



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

May 15, 2015

Dear Golden Valley Stakeholders:

The stark challenges confronting the mining exploration sector over the past few years continue to influence our activity and dominate our survivalist strategy. The downturn, manifest in the trading volumes and diminished value as seen on the TSX Venture Exchange, has left few natural resource companies untouched, including our own. The decline in the TSX Venture Composite Index has been a harsh one, as measured by the more than 75% decline from the 2007 peak, including a 26% decline during 2014. Risk aversion is now a dominant theme for many investors, both institutional and retail. The reasons are many, and well-chronicled, but still paramount to small capitalization companies given capital is the lifeblood we require to conduct basic exploration activity, indeed, even to maintain listing on public exchanges.

Public companies come with significant costs, much of it ancillary to exploration activity, but necessary for regulatory compliance and very expensive. Many companies have faced the difficult conditions by financing at low prices causing significant dilution to their share capital. Although peer group comparisons provide some consolation, it is not much solace in a broad-based sectoral erosion. Just as the “rising tide lifts all boats”, the opposite is also true. Our company, having already cut staffing, exploration expenditures, travel, trade shows, office expenses and leaving a long list of suppliers and contractors affected through decreased service requirements, has taken the steps necessary to preserve our investment in our main assets, namely our staff and our exploration properties.

All facets of our operation have been subjected to re-assessment in the context of our limited financial resources: exploration expenditures, G & A, legal, accounting, corporate expenditures and all related support. Most of our early stage exploration is now funded by partners through joint ventures, and they are similarly affected by the difficulties in raising funds. Most of our in-house activity is now in the form of project generation, and reviewing properties and submittals that continue to be offered to us. Even our dedication to Corporate Social Responsibility has been subjected to the belt-tightening. Our support over the past year or so extended to the following organizations: Club Kinsmen (Val-d'Or), PDAC S-IMEW (student program), PDAC Caracle Cup, to mention a few, and there are only a few given the retraction has certainly impacted our overall capacity to assist others. We are all anxious for higher levels of activity in order for this to be manifest also in our attention to our local CSR programs in the areas in which we work. Doing things well has always been a key motivational driver, along with more conventional exploration criteria. Our main objectives are unchanged: to create shareholder value through discovery and development of our property portfolio while providing good stewardship to our subsidiaries as they establish themselves.

Our employees and consultants, along with our directors and officers, have all borne their share of the ongoing budget cutting exercise. This has now been a protracted event, and along with the financial pressure, this is a difficult process for our staffing morale. Most of our external service providers have also been asked to share in the expense reductions to preserve our financial resources and ensure our capacity to conduct required activity as a public company. To our employees in particular, I am grateful for your service and loyalty in the face of both decreasing activity and capacity. It is not much solace to think that others have it worse – we must work with our own circumstances and ensure we meet our shareholders' expectations. We have endured rough patches in the past, and commodity cycles do have a pattern to them that seem familiar. Regretfully, past economic activity, including our own, is not much consolation for the many of us who have our interests aligned with our shareholders. And we do, given effectively our entire team are shareholders. In this period of retrenchment, we focus on our core business (exploration in the Abitibi Greenstone Belt) and concentrate on the things we need, not the “wish-list” of things we want – that is for another day when financial circumstances permit. Past experience does inspire confidence that the world requires commodities, and exploration for and development of those resources, in both the base and precious metals space, is exactly our mission.

The Corporation was able to complete modest financings near year-end for approximately \$500,000 and to those shareholders who continued to subscribe and support us, I am very appreciative, as I am to those new shareholders who have participated for the first time. We will continue the arduous process of survival first, to ensure there may be success to follow. In small capitalization companies, risks are many. We highlight the risks and do not shirk from the often daunting

challenges; rather, we embrace them for creating the abundance of affordable opportunities on the Canadian and global stages.

In terms of exploration activity, a total of 104 exploration properties are currently held by the Corporation or its subsidiaries, and located in the following areas:

- (i) the Abitibi Greenstone Belt (“AGB”) (Ontario and Québec)
- (ii) the James Bay, Mistassini and Otish regions of northern Québec
- (iii) the Nunavik (Ungava and Labrador) region of northern Québec;
- (iv) the Athabasca Basin of Saskatchewan
- (v) the James Bay Lowlands of Ontario.

The 89 AGB properties are comprised of gold (51), copper-zinc-silver (28), nickel-copper-PGE (7), molybdenum (1) and cobalt-silver-nickel (2) prospects located in Québec (64) and Ontario (25).

Over the past year or so, the Company completed only nominal activity in modest work programs on 14 properties. Effectively all programs were early-stage prospecting efforts, complimented by grid cutting and geophysical surveys and were also partly designed to ensure we could keep our mining claims in good-standing. One new property was acquired by staking (100% owned) and four others were expanded. No drilling was conducted over the past year. Since the original AGB Grassroots Exploration Program was initiated in 2003, the Corporation has drilled a total of 195 targets (25,475m) on 51 separate properties.

Any annual review must also consider that one of our subsidiaries, 53%-owned (currently) Abitibi Royalties Inc. (TSXV – RZZ) enjoyed considerable success over the year and announced a significant transaction on its Malartic CHL property with the two owners of the Canadian Malartic Mine. This transaction is of value to Golden Valley Mines Ltd. as it consists of both important financial consideration and an NSR royalty, payable to Abitibi Royalties Inc. Given the success of this operation to date, it is likely to continue to be of strategic interest to Golden Valley Mines Ltd. due to our important shareholding. Similarly, we continue to assess opportunities with our other subsidiaries as we continue to review many opportunities for Golden Valley itself. Our equity holdings in our subsidiaries now account for effectively the entire market capitalization of the Corporation, demonstrating on the one hand that the strategy to “spin-off” these assets in 2011 was effective, but also leaves us with the challenge of having the value of the original exploration property portfolio better recognized.

I wish to thank our Board of Directors including Joseph Groia, Blair F. Morton, Chad Williams, and Dr. C. Jens Zinke for their collective wisdom, and effort to enhance shareholder value. Chad Williams and Blair Morton are not standing for re-election as directors for the upcoming year. I thank them both for their past contributions and wish them well in future endeavours. Blair Morton was one of our original directors from incorporation and I underline here his service, commitment and constructive contributions for over 15 years. I also take this opportunity to welcome Ms. Avril Cole as a nominee of management to the Board of Directors to be elected at our upcoming AGM and look forward to working collaboratively with her for many years to come. Our board committees are active including the Audit, e3/CSR and Corporate Governance Committees. Our company has always embraced industry “best practices”, not just in exploration but in all of our business interactions. Our Code of Ethics and Anti-Corruption Policy apply not only to Management and our Board, but all who work with the company in Canada and abroad. Good business practises tend to attract better employees, better management and better directors.

Finally, a robust “thank you/*merci*” to you, our shareholders, for your loyal support. We will continue to work hard as a dedicated group to continue our efforts to enhance shareholder value during these most challenging times. It is easy to forget that the key to success is survival and your company is a resilient one, having weathered many financial storms in the past and each time prevailing to enjoy the more robust markets which are so much more inspiring. Past experience is useful in so far as previous corrective cycles have been followed by bouyant markets that allow us to quickly forget the difficult periods. These cycles are not just extremes, they are the opportunity and it is because of them the public markets may occasionally offer magnificent rewards to those with patience to recognize and then react to such opportunities. It is also a fair observation that many property or corporate transactions become available and affordable during these market corrections, and just as the worst transactions seem to occur at market tops, so it is true that many terrific transactions are done at market troughs. The delicate balance is to recognize the opportunities, while ensuring that we have the capacity to act upon them as they arise.

(s) Glenn J. Mullan

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