



GOLDEN VALLEY MINES LTD.

Management's Discussion and Analysis For the year ended December 31, 2019

Dated: April 24, 2020

INTRODUCTION

The following is Management's Discussion and Analysis of the consolidated financial condition and consolidated results of operations of Golden Valley Mines Ltd. (the "**Company**" or "**Golden Valley**") for the year ended December 31, 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. This discussion and analysis should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019, and the related notes thereto. All figures are in Canadian dollars unless otherwise specified.

The technical content in this Management's Discussion & Analysis has been prepared under the supervision of Glenn J. Mullan P. Geo., the President and Chief Executive Officer of Golden Valley, and Michael P. Rosatelli P. Geo., the Vice-President Exploration of Golden Valley, who are the Qualified Persons as such term is defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*. All technical disclosure regarding the Company's joint venture properties has been derived solely from the public disclosure of the Company's various joint venture partners, without independent verification.

This MD&A has been reviewed by the audit committee and approved by the Company's Board of Directors on April 24, 2020.

FORWARD-LOOKING STATEMENTS

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

update or publicly release any revisions to such forward-looking statements to reflect events, circumstances, or changes in expectations after the date hereof. Accordingly, readers should not place undue reliance on such forward-looking statements.

COMPANY OVERVIEW

Golden Valley is a mineral exploration company whose assets include 14 exploration properties located in the following areas: (i) the Abitibi Greenstone Belt (Ontario and Québec); (ii) the James Bay region of mid-north Québec; and (iii) the Nunavik (Ungava) region of northern Québec. Refer below to “Abitibi Greenstone Belt (“AGB”) Grassroots Exploration Project”, “Option and Joint Venture Properties” and “Property Interests Assigned to the Reporting Subsidiaries” for further details.

Golden Valley is the parent company of the following subsidiaries: Abitibi Royalties Inc. (“Abitibi Royalties”) and Calone Mining Ltd (“Calone Mining”). The subsidiaries have all been incorporated under the *Business Corporations Act* (British Columbia). As at December 31, 2019, Golden Valley owns 5,605,246 common shares of Abitibi Royalties, representing an interest of approximately 44.76% and owns 100% ownership interest in Calone Mining.

As Golden Valley holds the single largest equity interest in Abitibi Royalties and additional equity interest is being held by Golden Valley’s management and board of directors, Golden Valley is considered to control Abitibi Royalties. Accordingly, the financial and operating results of Abitibi Royalties are consolidated 100% within Golden Valley and a non-controlling interest is recognized on the net assets and net income of Abitibi Royalties. Refer to the MD&A section “*Supplementary Information on Operating Results*” and “*Financial Condition Review*” which provides detailed financial and operational information with respect to the separate legal entities.

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

Golden Valley’s shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol “GZZ”.

The Company’s other significant assets are the shares that it holds in other mining or exploration companies, the fair market value of which has a continuing impact on the Company’s financial condition:

a) *Abitibi Royalties Inc. (“Abitibi Royalties”)*

As at December 31, 2019, Golden Valley holds a 44.76% (December 31, 2018 – 44.83%) equity interest in Abitibi Royalties, a company listed on the Exchange under symbol “RZZ”, that has the objective to build a premium quality royalty company by acquiring first class royalties and by exploring, evaluating and promoting its mineral properties and other projects. Abitibi Royalties owns various 1.5% to 3% Net Smelter Returns (“NSR”) and 15% Net Profit Interests (“NPI”) in

areas located at or near the Canadian Malartic Mine, a partnership jointly operated by Agnico Eagle Mines Limited (“Agnico Eagle”) and Yamana Gold Inc. (“Yamana”).

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 Abitibi Royalties’ outstanding common shares. For the year ended December 31, 2019, Golden Valley received dividends of \$336,315 from its equity interest in Abitibi Royalties – see “*Subsequent Event*” section. Refer below to “Property Interests Assigned to Reporting Subsidiaries” for further details.

b) Val-d’Or Mining Corporation (“Val-d’Or Mining”)

As at December 31, 2019, Golden Valley held a 37.15% (December 31, 2018 – 24.82%) equity interest in Val-d’Or Mining, a company listed on the Exchange under symbol “VZZ”, that is involved in the process of exploring, evaluating and promoting its mineral properties and whose 100%-owned assets include 14 exploration properties located in the Abitibi Greenstone Belt (Québec), the Nunavik Region (Ungava Belt) in northern Québec, and in north-central (James Bay) Québec. In 2019, it also exercised its option with Golden Valley to acquire a 100% interest in the Abitibi Greenstone Belt Prospect consisting of 61 grassroots properties.

Refer below to “Investment in Associates” for further details.

c) International Prospect Ventures Ltd. (“International Prospect”),

As at December 31, 2019, Golden Valley held a 16.50% (December 31, 2018 -17.53%) equity interest in International Prospect, a company listed on the Exchange under symbol “IZZ”, that is also in the in the process of exploring, evaluating and promoting its mineral properties and whose assets include a 100% interest in the Porcupine Miracle Prospect (Ontario), and a 40% interest in the Beartooth Island Prospect (Saskatchewan).

On September 19, 2018, International Prospect was granted one exploration licence and on January 9, 2019, International Prospect was granted a further seven exploration licences in the Pilbara region in Western Australia. The eight licenses cover more than 1,026 square kilometres and are proximal to and/or cover target lithologies for gold-bearing conglomerate/sedimentary rocks at the base of the Mt. Roe Basalt (2 tenements), gold-bearing Mosquito Creek and Hardey formations (4 tenements), and other prospective rocks of the Fortescue Group (2 tenements). Refer below to “Investment in Associates” for further details.

The information detailed in this report and pertaining to Abitibi Royalties, Val-d’Or Mining and International Prospect has been extracted from publicly available documents prepared by each of these companies and electronically filed with regulators, which are publicly available on SEDAR website (www.sedar.com) under their respective issuer profile.

CORPORATE STRATEGY

Golden Valley is focused on project generation and evaluates opportunities to enhance its mining exploration property portfolio. The Company typically seeks partners to fund projects by way of option and joint venture agreements. Most of the agreements allow the partner to earn into a property by incurring exploration expenditures typically over periods of three to five years. In some instances, Golden Valley acts as the operator and continues exploration on these same properties funded in advance by or recovered from the partner. Furthermore, in addition to third party disbursements for exploration funding, the Company's option agreements typically provide for receipt by Golden Valley of either cash, shares, or both from its partners as well as the retention of a free-carried interest and a net smelter royalty.

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 and. 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 a decision 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 had 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.

PROPERTIES AND INTEREST

The Company's exploration activities for 2019 focused primarily on managing and/or monitoring joint venture and/or option project exploration programs, and project generation activities directed to identifying and evaluating new opportunities and business development purposes.

Abitibi Greenstone Belt ("AGB") Grassroots Exploration Project

The sixteen (16) AGB properties are comprised of gold (14), copper-zinc-silver (1), and nickel-copper-PGE (1) prospects located in Québec (8) and Ontario (8).

Golden Valley's exploration strategy consists of a systematic approach designed to reduce grassroots exploration risk, and increase the possibility of exploration success, through the sequential exploration of a large number of grassroots properties. Preliminary fieldwork conducted over the Company's properties typically includes grid establishment, geophysical and/or geochemical surveys, prospecting, reconnaissance and grid mapping and sampling, with the objective of upgrading and advancing each property to the group of "drill-ready" prospects.

OPTION AND JOINT VENTURE PROPERTIES

Abitibi Greenstone Belt ("AGB") Programs

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

On April 18, 2017, the Company signed a Mining Option Agreement (the "Option Agreement") pursuant to which Golden Valley granted to Val-d'Or Mining an option to acquire a 100% interest in 61 of its grassroots properties.

Val-d'Or Mining 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 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. Consequently, 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. Therefore, as of December 31, 2019, Val-d'Or Mining's assets now included 100% ownership interests in the 61 properties originally optioned from Golden Valley.

Sale of Horne North Prospects by Val-d'Or Mining

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.

b) Mining Option Agreement with BonTerra Resources Inc. – Lac Barry, 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. The Lac Barry Prospect is comprised of 35 mining cells covering an area of 1431.65 hectares.

In accordance with the option agreement, BonTerra issued to Golden Valley 519,480 common shares in the capital of BonTerra having an aggregate value of \$200,000, and BonTerra must incur expenditures in an aggregate amount of \$2,000,000 over a three (3) year period. Upon BonTerra exercising the option, it will obtain an 85% interest in the property and, Golden Valley 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 million payable by BonTerra to Golden Valley.

BonTerra has met the option agreement expenditure requirements of \$2,000,000 before the third anniversary date of the option agreement. Having fulfilled its obligations under the option agreement, on June 4, 2019, BonTerra confirmed its intent to acquire its 85% interest in the property. Consequently, Golden Valley now retains a 15% free carried interest in the Lac Barry Prospect and a 3% NSR, with 1% of the NSR being subject to a buyback as discussed above.

The Company is to enter into a joint venture agreement with BonTerra and therefore the Company is to retain 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 value 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.

For additional details with respect to the exploration and fieldwork programs completed to date on the Lac Barry Prospect, as well as for the details on the expenditures made to date by BonTerra on the project, please refer to BonTerra's continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing BonTerra's issuer profile.

c) Mining Option Agreement with Alexandria Minerals Corporation - Centremaque Property, 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. The Centremaque Prospect is now comprised of 6 mining cells covering an area of 90.85 hectares following the claim to cell conversion process.

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 \$1.0 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. The work commitment was met by July 31, 2019 as drilling resumed on the Centremaque Prospect in the third quarter of 2019 with the objective of extending the current mineralization.

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.

For additional details with respect to the exploration and fieldwork programs completed to date on the Centremaque Prospect, as well as for the details on the expenditures made to date on the project by O3 Mining Inc (“O3 Mining”), which acquired Alexandria on August 1, 2019, please refer to O3 Mining’s continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing O3 Mining’s issuer profile.

d) Mining Option Agreement with Battery Mineral Resources - Island 27 Property, Ontario

The Island 27 Prospect is located at the northern margin of the Cobalt Embayment and is underlain by early Proterozoic rocks which rest unconformable on Archean intrusive and metavolcanics rocks of the Superior Province. In addition, Golden Valley and Battery Minerals Resources Limited (“Battery Minerals”) ground staked 12 new claims in 2017 and 73 mining cells in 2018. The Island 27 Prospect is now comprised of 229 mining cells covering an area of 4,635 hectares. A 12-hole, 2,119.5 metre diamond drilling program was completed on the property.

The primary objective of the drill program was to test the geometry and grade distribution of the mineralization discovered by Golden Valley Mines in 2008 (DDH GIS-08-04) grading 4.18% Co, 0.38% Ni and 12.1 g/t Ag over 4.0 from 110.0-114.0 m.

Selective assay intervals for GIS-08-04 are shown below:

Sample	From	To	Width (m)*	Co	Ni	Ag
311708	110.00	111.00	1.0	1.785%	0.131%	3.0 g/t
311709	111.00	111.90	0.9	4.360%	0.364%	7.0 g/t
311710	111.90	112.30	0.4	1.305%	0.107%	4.0 g/t
311711	112.30	114.00	1.7	6.330%	0.607%	22.0 g/t

**True widths have not yet been established*

In addition, a number of untested induced polarization anomalies are to be tested for possible extensions of the mineralized corridor and/or additional zones of Co-Ag-Ni mineralization.

Although no economic grade Co-Ag-Ni was intersected, a number of anomalous multi-element mineralized zones were intersected and are associated with similar fracturing and alteration observed in the original discovery drillhole intersection. Following completion of the diamond drill hole database, 3D modeling and a proposed follow-up drill program, a structural geological review was undertaken on the historical and 2018 drill core (SRK Senior Consultant - Structural Geology). The objective of SRK's work was to constrain the structural framework of cobalt mineralization and support exploration targeting. It is now understood that cobalt mineralization is hosted within breccia veins locally developed as dilational jogs along regional faults or shear zones. These breccia veins and dilational jogs will be targeted by a potential future drill program.

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.

The Company intends to pursue a business development process to identify a new partner, or subject to market conditions, continue as operator on the Island 27 property.

e) Eldorado Gold Corporation (“Eldorado”) – Abitibi Greenstone Belt Joint Venture – Bogside Gold Prospect – Cadillac, Québec

The Company earned a 70% interest in the group of nine (9) properties (8 gold and 1 copper-zinc-silver) located in the AGB (Québec and Ontario) and a joint venture (“JV”) was formed with Integra Gold Corporation (“Integra”). Golden Valley is the operator for the joint venture. The Bogside, Perestroika, Recession Larder, Murdoch Creek, Munro, Denovo, Cook Lake, Claw lake and Matachewan prospects are held under a 70:30 JV agreement between Golden Valley and Eldorado, with the latter having acquired their interest through the acquisition of Integra.

A ground prospecting and sampling program on the Cook Lake Prospect (NE Ontario – Kirkland Lake Gold Camp) targeting the historical Scott-Kirkland Gold Mines Shaft #1 where historical sampling yield results of 2.63 oz/t Au over 3 feet (Reid, A., 1929) was completed. No other work was completed on the joint venture properties.

James Bay Properties

Sirios Resources Ltd. – Cheechoo Prospect

Pursuant to an agreement dated October 23, 2013, Golden Valley granted Sirios Resources Inc. (“Sirios”) an option to acquire Golden Valley's remaining 55% interest in the Cheechoo prospect. The option was conditional on certain obligations being fulfilled by Sirios. On May 11, 2016, Sirios provided notice to Golden Valley that it had completed all of 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 (145 mining cells covering an area of 7579.08 hectares), subject to the royalty described below.

As additional consideration, 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.

During the current quarter, Sirios reported on their initial metallurgical testing and announced it has retained engineering firm BBA to complete a maiden mineral resource estimate.

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

PROPERTY INTERESTS ASSIGNED TO THE REPORTING SUBSIDIARIES

ABITIBI ROYALTIES INC.

Abitibi Royalties' objective is to build a premium quality royalty company by acquiring first class royalties and by exploring, evaluating and promoting its mineral properties and other projects.

As of the date of this Management's Discussion and Analysis ("MD&A"), Abitibi Royalties holds interests amongst others, in the following assets:

The Canadian Malartic Mine, where Abitibi Royalties owns various Net Smelter Returns ("NSR") and Net Profit Interests ("NPI"), is jointly operated by Agnico Eagle Mines Limited ("Agnico Eagle") and Yamana Gold Inc. ("Yamana") (the "Partnership"). Abitibi Royalties' NSRs and NPIs cover portions of the Odyssey (3% NSR), East Malartic (3% NSR), Sladen (3% NSR), Sheehan (3% NSR), Jeffrey (3% NSR), Barnat Extension (3% NSR), Gouldie (2% NSR) and all of the Charlie Zone (2% NSR). In 2018, Abitibi Royalties acquired a 1.5% NSR on the Midway Project and a 15% NPI on the Radium Property, all operated and located at the Canadian Malartic Mine. Two zones covered by Abitibi Royalties royalty (Jeffrey and Barnat) at the Canadian Malartic Mine are currently in production.

In addition, in 2018, Abitibi Royalties acquired the following early stage exploration royalties near producing mines throughout the Abitibi region in Québec: 2% NSR on the Revillard property, 1.0% NSR on the New Alger Project, and various 1.5% NSR on projects owned by Agnico Eagle. Abitibi Royalties also owns additional royalties in Canada and Turkey.

At the time of the sale of the Malartic CHL Prospect (the "Prospect") in 2015 to Canadian Malartic GP whereby Abitibi Royalties received as consideration a 3% NSR on the Prospect, no cost for

accounting purposes was assigned to the 3% NSR as the Prospect was still at its early stage of exploration and future cash flows could not be reliably estimated.

Similarly, at the time of the purchase of Abitibi Royalties' other royalty interests, the properties associated with the royalty interest were either: (a) in the early stages, (b) considered to be speculative, (c) expected to require more than two years to generate revenues, if ever, and/or (d) were currently not active. As such, acquisition costs of the royalty interest were recorded in the consolidated profit or loss and thus royalty interests of Abitibi Royalties do not appear on the Company's consolidated Statement of Financial Position.

Main royalty interests

Malartic CHL 3% NSR Royalty - Malartic, Québec

The area covered by the 3% NSR is located immediately east of the current Canadian Malartic Mine open pit. The 3% NSR covers a number of known mineralized zones; the eastern part of the Barnat Extension, the Jeffrey Zone and portions of the East Malartic Odyssey, Sladen and Sheehan.

As announced on January 16, 2019, production commenced at the end of fourth quarter of 2018 in the area covered by the royalty, and in particular, the eastern part of the Barnat Extension and the Jeffrey Zone. For the year ended December 31, 2019, the Company earned royalties of \$3,037,260 (or US\$2,315,090) (for the year ended December 31, 2018 - \$14,105 (or US\$10,339)) from this royalty interest, respectively.

Canadian Malartic 2% NSR 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 the 2% net smelter royalty area started in 2014 and total royalty payments of \$348,795 were received. Canadian Malartic Mine reported that mining at the Gouldie deposit stopped at the end of June 2015.

Other royalty interests

Abitibi Royalties' other royalty interests are as follows.

Revillard Property 2% NSR – Malartic, Québec

The area covered by the 2.0% NSR is located approximately 10 kilometres northwest of the Canadian Malartic Mine and forms part of a larger set of claims known as the Malartic Project.

Radium 15% NPI – Malartic, Québec

The area covered by the 15% NPI is located immediately west of the Canadian Malartic Mine open pit. The 15% NPI covers the historic Radium Zone.

Midway Project 1.5% NSR

The area covered by the 1.5% NSR is located east and south of the Canadian Malartic Mine open pit. The 1.5% NSR covers a number of known mineralized zones; Piche-Harvey, Briar and Chabela. 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

The areas covered by the various 1.5% NSRs are on projects owned by Agnico Eagle throughout the Abitibi region in Québec. These projects include 1) Callahan (6.5 km northeast and northwest of the Canadian Malartic Mine and Agnico Eagle's Goldex Mine and 1.5 km north of the Wesdome Gold Mines' Kiena Deep discovery), 2) Cadillac (part of the LaRonde Mine), 3) Thompson River (part of the Goldex Mine) and 4) Malartic Break (6 km northwest of the Canadian Malartic Mine). A total of 1.0% of the NSR royalties can be repurchased by Agnico Eagle by paying US\$1.0 million to Abitibi Royalties.

1.0% NSR on the New Alger Project

The area covered by the 1.0% NSR is located in the Abitibi region of northwest Québec. The New Alger project contains the historic Thompson-Cadillac Mine and adjoins Agnico Eagle's LaRonde mine.

Abitibi Royalty Search

In 2015, Abitibi Royalties launched the "Abitibi Royalty Search", by which it would reimburse renewal fees on existing claims or staking fees on new claims and will receive in exchange 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 close to an existing mine, having good geology and showing signs of mineralization through previous exploration.

Since launching the program, Abitibi Royalties invested a total of \$194,376 in 13 projects located in Canada, in the provinces of Ontario, Québec and Saskatchewan, and in the Republic of Turkey. These amounts were expensed in the corresponding years because Abitibi Royalties does not expect to receive royalty income in the foreseeable future.

INVESTMENTS IN ASSOCIATES

International Prospect Ventures

International Prospect is involved in the process of exploring, evaluating and promoting its mineral property interest in Australia and in Canada.

In Australia, International Prospect owns 100% interest in eight tenements in the Marble Bar and Nullagine areas of the Pilbara Region, Western Australia (Fortescue Basin), covering a total area of approximately 1,026.10 square kilometres. In Canada, it owns a 100% interest in the Porcupine Miracle Prospect located in Langmuir Township in Ontario; a 40% interest in the Beartooth Island Prospect located in the Athabasca Basin in Saskatchewan, which is the subject of an agreement with Ditem Explorations Inc. ("Ditem") and of which Ditem is the operator; and a 100% interest in the Otish and Mistassini Prospects located in the North central region of Québec.

Projects in the Pilbara Craton, Western Australia

In 2017, the Company entered into an agreement with Valroc PTY Ltd. ("Valroc"), a New South Wales company, located in Australia, pursuant to which the Company and Valroc will jointly acquire certain mining claims located in Western Australia, each with an undivided 50% interest. Valroc will be responsible for arranging to have the claims acquired, registered and held in good standing. The Company will pay all of the costs of acquiring the claims, and other related costs including the costs of initial technical compilations and program reviews up to a maximum of \$120,000 to allow the Company and Valroc to consider establishing a conventional joint venture arrangement on or around December 31, 2017.

Also, in 2017, the Company and Valroc made an application for eight tenements in the Marble Bar and Nullagine areas of the Pilbara Region, Western Australia (Fortescue Basin), covering a total area of approximately 1,026.10 square kilometres. The strategic locations of the claims were determined on the basis of a review of known geology and historical exploration results, and a focus on coarse-grained conglomerate host rocks at, or in proximity to, a prominent and well-documented geological unconformity.

With the granting of the final licences on January 9, 2019 and the acquisition of Valroc on January 31, 2019 pursuant to the binding share exchange agreement entered by the Company and Valroc in December 12, 2017, the Company now holds 100% interest in the eight properties.

Between March and August 2019, the Company received 11 Prospecting Permit notices (Section 40E Permits) and executed seven Prospecting Agreements with local prospectors interested in exploring the properties. The prospectors use metal detecting methods to search for gold nuggets at or near the surface. Several mandatory prospecting reports are pending, but official reports submitted to date to the Department of Mines and Petroleum offer some interesting and encouraging results. Initial results include 108 gold nuggets (total weight 22.1 grams) and 2 gold nuggets (0.8 and 1.2 g) from Licence E46/1197 and 22 grams of gold nuggets (ranging from 0.1 to 5.2 grams) from five areas on Licence E46/1198. In addition, a single +7 ounce gold nugget was reported from Licence E46/1198.

Site visits were completed in early November 2019 and included visiting some of the sites from which the nuggets were reportedly collected and other reconnaissance field activity. International Prospect is in the process of planning its first exploration program on the properties which will focus on prospecting, geological mapping and surface sampling.

For additional details with respect to the exploration and field work completed to date at International Prospect, please refer to International Prospect's continuous disclosure documents available at the SEDAR website (www.sedar.com) by accessing International Prospect's issuer profile).

The Porcupine Miracle Prospect

International Prospect owns a 100% interest in the Porcupine Miracle Prospect, located in Langmuir Township, northern-eastern Ontario Timmins-Porcupine district. Subsequent to the mining claim to cell claim conversion process completed by the Ontario government in 2018, the property now consists of 9 claim cells (1 single cell and 8 boundary cell claims), covering an area of 64 hectares. The property is subject to a royalty in favour of 2973090 Canada Inc., a company controlled by the president, equal to 3% of net smelter returns. In addition, advance royalty payments of \$10,000 per annum is payable by International Prospect; the advance royalty payments will be deducted from the amounts payable under the royalty.

International Prospect has completed a Phase I property-scale ground magnetic, induced polarization (IP) and Horizontal Loop Electromagnetic (HLEM) geophysical surveying. A follow-up Phase II program of prospecting, mapping, bedrock stripping, sampling and diamond drill is recommended. A NI-43-101 Technical report on the property was completed in 2018.

The property is available for option and International Prospect is actively seeking joint venture partners.

Val-d'Or Mining Corporation

In addition to the 61 properties recently acquired from Golden Valley, Val-d'Or Mining also owns the following assets and subject to market condition, is in the process of exploring, evaluating and promoting its mineral property interest and holds interests:

- a) The Boston Bulldog Prospect is comprised of 14 claim cells (14 single cell covering an area of 302 ha), located in Kirkland Lake, Ontario. Val-d'Or Mining was granted an option to acquire a 100% interest in the property. An exploration program for the property is currently at the planning stage.
- b) The Shoot-Out Prospect is the combination of three former properties (East Shoot-Out, West Shoot-Out and Donnybrook prospects), located southwest of Glencore's Raglan Mine, in northern Québec. Val-d'Or Mining has a 100% ownership interest in 182 contiguous mining cells covering 7,405 hectares, and is subject to a 3% NSR. Presently no immediate exploration fieldwork is planned on the property; and,

- c) The Fortin Prospect is located in the central part of Ducros Township, located approximately 80 kilometres northeast of the City of Val-d'Or, Québec. The property consists of 5 contiguous mining claims 200 hectares, which Val-d'Or Mining holds a 100% interest in this property that is subject to a 1.5% NSR. Presently no immediate exploration fieldwork is planned on the property.

For additional details with respect to the exploration and field work completed to date at Val-d'Or Mining, please refer to Val-d'Or Mining's continuous disclosure documents available at the SEDAR website (www.sedar.com) by accessing Val-d'Or Mining's issuer profile).

SELECTED INFORMATION

The following table presents a summary of the most significant financial data of the Company for the years ended December 31, 2019, 2018 and 2017 and as at December 31, 2019, 2018 and 2017:

	For the year ended December 31,		
	2019	2018	2017
Consolidated revenues	\$ 3,543,930	\$ 363,633	\$ 307,384
Operating expenses	3,461,293	6,696,339	5,982,012
Net income (loss)	9,499,833	(7,456,692)	(3,013,527)
Earnings (loss) per share			
Basic	\$ 0.024	\$ (0.038)	\$ (0.021)
Diluted	0.022	(0.038)	(0.021)
Net income (loss) and total comprehensive income (loss) attributable to:			
Shareholders of Golden Valley Mines	\$ 3,282,652	\$ (5,021,676)	\$ (2,604,943)
Non-controlling interests	6,217,181	(2,435,016)	(408,584)
	\$ 9,499,833	\$ (7,456,692)	\$ (3,013,527)
	As at December 31,		
	2019	2018	2017
Cash and cash equivalents	\$ 3,003,083	\$ 2,241,850	\$ 5,073,071
Restricted cash	-	-	545,052
Accounts receivable	268,195	-	137,521
Short-term financial assets	534,774	609,374	1,819,888
Royalty receivable	999,252	14,105	-
Due from related parties	-	-	208,672
Other current assets	100,393	88,012	99,193
Exploration and Evaluation assets	1,497,170	2,231,238	2,568,816
Investment in associates	1,343,033	1,558,410	1,136,651
Investments	50,636,738	34,323,826	36,095,519
Total assets	\$ 58,382,638	\$ 41,066,815	\$ 47,684,383
Accounts payable and accrued liabilities	\$ 681,995	\$ 576,087	\$ 592,787
Derivative financial instruments	8,979,047	2,595,878	1,428,140
Deferred tax liabilities	3,245,785	1,432,465	3,482,519
Total liabilities	12,906,827	4,604,430	5,503,446
Total equity	\$ 45,475,811	\$ 36,462,385	\$ 42,180,937

DISCUSSION ON CONSOLIDATED FINANCIAL RESULTS

Revenues

For fiscal 2019, the Company recorded consolidated revenues of \$3,543,830 (2018 - \$363,633) substantially consisting of royalties of \$3,037,260 (2018- \$14,910), dividends of \$437,418 (2018 - \$314,202) and option revenues of \$67,505 (2018 - \$25,000) earned from the Company's mining option agreement with Alexandria.

Consolidated revenues for fiscal 2019 were significantly higher compared to the same period in 2018, as Abitibi Royalties earned royalties of \$3,037,260 (or US\$2,315,090) for fiscal year 2019 compared to \$14,105 (or US\$10,339) from its Malartic CHL 3% NSR royalty interest at the Canadian Malartic Mine near Val-d'Or, Québec. As previously discussed, production commenced at the end of 2018; hence, no royalties were earned from this royalty for fiscal 2018.

Dividends of \$437,418 earned from Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana were higher from the increase in the dividend rate from Yamana and favourable foreign exchange as the dividends are denominated in US dollars.

Premiums received by Abitibi Royalties from option sales are not treated as revenues but are initially recognized as liabilities in "*Derivative financial instruments*" of the Statement of Financial Position until such time the options are either exercised by the holder, expired unexercised on maturity or repurchased before maturity by Abitibi Royalties, at which time the premiums are recorded in the profit or loss under Other Income's "*Change in fair value of investments*" – refer below for further details.

Operating Expenses

For fiscal 2019, the Company's consolidated operating expenses of \$3,461,293 has decreased substantially compared to \$6,696,339 for the same periods in 2018. Operating expenses for 2018 includes royalty expense of \$2,165,250 relating to the NSRs and NPI interests acquired by Abitibi Royalties in July 2018 as described above in "Other Royalty Interests".

Other significant variances in operating expenses were as follows:

a) *Salaries and other employee benefits*

For fiscal 2019, salaries and other employee benefits amounted to \$1,660,461 compared to \$1,873,051 for the same period in 2018. The higher salaries and other employee benefits expense in 2018 reflected payroll levies of \$471,820 on the taxable benefits of directors and officers associated with the exercise of stock options and conversion of the RSUs into common shares on the transaction of Abitibi Royalties with Caisse de dépôt et placement du Québec ("CDPQ") on June 29, 2018.

b) Share-based compensation

For fiscal 2019, share-based compensation expense of \$405,468 has also decreased compared to \$1,031,791 for the same period for 2018. The lower share-based compensation relates to the Company's September 2016 incentive stock option grant, which vest over a three-year period, resulting in share-based payment of \$151,716 compared to \$623,720 for the same period in 2018. In addition, the share-based compensation for 2018 includes \$260,903 for restricted share units granted to Abitibi Royalties' officers, directors and consultants. For 2019, there are no share-based compensation relating to the restricted share units as the restricted share unit plan was terminated by Abitibi Royalties in June 2018 on completion of the transaction with CDPQ referred to above.

c) General and administrative expenses

For fiscal 2019, General and Administrative expenses, consisting of office expenses, advertising, exhibitions and travelling, decreased to \$268,490 compared to \$388,338 for the same period in 2018. The decrease in 2019 was due to lower advertising and exhibitions as the Company became selective on new business opportunities and ways to enhance shareholder value via participation in trade shows, corporate venues, and participation on occasional trade missions while assisting its subsidiaries and associates in enhancing their own corporate development in Canada and internationally.

d) Impairment of exploration and evaluation assets

In the first quarter of 2019, the Company recognized an impairment of \$170,698 on its Island 27 property to write down the property to its estimated recoverable value whereby, as discussed above, 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.

In the fourth quarter of 2019, the impairment charge of \$170,698 as it relates to the Island 27 property was reallocated to the other properties of the Company as part of its comprehensive review of the recoverability of all of its properties at each reporting period. Furthermore, the carrying value of the Island 27 property, after the reallocation of the impairment charge, was reduced by the proceeds from the settlement received from Battery Minerals.

Other Income (loss)

For fiscal 2019, the Company recognized consolidated other income of \$11,230,516 compared to consolidated other loss of \$3,174,040 for the same period in 2018. Significant variances to other income (loss) were as follows:

a) Change in fair value of investments

Change in the fair value of investments primarily accounts for the changes in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, changes to the fair value in Abitibi Royalties' outstanding derivative financial instruments and changes in the

market value of the Company's investments in shares of publicly traded mining exploration companies. As the investments held by Abitibi Royalties and its derivative financial instrument relating to covered call options on the Agnico Eagle and Yamana shares, plus the short-term investments held by the Company, are mark-to-market at each reporting period, the fair market value of which has a continuing impact on the Company's consolidated financial condition and results for the periods presented.

For fiscal 2019, the Company recorded a favourable change in the fair value of investments amounting to \$11,824,353 compared to unfavourable change of \$3,158,213 for 2018. The favourable change in fair value of investments of \$11,824,353 for 2019 primarily relates to the unrealized gain of \$16,924,006 (compared to unrealized loss of \$3,359,703 in 2018) in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, net of the unfavourable change of \$5,496,262 (compared to favourable change in value of \$558,619 in 2018) in the fair value of the Company's liability on its outstanding derivative financial instruments.

b) Share of loss on associates

As at December 31, 2019, the investments in associates relate to the Company's investments in International Prospect (equity interest of 16.50% (December 31, 2018 -17.53%)) and Val-d'Or Mining (equity interest of 37.15 % (December 31, 2018 – 24.82%)).

The Company accounted for its investments in International Prospect and Val-d'Or Mining using the equity method 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.

For fiscal year 2019, the Company's share of loss on associates amounted to \$465,377 compared to \$183,907 for the same periods in 2018. The loss on associates for 2019 is substantially from Val-d'Or Mining, which totaled \$416,284, and is a result from higher impairment charges its exploration and evaluation assets. The Company has no contingent liabilities relating to its interest in the associates.

c) Foreign exchange gain (loss)

For fiscal year 2019, foreign exchange losses amounted to \$76,625 compared to foreign exchange gains of \$196,834 for fiscal year 2018.

Abitibi Royalties is subject to fluctuation in the exchange rate with the US dollar as its royalty revenues, dividends and derivative financial instruments are in US dollars. As at December 31, 2019, consolidated cash on hand included US\$1,737,268 (December 31, 2018 - US\$553,504), representing \$2,278,927 (December 31, 2018 - \$755,090) of the total cash on hand of \$3,003,083 (December 31, 2018 - \$2,241,850). As at December 31, 2019, a fluctuation of 1% in the U.S dollar

value relative to the Canadian dollar has an impact of \$22,564 (December 31, 2018 - \$7,551) on the Company's cash on hand.

Deferred tax expense

For fiscal year 2019, the Company recognized consolidated deferred tax expense of \$1,813,320 compared to deferred tax recovery of \$2,050,054 for fiscal year 2018.

The deferred tax expense for 2019 mainly relates to the increase in the market value in Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana. Deferred income tax is impacted by the change in the fair value of those common shares, whereby an increase in the market value of these investments has a corresponding increase in the deferred tax liability. The deferred tax expense associated with the increase in these investments amounted to \$2,149,585 for the year ended December 31, 2019.

In addition, deferred tax expense has increased by \$518,040 from the use of non-capital losses for the same period in 2019. The above increases in the deferred tax expense have been offset by the deferred tax recovery associated with the increase in the fair value of the derivative financial instrument liability, which amounted to \$845,770 for the year ended December 31, 2019.

SUPPLEMENTARY INFORMATION ON OPERATING RESULTS

	For the year ended December 31, 2019			
	Golden Valley Mines	Abitibi Royalties	Calone Mining	Total
Revenues				
Royalties	\$ -	\$ 3,037,260	\$ -	\$ 3,037,260
Dividends	-	437,418	-	437,418
Option revenue	67,505	-	-	67,505
Geological and other fees	1,747	-	-	1,747
	69,252	3,474,678	-	3,543,930
Operating Expenses				
Salaries and other employee benefits	400,086	1,260,375	-	1,660,461
Share-based compensation	405,468	-	-	405,468
Professional and legal fees	225,162	549,280	1,474	775,916
General and administrative expenses	112,691	155,711	88	268,490
Impairment of exploration and evaluation assets	170,698	-	-	170,698
Management fees	110,800	-	-	110,800
Exploration and evaluation	65,357	-	-	65,357
Royalty purchase	-	550	-	550
Depreciation of property and equipment	3,553	-	-	3,553
	1,493,815	1,965,916	1,562	3,461,293
Operating income (loss)	(1,424,563)	1,508,762	(1,562)	82,637
Other income (loss)				
Change in fair value of investments	128,692	11,695,661	-	11,824,353
Finance income	6,365	10,189	-	16,554
Foreign exchange loss	-	(76,625)	-	(76,625)
Finance cost	(3,046)	(65,074)	(269)	(68,389)
Share of loss of associates	(465,377)	-	-	(465,377)
	(333,366)	11,564,151	(269)	11,230,516
Net income (loss) before income taxes	(1,757,929)	13,072,913	(1,831)	11,313,153
Deferred tax expense	-	(1,813,320)	-	(1,813,320)
Net income (loss) and total comprehensive income (loss) for the year	\$ (1,757,929)	\$ 11,259,593	\$ (1,831)	\$ 9,499,833

SUPPLEMENTARY INFORMATION ON OPERATING RESULTS (continued)

	For the year ended December 31, 2018			Total
	Golden Valley Mines	Abitibi Royalties	Calone Mining	
Revenues				
Dividends	\$ -	\$ 314,202	\$ -	\$ 314,202
Royalties	-	14,910	-	14,910
Option revenue	25,000	-	-	25,000
Geological fees	9,521	-	-	9,521
	34,521	329,112	-	363,633
Operating Expenses				
Royalty purchase	-	2,165,250	-	2,165,250
Salaries and other employee benefits	284,588	1,588,463	-	1,873,051
Share-based compensation	770,888	260,903	-	1,031,791
Professional and legal fees	248,495	598,720	1,692	848,907
General and administrative expenses	165,304	222,947	87	388,338
Impairment of Exploration and evaluation assets	33,795	39,352	-	73,147
Management fees	214,013	-	-	214,013
Exploration and evaluation	96,725	-	-	96,725
Depreciation of property and equipment	5,117	-	-	5,117
	1,818,925	4,875,635	1,779	6,696,339
Operating loss	(1,784,404)	(4,546,523)	(1,779)	(6,332,706)
Other income (loss)				
Change in fair value of investments	(754,659)	(2,403,554)	-	(3,158,213)
Finance income	7,855	14,439	-	22,294
Gain on settlement of receivable	39,000	-	-	39,000
Foreign exchange gain (loss)	-	196,834	-	196,834
Finance cost	(2,195)	(87,740)	(113)	(90,048)
Share of loss of associates	(183,907)	-	-	(183,907)
	(893,906)	(2,280,021)	(113)	(3,174,040)
Net loss before income taxes	(2,678,310)	(6,826,544)	(1,892)	(9,506,746)
Deferred tax recovery	-	2,050,054	-	2,050,054
Net loss and total comprehensive loss for the year	\$ (2,678,310)	\$ (4,776,490)	\$ (1,892)	\$ (7,456,692)

FINANCIAL CONDITION REVIEW

	Golden Valley ⁽¹⁾	Abitibi Royalties	Calone Mining	As at December 31, 2019	As at December 31, 2018
<i>Current Assets</i>					
Cash and cash equivalents	\$ 543,890	\$ 2,457,178	\$ 2,015	\$ 3,003,083	\$ 2,241,850
Accounts receivable	268,195	-	-	268,195	-
Short-term financial assets	534,774	-	-	534,774	609,374
Royalty receivable	-	999,252	-	999,252	14,105
Other assets	29,877	69,321	168	99,366	83,432
<i>Non-current assets</i>					
Property and equipment	1,027	-	-	1,027	4,580
Investments in associates	1,343,033	-	-	1,343,033	1,558,410
Exploration and evaluation assets	1,497,170	-	-	1,497,170	2,231,238
Investments	-	50,636,738	-	50,636,738	34,323,826
Total Assets	4,217,966	54,162,489	2,183	58,382,638	41,066,815
<i>Current liabilities</i>					
Accounts payable and accrued liabilities	328,600	353,395	-	681,995	576,087
Derivative financial instruments	-	8,979,047	-	8,979,047	2,595,878
<i>Non-current liabilities</i>					
Deferred taxes	-	3,245,785	-	3,245,785	1,432,465
Total Liabilities	328,600	12,578,227	-	12,906,827	4,604,430

Note (1): Golden Valley's equity interest in Abitibi Royalties, a subsidiary of the Company, is eliminated for financial reporting purposes of the supplementary consolidated financial information.

Cash and cash equivalents

The Company ended fiscal year 2019 with consolidated cash and cash equivalents of \$3,003,083 compared to \$2,241,850 as at December 31, 2018. The Company holds cash balances in both Canadian and U.S. dollars.

Accounts receivable

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, representing the exploration and evaluation expenditures incurred in Island 27 for 2019, was filed against Battery Minerals in 2019, which claim was settled fully on January 30, 2020.

Short-term financial assets

As at December 31, 2019, the Company holds publicly traded securities comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option

agreements having a market value of \$427,861 (2018 - \$609,374) and holds common shares of a private company with a fair value of \$106,913 (2018 - \$nil).

For the year ended December 31, 2019, the Company disposed certain of these traded securities resulting in cash proceeds of \$385,204.

Royalty receivable

Royalty receivable of \$999,252 (or US\$769,366) as at December 31, 2019 represents the royalty contribution earned from Abitibi Royalties' Malartic CHL 3% NSR royalty for the three months ended December 31, 2019 and was received on January 15, 2020.

Other assets

Other assets of \$99,366 mainly comprise of sales taxes recoverable of \$21,570 (December 31, 2018 - \$34,028), dividends receivable of \$44,729 (December 31, 2018 - \$23,000) from Abitibi Royalties' investments in Yamana shares and prepaid expenses of \$22,299 (2018 - \$22,145). The dividends receivable and sales taxes recoverable has since been received by the Company subsequent to year end.

Investment in Associates

As discussed above, the investments in associates relate to the Company's investments in International Prospect and Val-d'Or Mining.

a) International Prospect

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

The Company's ownership interest in International Prospect has decreased from 17.53% as at December 31, 2018 to 16.50% as at December 31, 2019 mainly as a result of International Prospect issuing 1,600,000 of its common shares in January 2019 to acquire Valroc as described above.

b) Val-d'Or Mining

As at December 31, 2019, the Company has 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's ownership interest in Val-d'Or Mining has increased from 24.82% as at December 31, 2018 to 37.15% as at December 31, 2019 mainly as result of the share consideration of 8,333,334 common shares received from Val-d'Or Mining in accordance with the Option Agreement as described above.

Exploration and evaluation assets

Exploration and evaluation assets totaled \$1,497,170 as at December 31, 2019 compared to \$2,231,238 as at December 31, 2018. The decrease in Exploration and evaluation assets relates to various amounts applied against the carrying value of exploration and evaluation assets, which are mainly the assigned value of \$250,000 of the 4,166,667 common shares received under the Amended Mining Option Agreement with Val-d'Or Mining, part of the settlement proceeds of \$241,715 from Battery Minerals being applied to the carrying value of the Island 27 property and overall impairment charge of \$170,698 on all other properties.

As at December 31, 2019, the Company's Exploration and evaluation assets consist of projects and interest as follows:

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

Golden Valley's Abitibi Greenstone Belt Grassroots exploration projects comprise of gold, copper-zinc-silver, nickel-copper-PGE, cobalt-silver-nickel and molybdenum prospects located in Québec and Ontario. The Company has optioned exploration prospects to Val-d'Or Mining and Alexandria in 2017, BonTerra in 2016, Sirius in 2013 and Eldorado Gold (thru its acquisition of Integra in 2017) in 2005.

Investments

The following tables summarizes Abitibi Royalties' investments in Yamana and Agnico Eagle:

	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

Delivery of Agnico Eagle and Yamana common shares

On November 19, 2019, Abitibi Royalties was called to deliver 6,000 common shares of Agnico Eagle and received, net of commissions, \$358,619 (or US\$270,922); and, on December 19, 2019, Abitibi Royalties was called to deliver 105,800 common shares of Yamana and received, net of commissions, \$415,032 (or US\$316,287).

Refer to *Derivative Financial Instruments* section below.

Accounts payable and accrued liabilities

Consolidated accounts payable and accrued liabilities of \$681,995 (December 31, 2018 -\$576,087) mainly consist of trade payables of \$106,676 (December 31, 2018 - \$100,250), director fees of \$102,500 (December 31, 2018 -\$70,000), and payroll accruals of \$472,819 (December 31, 2018 - \$402,608), which includes 2018 and 2019 performance bonuses of \$517,286 (December 31, 2018 - \$368,063), net of amounts due from related parties of \$44,467 (2018- \$3,228).

For the Company, director fees, 2018 and 2019 cash performance bonuses payable as at December 31, 2019 amounted to \$65,000, \$66,938 and \$58,275, respectively.

Derivative Financial Instruments

Derivative financial instruments liability of \$8,979,047 as at December 31, 2019 (December 31, 2018 - \$2,595,878) relates to the outstanding covered call options, which are fair valued at each reporting period, on Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana.

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 the Company 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 the Company paid \$89,070 (or US\$68,698).

The status of the Abitibi Royalties' call and put option contracts as at March 31, 2020, from Abitibi Royalties' Management's Discussion and Analysis for the year ended December 31, 2019, is presented in the table below:

Yamana Gold	Price in US Dollars	Number of shares	Option Expiry Date	% of shares held
Calls	\$ 3.00	156,500	January 15, 2021	5.81%
	\$ 4.00	558,100	January 15, 2021	20.73%
	\$ 4.50	245,000	January 15, 2021	9.10%
	\$ 4.50	6,700	January 21, 2022	0.25%
	\$ 5.00	736,200	January 15, 2021	27.34%
	\$ 5.00	71,000	January 21, 2022	2.64%
	\$ 5.50	70,000	January 15, 2021	2.60%
	\$ 5.50	9,000	January 21, 2022	0.33%
		1,852,500		68.81%

Agnico Eagle	Price in US Dollars	Number of shares	Option Expiry Date	% of shares held
Calls	\$ 42	7,600	January 15, 2021	1.81%
	\$ 47	200	January 15, 2021	0.05%
	\$ 50	49,900	January 15, 2021	11.90%
	\$ 55	2,000	January 15, 2021	0.48%
	\$ 60	7,100	January 15, 2021	1.69%
	\$ 65	6,200	January 15, 2021	1.48%
	\$ 70	2,000	January 15, 2021	0.48%
		75,000		17.89%

Agnico Eagle	Price in US Dollars	Number of shares	Option Expiry Date	Potential Costs
Puts	\$ 45	25,000	April 17, 2020	\$1,125,000
	\$ 40	31,000	May 15, 2020	\$1,240,000

Abitibi Royalties only sells call options when it owns the underlying shares. Should covered calls be sold, it is Abitibi Royalties' objective to use strike prices that are anticipated to be well above the share price

of Agnico Eagle and Yamana at the time the contract is written, with contracts generally expiring between 1 month and 2 years.

Abitibi Royalties only writes put contracts when it has the required funds (in the currency which the contract was written) to purchase the underlying shares should the put contract be exercised.

Deferred tax liability

The deferred tax liability amounted to \$3,245,785 as at December 31, 2019 compared to \$1,432,465 as at December 31, 2018.

The deferred tax liability consists of the potential tax liability of \$6,047,641 (December 31, 2018 - \$3,898,056) on the capital gain to be realized on the eventual sale of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, net of deferred tax assets of \$915,903 (December 31, 2018 - \$1,433,943) from operating losses realized in the prior years, \$687,841 (December 31, 2018 - \$687,695) and \$1,189,723 (December 31, 2018 - \$343,953) in respect of temporary differences between the carrying amounts of Abitibi Royalties' assets and liabilities for financial reporting purposes and the amounts used for taxation purposes for exploration and evaluation expenditures and derivative financial instruments, respectively.

Equity

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. Also, 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.

SUMMARY OF QUARTERLY RESULTS

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

	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18
Total revenues (\$)	1,138,221	949,836	974,553	481,320	100,307	78,552	105,450	79,324
Net income (loss) and total comprehensive income (loss) for the period (\$)	2,522,854	3,529,570	1,006,922	2,440,487	2,070,974	(9,173,837)	2,419,475	(2,773,304)
Net income (loss) and total comprehensive income (loss) attributable to shareholders of Golden Valley (\$)	1,070,434	1,420,903	(215,758)	1,007,073	654,757	(4,587,186)	700,530	(1,789,777)
Net income (loss) and total comprehensive income (loss) attributable to the non-controlling interest (\$)	1,452,480	2,108,607	1,222,680	1,433,414	1,416,217	(4,586,651)	1,718,945	(983,527)
Net earnings (loss) per share (\$)								
Basic	0.019	0.011	(0.002)	0.008	0.015	(0.034)	0.005	(0.014)
Diluted	0.018	0.010	(0.002)	0.007	0.015	(0.034)	0.005	(0.014)

- For the three months ended December 31, 2019, the Company reported consolidated net income of \$2,522,854 mainly from a royalty contribution of \$999,252 (or US\$769,366) received from Abitibi Royalties' Malartic CHL 3% NSR royalty interest and favourable change in the fair value of investments and derivative instruments in the amount of \$3,414,025, offset by salaries through performance bonuses and employee benefits, and professional and legal fees.
- For the three months ended September 30, 2019, the Company reported consolidated net income of \$3,529,570 mainly from a royalty contribution of \$834,258 (or US\$630,056) received from Abitibi Royalties' Malartic CHL 3% NSR royalty interest and favourable change in the fair value of investments and derivative instruments in the amount of \$3,936,780, offset by salaries and employee benefits, and professional and legal fees.
- For the three months ended June 30, 2019, the Company reported consolidated net income of \$1,006,922 mainly from a royalty contribution of \$814,621 (or US\$624,470) received from Abitibi Royalties' Malartic CHL 3% NSR royalty interest and favourable change in the fair value of investments and derivative instruments in the amount of \$1,189,918, offset by salaries and employee benefits, share-based compensation expense and professional and legal fees.

- For the three months ended March 31, 2019, the Company reported consolidated net income of \$2,440,487, resulting mainly from a royalty contribution of \$389,129 (2018-\$nil) received from Abitibi Royalties' Malartic CHL 3% NSR royalty interest and from the increase of \$2,202,209 (2018-decrease of \$2,733,239) in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana since the beginning of the year.
- For the three months ended December 31, 2018, the Company reported consolidated net income of \$2,070,974 compared to a net income of \$1,506,461 for the same period in 2017. The net income for the three months ended December 31, 2018 is mainly from the increase of \$4,400,722 in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, and royalty expense of \$192,500 relating to the NSR acquired by Abitibi Royalties in November 2018, net of unrealized losses of \$991,499 in the fair value of the liability associated with its derivative instruments
- For the three months ended September 30, 2018, the Company reported consolidated net loss of \$9,173,837 compared to a net loss of \$1,854,520 for the same period in 2017. The net loss for the three months ended September 30, 2018 is mainly from the unfavourable change in the fair value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana in the amount of \$8,286,116 and royalty expense of \$1,972,750 relating to the NSR and NPI interests acquired by Abitibi Royalties in July 2018, net of deferred tax recovery of \$1,681,377.
- For the three months ended June 30, 2018, the Company reported a consolidated net income of \$2,419,475 compared to a net loss of \$1,653,527 for the same period in 2017, respectively. The improved results for the three months ended June 30, 2018 is due to the favourable change in fair value of investments of \$3,654,659, which substantially relates to the change in fair value of Abitibi Royalties' investments and derivative instruments in the common shares of Agnico Eagle Mines and Yamana, offset by higher salaries and employee benefits expense from payroll levies associated with the exercise of stock options and conversion of the RSUs into common shares on the transaction with CDPQ and by higher share-based compensation from the Company's September 2016 incentive stock option grant, which fair value is allocated over the vesting period of three years.
- For the three months ended March 31, 2018, the Company reported a net loss of \$2,773,304 compared to a net loss of \$1,011,941 for the same period in 2017. The increase in loss in the first quarter of 2018 is due to the unfavourable change in fair value of investments of \$2,317,012 which substantially relates to the change in fair value of Abitibi Royalties' investments and derivative instruments in the common shares of Agnico Eagle and Yamana in the amount of \$2,031,247.

EXPLORATION ACTIVITIES

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

The Company's exploration activities for 2019 focused primarily on managing and/or monitoring joint venture and/or option project exploration programs, and project generation activities directed to identifying and evaluating new opportunities and business development purposes.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated total assets of the Company as at December 31, 2019 totaled \$58,382,638 (December 31, 2018-\$41,066,815), which included cash and cash equivalents of \$3,003,083 (December 31, 2018-\$2,241,850), accounts receivable of \$268,195 (December 31, 2018 - \$nil), short-term financial assets consisting of marketable securities totaling \$534,774 (December 31, 2018- \$609,374), royalty receivable of \$999,252 (December 31, 2018 - \$14,105) and long-term investments mainly consisting of common shares in Agnico Eagle and Yamana totaling \$50,636,738 (December 31, 2018- \$34,323,826). As previously discussed, Abitibi Royalties' main and other royalty interests are not reflected in the consolidated Statement of Financial Position – refer to “Royalty Interests” section above.

Consolidated total liabilities of the Company as at December 31, 2019 totaled \$12,906,827 (December 31, 2018-\$4,604,430), which included accounts payable and accrued liabilities of \$681,995 (December 31, 2018- \$576,087), derivative financial instruments totaling \$8,979,047 (December 31, 2018 - \$2,595,878), and long-term deferred tax liabilities totaling \$3,245,785 (December 31, 2018- \$1,432,465). The liability associated with Abitibi Royalties' derivative financial instruments, which obligation can be settled, if required, through Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana.

Consolidated cash outflow used by operating activities for fiscal 2019 totaled \$378,087 compared to \$2,670,554 for the same period in 2018. Improvements in cashflows for fiscal year 2019 mainly relate to royalty contribution, which commenced in the fourth quarter of 2018, received from Abitibi Royalties' Malartic CHL 3% NSR royalty interest. Cash outflows from operating activities for fiscal year 2018 included payroll levies of \$471,820 from the CDPQ transaction as discussed above.

Investing activities resulted in consolidated net cash inflows of \$189,648 for fiscal 2019, compared with cash outflows of \$3,531,678 for the same period in 2018. The cash inflows for 2019 were mainly the results of the net dispositions in shares of other publicly traded mining companies that are held or short-term marketable securities by the Company. The cash outflows for fiscal year 2018 were mainly the result of Abitibi Royalties being called to purchase 35,600 common shares of Agnico Eagle from a put option, at US\$39 per share, it had previously sold for \$1,994,601 and royalty of \$2,165,250 relating to the acquisition of NSRs and NPI in July 2018.

Financing activities resulted in consolidated net cash inflows of \$1,026,297 for fiscal 2019 compared to \$3,546,770 for the same period in 2018. Cash flows from financing activities were related primarily to proceeds of \$1,267,608 (2018 - \$2,277,130) from Abitibi Royalties' sale of calls option contracts and proceeds from the settlement of its derivative financial instruments of \$781,613 (2018 - \$nil).

OUTLOOK

The Company is evaluating certain strategic business opportunities in the exploration/mining industry. A number of internal reviews and assessments have been completed, or are in progress, for distressed companies and assets, both in Canada and abroad. Additionally, various property submittals are routinely considered for acquisitions.

Furthermore, the general public market volatility that has continued to affect the overall state of the exploration industry has offered Golden Valley new opportunities for its project generation (“PGEN”) activities, where previously the demand for prospective land was at a much more competitive state. One of the Company’s most important attributes is its ability to identify new high priority exploration opportunities and flexibility to adapt quickly to changing market conditions in base, precious and energy minerals.

The Company routinely assesses government data and/or historical work reports together with proprietary data to acquire prospective mining claims. The past results of this grassroots exploration generative business model have led to the identification of several new mineral discoveries (Co-Ag-Ni, Ni-Cu-PGE and Au-VMS) in the Abitibi Greenstone Belt on 100%-owned properties; it has also assisted the Company in the successful creation of several option/joint venture agreements allowing for diamond drilling, in particular on those projects on which reconnaissance work has already been completed to identify prospective drill targets (such as the Island 27 Prospect near Matachewan, Ontario for Co-Ni-Ag; the Centremaque Prospect near Val-d'Or and the Lac Barry Prospect NE of Val-d'Or, the latter two properties primarily for gold). In this manner, the Company remains focused on its core business of early-stage acquisitions, PGEN and drill target definition, while working with its public subsidiaries and arms-length joint venture partners to conduct the more expensive and detailed drill-based exploration programs.

SUBSEQUENT EVENTS

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 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.

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.

As at the date of this MD&A, Golden Valley holds 5,605,246 common shares in Abitibi Royalties.

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, Abitibi Royalties 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. Abitibi Royalties 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).

CAPITAL STOCK INFORMATION

Authorized

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

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at April 24, 2019:

	Total Outstanding	Escrowed
Common shares	134,727,602	Nil
Preferred shares	Nil	Nil
Warrants	Nil	Nil
Incentive stock options	14,443,914	Nil

Incentive Stock Options:

Expiry Date	Number of Options	Weighted Average Exercise Price
July 24, 2020	450,000	\$ 0.11
January 1, 2021	100,000	\$ 0.10
June 30, 2021	2,250,000	\$ 0.30
February 3, 2022	100,000	\$ 0.47
June 21, 2023	2,220,000	\$ 0.28
June 18, 2024	340,000	\$ 0.34
March 3, 2025	764,750	\$ 0.50
September 30, 2026	8,219,164	\$ 0.35
	14,443,914	\$ 0.33

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 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.

CAPITAL STOCK INFORMATION OF REPORTING SUBSIDIARIES

Abitibi Royalties Inc.

Issued and Outstanding

The following details the issued and outstanding securities of Abitibi Royalties as of March 31, 2020, from Abitibi Royalties' Management's Discussion and Analysis for the year ended December 31, 2019:

	Total Outstanding	Escrowed
Common shares	12,506,711	Nil
Preferred shares	Nil	Nil
Warrants	Nil	Nil
Incentive stock options	Nil	Nil
Restricted share units	Nil	Nil

RELATED PARTY TRANSACTIONS

The information pertaining to related party transactions are disclosed in Note 23 of the audited consolidated financial statements as at December 31, 2019.

OFF BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL COMMITMENTS AND OBLIGATIONS

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. 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Any changes in accounting policies including those that have not been adopted are explained in note 3 of the audited consolidated financial statements for the year ended December 31, 2019.

JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The judgements, estimates and assumptions used by management are described in note 5 of the audited consolidated financial statements for the year ended December 31, 2019.

RISK AND UNCERTAINTIES

Climate Change

The Company has properties, joint venture agreements and/or royalties in various regions and jurisdictions where environmental laws are evolving and are not consistent. A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impact of climate change, such as regulation relating to emission levels. If the current regulatory trend continues, this may result in increased costs directly or indirectly affecting the Company. In addition, the physical effect of climate change, such as extreme weather conditions, natural disasters, resource shortages, changing sea levels and changing temperatures, could have an adverse financial impact on operations located in the regions where these conditions occur, directly or indirectly impacting the business of the Company.

Investment of Speculative Nature

Investing in the Company is of a highly speculative nature.

Nature of Mineral Exploration and Mining

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

Mineral Deposits and Production Costs; Metal Prices

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

Exploration and Development Risks

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

Additional Financing

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

Stress in the Global Economy and Financial Condition

The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the operators of properties where Abitibi Royalties royalty and other interests are dependent upon the capital markets to raise financing. Adverse effects of coronavirus developments (COVID-19) on consumer confidence, market stability and public health creates uncertainties on macroeconomic conditions and may also result in closures, cancellations of, or reductions in operations or production on properties where Abitibi Royalties holds royalty interests.

Permits and Licenses

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

Competition

The mineral exploration and mining business are competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company's, in the search for and the acquisition of attractive mineral properties. There is no assurance that the Company will continue to be able to compete successfully with the competition in acquiring such properties or prospects.

Dependence on Key Individuals

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

Environmental and other Regulatory Requirements

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

Political Regulatory Risks

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

Currency Risk

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

Conflicts of Interest

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. Some of the directors and officers of the Company are also directors and officers of other companies, some of which are in the same business as Golden Valley. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors

and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

Insurance

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

Influence of Third-Party Stakeholders

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

Fluctuation in Market Value of Shares

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

Derivatives instruments

Due to the complex nature and market volatility that may influence the market value of the shares, selling of call and put options is subject to risk including limiting the potential upside gains and being obligated to purchase the underlying shares above the current market value. Although all risks cannot be eliminated, the Company is mitigating these risks by owning the underlying shares or having the cash requirement to meet its obligations.

ADDITIONAL INFORMATION

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