



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

May 15, 2018

Dear Shareowners and Stakeholders:

I am enthusiastic to report on the significant progress we have made since our last report, on a number of fronts related to our strategic planning. I believe this work attests to the direction and implementation of various initiatives brought forward by Management in response to the Board of Directors' suggestions and directives over the past few years.

After years of retraction, in particular as relates to financing for junior mining companies and small-capitalization public companies, many positive indicators appeared over the past year supporting the general sentiment that natural resource juniors may have finally “turned the corner”. The TSXV and TSX both showed robust increases in financings, IPO's, and mergers and acquisitions, which all attest to a broad strengthening of investor confidence. This is particularly interesting given that most commodity prices were relatively constant, if not subdued over the same period of time (gold, copper, zinc, uranium, platinum, palladium, etc.), with only certain “specialty” commodities showing more robust performance (cobalt, lithium, etc.). 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 public companies continue to be fragile and face difficult conditions.



Over the past few years, we have addressed many financial issues at your company through continued decreases in expenditures and a significant off-loading of our primary costs (staffing, exploration properties, exploration funding and costs and the associated dilution on share capital). The most significant change we made in 2017 was to enter into an option agreement with **Val-d'Or Mining Corporation** ("MZZ"). **Golden Valley** holds approximately 25% of the issued share capital of MZZ. Under the option agreement, we granted MZZ an option to acquire a 100% interest in 61 of our grassroots properties in return for incurring a total of \$4,000,000 of expenditures for exploration and other mining operations on the properties, and the issuance of 16,666,668 common shares to Golden Valley at a deemed price of \$0.12 per share for an (aggregate deemed) value of \$2,000,000. In addition, MZZ has granted **Golden Valley** a royalty equal to 1.25% of the net smelter returns ("NSR") from the properties. This transaction enables **Golden Valley** to shift its exploration focus (and therefore the expenditures) to MZZ. In addition, the consultants and employees of **Golden Valley** now consult to or, are now employed by MZZ, thereby significantly reducing **Golden Valley's** cash burn rate. **Golden Valley** now acts as the holder of the NSR royalties and as a significant shareholder, a status and position that has worked well for us with our shareholding in **Abitibi Royalties** over the past many years. **Golden Valley** has retained interests in over 15 of its mining properties (in whole or in part, pursuant to its interests in the various joint venture and royalty agreements it has entered into with third parties) on which exploration continues, largely funded by arms-length joint venture partners.

Management's financial objective was to reduce expenses (not just exploration expenses, but also general and administrative, legal and audit/financial costs) and to improve efficiencies in order to provide our shareholders with targeted services. I think we have accomplished much of this already, but more improvement is anticipated as our related entities – **Val-d'Or Mining Corporation** primarily – become more autonomous and gain critical mass. It is expensive to be a public company, the capital is very expensive and hard to obtain, and we expect those who work with us as contractors and service providers to also adhere to best practices and exceed performance expectations. "Good enough" rarely is, and we do hold our service providers to the same standards as our board and management, in an effort to keep all accountable in today's competitive environment.

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 and will hopefully, therefore, persist for some time.

If it is true that *only survivors can win*, then we have survived well indeed. Several events transpired within our corporate environment that appear quite promising, more so, in an improved financial climate for junior mining companies. Four of our public company holdings enjoyed real success in 2017 and that has been even more pronounced in 2018 thus far: **Abitibi Royalties Inc.** on the Malartic CHL Prospect near our "home ice" in Val-D'Or, Québec, **Sirios Resources Inc.** on the Cheechoo Prospect further north in James Bay, Québec and closer to our nucleus in Val-D'Or again, **Alexandria Minerals Corporation** on the Centremaque Prospect and **Bonterra Resources Inc.** on the Lac Barry Prospect. The recognition is well-deserved for our financial partners/subsidiaries who undertook the work and did the heavy-lifting with financial commitments, and have persevered where others encountered difficulties and then were rewarded with exploration success and consequent public stock market recognition. All four of these projects are gold projects, which positions our company well in a competitive landscape for precious metals. We progressed well during the year also on a joint venture dedicated to battery minerals, on one of our cobalt prospects, located in northeastern Ontario.

These holdings also serve to demonstrate the unique direction of our strategic plan, and attest to our commitment over time. **Abitibi Royalties Inc.** (RZZ), having been a spin-out from **Golden Valley** in 2011, has been an exercise in patience and the well-deserved rewards from maintaining focus. Shareholders are generally aware it has been amongst the best performers on the TSXV over the past few years, exceeding most performance metrics, and certainly as compared to the TSXV Index, GDX gold miners index and in particular to peer group comparisons amongst royalty and junior/small-capitalization companies. It is more extraordinary given the overall lackluster price of gold, our principal commodity of interest. 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. The overall and compounded gains speak for themselves, and attest to our steadfast commitment to share price, and shareowners. We act like owners because we are. Your company continues to own just 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 (North and South) are complemented by additional work at several other “near pit” target areas (Norrie, Gouldie, Charlie, etc.), as well as continued development of near-term production areas including the Jeffrey and Barnat East, Barnat South Wall and Sheehan Zones. New developments during the past several months appear to demonstrate that potential may be derived from the East Malartic target area, site of significant past production in the Malartic area (in fact, the area known for the highest average grade of the Malartic past production). Although located at depth, and with the usual and somewhat predictable risks associated with past production areas, East Malartic is considered by Management to represent a potential new “cornerstone” asset. We have very high expectations for this area looking forward.

Sirios Resources Inc. (SOI) enjoyed its own exploration success in 2017 and enjoyed some 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). 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.

Bonterra Resources Inc. reported significant drill results from the first phase drill program on the **Golden Valley** joint venture property at the Lac Barry Prospect, and have named their new discovery area the “Temica Gold Zone”. Work continued throughout the year, and Bonterra has indicated further drilling will be completed during 2018.

Alexandria Minerals Corporation completed a first-phase drill program consisting of 7 drill holes at the **Golden Valley** joint venture property at the Centremaque Prospect. Initial results reported from the first two drill holes were quite promising, in particular given the location and geological context of the property immediately west of the Orenada Zone 4 deposit.

Each of these properties has been subject to a joint venture transaction that management considers beneficial to **Golden Valley**, including financial components, in exposure to the continued success through our shareholdings in these four public companies and, in the case of the now vested 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**. **Golden Valley** has transitioned from a conventional public company explorer, raising money and exploring directly, into a more diversified entity, using joint ventures funded by partners, and our own listed entities, initially formed as subsidiaries, to continue our exploration efforts in a very non-traditional and unique manner. This affords **Golden Valley** shareholders the benefits of exploration through our shareholdings in the other entities, complemented by royalties and free-carried interests as the property agreements and transactions mature.

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 international 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 of opportunity is critical, followed by a prompt response to crystallize and maximize exposure to the benefit of **Golden Valley** shareholders. To that end, management continues to review and assess many opportunities both in Canada and overseas for both precious and base metals and other commodities.

I wish to thank our Board of Directors for their service and efforts to enhance shareholder value. This year all four incumbent directors (Joseph Groia, Jimmy Lee, Bill McCartney and Glenn Mullan) will stand for the re-election to the board of **Golden Valley** at the AGM.

Finally, a robust “*merci*” to you, our shareowners, for your past and continued support. We will continue to work hard as a group to optimize our current assets, leverage our new opportunities and continue our efforts to seek out innovative joint ventures wherever possible. At the same time we remain determined to protect our share capital as we continue to add to shareholder value through the hard work of everyone at GZZ.

(signed) “*Glenn J. Mullan*”

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