



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

May 1, 2017

Dear Shareholders and Stakeholders:

The past few “Messages from the President” were desultory in tone, and over a period of years left many feeling somewhat beleaguered. Bad news became normal – at least with respect to public markets and commodity prices – weak share prices the norm, and in an industry driven by euphoria and discovery...well, there was not much of either. Therefore, it is inspiring to see how quickly things change. Many of the challenges confronting the mining exploration sector are still there, but so are the first quantitative signs of a revival. Last year saw new terms like “zombie companies” enter the jargon of many, and so it is with no remorse, I am happy to share some very positive signs of revival. The predicted retraction in the number of issuers did, in fact, occur with 6% less public companies at the end of 2016 than the year previous, but that is certainly less than the drastic numbers floated by many only a few months ago. In fact, I would consider the retraction subdued, and, taken together with other positive signs including an increase of equity capital raised on the TSXV (+276%), the Quoted Market Value (+65%), a very healthy increase in the number of financings (+65%), and importantly, robust increases in both the volume traded (+84%) and value traded (+212%) all signs of a long-awaited turnaround in market sentiment. Singularly, these statistics are impressive enough, but collectively they tell the story of our volatile junior mining industry, being principally one of cycles. All of these together are also reflected in the TSXV Index, which year-over-year increased by 40%, all as noted in the TSX MIG Report for March 2017.

That is all good, certainly, as “the rising tide lifts all boats”, but challenges remain. Access to capital and access to investors are amongst the prime challenges and many small market capitalization public companies continue to be fragile and face distress conditions. I do hope that the spirit demonstrated by our stock exchange during the TSXV Town Hall meetings, and many workshops will be manifest in regulatory improvements. I also hope they listened to the many public issuers who shared experience, wisdom and offered positive suggestions for enhancements and improvements in our trading platforms and general services offered to the issuers who pay for them, although I am not shy to say I have low expectations here. One small gesture that would be an affordable and achievable improvement would be an annual survey conducted by the TSXV of its listed companies, on what we think of the services delivered by the TSXV. We hold ourselves to KPI's and benchmarks, part of which is based on peer comparisons and performance, why can't they?

Over the past years, we have addressed many financial issues at your company through continued decreases in expenditures. We attempted to confront this by curtailing most self-funded grassroots exploration and becoming more reliant on joint venture partner-funded activity. In fact, this has signaled a change in our exploration strategy as Golden Valley now conducts most of its significant exploration activity through partner-funded joint ventures.

The downturn had affected the trading range and financial capacity of most of our partners as well, several of whom consolidated their share capital and also reduced exploration as distress conditions persisted.

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The seemingly relentless budget-cutting exercise began through the 2008-2009 financial crisis, with our Board of Directors and management, and the Asset Conservation Plans were then extended to our employees, consultants and external service providers. Certain changes were also made amongst our service providers in an effort to address performance and service issues that had been identified by our board committees. In short, management's financial objective was to reduce expenses and improve efficiencies in order to provide our shareholders with better than basic services. I think we have accomplished much of this over time, and with the ongoing signs of an upturn, it is gratifying to share some of the benefit with our core team members. It is expensive to be a public company, and we expect those who work with us to adhere to best practices and exceed performance expectations. "Good enough" rarely is, and we do hold our consultants and service providers accountable in today's competitive environment. To our employees in particular, I am grateful for your patience and loyalty in the face of the previously low activity, and the consequent impact on morale. The last few months have been the first respite, with renewed activity at our field operations. Renewed exploration program planning, deployment and field operations have been met with enthusiasm. Patience has its rewards.

I am optimistic that the improved conditions of the past few months will continue for some time but it is useful to remind ourselves that past activity, including our own trading range, is no barometer of future success, no matter how focused and unique we may consider ourselves versus our peer groups. Stock market analysts and others in the investment and financial journalism businesses occasionally remark that the prosperity which follows the market despair (or the intensity of the boom, which follows the bust), is relative in intensity and duration. We can all therefore hope that these improved conditions represent more of a marathon than a sprint.

Against the backdrop of "doom & gloom" of the past few years, several events transpired within our corporate environment that appear quite promising, more so in an improved financial climate for junior mining companies. Two of our public company holdings enjoyed real success in 2015 that was even more pronounced in 2016: *Abitibi Royalties Inc.* on the Malartic CHL Prospect near our "home ice" in Val-D'Or, Québec, and *Sirios Resources Inc.* on the Cheechoo Prospect, further north in James Bay, Québec. Accolades to our financial partners/subsidiaries who undertook the work and financial commitments, persevered where others encountered only difficulties and then were rewarded with exploration success and consequent public stock market recognition. Both of these ventures are gold prospects, boding well for Golden Valley should the precious metals (gold in particular) market show signs of its long-rumoured renewal and market interest.

These two holdings are also core to our strategic plan, and attest to commitment over time. Abitibi Royalties Inc. (RZZ), having been a spin-out from Golden Valley in 2011, has been an exercise in patience. Shareholders are generally aware it has been amongst the best performers on the TSXV over the past few years. For those with good memories, it was not always like this with Abitibi Royalties having traded below \$0.50 only a few short years ago. For 2016, the market capitalization of Abitibi Royalties Inc. increased significantly from \$37,000,000 at the beginning of the year to just over \$99,000,000 at year-end, representing an increase of approximately 162%. Your company continues to own over 49% of Abitibi Royalties Inc., clearly making this our “anchor asset”. Abitibi Royalties has continued to report on the ongoing exploration and development at the Malartic CHL Prospect, the property that was spun-out of Golden Valley to enable Abitibi Royalties Inc. to be listed. Promising exploration results from the Odyssey Zones are complemented by additional work at several other “near pit” target areas, as well as continued development of near-term production areas including the Jeffrey and Barnat East, Barnat South Wall and Sheehan Zones.

Sirios Resources Inc. (SOI) enjoyed its own success in 2016 and enjoyed strong market recognition for its work at the Cheechoo Prospect in which Golden Valley continues to hold a significant NSR (ranging from 2.5-4% for Au, varying with Au prices), and an important equity stake in Sirios (over 4,000,000 shares). Sirios saw its market capitalization increase from \$6,700,000 to over \$49,500,000 during the year, representing an approximate 635% increase. An additional attraction to Golden Valley is the exploration leverage this offers the company through our equity and NSR holdings, while Sirios continue to fund 100% of all exploration on the project.

Both of these property assets have led to transactions that management considers beneficial to Golden Valley, including financial components, in exposure to the continued success through our shareholdings in these two public companies and, in the case of the Cheechoo transaction, through our royalty holdings. Leveraging our property assets into new corporate and transactional opportunities has become a more dominant theme, while always attempting to minimize dilution to the share capital of Golden Valley.

In terms of exploration activity, a total of 99 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 85 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 (44), copper-zinc-silver (36), nickel-copper-PGE (2), molybdenum (1) and cobalt-silver-nickel (2) prospects located in Québec (60) and Ontario (25).

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 exploration and drilling programs, are the ones that were de-risked through joint venture programs (Abitibi Greenstone Belt, and James Bay in Québec). These exploration programs are partner-funded, and are a key part of our business plan. Funding comes from our partners and not from the conventional dilution to our own share capital. We are continuing this with a focused effort on more arm’s-length joint ventures and, simultaneously, efforts to use our own public company shells to renew exploration on our most grassroots properties. It is easy to dismiss the grassroots exploration component, as do many of our peers, but all of the value in our companies, in fact most of the value in the exploration industry, comes from new discoveries. Still, the grassroots properties represent an attractive exploration proposition, but one that has been difficult to finance in Golden Valley over the past few years.

It is very much our strategy to find ways to continue testing new exploration targets, while minimizing strain on our own share capital. Golden Valley enjoyed some long-awaited market recognition through the year 2016, as one would expect given that the value of our 49% core holding in Abitibi Royalties Inc. exceeded our entire market capitalization through most of the year. Golden Valley Mines Ltd. traded over 53,400,000 shares of volume during

the year, a record for its 17-year existence as a public entity. This is also extraordinary by another measure as it represents nearly 50% of the issued share capital. Much of the share volume was manifest after July, 2016, when management renewed its marketing commitment and began engaging frequently with retail and institutional investors. The market responded and volumes and the share price responded. Golden Valley's share price and market capitalization increased by 233% during 2016.

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 hide under the table from the multiple 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. To that end, management continues to review and assess many opportunities both in Canada and in international locations for both precious metals and other commodities.

I wish to thank our Board of Directors for their service and efforts to enhance shareholder value. This year four incumbents (Joseph Groia, Jimmy Lee, Bill McCartney and Glenn Mullan) will stand for the re-election to the board of Golden Valley at the AGM. Ms. Avril Cole will not be standing for re-election as a director for the upcoming year. We thank Avril for her recent contributions and wish her well in future endeavours.

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, all while trying to add to shareholder value through our focus assets.

(signed) "*Glenn J. Mullan*"

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