



Golden Valley Mines Ltd.

Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

(UNAUDITED)

GOLDEN VALLEY MINES LTD.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

GOLDEN VALLEY MINES LTD.
Consolidated Statements of Financial Position
(Unaudited)

	Notes	March 31, 2018	December 31, 2017
ASSETS			
Current			
Cash and cash equivalents	6	\$ 5,115,444	\$ 5,073,071
Restricted cash	7	801,626	545,052
Short-term financial assets	8	1,304,123	1,819,888
Other assets	9	447,153	411,734
Prepaid expenses		9,324	23,955
		7,677,670	7,873,700
Non-current			
Property and equipment		8,183	9,697
Investment in associates	10	1,034,096	1,136,651
Exploration and evaluation assets	11	2,568,816	2,568,816
Investments	12	33,371,700	36,095,519
TOTAL ASSETS		\$ 44,660,465	\$ 47,684,383
LIABILITIES			
Current			
Accounts payable and accrued liabilities			
Due to related parties	20	\$ 253,312	\$ 373,213
Other liabilities		164,641	219,574
Derivative financial instrument	13	1,065,398	1,428,140
		1,483,351	2,020,927
Non-Current			
Deferred taxes		3,139,711	3,482,519
Total liabilities		4,623,062	5,503,446
EQUITY			
Capital stock	14	28,090,656	27,530,938
Warrants	15	-	168,066
Contributed surplus		5,193,824	5,011,629
Deficit		(12,026,850)	(10,237,073)
Total equity attributable to owners of the parent company		21,257,630	22,473,560
Non-controlling interest		18,779,773	19,707,377
Total equity		40,037,403	42,180,937
TOTAL LIABILITIES AND EQUITY		\$ 44,660,465	\$ 47,684,383

Approved by the Board of Directors on May 24, 2018.

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

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

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

GOLDEN VALLEY MINES LTD.**Consolidated Statements of Net loss and Statement of Comprehensive loss**

(Unaudited)

		For the three months ended March 31,	
	Notes	2018	2017
Revenues			
Dividends		\$ 75,643	\$ 67,282
Option revenue		-	25,000
Geological fees		3,681	510
		79,324	92,792
Operating Expenses			
Salaries and other employee benefits	20	284,640	618,957
Share-based compensation	16	246,972	170,418
Professional and legal fees		153,953	274,189
General and administrative expenses	17	125,438	135,847
Management fees		41,550	41,550
Exploration and evaluation		18,179	4,194
Depreciation of property and equipment		1,514	677
Royalty purchase		-	20,977
		872,246	1,266,809
Operating loss		(792,922)	(1,174,017)
Other income (loss)			
Change in fair value of investments		(2,317,012)	(39,617)
Reversal of liability of flow-through shares		-	2,766
Finance income		5,097	2,358
Finance cost		(9,621)	(19,393)
Foreign exchange gain (loss)		100,901	(25,040)
Share of loss of associates	10	(102,555)	-
		(2,323,190)	(78,926)
Net loss before income taxes		(3,116,112)	(1,252,943)
Deferred tax recovery		(342,808)	(241,002)
Net loss and total comprehensive loss for the period		\$ (2,773,304)	\$ (1,011,941)
Net loss and total comprehensive loss attributable to:			
Shareholders of Golden Valley Mines		\$ (1,789,777)	\$ (699,586)
Non-controlling interest		(983,527)	(312,355)
		\$ (2,773,304)	\$ (1,011,941)
Loss per share attributable to Golden Valley Mines' shareholders:			
Basic earnings (loss) per share	19	\$ (0.014)	\$ (0.006)
Diluted earning per share	19	\$ (0.014)	\$ (0.006)

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

GOLDEN VALLEY MINES LTD.

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2018 and 2017

(Unaudited)

		Capital Stock		Warrants		Contributed Surplus		Deficit		Total attributable to owners of the parent company		Non-controlling interest		Total Equity			
	Note	Number															
Balance at January 1, 2018			129,788,577	\$	27,530,938	\$	168,066	\$	5,011,629	\$	(10,237,073)	\$	22,473,560	\$	19,707,377	\$	42,180,937
Share based payments			-		-		-		191,049		-		191,049		-		191,049
Shares issued by exercise of stock options	14		75,000		21,604		-		(8,854)		-		12,750		-		12,750
Shares issued by exercise of warrants	15		2,650,000		539,066		(168,066)		-		-		371,000		-		371,000
Share issue expenses			-		(952)		-		-		-		(952)		-		(952)
Change in interest of subsidiaries			-		-		-		-		-		-		55,923		55,923
			132,513,577		28,090,656		-		5,193,824		(10,237,073)		23,047,407		19,763,300		42,810,707
Net loss and total comprehensive loss for the period									(1,789,777)		(1,789,777)		(983,527)				(2,773,304)
Balance at March 31, 2018			132,513,577	\$	28,090,656	\$	-	\$	5,193,824	\$	(12,026,850)	\$	21,257,630	\$	18,779,773	\$	40,037,403
Balance at January 1, 2017			116,103,577	\$	25,317,470	\$	424,448	\$	3,843,686	\$	(7,993,947)	\$	21,591,657	\$	20,509,577	\$	42,101,234
Share based payments			-		-		-		36,918		-		36,918		-		36,918
Shares issued by exercise of stock options	14		590,000		83,740		-		(35,240)		-		48,500		-		48,500
Shares issued by exercise of warrants	15		3,000,000		465,000		(45,000)		-		-		420,000		-		420,000
Share issue expenses			-		(5,979)		-		-		-		(5,979)		-		(5,979)
Change in interest of subsidiaries			-		-		-		-		78,627		78,627		(67,922)		10,705
			119,693,577		25,860,231		379,448		3,845,364		(7,915,320)		22,169,723		20,441,655		42,611,378
Net income and total comprehensive income for the period									(699,586)		(699,586)		(312,355)				(1,011,941)
Balance at March 31, 2017			119,693,577	\$	25,860,231	\$	379,448	\$	3,845,364	\$	(8,614,906)	\$	21,470,137	\$	20,129,300	\$	41,599,437

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

GOLDEN VALLEY MINES LTD.**Consolidated Statements of Cash Flows****For the three months ended March 31, 2018 and 2017**

(Unaudited)

	Note	2018	2017
OPERATING ACTIVITIES			
Net loss		\$ (2,773,304)	\$ (1,011,941)
Adjustments:			
Share-based payments	16	246,972	170,418
Depreciation of property and equipment		1,514	677
Foreign exchange loss (gain)		(100,901)	25,040
Share of loss in associates	10	102,555	-
Reversal of liability component related to flow-through shares		-	(2,766)
Deferred tax recovery		(342,808)	(241,002)
Change in fair value of financial assets		285,765	67,856
Changes in fair value of investments		2,031,247	(28,239)
		(548,960)	(1,019,957)
Changes in working capital items	22	(195,622)	270,947
Cash flows used by operating activities		(744,582)	(749,010)
INVESTING ACTIVITIES			
Acquisition of short-term financial assets		-	(260,000)
Disposal of short-term financial assets		230,000	210,000
Disposal of investments		-	6,098,350
Additions to exploration and evaluation assets		-	(68,979)
Cash flows from investing activities		230,000	5,979,371
FINANCING ACTIVITIES			
Issuance of shares by exercise of stock options		12,750	48,500
Share issue expenses		(952)	(5,979)
Issuance of shares by exercise of warrants	15	371,000	420,000
Increase in derivative financial instruments		329,830	415,993
Increase in restricted cash	7	(256,574)	-
Change in interest of subsidiaries		-	(74,795)
Cash flows from financing activities		456,054	803,719
Effect of foreign exchange rate changes on cash and cash equivalent		100,901	(25,040)
Net change in cash and cash equivalents		\$ 42,373	\$ 6,009,040
Cash and cash equivalent, beginning of the period		5,073,071	2,725,177
Cash and cash equivalent, end of the period		\$ 5,115,444	\$ 8,734,217

See Note 22 for additional information on cash flows.

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

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

1) NATURE OF OPERATIONS

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

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

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

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.

Abitibi Royalties and Calone Mining were incorporated on February 18, 2010 and on February 23, 2010, respectively, pursuant to the Business Corporations Act (British Columbia). Both subsidiaries have its head office located at 152 Chemin de la Mine École, Val-d'Or, Quebec, Canada. registered and records office located at #530 - 355 Burrard Street, Vancouver, B.C. V6C 2G8 and administrative offices located at 800 René-Lévesque Boulevard West, Suite 425, Montréal, Quebec, H3B 1X9.

2) BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These condensed consolidated interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 4 - Summary of Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2017, except for the changes in accounting policies resulting from the adoption of IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 "*Revenue from Contracts with Customers*" ("IFRS 15") as described below.. The interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual financial statements for the year ended December 31, 2017.

Approval of Financial Statements

These consolidated financial statements were approved for issuance by the Board of Directors on May 24, 2018.

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

3) SIGNIFICANT ACCOUNTING POLICIES*New accounting standards**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 instruments, 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.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for ones that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial instruments on this date. The following is the Company's new accounting policy under IFRS 9.

a) Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy as follows:

Financial Assets/ Liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables at amortized costs	Financial Assets at amortized costs
Restricted cash	Loans and receivables at amortized costs	Financial Assets at amortized costs
Short-term financial assets		
Marketable securities	Fair value through profit or loss ("FVTPL")	FVTPL
Other short-term financial assets	Loans and receivables at amortized costs	Financial Assets at amortized costs
Other assets	Loans and receivables at amortized costs	Financial Assets at amortized costs
Investments	Fair value through profit or loss ("FVTPL")	FVTPL
Accounts payable and accrued liabilities	Other Financial Liabilities at amortized costs	Financial Liabilities at amortized costs
Derivative financial instruments	FVTPL	Financial Liabilities at FVTPL

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. Given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings and the negligible historical level of dividends default, the loss allowance was \$nil as at March 31, 2018 and December 31, 2017.

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

As of January 1, 2018, the Company has adopted IFRS 15 and has concluded that, based on its current operations, the adoption of IFRS 15 had no significant impact on the Company's financial statements. Specifically, on its mining option arrangements, based on IFRS 15, the Company has concluded that its typical option agreements with a customer (optionee) clearly identifies; (a) the rights and obligations of both parties, (b) the Company performance obligations and (c) the overall transaction price. Under the mining option arrangements, the control over the mineral properties occurs at the outset of the agreement while the transfer of title may not occur until after all of the option terms have been satisfied. Within the mining option agreements, the Company's performance obligations are:

- a) provide access to the mineral property to allow the customer the right to explore and assess a mineral property during an option period,
- b) transfer the title to the mineral property after all of the option terms have been completed.

As a result of the challenges of estimating future payments, the Company believes that it is appropriate to recognize option revenues as received. As a result of the limited number of contracts in place, the Company applies the five-step model at the individual contract level. Payment terms are also clearly identified in the agreements, and usually include the following:

- a) cash (upfront and pre-determined amounts at milestone dates);
- b) shares (upfront and a fixed number of shares at milestone dates). The shares are valued at the stock price on the date of the share certificate.

Once the option term is completed, and all commitments are met, the Company is also entitled to payments relating to the NSR. Under our current accounting policies, royalty income is recognized on a cash basis in accordance with the substance of the relevant agreements. The Company will continue to apply the same methods and processes in recording this revenue, as the Company believe it fits within the new standard. In summary, the cash, shares, and royalty income should all be recorded, as they are due from the customer.

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective

IFRS 16 - Leases

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

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23– Uncertainty over Income Tax Treatments ("IFRIC 23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact of IFRIC 23 on its financial statements.

4) JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the condensed interim financial statements are reasonable; however, actual results may differ materially from these estimates. The areas involving significant judgments, estimates and assumptions have been detailed in note 5 to the Company's annual audited financial statements for the year ended December 31, 2017. The following judgement resulted from the adoption of IFRS 15 on January 1, 2018:

Collectability of option agreements

Collectability of considerations to be received on mining option agreements entered into with third parties on the Company's properties, involves judgment regarding the probability that the optionees will be able to meet their spending commitments and pay the considerations specified in the agreement. Since there is significant uncertainty as to whether the optionee will be able to make all the required payments in the contract, the Company only recognizes revenue as the option payments are due.

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

5) BASIS OF CONSOLIDATION

The Company's financial statements consolidate the accounts of Golden Valley Mines Ltd., the parent company, and all of its subsidiaries until March 31, 2018.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interests. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation.

When the Company ceases to have control; any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

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

Associates

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

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

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

5) BASIS OF CONSOLIDATION (continued)*Associates (continued)*

The carrying value of the investment in an associate represents the cost of the investment, including goodwill, a share of the post-acquisition retained earnings and losses, accumulated other comprehensive income (“AOCI”) and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment in associate is impaired.

The significant subsidiaries and investment in associates of the Company are listed below. Principal activities of these entities, which are all incorporated in Canada, are mineral exploration and acquisition of royalties and have a reporting date of March 31:

	March 31, 2018	December 31, 2017
	Percentage of ownership	
Subsidiaries (consolidated)		
Abitibi Royalties Inc.	49.16%	49.16%
Calone Mining Ltd.	100.00%	100.00%
Investment in associates (equity method)		
International Prospect Ventures Ltd.	16.62%	16.62%
Val-d'Or Mining Corporation	24.63%	24.63%

6) CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017
Cash	\$ 4,806,984	\$ 4,765,529
Demand deposits, redeemable at any time	308,460	307,542
	\$ 5,115,444	\$ 5,073,071

Demand deposit represents money market mutual funds earning income at 1.25% that is cashable at any time.

7) RESTRICTED CASH

Restricted cash of \$801,626 (or US\$621,705) (2017 - \$545,052 (or US\$434,477)) relates to funds held as collateral on the put option contracts of 65,100 shares of Agnico Eagle referred to in the Derivative Liability in note 13. The funds will become unrestricted once the put option contracts are exercised, repurchased or expired.

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

8) SHORT-TERM FINANCIAL ASSETS

	March 31, 2018	December 31, 2017
Guaranteed investment certificates ⁽¹⁾	\$ 250,000	\$ 480,000
Money market investment funds	854	854
Marketable securities ⁽²⁾	1,053,269	1,339,034
	\$ 1,304,123	\$ 1,819,888

- 1) Guaranteed investment certificates are with a Schedule One Canadian chartered bank earning income at 0.5%, maturing in July 2018.
- 2) Marketable securities represent shares of publicly traded mining exploration companies and are recorded at fair value using quoted market prices.

9) OTHER ASSETS

	March 31, 2018	December 31, 2017
Due from related parties	\$ 229,209	\$ 208,672
Accounts receivables	130,071	91,510
Sales taxes recoverable	62,573	41,950
Dividend receivable	22,070	22,000
Tax credits receivable	1,884	46,011
Other	1,346	1,591
	\$ 447,153	\$ 411,734

Due from related parties includes amounts of \$146,629 (2017 -\$104,761) and \$ 71,570 (2017- \$103,911) from Val-d'Or Mining and International Prospect, respectively. Subsequent to March 31, 2018, \$90,000 and \$60,000 of the amounts due from these related parties were settled in shares (note 23).

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

10) INVESTMENTS IN ASSOCIATES

The investment in associates relates to the Company's investment in International Prospect and Val-d'Or Mining. The following table summarizes the changes to investment in associates:

	International Prospects	Val-d'Or Mining	Total
As at December 31, 2017	\$ 340,512	\$ 796,139	\$ 1,136,651
Share of net loss from associates	(6,982)	(95,573)	(102,555)
As at March 31, 2018	\$ 333,530	\$ 700,566	\$ 1,034,096

International Prospect

As at March 31, 2018, the Company has a 16.62% (December 31, 2017 -16.62%) interest in International Prospect. The shares of International Prospect were trading at \$0.35 per share on that date.

For the three months ended March 31, 2018, the Company recognized a loss of \$6,982 (for the three months ended March 31, 2017 - \$nil) from its share in the associate.

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

Val-d'Or Mining

As at March 31, 2018, the Company has a 24.63% (December 31, 2017 – 24.63%) interest in Val-d'Or Mining. The shares of Val-d'Or Mining were trading at \$0.10 per share on that date.

For the three months ended March 31, 2018, the Company recognized a loss of \$95,573 (for the three months ended March 31, 2017 - \$nil) from its share in the associate.

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

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

11) EXPLORATION AND EVALUATION ASSETS

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

	Balance at December 31, 2017	Additions	Credits	Impairment Write-off	Balance at March 31, 2018
Golden Valley Mines Ltd.					
Acquisition and claims maintenance	\$ 3,297,390	\$	\$	\$	3,297,390
Property option payments	312,500				312,500
Drilling, excavation and related costs	3,241,938				3,241,938
Technical and field staff	4,614,252				4,614,252
Airborne geophysics	791,822				791,822
Geophysics	2,315,628				2,315,628
Line cutting	1,099,431				1,099,431
Sampling and testing	744,773				744,773
Travel and transport	1,683,037				1,683,037
Program management and consultants	434,653				434,653
Professional Fees	5,215				5,215
Depreciation, insurance and office expenses	581,178				581,178
Communications	45,897				45,897
Option payments received	(1,963,650)				(1,963,650)
Write-off of exploration and evaluation assets	(4,179,440)				(4,179,440)
Impairment of exploration and evaluation assets	(7,265,328)				(7,265,328)
Government assistance	(1,622,905)				(1,622,905)
Net expenses incurred during the period	4,136,391				4,136,391
Exploration and evaluation assets sold to third parties	(1,606,927)	-	-	-	(1,606,927)
Balance, end of the period	2,529,464				2,529,464

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

11) EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at December 31, 2017	Additions	Credits	Impairment Write-off	Balance at March 31, 2018
Abitibi Royalties Inc.					
Acquisition and claims maintenance	\$ 27,791	\$ -	\$ -	\$ -	\$ 27,791
Technical and field staff	8,655	-	-	-	8,655
Program management and consultants	2,906	-	-	-	2,906
Net expenses incurred during the period	39,352	-	-	-	39,352
Summary					
Mining rights	\$ 7,127,657	\$ -	\$ -	\$ -	\$ 7,127,657
Exploration and evaluation assets	(2,451,425)	-	-	-	(2,451,425)
Exploration and evaluation assets sold to third parties	(1,606,927)	-	-	-	(1,606,927)
Disposal of a subsidiary	(500,489)	-	-	-	(500,489)
	\$ 2,568,816	\$ -	\$ -	\$ -	\$ 2,568,816

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

12) INVESTMENTS

	As at March 31, 2018		As at December 31, 2017	
	Number of shares	Fair value	Number of shares	Fair value
Yamana Gold Inc.	3,549,695	\$ 12,636,914	3,549,695	\$ 13,914,804
Agnico Eagle Mines Limited	378,997	20,541,637	378,997	21,996,986
		\$ 33,178,551		\$ 35,911,790
Other investments		193,149	-	183,729
		\$ 33,371,700		\$ 36,095,519

13) DERIVATIVE LIABILITY

Abitibi Royalties' total call/put options outstanding at March 31, 2018 are as follows:

		Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at March 31, 2018
<i>Calls</i>					
Yamana		July 20, 2018	43,200	\$ 7.00	\$ 2,785
Yamana		January 18, 2019	1,743,000	4.00 to 7.00	430,803
Yamana		January 17, 2020	292,400	4.00 to 7.00	174,874
Agnico		May 18, 2018	59,600	60.00 to 65.00	3,520
Agnico		January 18, 2019	245,200	50.00 to 65.00	304,787
Agnico		January 17, 2020	25,900	60.00 to 65.00	84,835
					\$ 1,001,604
<i>Puts</i>					
Agnico		May 18, 2018	65,100	\$ 39.00	63,794
			2,474,400		\$ 1,065,398

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

13) DERIVATIVE LIABILITY (continued)

The total call options outstanding at December 31, 2017 are as follows:

	Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at December 31, 2017
<i>Calls</i>				
Yamana	January 19, 2018	1,790,300	\$ 4.00 to 10.00	\$ 189,349
Yamana	January 18, 2019	1,471,400	4.00 to 7.00	565,607
Yamana	January 17, 2020	292,400	4.00 to 7.00	212,256
Agnico	January 19, 2018	44,400	60.00 to 65.00	1,671
Agnico	February 16, 2018	33,000	60.00 to 65.00	790
Agnico	May 18, 2018	85,900	60.00 to 70.00	23,910
Agnico	January 19, 2019	155,400	50.00 to 75.00	303,876
Agnico	January 17, 2020	23,900	65.00	118,431
				\$ 1,415,890
<i>Puts</i>				
Agnico	February 16, 2018	65,100	\$ 39.00	12,250
		<u>3,961,800</u>		\$ 1,428,140

For the three months ended March 31, 2018, Abitibi Royalties sold 4,266 call and 651 put option contracts (1,118 calls and 651 puts on Agnico shares and 3,148 calls on Yamana Gold shares) for total cash proceeds of \$333,487 (or US \$267,470). In addition, 18,677 call option contracts expired (774 on Agnico and 17,903 on Yamana) and 1,114 contracts were repurchased before expiration (463 calls and 651 puts all on Agnico) for \$10,757 (or US \$9,563).

For the three months ended March 31, 2017, Abitibi Royalties sold 10,999 calls contracts (3,011 calls on Agnico Eagle shares and 7,988 calls on Yamana Gold shares) for total cash proceeds of \$415,993 (or US\$315,407). In addition, 13,339 option contracts (calls and puts combined) expired (1,674 on Agnico Eagle and 11,665 on Yamana) and 1,087 option contracts were exercised (1,087 on Agnico Eagle).

14) CAPITAL STOCK**Capital Stock**

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

Authorized

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

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

14) CAPITAL STOCK (continued)

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

Issued share capital

The change in issued share capital for the period was as follows:

	2018		2017	
	Number of shares	Stated Value	Number of shares	Stated Value
Balance, as at January 1,	129,788,577	\$ 27,530,938	116,103,577	\$ 25,317,470
Shares issued by exercise of stock options	75,000	21,604	590,000	83,740
Shares issued by exercise of warrants	2,650,000	539,066	3,000,000	465,000
Share issue expenses	-	(952)	-	(5,979)
Balance, as at March 31,	132,513,577	\$ 28,090,656	119,693,577	\$ 25,860,231

Share issued capital for the three months ended March 31, 2018*Share capital issued from exercise of incentive stock options*

The Company issued 75,000 of its common shares from the exercise of incentive stock options at a price of \$0.17 per share for a total consideration of \$12,750.

Share capital issued from exercise of share purchase warrants

The Company issued 2,650,000 of its common shares from the exercise of 2,650,000 share purchase warrants at \$0.14 per share for a total consideration of \$371,000.

Share issued capital for the three months ended March 31, 2017*Share capital issued from exercise of incentive stock options*

The Company issued 590,000 of its common shares from the exercise of incentive stock options at prices ranging from \$0.07 to \$0.15 for a total consideration of \$48,500.

Share capital issued from exercise of share purchase warrants

The Company issued 3,000,000 of its common shares from the exercise of 3,000,000 share purchase warrants at \$0.14 per share for a total consideration of \$420,000.

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

15) WARRANTS

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

	2018		2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, as at January 1,	2,650,000	\$ 0.14	14,900,000	\$ 0.14
Exercised	(2,650,000)	0.14	(3,000,000)	0.14
Balance, as at March 31,	-	-	11,900,000	\$ 0.14

16) SHARE-BASED PAYMENTS**Incentive stock options**

A summary of changes in the number of incentive stock options issued by the Company is presented as follows:

	For the three months ended March 31, 2018		For the year ended December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	13,278,189	\$ 0.29	16,349,959	\$ 0.28
Granted	-	-	100,000	0.47
Exercised	(75,000)	0.17	(1,435,000)	0.09
Cancelled	-	-	(1,736,770)	0.31
Outstanding, end of period	13,203,189	\$ 0.29	13,278,189	\$ 0.29
Exercisable, end of period	10,455,134	\$ 0.28	7,782,080	\$ 0.25

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

16) SHARE-BASED PAYMENTS (continued)

The table below summarizes the information related to outstanding share options as at March 31, 2018:

Expiry date	Number of options	Outstanding options		
		Weighted average exercise price	Weighted average remaining contractual life (years)	Exercisable options
August 1, 2018	1,300,000	\$ 0.07	0.34	1,300,000
June 30, 2019	484,025	0.17	1.25	484,025
July 24, 2020	675,000	0.11	2.32	675,000
January 1, 2021	100,000	0.10	2.76	100,000
June 30, 2021	2,300,000	0.30	3.25	2,300,000
February 3, 2022	100,000	0.47	3.85	100,000
September 30, 2026	8,244,164	0.35	8.51	5,496,109
	<u>13,203,189</u>	<u>\$ 0.29</u>		<u>10,455,134</u>

GOLDEN VALLEY MINES LTD.
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16) SHARE-BASED PAYMENTS (continued)

Share-based compensation expense

The table below summarizes share-based compensation expense for the three months ended March 31, 2018 and 2017:

	2018	2017
Golden Valley		
September 2016 option grant ⁽¹⁾	\$ 191,049	\$ -
February 2017 option grant ⁽²⁾	-	36,918
Abitibi Royalties		
2016 Restricted Share Units grant ⁽³⁾	55,923	133,500
Share-based compensation expense	\$ 246,972	\$ 170,418

1) On September 30, 2016, the Company granted to its directors, officers, employees and consultants incentive stock options entitling the purchase of an aggregate 9,305,934 common shares at an exercise price of \$0.35 per share. The options are exercisable for a period of 10 years until September 30, 2026, subject to earlier termination in accordance with the terms of the Company's Stock Option Plan. All of the options vest equally over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control.

To date, 5,496,109 options have vested under this grant. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$2,427,448 of which to date \$1,809,236 (As at December 31, 2017 - \$1,618,187) has been expensed and \$33,826 (As at December 31, 2017 - \$33,826) has been capitalized to exploration and evaluation assets.

For the three months March 31, 2018, an amount of \$191,049 has been expensed and \$nil has been capitalized to exploration and evaluation assets. The estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested is 10%. This percentage is derived from historical experience.

- 2) On February 3, 2017, the Company granted 100,000 incentive stock options with an exercise price of \$0.465 to a consultant. The options are exercisable for a period of 5 years from the date of grant. All options are exercisable immediately. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$36,918.
- 3) The total compensation related to the 2016 Restricted Share Units grants totalled \$2,107,701 of which Abitibi Royalties recognized an amount of \$55,923 and \$133,500 for the three months ended March 31, 2018 and 2017, respectively.

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

17) GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents general and administrative expenses for the three months ended March 31, 2018 and 2017:

	2018	2017
Office expenses	\$ 27,705	\$ 41,503
Advertising and exhibitions	76,738	52,524
Travelling	20,995	41,820
	\$ 125,438	\$ 135,847

18) EQUITY TRANSACTIONS OF SUBSIDIARIES**Abitibi Royalties***Normal Course Issuer Bid*

On September 25, 2017, Abitibi Royalties renewed its NCIB from October 6, 2017 to October 5, 2018 allowing Abitibi Royalties to purchase for cancellation 569,797 of its issued and outstanding common shares. Common shares purchased under the NCIB will be cancelled.

For the three months ended March 31 2018, Abitibi Royalties did not repurchase any share.

For the three months ended March 31, 2017, Abitibi Royalties repurchased and cancelled 50,100 common shares at prices varying from \$8.93 to \$9.55 for a total of \$462,817.

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

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18) EQUITY TRANSACTIONS OF SUBSIDIARIES (continued)*Incentive stock option*

A summary of changes in the number of incentive stock option for the three months ended March 31, 2018 and for the year ended December 31, 2017 is presented as follows:

	For the three months ended March 31, 2018		For the year ended December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	625,311	\$ 1.10	766,003	\$ 1.08
Exercised	-	-	(140,692)	1.00
Outstanding, end of period	625,311	\$ 1.10	625,311	\$ 1.10
Exercisable, end of period	625,311	\$ 1.10	625,311	\$ 1.10

There has been no incentive stock option issued or exercised for the three months ended March 31, 2018 and 2017.

The table below summarizes the information related to outstanding share options as at March 31, 2018:

Range of Exercise price		As at March 31, 2018	
		Number of options	Weighted average remaining contractual life (year)
\$	0.55	483,630	0.49
\$	2.18	64,288	1.17
\$	3.62	57,393	1.46
\$	3.70	20,000	1.47
		625,311	

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

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18) EQUITY TRANSACTIONS OF SUBSIDIARIES (continued)*Restricted Share Unit Plan*

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

A summary of changes in the number of Share Units for the three months ended March 31, 2018 and for year ended December 31, 2017 is presented as follows:

	For the three months ended March 31, 2018	For the year ended December 31, 2017
Outstanding, beginning of period	583,365	-
Granted	-	583,365
Outstanding, end of period	583,365	583,365

As at March 31, 2018, 437,524 (December 31, 2017 – 291,682) Share Units vested. None of the vested Share Units were converted to common shares during the three months ended March 31, 2018.

19) LOSS PER SHARE

Both the basic and diluted earnings (loss) per share have been calculated using the net loss attributable to owners of the Company as the numerator, i.e. no adjustment to the net loss were necessary in either period ended March 31, 2018 and 2017. As at March 31, 2018, 10,644,164 stock options (100,000 stock options as at March 31, 2017) were excluded from the calculation of diluted earnings per share attributable to shareholders of the Company as their exercise price was higher than the Company's share price at March 31, 2018.

	For the three months ended March 31,	
	2018	2017
Net loss attributable to shareholders of Golden Valley Mines Ltd.	\$ (1,789,777)	\$ (699,586)
Weighted average number of shares in circulation - basic	130,996,542	116,926,355
Dilutive effect of stock options and warrants	1,633,931	12,345,702
Weighted average number of shares	132,630,473	129,272,057
Basic loss per share	\$ (0.014)	\$ (0.006)
Diluted loss per share	\$ (0.014)	\$ (0.006)

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

20) RELATED PARTY TRANSACTIONS*Transactions with key management*

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

	For the three months ended March 31,	
	2018	2017
Short-term employee benefits		
Salaries including bonuses ⁽¹⁾	\$ 192,992	\$ 405,171
Benefits	28,268	30,415
Directors' fees	70,000	73,750
Additional cash amounts ⁽²⁾	-	84,000
Total short-term employee benefits	291,260	593,336
Other transactions with key management		
Rent ⁽³⁾	1,600	4,792
Management fees ⁽⁴⁾	41,550	41,550
Professional fees ⁽⁵⁾	-	36,501
Fees relating to exploration and evaluation activities ⁽⁶⁾	14,700	31,103
Total other transactions with key management	57,850	113,946
Share-based payments ⁽⁷⁾	240,599	170,418
Total remuneration	\$ 589,709	\$ 877,700

1) Salaries including bonuses for the three months ended March 31, 2017 includes the 2016 bonus of \$247,500 paid in fiscal 2017.

2) Abitibi Royalties' Board of Directors approved additional cash payments of \$84,000 to its directors, chairman, president and CEO. These amounts were awarded as a substitute for stock options.

3) Rent of \$nil (\$3,000 in 2017) paid to 2973090 Canada Inc., a company controlled by an officer and a director of the Company and rent of \$1,600 (\$1,792 in 2017) paid by Abitibi Royalties to its President.

4) Management fees of \$41,550 (\$41,550 in 2017) paid to 2973090 Canada Inc.

5) Professional fees include \$nil (\$15,000 in 2017) paid to the spouse of an officer and a director of the Company, pursuant to a consulting agreement related to corporate finance services dated January 1, 2016, and \$nil (\$21,501 in 2017) paid to the former Chief Financial Officer of Abitibi Royalties.

6) Exploration and evaluation fees paid to 2973090 Canada Inc and to Rosatelli Exploration Services, a company controlled by an officer of the Company.

7) Share-based compensation relating to the incentive stock option program for officers and directors of the Company.

GOLDEN VALLEY MINES LTD.**Notes to the condensed consolidated interim financial statements****For the three months ended March 31, 2018 and 2017**

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21) COMMITMENTS AND CONTINGENCIES

- a) The Company has entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee. As at March 31, 2018, the total annual base fee of the officers and consultants under the agreements is \$395,340. As a triggering event has not taken place, the contingent payments have not been reflected in the consolidated financial statements.
- b) The Company entered into an operating lease agree expiring July 2019 with the minimum lease payment payable in the next two years amounting to \$46,611 and \$27,189.

22) ADDITIONAL INFORMATION - CASH FLOWS*Changes in non-cash working capital items*

	For the three months ended March 31,	
	2018	2017
Other assets	\$ (35,419)	\$ (18,352)
Prepaid expenses	14,631	(10,772)
Accounts payable and accrued liabilities	(174,834)	300,071
	<u>\$ (195,622)</u>	<u>\$ 270,947</u>

Non-cash transactions

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

	For the three months March 31,	
	2018	2017
Accounts payable and accrued liabilities included in exploration and evaluation assets	\$ -	\$ (7,996)
Units issued by subsidiary in consideration of payment of finder's fees	-	14,638

GOLDEN VALLEY MINES LTD.

Notes to the condensed consolidated interim financial statements

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23) SUBSEQUENT EVENTS

Shares for debt obligations

On October 1, 2010, the Company entered into a Management and Administrative Services Agreement (the "Management Agreement") with Val-d'Or Mining and International Prospect, pursuant to which the Company will provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in house legal counsel for day to day general enquiries, services of a consultant and investors relations services to Val-d'Or Mining and International Prospect in consideration of \$96,000 per year (the "Fee") from each company, payable on a monthly basis, plus applicable taxes. However, Golden Valley suspended the management fees to Val-d'Or Mining in 2012 and International Prospect in 2013 to enable the companies conserve cash for their operations. On January 1, 2018, the Company entered into a Termination Agreement with Val-d'Or Mining and International Prospect under which the Company agreed to terminate the Management Agreement, in exchange of a settlement fee of \$60,000 payable by each company as consideration for its failure to pay the management fees since the date of suspensions of the respective Management Agreement.

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

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