



Golden Valley Mines Ltd.

Consolidated Financial Statements For the year ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Golden Valley Mines Ltd.:

Opinion

We have audited the consolidated financial statements of Golden Valley Mines Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anand Beejan.

Montréal, Québec

April 24, 2020

MNP¹ SENCRL, s.r.l.

¹ CPA auditor, CA, public accountancy permit no. A126822

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

(Expressed in Canadian dollars)

	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
Current			
Cash and cash equivalents	6	\$ 3,003,083	\$ 2,241,850
Accounts receivable	11	268,195	-
Short-term financial assets	7	534,774	609,374
Royalty receivable	11	999,252	14,105
Other assets	8	99,366	83,432
		4,904,670	2,948,761
Non-current			
Property and equipment		1,027	4,580
Investment in associates	10	1,343,033	1,558,410
Exploration and evaluation assets	11	1,497,170	2,231,238
Investments	13	50,636,738	34,323,826
TOTAL ASSETS		\$ 58,382,638	\$ 41,066,815
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 681,995	\$ 576,087
Derivative financial instruments	14	8,979,047	2,595,878
		9,661,042	3,171,965
Non-Current			
Deferred taxes	15	3,245,785	1,432,465
Total liabilities		12,906,827	4,604,430
EQUITY			
Capital stock	16	28,420,603	28,289,902
Contributed surplus		6,033,488	5,683,266
Deficit		(11,945,215)	(15,150,387)
Total equity attributable to owners of the parent company		22,508,876	18,822,781
Non-controlling interest		22,966,935	17,639,604
Total equity		45,475,811	36,462,385
TOTAL LIABILITIES AND EQUITY		\$ 58,382,638	\$ 41,066,815

Approved by the Board of Directors on April 24, 2020.

"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 consolidated financial statements.

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

(Expressed in Canadian dollars)

	Notes	For the year ended December 31,	
		2019	2018
Revenues			
Royalties		\$ 3,037,260	\$ 14,910
Dividends		437,418	314,202
Option revenue		67,505	25,000
Geological and other fees		1,747	9,521
		3,543,930	363,633
Operating Expenses			
Salaries and other employee benefits		1,660,461	1,873,051
Professional and legal fees		775,916	848,907
Share-based compensation	17	405,468	1,031,791
General and administrative expenses	18	268,490	388,338
Impairment of exploration and evaluation assets	11	170,698	73,147
Management fees	23	110,800	214,013
Exploration and evaluation		65,357	96,725
Depreciation of property and equipment		3,553	5,117
Royalty purchase	12	550	2,165,250
		3,461,293	6,696,339
Operating income (loss)		82,637	(6,332,706)
Other income (loss)			
Change in fair value of investments		11,824,353	(3,158,213)
Finance income		16,554	22,294
Gain on settlement of receivable		-	39,000
Finance cost		(68,389)	(90,048)
Foreign exchange gain (loss)		(76,625)	196,834
Share of loss of associates	10	(465,377)	(183,907)
		11,230,516	(3,174,040)
Net income (loss) before income taxes		11,313,153	(9,506,746)
Deferred tax expense (recovery)	15	1,813,320	(2,050,054)
Net income (loss) and total comprehensive income (loss) for the year		\$ 9,499,833	\$ (7,456,692)
Net income (loss) and total comprehensive income (loss) attributable to:			
Shareholders of Golden Valley Mines Ltd.		\$ 3,282,652	(5,021,676)
Non-controlling interest		6,217,181	(2,435,016)
		\$ 9,499,833	\$ (7,456,692)
Earnings (loss) per share attributable to shareholders of Golden Valley Mines Ltd.:			
Basic earnings (loss) per share	21	\$ 0.024	\$ (0.038)
Diluted earnings (loss) per share	21	\$ 0.024	\$ (0.038)

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

GOLDEN VALLEY MINES LTD.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Notes	Capital Stock	Warrants	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total Equity	
	Number								
Balance at January 1, 2019		133,918,577	\$ 28,289,902	\$ -	\$ 5,683,266	\$ (15,150,387)	\$ 18,822,781	\$ 17,639,604	\$ 36,462,385
Share-based payments		-	-	-	405,467	-	405,467	-	405,467
Shares issued by exercise of stock options	16	429,025	133,429	-	(55,245)	-	78,184	-	78,184
Share issue expenses		-	(2,728)	-	-	-	(2,728)	-	(2,728)
Change in interest of subsidiary		-	-	-	-	(77,480)	(77,480)	(889,850)	(967,330)
		134,347,602	28,420,603	-	6,033,488	(15,227,867)	19,226,224	16,749,754	35,975,978
Net income and total comprehensive income for the year					3,282,652		3,282,652	6,217,181	9,499,833
Balance at December 31, 2019		134,347,602	\$ 28,420,603	\$ -	\$ 6,033,488	\$ (11,945,215)	\$ 22,508,876	\$ 22,966,935	\$ 45,475,811
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		-	-	-	770,887	-	770,887	-	770,887
Shares issued by exercise of stock options	16	1,480,000	220,850	-	(99,250)	-	121,600	-	121,600
Shares issued by exercise of warrants	16	2,650,000	539,066	(168,066)	-	-	371,000	-	371,000
Share issue expenses		-	(952)	-	-	-	(952)	-	(952)
Change in interest of subsidiaries		-	-	-	-	108,362	108,362	367,243	475,605
		133,918,577	28,289,902	-	5,683,266	(10,128,711)	23,844,457	20,074,620	43,919,077
Net loss and total comprehensive loss for the year						(5,021,676)	(5,021,676)	(2,435,016)	(7,456,692)
Balance at December 31, 2018		133,918,577	\$ 28,289,902	\$ -	\$ 5,683,266	\$ (15,150,387)	\$ 18,822,781	\$ 17,639,604	\$ 36,462,385

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

GOLDEN VALLEY MINES LTD.**Consolidated Statements of Cash Flows****For the year ended December 31, 2019 and 2018**

(Expressed in Canadian dollars)

	Note	2019	2018
OPERATING ACTIVITIES			
Net income (loss) for the year		\$ 9,499,833	\$ (7,456,692)
Adjustments:			
Share-based payments	17	405,468	1,031,791
Depreciation of property and equipment		3,553	5,117
Option revenue		(67,505)	-
Foreign exchange loss		76,625	85,759
Gain from settlement of receivable		-	(39,000)
Share of loss in associates	10	465,377	183,907
Impairment of exploration and evaluation assets	11	170,698	73,147
Royalty interests		550	2,165,250
Deferred tax expense (recovery)		1,813,320	(2,050,054)
Realized loss on sale of short-term financial assets		2,655	-
Change in fair value of short-term financial assets		(131,347)	755,216
Change in fair value of investments		(16,942,271)	3,301,611
Change in fair value of derivative financial instruments		5,246,610	(898,057)
		543,566	(2,842,005)
Changes in working capital items	24	(921,653)	171,451
Cash flows used by operating activities		(378,087)	(2,670,554)
INVESTING ACTIVITIES			
Acquisition of short-term financial assets		-	(24,702)
Acquisition of investments		(202,671)	(1,994,601)
Disposition of short-term financial assets		385,204	480,000
Disposition of investments		50,418	325,110
Tax credits received		2,821	16,252
Acquisition of royalty interests		(550)	(2,165,250)
Additions to exploration and evaluation assets		(45,574)	(168,487)
Cash flows from (used by) investing activities		189,648	(3,531,678)
FINANCING ACTIVITIES			
Proceeds from exercise of stock options		78,184	121,600
Share issue expenses		(2,728)	(952)
Proceeds from exercise of warrants		-	371,000
Repurchase of derivative financial instruments		(131,050)	(71,762)
Increase in restricted cash		-	545,052
Proceeds from settlement of derivative financial instruments		781,613	-
Proceeds from sale of derivative financial instruments		1,267,608	2,277,130
Change in interest of subsidiaries		(967,330)	214,702
Cash flows from financing activities		1,026,297	3,456,770
Effect of foreign exchange rate changes on cash and cash equivalents		(76,625)	(85,759)
Net change in cash and cash equivalents		\$ 761,233	\$ (2,831,221)
Cash and cash equivalents, beginning of year		2,241,850	5,073,071
Cash and cash equivalents, end of year		\$ 3,003,083	\$ 2,241,850

See Note 24 for additional information on cash flows.

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

GOLDEN VALLEY MINES LTD.
Notes to the consolidated financial statements
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars unless otherwise noted)

1) NATURE OF OPERATIONS

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

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

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

Abitibi Royalties and Calone Mining were incorporated on February 18, 2010 and on February 23, 2010, respectively, pursuant to the British Columbia Business Corporations Act. Both subsidiaries have its head office located at 152 Chemin de la Mine École, Val-d'Or, Québec, J9P 7B6, registered and records office located at #530 - 355 Burrard Street, Vancouver, B.C. V6C 2G8 and principal place of business located 2864 Chemin Sullivan, Val-d'Or, Québec, J9P 0B9.

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

2) BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been prepared using the historical cost convention, as modified by revaluation of certain financial instruments, which are measured in accordance with the policy described in note 4. Accounting policies are consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

GOLDEN VALLEY MINES LTD.
Notes to the consolidated financial statements
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(Expressed in Canadian dollars unless otherwise noted)

2) BASIS OF PRESENTATION (continued)

b) Approval of Financial Statements

These consolidated financial statements were approved for issuance by the Board of Directors on April 24, 2020.

c) Basis of consolidation

Subsidiaries

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

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

Associates

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

GOLDEN VALLEY MINES LTD.
Notes to the consolidated financial statements
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(Expressed in Canadian dollars unless otherwise noted)

2) BASIS OF PRESENTATION (continued)

Associates (continued)

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

The carrying value of the investment in an associate represents the cost of the investment, including goodwill, a share of the post-acquisition retained earnings and losses, accumulated other comprehensive income (“AOCI”) and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment in associate is impaired. No impairment was required for the years ended December 31, 2019 and 2018.

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

Percentage of ownership	As at December 31,	
	2019	2018
Subsidiaries (consolidated)		
Abitibi Royalties Inc.	44.76%	44.83%
Calone Mining Ltd.	100.00%	100.00%
Investment in associates (equity method)		
International Prospect Ventures Ltd.	16.50%	17.53%
Val-d'Or Mining Corporation	37.15%	24.82%

GOLDEN VALLEY MINES LTD.
Notes to the consolidated financial statements
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3) NEW AND REVISED IFRS

Standards and interpretations issued but not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IAS 1 "Presentation of Financial Statements" ("IAS 1")

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

As of January 1, 2020, the Company has adopted IAS 1 and has concluded that, based on its current operations, the adoption of IAS 1 had no significant impact on the Company's financial statements.

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8")

IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

As of January 1, 2020, the Company has adopted IAS 8 and has concluded that, based on its current operations, the adoption of IAS 8 had no significant impact on the Company's financial statements.

GOLDEN VALLEY MINES LTD.
Notes to the consolidated financial statements
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(Expressed in Canadian dollars unless otherwise noted)

3) NEW AND REVISED IFRS (continued)

Accounting standards issued and in effect during the year

IFRS 16 - Leases (“IFRS 16”)

IFRS 16, which has replaced IAS 17 –Leases, eliminates the classification of 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, and 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. As of January 1, 2019, the Company has adopted IFRS 16 and has concluded that, based on its current operations, the adoption of IFRS 16 had no significant impact on the Company’s financial statements.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments (“IFRIC 23”)

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

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Foreign Currency

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.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 premeasurement of monetary items denominated in foreign currency at year-end exchange rates are 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.

b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable arising from rendering of services, the use by others of the Company's assets yielding option income and royalties, and the results on investments in financial instruments which yield interest and dividends. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when the specific criteria have been met for each of the Company's activities as described below:

Royalties

Royalties consist of revenues earned directly from royalty agreements. 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 Company 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

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition (continued)

Option income

Option income is recognized on an accrual basis in accordance with the substance of the relevant agreements. Shares received under option agreements are valued at fair value which is determined at quoted market prices if the shares are quoted on an active market. If the market for the shares is not active, fair value is established by using a valuation technique. Option income is initially recorded as a credit against the carrying costs of the mineral property and deferred exploration expenses until they are fully recovered.

Geological fees

The geological fees are measured by reference to the fair value of consideration received or receivable by the Company 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.

Interest income

Interest income is recorded on an accrual basis.

c) 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. It also includes highly liquid short-term investments initially maturing within three months of their acquisition date.

d) Tax credit receivable

The Company 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 Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

GOLDEN VALLEY MINES LTD.
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(Expressed in Canadian dollars unless otherwise noted)

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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 follows:

	Useful life
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) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

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; 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 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 Company 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 Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

g) Disposal of interest in connection with option agreement

On the disposal of interest in connection with an option agreement, the Company 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.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Royalty interests

Royalty interests consists of acquired net smelter returns on exploration and evaluation stage properties. Royalty interests for exploration and evaluation assets are recorded at cost and capitalized in accordance with IFRS 6 “Exploration for and Evaluation of Mineral Resources” (“IFRS 6”). Acquisition costs of exploration and evaluation royalty interests are capitalized and are not depleted until such time as revenue generating activities begin. Royalty interests for exploration and evaluation assets are assessed for impairment in accordance with IFRS 6 and are measured for any impairment in accordance with IAS 36 “Impairment of Assets” (“IAS 36”). An impairment loss is recognized for the amount by which the asset’s carrying value exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. An interest that has previously been classified as exploration and evaluation is also assessed for impairment before reclassification to development or production, and the impairment loss, if any, is recognized in net income.

i) Leases

Until December 31 2018, payments made under operating lease agreements were recognized in profit or loss on a straight-line basis over the term of the lease. Operating leases were leases in which a significant portion of the risks and rewards of ownership was retained by the lessor.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company’s incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases (12 months or less) and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment of 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 area has expired or will expire in the near future with no expectation of renewal;
- b) no further exploration or evaluation expenditures in the area 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 exceeds its carrying amount. The amount of such reversal is limited to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss previously been recognized.

k) 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 Company 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.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Provisions (continued)

The Company'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 Company'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 a 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. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. As at December 31, 2019 and 2018, there was no provision recognized in the consolidated statement of financial position.

l) Income taxes

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

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income taxes (continued)

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred tax expense or recovery in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

According to the provisions of tax legislation relating to flow-through placements, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has fulfilled its obligation to transfer its right, which happens when the Company 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.

m) 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.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Equity (continued)

Flow-through placements (continued)

The proceeds received from flow-through unit 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 tax expense.

Other elements of equity

Contributed surplus includes charges related to stock options until such stock options are exercised.

Conversion option of convertible unsecured debenture represent the equity component of convertible debenture. Retained earnings include all current and prior period retained profits or losses.

n) Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans (stock options plans) for its eligible directors, officers, employees and consultants. The Company'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 Company cannot estimate reliably the fair value of the goods or services received, the Company measures 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 Company measures 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 excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except compensation warrants) are ultimately recognized as an expense 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.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Equity-settled share-based payments (continued)

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 had operated a Restricted Share Unit (“RSU”) plan for its directors, executive officers, full or part-time employees and consultants. RSUs that had vested were payable, in cash or common shares, at the sole discretion of Abitibi Royalties. The share-based remuneration expense of the RSUs was based on the fair value of Abitibi Royalties' common shares at the grant date.

If vesting periods or other vesting conditions apply, the expense were allocated over the vesting period, based on the best available estimate of the number of RSUs expected to vest. Non-market vesting conditions were included in assumptions about the number of RSUs that were expected to be issued or paid. Estimates were subsequently revised if there was any indication that the number of RSUs expected to vest differed from previous estimates. Any cumulative adjustment prior to vesting was recognized in the current period. No adjustment was made to any expense recognized in prior period if the number of RSUs that were ultimately issued or paid was different to that estimated on vesting.

The accumulated charges related to the RSU recorded in contributed surplus were transferred to capital stock on issuance of shares in payment of vested RSU or against cash if settled in cash.

o) Segment reporting

The Company presents and discloses segmented information based on information that is regularly reviewed by the Executive Chairman and the Board of Directors. The Company has determined that it has only one operating segment, the sector of identifying, acquiring and developing exploration and evaluation minerals and acquisition of royalties. All its exploration and evaluation assets and royalty projects are located in Canada.

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4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted 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 Company 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 Company 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.

q) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when its contractual rights to the cash flows that compose the financial asset expire or substantially all the risks and rewards of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within financing income and financing expense, respectively. Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Classification

Financial Assets/ Liabilities	Classification
Cash and cash equivalents	Financial Assets at amortized costs
Accounts Receivable	Financial Assets at amortized costs
Short-term financial assets	FVTPL
Royalty receivable	Financial Assets at amortized costs
Other assets	Financial Assets at amortized costs
Investments	FVTPL
Accounts payable and accrued liabilities	Financial Liabilities at amortized costs
Derivative financial instruments	Financial Liabilities at FVTPL

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Financial Instruments (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 fair value through profit and loss ("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 at fair value through other comprehensive income ("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.

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).

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 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.

5) JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant management judgments

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

Control over Abitibi Royalties

As described in note 2, Abitibi Royalties is accounted for as a subsidiary of the Company even though the Company only has a 44.76 % (2018 – 44.83%) ownership interest in Abitibi Royalties. The Company assessed whether or not the Company has control over Abitibi Royalties based on whether the Company has the practical ability to direct the relevant activities of Abitibi Royalties unilaterally. In making this judgment, the Company considers its own percentage holding in Abitibi Royalties combined with interest of certain members of its Board of Directors as well as its ability to appoint members of the Board of Directors and key management who have the ability to direct activities. The Company concluded that it has a sufficiently dominant voting interest to direct the relevant activities of Abitibi Royalties and have de-facto control.

Significant influence over International Prospect and Val-d'Or Mining

As described in note 2, International Prospect and Val-d'Or Mining are associates of the Company although the Company only owns a 16.50% and 37.15% ownership interest in each of these companies, respectively.

The Company has significant influence over International Prospect and Val-d'Or Mining by virtue of ownership interest, representation on the board of directors, interchange of managerial personnel and intercompany transactions in each of these companies.

Classification of financial instruments

All financial assets are classified in one of the following categories: fair value through profit or loss or financial assets at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition.

5) JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Recognition of deferred tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. The assessment of availability of future taxable profits involves significant judgment. 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 deferred tax assets in excess of existing temporary differences expected to reverse within the carry-forward period.

Operating segment

The ability to aggregate the Company's operating segments based on similar economic characteristics requires judgment to be applied and is dependent on entity-specific facts and circumstances.

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 judgment and a number of estimates and assumptions in many cases. 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 Company 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 Company'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.

5) JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of royalty interests

The assessment of the fair values of royalty interests requires the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, mineral reserve/resource conversion, foreign exchange rates, future capital expansion plans and the associated production implications. These estimates and assumptions are, by their very nature, subject to interpretation and uncertainty. Changes in any of these estimates and assumptions, which certain estimates and assumptions are provided by the operators of the properties, used in determining the fair value of the royalty interests could impact the impairment analysis.

Impairment of investments in associates

The Company follows the guidance of IAS 28 Investments in Associates and Joint Ventures to assess whether there are impairment indicators which may lead to the recognition of an impairment loss with respect to its net investment in an associate. This determination requires significant judgement in evaluating if a decline in fair value is significant or prolonged, which triggers a formal impairment test. In making this judgement, the Company's management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount, the volatility of the investment and the financial health and business outlook for the investee, including factors such as the current and expected status of the investee's exploration projects and changes in financing cash flows.

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 Company has made estimates as to the volatility of its own shares, levels of forfeiture, 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 Company is the Black-Scholes valuation model.

Tax credits receivable

The calculation of the Company's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgment 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, exploration and evaluation assets, and income tax expense in future periods.

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6) CASH AND CASH EQUIVALENTS

	As at December 31,	
	2019	2018
Cash	\$ 2,573,894	\$ 1,929,212
Demand deposits, redeemable at any time	429,189	312,638
	\$ 3,003,083	\$ 2,241,850

Demand deposits represent money market mutual funds earning income at an annual rate of 0.15% (December 31, 2018 – 1.25%) that are cashable at any time.

7) SHORT-TERM FINANCIAL ASSETS

As at December 31, 2019, short-term financial assets of \$534,774 (2018 - \$609,374) comprise of marketable securities of \$427,861 (December 31 2018 - \$609,374) representing shares of publicly traded mining exploration companies that are recorded at fair value using quoted market prices and investments in the common shares of a private company with a fair value of \$106,913 (2018 - \$nil) (see note 11 (a) and note 20).

8) OTHER ASSETS

	As at December 31,	
	2019	2018
Dividend receivable	\$ 44,729	\$ 23,000
Prepaid expenses	22,299	22,145
Sales taxes recoverable	21,570	34,028
Advances for claim management	10,768	-
Interest receivable and other	-	4,259
	\$ 99,366	\$ 83,432

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9) INVESTMENT IN SUBSIDIARIES

The Company owns 5,605,246 common shares or 44.76% (44.83% in 2018) of Abitibi Royalties; the change in percentage of ownership resulted in an increase in interest of subsidiaries under non-controlling interest on the statement of changes in equity in the amount of \$889,850 (decrease of \$367,243 in 2018).

Abitibi Royalties Inc.	As at December 31,	
	2019	2018
Current assets	\$ 3,525,751	\$ 1,756,946
Non-current Assets	50,636,738	34,323,826
Current liabilities	9,340,361	3,027,916
Non-current liabilities	3,245,785	1,432,465
Total equity attributable to non-controlling interest	22,966,935	17,639,604

Abitibi Royalties Inc.		
For the year ended December 31,	2019	2018
Net income (loss) and comprehensive income (loss)	\$ 11,259,593	\$ (4,776,490)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	6,217,181	(2,435,016)
Cash flows from (used by) operating activities	\$ 382,565	\$ (2,158,869)
Cash flows used by investing activities	(152,253)	(3,834,741)
Cash flows from financing activities	614,350	2,965,127

Calone Mining Ltd.

The Company owns 10,000,001 common shares or 100% (100% in 2018) of Calone Mining. There are no significant operations in Calone Mining.

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10) INVESTMENTS IN ASSOCIATES

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

As at December 31, 2019, the Company held 4,470,910 common shares or 16.50% (December 31, 2018 -17.53%) interest in International Prospect. The shares of International Prospect were trading at \$0.10 per share on that date.

As at December 31, 2019, the Company held 17,354,110 or 37.15% (December 31, 2018 – 24.82%) interest in Val-d'Or Mining. The shares of Val-d'Or Mining were trading at \$0.07 per share on that date.

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

The following table summarizes the changes to investments in associates for the years ended December 31, 2019:

	International Prospects	Val-d'Or Mining	Total
As at January 1, 2019	\$ 405,748	\$ 1,152,662	\$ 1,558,410
Share for mining rights (note 11)	-	250,000	250,000
Share of net loss from associates	(49,093)	(416,284)	(465,377)
As at December 31, 2019	\$ 356,655	\$ 986,378	\$ 1,343,033

The following table summarizes the changes to investments in associates for the years ended December 31, 2018:

	International Prospects	Val-d'Or Mining	Total
As at January 1, 2018	\$ 340,512	\$ 796,139	\$ 1,136,651
Share of net loss from associates	(33,764)	(150,143)	(183,907)
Share for mining rights (note 11)	-	416,666	416,666
Shares for debt obligations	99,000	90,000	189,000
As at December 31, 2018	\$ 405,748	\$ 1,152,662	\$ 1,558,410

Shares for mining rights

On December 10, 2019, the Company received a total of 4,166,667 common shares, valued at \$250,000, from Val-d'Or Mining in accordance with the Amended Mining Option Agreement as described in note 11.

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10) INVESTMENTS IN ASSOCIATES (continued)

Shares for debt obligations

On October 1, 2010, the Company entered into a Management and Administrative Services Agreement (the "Management Agreement") with Val-d'Or Mining and International Prospect, pursuant to which the Company will provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in house legal counsel for day to day general enquiries, services of a consultant and investors relations services to Val-d'Or Mining and International Prospect in consideration of \$96,000 per year from each company.

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.

On May 22, 2018, Val-d'Or Mining issued 857,142 of its common shares to Golden Valley at a deemed per share price of \$0.105 in settlement of an aggregate of \$90,000 in accrued debt owing to the Company, consisting of \$30,000 outstanding loan and the \$60,000 settlement fee payable under the terms of the termination agreement entered into effective January 1, 2018.

Similarly, on May 22, 2018, International Prospect issued 300,000 of its common shares to Golden Valley at a deemed per share price of \$0.20 in settlement of the \$60,000 settlement fee payable under the terms of the termination agreement entered into effective January 1, 2018.

Financial information

The following table summarizes financial information of International Prospect:

International Prospect Ventures Ltd	As at December 31,	
	2019	2018
Current assets	\$ 362,821	\$ 654,521
Non-current Assets	552,303	193,719
Current liabilities	103,147	316
Total equity	811,977	847,924

International Prospect Ventures Ltd		
For the year ended December 31,	2019	2018
Net loss and comprehensive loss	\$ 297,531	\$ 194,789
Cash flows used by operating activities	\$ (185,407)	\$ (178,401)
Cash flows used by investing activities	(85,794)	(7,519)
Cash flows from (used by) financing activities	(9,169)	2,003

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10) INVESTMENTS IN ASSOCIATES (continued)

Financial information (continued)

The following table summarizes financial information of Val-d'Or Mining:

Val-d'Or Mining Corporation	As at December 31,	
	2019	2018
Current assets	\$ 951,144	\$ 696,751
Non-current Assets	186,678	1,083,535
Current liabilities	85,776	30,469
Non-current liabilities	2,356	-
Total equity	1,049,690	1,749,817

Val-d'Or Mining Corporation		
For the year ended December 31,	2019	2018
Net loss and comprehensive loss	1,167,616	606,892
Cash flows used by operating activities	\$ (419,392)	\$ (418,297)
Cash flows used by investing activities	(346,432)	(546,587)
Cash flows from financing activities	168,982	236,125

GOLDEN VALLEY MINES LTD.**Notes to the consolidated financial statements****For the years ended December 31, 2019 and 2018**

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11) EXPLORATION AND EVALUATION ASSETS

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

	As at January 1, 2019	Additions	Recoveries (note 11(f))	Credits	Impairment Write-off	As at December 31, 2019
Golden Valley Mines Ltd.						
Acquisition and claims maintenance	\$ 3,298,296	\$ 14,514	\$ (200)	-	-	\$ 3,312,610
Property option payments	312,500	-	-	-	-	312,500
Drilling, excavation and related costs	3,241,938	16,023	-	-	-	3,257,961
Technical and field staff	4,615,618	8,777	-	-	-	4,624,395
Airborne geophysics	791,822	-	-	-	-	791,822
Geophysics	2,319,401	-	-	-	-	2,319,401
Line cutting	1,108,235	-	-	-	-	1,108,235
Sampling and testing	823,818	-	(79,045)	-	-	744,773
Travel and transport	1,689,127	104	(6,090)	-	-	1,683,141
Program management and consultants	501,621	6,156	(66,217)	-	-	441,560
Professional Fees	5,215	-	-	-	-	5,215
Depreciation, insurance and office expenses	582,713	-	(1,125)	-	-	581,588
Communications	45,897	-	-	-	-	45,897
Option payments received	(1,963,650)	-	-	(7,495)	-	(1,971,145)
Write-off of exploration and evaluation assets	(4,213,235)	-	-	-	-	(4,213,235)
Impairment of exploration and evaluation assets	(7,265,328)	-	(89,038)	-	(170,698)	(7,525,064)
Shares for mining rights	(416,666)	-	-	(250,000)	-	(666,666)
Government assistance	(1,639,157)	-	-	(2,821)	-	(1,641,978)
Net expenditures incurred during the year	3,838,165	45,574	(241,715)	(260,316)	(170,698)	3,211,010
Exploration and evaluation assets sold to third parties	(1,606,927)	-	-	(106,913)	-	(1,713,840)
Balance, end of the year	\$ 2,231,238	45,574	(241,715)	(367,229)	(170,698)	\$ 1,497,170

GOLDEN VALLEY MINES LTD.**Notes to the consolidated financial statements****For the years ended December 31, 2019 and 2018**

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11) EXPLORATION AND EVALUATION ASSETS (continued)

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

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11) EXPLORATION AND EVALUATION ASSETS (continued)

The following table summarizes the carrying values of Exploration and Evaluations Assets by properties as at December 31, 2019 and 2018:

	Properties optioned to Val- d'Or Mining	Properties optioned to Eldorado Gold	Properties optioned to BonTerra Resources	As at December 31, 2019	As at December 31, 2018
<i>Abitibi Greenstone Belt ("AGB")</i>					
Chibougamau (Québec)	\$ 65,671	-	-	\$ 65,671	\$ 83,548
Matachewan, Kirkland Lake (Ontario)	843,108	-	-	843,108	1,366,291
Matagami (Québec)	13,129	-	-	13,129	16,412
Rouyn-Noranda-Cadillac (Québec)	45,544	-	-	45,544	83,407
Val d'Or - Malartic (Québec)	210,835	143,182	-	354,017	510,104
Lebel-sur-Quevillon (Québec)	6,521	-	359,496	366,017	365,836
Rouyn-Noranda-Cadillac (Québec)	-	168,405	-	168,405	168,030
Kirkland Lake / Matachewan (Ontario)	-	818,188	-	818,188	802,350
Total AGB	1,184,808	1,129,775	359,496	2,674,079	3,395,978
Total other				22,069	31,417
Investment tax credit	-	-	-	(1,198,978)	(1,196,157)
Balance, end of the year				\$ 1,497,170	\$ 2,231,238

Golden Valley Properties

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

On July 17, 2017, the Company announced that the TSX Venture Exchange has issued its final acceptance of the Mining Option Agreement (the "Option Agreement") made as of April 18, 2017, pursuant to which Golden Valley has granted to Val-d'Or Mining effective July 31, 2017 an option to acquire a 100% interest in 61 of its grassroots properties. Pursuant to the terms of the Option Agreement, Val-d'Or Mining must incur \$4,000,000 of expenditures with respect to exploration and other mining operations on the properties before December 31, 2021 (with \$500,000 to be incurred on or before December 31, 2018; \$750,000 to be incurred on or before December 31, 2019; \$1,000,000 to be incurred on or before December 31, 2020 and \$1,750,000 to be incurred on or before December 31, 2021).

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11) EXPLORATION AND EVALUATION ASSETS (continued)

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

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

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

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

On November 28, 2019, the Option agreement was amended to document, among other things, a waiver of expenditure requirements required in order to maintain the option, acceleration of vesting of the option as well as changes to the buyback provisions of the royalty on Net Smelter Returns granted to the Company. In accordance with the terms of the Amended Mining Option Agreement, Val-d'Or Mining has agreed to issue to Golden Valley an aggregate 16,666,668 common shares of Val-d'Or Mining, issuable as to 25% on each of December 31, 2018 (received), December 31, 2019 (received), June 30, 2020 and December 31, 2020.

The properties are subject to a royalty in favour of Golden Valley equal to 1.25% of net smelter returns, which is subject to certain partial buyback provisions. Golden Valley will also receive 20% of the proceeds of all third-party transactions pertaining to the properties that Val-d'Or Mining enters into and announces on or before December 31, 2022.

On December 5, 2019, Val-d'Or Mining announced that it has exercised its option to acquire a 100% interest in the properties in accordance with the terms of the amended and restated mining option agreement between Val-d'Or Mining and Golden Valley dated November 28, 2019.

On December 10, 2019, Val-d'Or Mining issued 4,166,667 common shares valued at \$250,000 in accordance with the Amended Mining Option Agreement.

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11) EXPLORATION AND EVALUATION ASSETS (continued)

Sale of Horne North Prospects

On December 23, 2019, Val-d'Or Mining entered into a mineral claim sale agreement for ten (10) exploration properties, which are located in the Abitibi Greenstone Belt of NW Québec. The ten properties, collectively referred to as "Horne North Prospects", were recently acquired by Val-d'Or Mining from Golden Valley pursuant to an Amended Mining Option Agreement, as part of a larger property package.

The purchaser for this transaction is privately-owned Progenitor Metals Corp. ("Progenitor Metals"). In consideration for 100% of the Horne North Prospects Val-d'Or Mining will receive 5,345,657 shares in the capital of Progenitor Metals at a deemed value of \$0.20 per share, for an aggregate deemed consideration of \$1,069,131. The payment shares will be split between Val-d'Or Mining and Golden Valley Mines, whereby Val-d'Or Mining will retain 80% of the aggregate consideration (4,276,526 shares) and Golden Valley will receive 20% of the consideration (1,069,131 shares) pursuant to the terms of the recently amended Mining Option Agreement.

The purchaser has covenanted to enter into a "going public" transaction within 21 months from the closing date of the transaction, which closed on March 31, 2020. In the event that the purchaser has not entered into such a transaction within the specified time period, the properties will revert back to the Company and the Company will return to the purchaser 50% of the consideration received under the purchase agreement.

The proceeds of 1,069,131 shares in Progenitor Metals have been recorded at \$106,913, representing the assigned and fair value of \$213,826 (or \$0.20 per share), net of a provision of \$106,913 to reflect the Company potentially returning to the purchaser 50% of the share consideration received as discussed above.

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

On March 16, 2016, the Company entered into an option agreement with BonTerra Resources Inc. ("BonTerra") on the Lac Barry Prospect located in the Abitibi Greenstone Belt, northeast of Val-d'Or, Québec. In accordance with the option agreement, BonTerra issued to the Company 519,480 common shares in the capital of BonTerra having an aggregate value of \$200,000 and must incur expenditures in an aggregate amount of \$2,000,000 over a three-year period, of which \$250,000 is to be spent in the first year of the option agreement.

Upon exercising the option, BonTerra will obtain an 85% interest in the property and, the Company will retain a 15% free carried interest and a 3% NSR, with 1% of the NSR being subject to a buyback in favour of BonTerra for \$1.0 million. BonTerra met its option agreement expenditure requirements in the aggregate amount of \$2,000,000 in advance of the third anniversary date (March 10, 2019) and consequently, provided notice to exercise the option.

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11) EXPLORATION AND EVALUATION ASSETS (continued)

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

The Company is to enter into a joint venture agreement with BonTerra and therefore the Company is to retained its 15% free carried interest and a 3% NSR, with 1% of the NSR being subject to a buyback as discussed above. For accounting purposes, no cost has been assigned to the royalty, as the project is still at an early stage of exploration and future cash flow cannot be reliably estimated.

c) Centremaque Prospect – Alexandria Minerals Corporation - Val-d'Or Québec

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

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

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

In accordance with the terms of the option agreement, Alexandria agreed to a \$750,000 work commitment on or before April 20, 2019 in which Alexandria requested to extend the deadline to July 31, 2019. The Company agreed to the extension in consideration for Alexandria issuing 500,000 of its common shares, valued at \$25,000, to the Company.

Furthermore, in accordance with the terms of the option agreement, Alexandria agreed to a \$2,000,000 work commitment on or before April 20, 2020. On April 3, 2020, Alexandria provided a notice of force majeure and extension of delay as a result of the government of Québec's decision, relating to COVID-19, to close all non-essential businesses. The time for the performance of Alexandria's obligations under the option agreement will be extended for a period equivalent to the total length of the force majeure.

11) EXPLORATION AND EVALUATION ASSETS (continued)

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

Pursuant to an agreement dated October 23, 2013, Golden Valley granted Sirios Resources Ltd. (“Sirios”) an option to acquire Golden Valley’s remaining 55% interest in the Cheechoo prospect. On May 11, 2016, Sirios provided notice to Golden Valley that it had completed all its obligations under the agreement to earn a 100% interest in the Cheechoo prospect, including the issuance of 1,250,000 common shares to the Company at a deemed price of \$0.40 per share for a total value of \$500,000. As a result, Sirios now holds 100% of the Cheechoo prospect, subject to the royalty described below.

As additional consideration for the grant of the option, Sirios granted to Golden Valley a royalty equal to 4% of the net returns from all mineral products mined or removed from the Cheechoo gold project. Notwithstanding the foregoing, the royalty relevant to gold mineral products mined or removed from the Cheechoo gold prospect may vary between 2.5% and 3.5% depending on the market price of gold at the time of the payment. For accounting purposes, no cost has been assigned to the royalty, as the project is still at an early stage of exploration and future cash flow cannot be reliably estimated.

e) AGB Properties – Eldorado Gold Corporation – Québec and Ontario

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

The GZZ-I JV is subject to underlying royalties ranging between 3% and 3.5% in favour of the original vendors, one of which is a director and an officer of the Company. The Bogside, Claw Lake and Cook Lake prospects are held under a 70:30 Joint Venture agreement between Golden Valley and Eldorado Gold Corporation, with the latter having acquired their interest through the acquisition of Integra.

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

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

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11) EXPLORATION AND EVALUATION ASSETS (continued)

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

On May 8, 2019, the Company received notice from Battery Minerals terminating their participation on the Island 27 property. A statement of claim in the amount of \$268,195 was filed against Battery Minerals in 2019, which claim was settled fully on January 30, 2020. A portion of the settlement in the amount of \$241,715 was recorded against the carrying value of exploration and evaluation assets of the Island 27 property.

12) ROYALTY INTERESTS OF ABITIBI ROYALTIES

Main royalty interests

Malartic CHL 3% Royalty - Malartic, Québec

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

For the year ended December 31, 2019, Abitibi Royalties earned royalties in the amount of \$3,307,260 (or US\$2,315,090 from this royalty interest, of which \$999,252 (or US\$769,366) remains outstanding as at December 31, 2019 and subsequently received on January 15, 2020.

For the year ended December 31, 2018, Abitibi Royalties earned royalties in the amount of \$14,105 (or US\$10,339) from this royalty interest.

Canadian Malartic 2% Royalty - Malartic, Québec

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

12) ROYALTY INTEREST OF ABITIBI ROYALTIES (continued)

Other royalty interests

Revillard Property 2% Royalty - Malartic, Québec

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

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

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

1.5% NSR on the Midway Project – Malartic, Québec

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

1.5% NSR in the Abitibi region, Québec

On July 11, 2018, Abitibi Royalties entered into an agreement with an arm's length party seller, to acquire various 1.5% NSR royalties on projects owned by Agnico Eagle throughout the Abitibi region in Québec for the purchase price of \$755,000 (or US\$575,000). These projects include Callahan, Cadillac, Thompson River and Malartic Break. A total of 1.0% of the NSR royalties can be repurchased by Agnico Eagle by paying US\$1.0 million to Abitibi Royalties.

1.0% NSR on the New Alger Project

On November 18, 2018, Abitibi Royalties entered into an agreement with Renforth Resources (“Renforth”) to acquire a 1.0% NSR on the New Alger Project. The 1.0% NSR is on the New Alger Project located in the Abitibi region of northwest Québec. The purchase price paid by Abitibi Royalties for the 1% NSR totalled \$192,500.

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12) ROYALTY INTEREST OF ABITIBI ROYALTIES (continued)

Abitibi Royalty Search Program

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

For the years ended December 31, 2019 and 2018, no NSR royalties were acquired from Abitibi Royalties’ royalty search program.

13) INVESTMENTS

	As at December 31, 2019		As at December 31, 2018	
	Number of shares	Fair value	Number of shares	Fair value
Yamana Gold Inc.	3,443,895	\$ 17,701,620	3,549,695	\$ 11,394,521
Agnico Eagle Mines Limited	408,597	32,679,588	414,597	22,844,295
		\$ 50,381,208		\$ 34,238,816
Other investments		255,530		85,010
		\$ 50,636,738		\$ 34,323,826

During the year, Abitibi Royalties delivered common shares of Agnico Eagle and Yamana under its covered call contracts as follows:

- On November 19, 2019, Abitibi Royalties was called to deliver 6,000 common shares of Agnico Eagle (2,500 at US\$43.00, 2,500 at US\$47.00 and 1,000 at US\$49.00) and received, net of commissions, \$358,619 (or US\$270,922) from the covered call options it had sold.
- On December 19, 2019, Abitibi Royalties was called to deliver 105,800 common shares of Yamana (47,600 at \$2.50, 6,900 at US\$3.00 and 51,300 at US\$3.50) and received, net of commissions, \$415,032 (or US\$316,287) from the covered call options it had sold.

For further details, refer to *Derivative financial instruments* section.

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14) DERIVATIVE FINANCIAL INSTRUMENTS

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

	Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at December 31, 2019
Calls				
Yamana	January 17, 2020	2,220,300	\$ 2.50 to 4.50	\$ 1,048,113
Yamana	January 15, 2021	1,165,800	3.00 to 5.00	1,135,729
Yamana	January 17, 2022	57,700	4.50	71,194
Agnico	January 17, 2020	350,800	43.00 to 55.00	5,528,316
Agnico	January 15, 2021	57,700	42.00 to 50.00	1,195,695
		3,852,300		\$ 8,979,047

	Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at December 31, 2018
Calls				
Yamana	January 18, 2019	142,700	\$ 4.00	\$ 9,734
Yamana	January 17, 2020	2,797,400	4.00 to 7.00	732,794
Yamana	January 15, 2021	269,400	4.00	338,114
Agnico	January 18, 2019	46,000	50.00	5,020
Agnico	May 18, 2019	5,000	50.00	9,686
Agnico	January 17, 2020	305,900	43.00 to 65.00	1,247,648
Agnico	January 15, 2021	24,100	43.00 to 50.00	252,882
		3,590,500		\$ 2,595,878

For fiscal year 2019, Abitibi Royalties sold 25,223 call contracts (1,573 calls on Agnico shares and 23,650 calls on Yamana Gold shares) for total cash proceeds of \$1,232,964 (or US\$935,160). In addition, 1,887 call contracts expired (460 calls on Agnico and 1,427 calls on Yamana) and 19,600 contracts were repurchased before expiration (778 calls on Agnico and 18,882 calls on Yamana) for which Abitibi Royalties paid \$147,290 (or US\$111,583).

For fiscal year 2018, Abitibi Royalties sold 36,630 call and 1,302 put option contracts (5,009 calls and 1,302 puts on Agnico shares and 31,621 calls on Yamana Gold shares) for total cash proceeds of \$2,219,843 (or US\$1,713,731). In addition, 18,927 call and 946 put option contracts expired (1,024 calls and 946 puts on Agnico and 17,903 calls on Yamana) and 21,416 contracts were repurchased before expiration (3,601 calls and 651 puts on Agnico and 17,164 calls on Yamana) for which Abitibi Royalties paid \$89,070 (or US\$68,698).

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14) DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

15) INCOME TAXES

Major components of tax expense (recovery)

	For the year ended December 31,	
	2019	2018
Deferred tax recovery		
Origination and reversal of temporary differences	\$ 1,579,401	\$ (2,405,121)
Deferred tax assets not recognized	233,919	355,067
	1,813,320	(2,050,054)
Total tax expense (recovery)	\$ 1,813,320	\$ (2,050,054)

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined tax rate in Canada and the reported tax expense in the consolidated statement of net loss can be reconciled as follows:

	For the year ended December 31,	
	2019	2018
Net income (loss) for the year before income taxes	\$ 11,313,153	\$ (9,506,746)
Expected tax expense calculated using the combined Federal and Provincial at combined statutory rate in Canada of 26.60% (26.70% in 2018)	\$ 3,009,299	\$ (2,538,301)
Change in tax rates	(1,036)	168,321
Change in deferred tax assets not recognized	233,919	355,067
Share of loss of associates	123,790	49,103
Non-taxable dividends received	(116,353)	(83,892)
Share-based payments	110,582	(287,268)
Non-taxable portion of (gain) loss on investments	(1,554,992)	281,441
Other	8,111	5,475
Deferred tax expense (recovery)	\$ 1,813,320	\$ (2,050,054)

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15) INCOME TAXES (continued)

The statutory tax rate for 2019 and 2018 were 26.60% and 26.70%, respectively. The Québec general corporate tax rate will decrease at a rate of 0.10% per year from 11.70% to 11.50% beginning January 1 of each year from 2018 to 2020.

Deferred tax assets and liabilities and variation of recognized amounts

	As at January 1, 2019	Recognized in profit or loss	As at December 31, 2019
Exploration and evaluation assets	\$ 687,695	146	\$ 687,841
Investments	(3,898,056)	(2,149,585)	(6,047,641)
Share issuance costs	-	8,389	8,389
Non-capital losses	1,433,943	(518,040)	915,903
Derivative financial instruments	343,953	845,770	1,189,723
	\$ (1,432,465)	(1,813,320)	\$ (3,245,785)

	As at January 1, 2018	Recognized in profit or loss	As at December 31, 2018
Exploration and evaluation assets	\$ 103,476	584,219	\$ 687,695
Investments	(4,363,961)	465,905	(3,898,056)
Non-capital losses	588,737	845,206	1,433,943
Derivative financial instruments	189,229	154,724	343,953
	\$ (3,482,519)	2,050,054	\$ (1,432,465)

As at December 31, 2019 and 2018, the Company had deductible temporary differences which it did not record in deferred tax assets:

	As at December 31,	
	2019	2018
Exploration and evaluation assets	\$ 2,835,206	\$ 2,057,341
Short-term financial assets	106,913	-
Property and equipments	424,777	421,225
Share issuance costs	11,667	25,926
Capital losses	29,007	-
Non-capital losses	7,534,940	7,405,621
Investments	689,848	847,548
	\$ 11,632,358	\$ 10,757,661

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15) INCOME TAXES (continued)

The Company has an amount of \$319,859 in 2019 (2018 - \$319,859) 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.

As at December 31, 2019 and 2018, the Company has the following non-capital losses in Canada available to reduce future year's taxable income which expires as follows:

	Federal	Quebec
2028	\$ 172,083	\$ -
2029	770,850	746,817
2030	1,389,166	1,368,264
2031	41,350	41,350
2032	1,090,175	1,079,112
2033	393,100	390,172
2034	378,137	373,289
2035	863,064	860,246
2036	476,992	450,305
2037	987,998	963,527
2038	842,706	842,706
2039	129,319	122,679
	\$ 7,534,940	\$ 7,238,467

16) CAPITAL STOCK

Capital Stock

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

Authorized

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

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

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16) CAPITAL STOCK (continued)

Issued share capital

The change in issued share capital for the years ended December 31, 2019 and 2018 was as follows:

	2019		2018	
	Number of shares	Stated Value	Number of shares	Stated Value
Balance, as at January 1,	133,918,577	\$ 28,289,902	129,788,577	\$ 27,530,938
Shares issued by exercise of stock options	429,025	78,184	1,480,000	121,600
Shares issued by exercise of warrants	-	-	2,650,000	371,000
Share issue expenses	-	(2,728)	-	(952)
Value allocation on options exercised	-	55,245	-	99,250
Value allocation on warrants exercised	-	-	-	168,066
Balance, as at December 31,	134,347,602	\$ 28,420,603	133,918,577	\$ 28,289,902

Share capital issued from exercise of incentive stock options

For the year ended December 31, 2019, the Company issued 429,025 of its common shares from the exercise of incentive stock options of 379,025 at a price of \$0.17 per share and of 50,000 at a price of \$0.275 per share for a total consideration of \$78,184.

For the year ended December 31, 2018, the Company issued 1,480,000 common shares through the exercise of 1,300,000 incentive stock options at a price of \$0.07 per share, and of 180,000 at a price of \$0.17 per share for a total consideration of \$121,600.

Share capital issued from exercise of share purchase warrants

For the year ended December 31 2018, the Company issued 2,650,000 common shares through the exercise of 2,650,000 share purchase warrants at \$0.14 per share for a total consideration of \$371,000.

17) SHARE-BASED PAYMENTS

The Company has a stock option incentive plan in place under which directors, officers, employees and consultants are eligible to receive incentive stock options for the purchase of common shares of the Company. Under the terms of the 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 on May 25, 2015, the date of adoption of the option plan by the Company's Board of Directors. The option plan was approved by the Company's disinterested shareholders on June 25, 2015, and subsequently accepted by the TSX Venture Exchange.

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17) SHARE-BASED PAYMENTS (continued)

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 Company'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.

The summary of changes in the number of incentive stock options issued by the Company for years ended December 31, 2019 and 2018 is presented as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	14,098,189	\$ 0.31	13,278,189	\$ 0.29
Granted	390,000	0.34	2,300,000	0.28
Exercised	(429,025)	0.17	(1,480,000)	0.08
Cancelled	-	-	-	-
Outstanding, end of year	14,059,164	\$ 0.32	14,098,189	\$ 0.31
Exercisable, end of year	13,175,831	\$ 0.32	9,050,134	\$ 0.31

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17) SHARE-BASED PAYMENTS (continued)

The table below summarizes the information related to outstanding share options as at December 31, 2019:

Expiry date	Number of options	Outstanding options		
		Weighted average exercise price	Weighted average remaining contractual life (years)	Exercisable options
July 24, 2020	675,000	0.11	0.56	675,000
January 1, 2021	100,000	0.10	1.01	100,000
June 30, 2021	2,300,000	0.30	1.50	2,300,000
February 3, 2022	100,000	0.47	2.10	100,000
June 21, 2023	2,250,000	0.28	3.47	1,500,000
June 18, 2024	390,000	0.34	4.47	256,667
September 30, 2026	8,244,164	0.35	6.75	8,244,164
	14,059,164	\$ 0.32		13,175,831

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

Expiry date	Number of options	Outstanding options		
		Weighted average exercise price	Weighted average remaining contractual life (years)	Exercisable options
June 30, 2019	379,025	\$ 0.17	0.50	379,025
July 24, 2020	675,000	0.11	1.56	675,000
January 1, 2021	100,000	0.10	2.01	100,000
June 30, 2021	2,300,000	0.30	2.50	2,300,000
February 3, 2022	100,000	0.47	3.10	100,000
September 30, 2026	8,244,164	0.35	7.75	5,496,109
June 21, 2023	2,300,000	0.28	4.47	-
	14,098,189	\$ 0.32		9,050,134

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17) SHARE-BASED PAYMENTS (continued)

Share-based compensation expense

The table below summarizes share-based compensation expense for the years ended December 31, 2019 and 2018:

	For the year ended December 31,	
	2019	2018
Golden Valley		
June 2019 option grant ^(a)	\$ 55,702	\$ -
June 2018 option grant ^(b)	198,050	147,168
September 2016 option grant ^(c)	151,716	623,720
Abitibi Royalties		
2016 Restricted Share Units grant ^(d)	-	260,903
Share-based compensation expense	\$ 405,468	\$ 1,031,791

- a) On June 18, 2019, the Company granted to its officers, and consultants incentive stock options entitling the purchase of an aggregate 390,000 common shares at an exercise price of \$0.34 per share. The options are exercisable for a period of 5 years until June 18, 2024, subject to earlier termination in accordance with the terms of the Company's stock option plan. With the exception of 200,000 options which vest over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control, all of the other options vest immediately on grant. The fair value of the 390,000 stock options granted has been estimated using the Black-Scholes option-pricing model at \$84,980 of which to date \$55,702 has been expensed.
- b) On June 21, 2018, the Company granted to its directors, officers, and consultants incentive stock options entitling the purchase of an aggregate 2,300,000 common shares at an exercise price of \$0.275 per share. The options are exercisable for a period of 5 years until June 21, 2023, subject to earlier termination in accordance with the terms of the Company's stock option plan. All of the options vest equally over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$455,441 of which to date \$345,220 has been expensed. 50,000 incentive stock options have been exercised relating to this grant.

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17) SHARE-BASED PAYMENTS (continued)

Share-based compensation expense (continued)

- c) On September 30, 2016, the Company granted to its directors, officers, employees and consultants incentive stock options entitling the purchase of an aggregate 9,305,934 common shares at an exercise price of \$0.35 per share. The options are exercisable for a period of 10 years until September 30, 2026, subject to earlier termination in accordance with the terms of the Company's stock option plan. All of the options vest equally over a period of 3 years unless there is a change of control event, in which case the options will vest immediately on occurrence of the change of control. To date, 8,244,164 options have vested under this grant. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model at \$2,427,448 of which to date \$2,393,622 has been expensed and \$33,826 has been capitalized to exploration and evaluation assets. 1,061,770 incentive stock options have been cancelled relating to this grant.
- d) Abitibi Royalties' compensation related to its 2016 restricted share unit grants totalled \$2,107,701, which was to be allocated over the vesting period of three years to 2019. For the year ended December 31, 2019, Abitibi Royalties did not recognize any share-based expense on its restricted share unit as the restricted share units were fully converted to common shares as part of the transaction with Caisse de dépôt et placement du Québec ("CDPQ") on June 29, 2018. Following the transaction with CDPQ, Abitibi Royalties terminated its restricted share unit plan.

Fair value of options granted

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

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

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18) GENERAL AND ADMINISTRATIVE EXPENSES

The following table summarizes general and administrative expenses for the years ended December 31, 2019 and 2018.

	For the year ended December 31,	
	2019	2018
Office expenses	\$ 109,486	\$ 104,590
Advertising and exhibitions	81,390	194,783
Travelling	75,952	87,137
Other	1,662	1,828
	\$ 268,490	\$ 388,338

19) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES

Dividends paid

On July 17, 2019, Abitibi Royalties' board of directors approved an initial quarterly dividend of \$0.03 per common share (which would amount to \$0.12 per common share on an annual basis) on its outstanding common shares (see *Subsequent Events* note 28).

For the year ended December 31, 2019, Golden Valley earned dividends of \$336,315 from Abitibi Royalties. As at December 31, 2019, Golden Valley holds 5,605,246 common shares in Abitibi Royalties.

Normal Course Issuer Bid

On September 23, 2019, Abitibi Royalties announced it received conditional acceptance to renew its NCIB for another year until October 5, 2020. This new approval allows the Company to purchase up to 626,695 (representing 5% of the Company's total issued and outstanding common shares) of its common shares.

For fiscal year 2019, Abitibi Royalties repurchased and cancelled 61,100 of its common shares at prices varying from \$9.40 to \$16.15 for a total of \$778,649.

For fiscal year 2018, Abitibi Royalties repurchased and cancelled 26,500 of its common shares at prices varying from \$8.40 to \$9.99 for a total of \$246,497.

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19) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES (continued)

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

On June 29, 2018, CDPQ made a strategic investment in Abitibi Royalties by purchasing 588,235 common shares of Abitibi Royalties. In order to facilitate the investment by CDPQ, certain members of the Abitibi Royalties’ board, management and consultants (the “participants”) exercised their stock options and Abitibi Royalties converted the participants’ restricted share units into common shares and thereafter the participants agreed to sell, through a private transaction, 588,235 common shares to CDPQ.

As part of the transaction with CDPQ, Abitibi Royalties issued 583,365 common shares from the conversion of the RSUs and 516,740 common shares from the exercise of stock options, consisting of 483,630 common shares at an exercise price of \$0.55 per share, 16,555 common shares at an exercise price of \$2.18 per share and 16,555 common shares at an exercise price of \$3.62 per share.

Incentive stock option

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

A summary of changes in the number of incentive stock option for the years ended December 31, 2019 and 2018 is presented as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	81,171	\$ 2.79	625,311	\$ 1.10
Exercised	(81,171)	2.79	(544,140)	0.85
Outstanding, end of year	-	\$ -	81,171	\$ 2.79
Exercisable, end of year	-	\$ -	81,171	\$ 2.79

For the year ended December 31, 2019, Abitibi Royalties issued 81,171 of its common shares for a total consideration of \$226,713 from the exercise of stock options at prices varying from \$2.18 per share (47,733 stock options), \$3.62 per share (13,438 stock options) and \$3.70 per share (20,000 stock options).

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19) EQUITY TRANSACTIONS OF ABITIBI ROYALTIES (continued)

For the year ended December 31, 2018, Abitibi Royalties issued 544,140 of its common shares from the exercise of stock options. As part of the transaction with CDPQ, Abitibi Royalties issued 516,740 common shares from exercise of stock options, consisting of 483,630 common shares at an exercise price of \$0.55 per share, 16,555 common shares at an exercise price of \$2.18 per share and 16,555 common shares at an exercise price of \$3.62 per share. In addition, Abitibi Royalties issued 27,400 of its common shares for a total consideration of \$99,188 from the exercise of stock options at a price of \$3.62 per share.

The table below summarizes the information related to outstanding share options as at December 31, 2019 and 2018:

Range of Exercise price	Number of options	2019	Number of options	2018
		Weighted average remaining contractual life (year)		Weighted average remaining contractual life (year)
\$ 2.18	-	-	47,733	0.42
\$ 3.62	-	-	13,438	0.71
\$ 3.70	-	-	20,000	0.72
	-	-	81,171	

Restricted Share Unit Plan

A summary of changes in the number of Restricted Share Units (“Share Units”) for the years ended December 31, 2019 and 2018 is presented as follows:

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

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

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

20) 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.

Cash and cash equivalent (Level 1), accounts receivable (Level 3), royalty receivable (Level 3), other assets (Level 3) and accounts payable and accrued liabilities (Level 3) are carried at amortized costs which approximate their fair value due to their short-term nature.

Short-term financial assets consisting of money-market investment funds and marketable securities in the consolidated statement of financial position at December 31, 2019 and 2018 are classified in Level 1 and are recorded at fair value by reference to their quoted prices at the reporting date. The Company's short-term financial assets relating to the investments in the common shares of a private company do not have a quoted market price in an active market and the Company has assessed a fair value of the investment based on their unobservable net assets. As a result, the fair value is classified within Level 3 of the fair value hierarchy. The process of estimating the fair value of these investments is based on inherent measurement uncertainties and is based on techniques and assumptions that emphasize both qualitative and quantitative information. There is no reasonable quantitative basis to estimate the potential effect of changing the assumptions to reasonably possible alternative assumptions on the estimated fair value of these investments.

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

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

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20) FAIR VALUE MEASUREMENT (continued)

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

	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	\$ 3,003,083	\$ 3,003,083	\$ 2,241,850	\$ 2,241,850
Account receivables	268,195	268,195	-	-
Royalty receivables	999,252	999,252	14,105	14,105
Other assets	77,067	77,067	61,287	61,287
<i>Financial assets at fair value through profit and loss</i>				
Short-term-term financial assets	534,774	534,774	609,374	609,374
Investments	50,636,738	50,636,738	34,323,826	34,323,826
	\$ 55,519,109	\$ 55,519,109	\$ 37,250,442	\$ 37,250,442
Financial liabilities				
<i>Financial liabilities measured at amortized cost</i>				
Accounts payable and accrued liabilities	\$ 681,995	681,995	\$ 576,087	576,087
<i>Financial liabilities measured at fair value through profit and loss</i>				
Derivatives financial instruments (level 1)	8,979,047	8,979,047	2,595,878	2,595,878
	\$ 9,661,042	\$ 9,661,042	\$ 3,171,965	\$ 3,171,965

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21) EARNINGS (LOSS) PER SHARE

Both the basic and diluted earnings (loss) per share have been calculated using the net income (loss) attributable to owners of the Company as the numerator, i.e. no adjustment to the net income (loss) were necessary in either years ended December 31, 2019 and 2018.

	For the year ended December 31,	
	2019	2018
Net income (loss) attributable to shareholders of Golden Valley Mines Ltd.	3,282,652	\$ (5,021,676)
Weighted average number of shares in circulation - basic	134,154,551	132,769,805
Dilutive effect of stock options	1,695,298	-
Weighted average number of shares	135,849,849	132,769,805
Basic earnings (loss) per share	0.024	\$ (0.038)
Diluted earnings (loss) per share	0.024	\$ (0.038)

For the year ended December 31, 2019, 100,000 stock options (12,944,164 stock options in 2018) were excluded from the calculation of diluted earnings per share attributable to shareholders of the Company as their exercise price was higher than the Company's average share price for the respective periods.

22) COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee. As at December 31, 2019, the total annual base fee of the officers and consultants under the agreements is \$765,000. As a triggering event has not taken place, the contingent payments have not been reflected in the consolidated financial statements.

23) RELATED PARTY TRANSACTIONS

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

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23) RELATED PARTY TRANSACTIONS (continued)

For the year ended December 31, 2019 and 2018, the compensation paid to key management for employee and consulting services for Golden Valley and its subsidiaries is presented below:

	For the year ended December 31,	
	2019	2018
Salaries including bonuses ⁽¹⁾	\$ 1,179,719	\$ 1,068,189
Directors' fees	280,000	280,000
Benefits ⁽²⁾	154,371	560,094
Total	1,614,090	1,908,283
Other transactions with key management		
Rent ⁽³⁾	8,196	7,821
Management fees ⁽⁴⁾	166,200	166,200
Fees relating to exploration and evaluation activities ⁽⁵⁾	69,958	108,343
Legal fees ⁽⁶⁾	13,851	-
Total other transactions with key management	258,205	282,364
Share-based payments ⁽⁷⁾	367,723	1,009,434
Total remuneration	\$ 2,240,018	\$ 3,200,081

1) Salaries including bonuses for the year ended December 31, 2019 include cash performance bonus of \$299,800 of which \$241,525 and \$58,275 were declared by Abitibi Royalties and the Company, respectively; and 2018 bonuses of \$66,938 and 2019 bonuses of \$58,275 to officers settled by the Company through the issuance of 539,750 incentive stock options (note 27).

Salaries including bonuses for the year ended December 31, 2018 include performance bonus of \$335,063 of which \$268,125 and \$66,938 were declared by Abitibi Royalties and the Company, respectively.

- 2) Benefits are the Company's contributions to mandatory governmental benefits plans related to salaries, director fees and taxable benefits on exercise of incentive stock options. The amount of \$560,904 for the year ended December 31, 2018, include the Abitibi Royalties' payroll levies of \$471,820 on the taxable benefits on the conversion of the RSU into common shares and the exercise of stock options relating to the transaction with CDPQ.
- 3) Rent paid by Abitibi Royalties to its President is for the use of a Toronto property as an office for Abitibi Royalties.
- 4) Management fees of \$166,200 (2018 - \$166,200) paid by Golden Valley to 2973090 Canada Inc. a company controlled by an officer and a director of the Company.

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23) RELATED PARTY TRANSACTIONS (continued)

- 5) Fees relating to exploration and evaluation activities of \$58,800 (2018 – \$58,800) paid to 2973090 Canada Inc and of \$11,158 (2018 – \$49,543) paid to Rosatelli Exploration Services, a company controlled by an officer of the Company.
- 6) Legal fees paid to a company with one of its principals being also a director of Golden Valley relating to claim and settlement against Battery Minerals.
- 7) Share-based compensation relating to the incentive stock option program for officers and directors of the Company.

At the end of the year, some of the salaries, meeting fees and bonuses disclosed above had not been paid and were included in current liabilities. At December 31, 2019, \$619,786 (2018 - \$438,063) was included in account payables and accrued liabilities.

Transactions with related companies

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

Val-d'Or Mining

For the year ended December 31, 2019, Golden Valley was recharged exploration and evaluation and general and administrative from Val-d'Or Mining, a company related by common management, for \$3,399 and \$34,688 (\$15,975 and \$31,275 for the year ended December 31, 2018), respectively.

For the year ended December 31, 2019, the Company recharged consultant fees of \$24,000 (2018 - \$15,000) to Val-d'Or Mining relating to the services of the Company's CFO.

On January 1, 2018, the Company entered into a Termination Agreement with Val-d'Or Mining under which Golden Valley agreed to terminate the Management Agreement in exchange of a settlement fee of \$60,000. As described in note 10, this amount has been settled through the issuance of common shares.

As at December 31, 2019, Golden Valley has an advance payable of \$3,105 (December 31, 2018 - \$nil), which is included in accounts payable and accrued liabilities, to Val-d'Or Mining for claims renewal and maintenance fees on optioned properties under the mining option agreement with Val-d'Or Mining.

In addition, as at December 31, 2019, Golden Valley has a payable of \$18,582 (December 31, 2018 - \$nil), which is included in accounts payable and accrued liabilities, relating to consultant fees and general administrative expenses recharged by Val-d'Or Mining.

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23) RELATED PARTY TRANSACTIONS (continued)

International Prospect

For the year ended December 31, 2019, consulting fees of \$75,000 (2018 - \$nil), recorded in the statement of net loss, was recharged to International Prospect for the services provided by the Company's President.

For the year ended December 31, 2019, the Company recharged consultant fees of \$12,000 (2018 - \$9,000) to International Prospect relating to the services of the Company's CFO.

On January 1, 2018, the Company entered into a Termination Agreement with International Prospect under which Golden Valley agreed to terminate the Management Agreement in exchange of a settlement fee of \$60,000. As described in note 10, this amount has been settled through the issuance of common shares.

As at December 31, 2019, Golden Valley has a receivable of \$68,520 (December 31, 2018 - \$nil) with International Prospect, which is netted off against accounts payable and accrued liabilities.

24) ADDITIONAL INFORMATION - CASH FLOWS

Cash transactions

	For the year ended December 31,	
	2019	2018
Interest received related to operating activities	\$ 10,189	\$ 13,151
Dividends received related to investing activities	416,339	291,108
Royalties received related to investing activities	2,052,918	805

Changes in non-cash working capital items

	2019	2018
Royalty receivable	\$ (985,147)	\$ -
Other assets	(42,260)	186,341
Prepaid expenses and deposits	(154)	1,810
Accounts payable and accrued liabilities	105,908	(16,700)
	\$ (921,653)	\$ 171,451

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24) ADDITIONAL INFORMATION - CASH FLOWS

Non-cash transactions

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

	2019	2018
Options on exploration and evaluation assets received as shares of quoted mining exploration companies included in short-term financial assets	\$ 67,505	\$ 25,000
Common shares received in Exploration and evaluation assets	356,913	466,667
Common shares received in consideration of settlement fee and loan receivable from associates	-	150,000

25) FINANCIAL INSTRUMENTS

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

a) Market risk

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

Foreign currency risk sensitivity

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Company's transactions are carried out in Canadian dollars. Currency risk arises from the Company's cash, dividends and royalty revenues in foreign currency, which are primarily denominated in U.S. dollars. The Company does not enter into arrangements to hedge its foreign exchange risk. As at December 31, 2019 and 2018, foreign currency denominated financial assets and liabilities in U.S. dollars and which expose the Company to the currency risk are as follows:

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25) FINANCIAL INSTRUMENTS (continued)

	As at December 31,	
	2019	2018
Cash	\$ 1,737,268	553,504
Royalty receivable	769,366	10,339
Dividends receivable	35,497	22,000
Derivative financial instruments	(6,913,341)	(1,902,857)
	\$ (4,371,210)	(1,317,014)

A 1% change in the Canadian /U.S. exchange rate as at December 31, 2019 would have had an impact of \$56,774 (2018- \$18,025) on net income and comprehensive income of the year.

Other price risk sensitivity

The Company 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 1% as at December 31, 2019 (1% as at December 31, 2018), net income and comprehensive income for the year would have changed by \$421,925 (2018 - \$343,238).

b) Credit risk

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

	As at December 31.	
	2019	2018
Cash and cash equivalents	\$ 3,003,083	\$ 2,241,850
Account receivables	268,195	-
Royalty receivables	999,252	14,105
Other assets	77,067	61,287
Carrying amounts	\$ 4,347,597	\$ 2,317,242

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25) FINANCIAL INSTRUMENTS (continued)

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

c) Liquidity risk

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

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

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

	As at December 31.	
	2019	2018
<i>Within 3 months</i>		
Accounts payable and accrued liabilities	\$ 681,995	\$ 576,087
Derivative financial instruments	6,576,429	14,754
	\$ 7,258,424	\$ 590,841
<i>3 to 12 months</i>		
Derivative financial instruments	\$ -	\$ 9,686
	\$ -	\$ 9,686
<i>12 to 36 months</i>		
Derivative financial instruments	\$ 2,402,618	\$ 2,571,438
	\$ 2,402,618	\$ 2,571,438

26) CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are: to ensure the Company's ability to continue as a going concern; to increase the value of the assets of the business; and to provide an adequate return to owners.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means and by identifying and acquiring the right potential royalty rights. The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is comprised of share capital, warrants and contributed surplus. The Company is not exposed to any externally imposed capital requirements as at December 31, 2019 and 2018.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce payables. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the year.

27) SUBSEQUENT EVENTS

Dividends

Abitibi Royalties' board of directors approved a 25% dividend increase from \$0.12 to \$0.15 per common share on an annualized basis. The payment of dividends will also be changed from quarterly to monthly. The increased dividend amount and the payment of dividends from quarterly to monthly will begin in April 2020.

Derivative financial instruments

In January 2020, Abitibi Royalties was called to deliver 350,800 common shares of Agnico Eagle at share price per share ranging from US\$43.00 to US\$55.00 and received, net of commissions, US\$17,449,931 from the covered call options it had sold. Abitibi Royalties was also called to deliver 751,600 common shares of Yamana at share price per share ranging from US\$2.50 to US\$3.50 and received, net of commissions, US\$2,401,682 from the covered call options it had sold.

In March 2020, the Company was assigned 361,400 common shares of Agnico Eagle at share price per share of US\$45.00 and paid, including commissions, US\$16,320,416 from put options it had sold. The Company also has written additional put option contracts to acquire shares of Agnico Eagle that include 25,000 shares at US\$45.00 per common share (contracts expire April 17, 2020) and 31,000 common shares at US\$40.00 per common share (contracts expire May 15, 2020).

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27) SUBSEQUENT EVENTS (continued)

Grant of incentive stock option

On March 3, 2020, the Company granted to its officers and directors incentive stock options entitling the purchase of an aggregate 764,750 common shares (225,000 to directors and 539,750 to officers (note 23)), at an exercise price of \$0.50 per share. The options are exercisable for a period of 5 years until March 3, 2025, subject to earlier termination in accordance with the terms of the Company's stock option plan. The options vest immediately on date of grant.

Update on COVID-19

Pursuant to the order, as announced by the Government of Québec on March 23, 2020, to close all non-essential businesses to address the COVID-19 pandemic, mining operations have been directed to minimize their activities until April 13, 2020. Similarly, the Government of Ontario has ordered mandatory closure of all non-essential workplaces, starting March 25, 2020, which closure will be in effect for 14 days with the possibility of extending this order. Following these orders from the Governments of Québec and Ontario in response to the COVID-19 pandemic, the Company has suspended, until further notice, its exploration activities and field operations in both provinces for the health and safety of the Company's workforce and its exploration partners. Corporate activity will be limited to the Company continuing work on other commitments under existing third-party agreements and seeking partners to fund projects by way of option and joint venture agreements. On April 5, 2020, the Government of Québec announced to extend the closure of all non-essential businesses to address the COVID-19 pandemic from April 13, 2020 to May 4, 2020. The Company is monitoring the situation and will provide further details as circumstances require.

At the Canadian Malartic Mine, where Abitibi Royalties owns various NSR and NPI, Agnico Eagle and Yamana reported on April 15, 2020 that the Canadian Malartic Mine has resumed operations following the Government of Québec's decision to authorize the resumption of mining activities. Canadian Malartic entered care and maintenance on March 24, 2020, in response to government restrictions related to COVID-19 that required mining companies to minimize operational activities. The resumption of mining activity will occur over a period of several weeks with full attention to the health and safety of returning employees, contractors, and suppliers. Exploration is expected to remain suspended until May 4, 2020.

28) COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with current year's presentation.