



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

May 20, 2016

Dear Shareholders and Stakeholders:

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

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

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

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

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

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

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

EXPLORATION OFFICE
2864 CHEMIN SULLIVAN
VAL-D’OR (QUÉBEC) J9P 0B9

HEAD OFFICE
152 CHEMIN DE LA MINE ÉCOLE
VAL-D’OR (QUÉBEC) J9P 7B6

MONTRÉAL OFFICE
800 RENÉ-LÉVESQUE BOULEVARD WEST, SUITE 425
MONTRÉAL (QUÉBEC) H3B 1X9

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

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

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

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

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

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

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

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

(signed) “*Glenn J. Mullan*”

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