**

Dr. C. Jens Zinke was appointed by the Board of Directors as President and CEO following the Annual General Meeting of Nunavik Nickel's shareholders held on June 25, 2015. Mr. Glenn J. Mullan, the former CEO of Nunavik Nickel, retained the office of Chairman of the Board.

### **OUTLOOK**

The Company is actively searching and evaluating certain strategic business opportunities and potential acquisitions in the exploration/mining industry due to the current volatile financing conditions in capital markets. A number of internal reviews have recently been completed or are in progress for distressed companies and certain assets, both in Canada and abroad.

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

### **POST-REPORTING DATE EVENTS**

#### **Option Agreement – BonTerra Resources Inc. – Lac Barry, Québec**

On March 16, 2016, Golden Valley Mines 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, (i) BonTerra must issue to Golden Valley Mines such number of common shares in the capital of BonTerra having an aggregate value of \$200,000 based on the closing price of BonTerra's shares on the Exchange on the day prior to the date that the Exchange issues its written acceptance of the option agreement and the transaction contemplated thereby, and (ii) BonTerra must incur expenditures in an aggregate amount of \$2,000,000 over a three (3) year period.

Upon exercising the option, Golden Valley Mines shall retain a 15% free carried interest in the Lac Barry Prospect and a 3% net smelter royalty ("NSR"), with 1% of the NSR being subject to a buyback in favour of BonTerra for \$1 million payable by BonTerra to Golden Valley Mines.

BonTerra has agreed to a \$250,000 work commitment in the first year, which will consist of a detailed evaluation of all existing technical data on the property with the objective of implementing a follow-up drill program to Golden Valley Mines' initial results which confirmed three target categories.

### **Management Success Fees Agreement of Abitibi Royalties**

Effective March 11, 2016, the Board of Directors of Abitibi Royalties terminated the Management Success Fees Agreement and the unpaid balance of \$4,157,110 was reversed.

### **RISKS AND UNCERTAINTIES**

The Company does not generate income or cash flows from its operations. As at December 31, 2015, the Company had an accumulated deficit of \$10,947,451 (\$18,855,041 as at December 31, 2014). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

#### **Investment of Speculative Nature**

Investing in the Company is of a highly speculative nature.

#### **Nature of Mineral Exploration and Mining**

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

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

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

#### **Exploration and Development Risks**

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

#### **Additional Financing**

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

#### **Permits and Licenses**

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

#### **Competition**

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company's, in the search for and the acquisition of

attractive mineral properties. There is no assurance that the Company will continue to be able to compete successfully with the competition in acquiring such properties or prospects.

### **Dependence on Key Individuals**

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

### **Environmental and other Regulatory Requirements**

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

### **Political Regulatory Risks**

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

### **Moratorium imposed by the Government of Québec**

There is no assurance that the Company will be able to continue exploration on its uranium properties located in Québec.

### **Currency Risk**

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

### **Conflicts of Interest**

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

### **Insurance**

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

### **Influence of Third Party Stakeholders**

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

### **Fluctuation in Market Value of Shares**

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

### **ADDITIONAL INFORMATION**

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