



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

April 30, 2019

Dear Shareowners and Stakeholders:

The last 12 months have seen our company progress on a number of fronts, all in alignment with our board strategy to afford maximum exposure through our associate entities and other partners while maintaining a firm control on costs. I therefore humbly present the following review.

**OVERVIEW:** Last year, many public market analysts, observers and investors suggested the market appeared to be strengthening and that public financings were returning to levels and frequencies not seen for many previous years. These early positive indications may have continued for some other sectors, such as cannabis and cryptocurrencies, but appeared to stagnate and even retract through the 2018 calendar year for natural resources. The early optimism for mining equities, and junior mining in particular, faded through the year with most precious and base metals commodities being flat, while some retreated significantly. 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. Market awareness is a key priority for our company, as a quality story like ours needs to be told, and access to select audiences is both expensive and time consuming. We have been fortunate in maintaining our capital structure since 2016, for the most part (excepting insider exercises of stock options and warrants from prior financings) and generally avoiding dilutive financings that have characterized many in the junior mining sector. It is common knowledge that it is not just at market tops where financings are common, but also at market bottoms. Trying to plan around market cycles and commodity trends is wise, but difficult in the best of circumstances, as looking forward always brings certain risks.



**ASSOCIATE ENTITIES:** A key part of our deliberate and unique strategy has been to try and create value for **Golden Valley**'s shareowners through our associate entities, originally spun-out of **Golden Valley** in 2011. At that time (July, 2011), three subsidiaries were each listed on the TSXV with very different business plans. **Golden Valley**, through properties vended into each company and by providing seed capital, retained significant ownership in each of the following three companies: **Abitibi Royalties Inc.**, **Nunavik Nickel Mines Ltd.** and **Uranium Valley Mines Ltd.** It is interesting for us now to look back over that 8-year period to learn what worked well, what did not, and how to extricate maximum value from each for the benefit of **Golden Valley** shareowners.

**Nunavik Nickel Mines Ltd.** was intended to focus on nickel exploration in Québec's Nunavik region in the far north. With a generally weak climate for nickel financings prevailing from 2011 to current time, this proved to be a struggle and we took early measures to control our costs and reduce our cash outflow, while seeking alternatives that would attract more financing possibilities. Following reviews of other companies, other properties, other business domains (including cannabis and potential RTO transactions) we came full circle by deciding that the best value lay within our own parent corporation who held many quality properties in the Abitibi Greenstone Belt, both for precious and base metals assets. By last year, we had decided to change the **Nunavik Nickel Mines** name to **Val-d'Or Mining Corporation (VZZ-TSXV)** and then continue our original grassroots exploration strategy using **Val-d'Or Mining** to do the work and become the operating exploration entity. **Golden Valley** currently holds approximately 31% of the issued share capital of **Val-d'Or Mining Corporation**. Under an option agreement, **Golden Valley** granted **Val-d'Or Mining** 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, Val-d'Or Mining Corporation has granted **Golden Valley** a royalty equal to 1.25% of the net smelter returns ("NSR") from the properties. In summary, **Golden Valley** has taken over 60 mining properties on which significant historic expenses had been incurred, and converted that, if vested, into over 60 new NSR's, \$2,000,000 in share equity consideration in Val-d'Or Mining Corporation, \$4,000,000 in renewed exploration on the properties. This also represents news flow and potential for new discoveries in gold and base metals properties in our geographic base, the Abitibi Greenstone Belt.

Similarly, as part of the same 2011 transaction, another one of the subsidiaries spun-out was **Uranium Valley Mines Ltd.**, with a focus on the Otish and Mistassini geological basins in central Québec. This uranium project was compromised, or encumbered, shortly after the company's listing when the Government of Québec imposed a moratorium on uranium exploration. This company then reviewed many other opportunities in natural resources and other domains until it settled on what management thought to be an interesting proposition in the Pilbara region of Western Australia, following early, and apparently exciting, exploration results announced by Novo Resources Ltd. **Uranium Valley Mines** changed its name to **International Prospect Ventures Ltd.** (and symbol to **IZZ-TSXV**) and is now focused on grassroots exploration in Western Australia. This is the first foray outside Canada for our group for some time.

These transactions enable **Golden Valley** to focus as a key shareholder and to provide general guidance and governance experience as the associate entities become more autonomous and advance exploration on their respective key properties. **Golden Valley** now acts more as the holder of the NSR royalties and as a significant shareholder of the associate entities, a status and position that has worked well for us, in particular with our shareholding in **Abitibi Royalties** over the past many years. The above two holdings (**International Prospect Ventures Ltd.** and **Val-d'Or Mining Corporation**) also serve to demonstrate another focus of our **Golden Valley Mines** strategic plan, namely, to try and create value from grassroots exploration (in Canada and Australia) for the benefit of shareholders in **Golden Valley** and the associate entities. It is worth restating that much of the value in our group to date has come from value created from grassroots exploration.

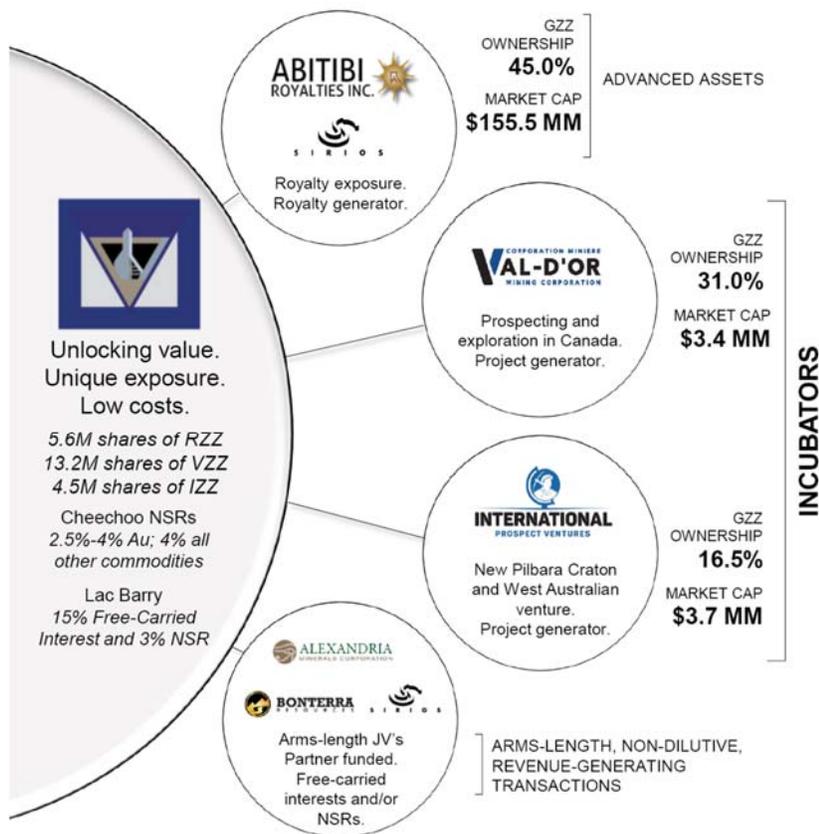
The best example of this dedication to our original property holdings and focus on early-stage exploration is certainly the third of the three public entities spun-out in 2011, **Abitibi Royalties Inc. (RZZ-TSXV)**. Although RZZ has been an 8 year exercise in patience, it helps to assess and understand the rewards from maintaining focus over time and adhering to our core principles. Shareowners of **Abitibi Royalties** are generally aware that it has been amongst the best performers on the TSXV over the past few years, leading in many 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 mining companies. It is even 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 approximately 45% 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 on the TSXV in 2011. 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 potential near-term production areas including the Jeffrey, Barnat East, and Sheehan Zones. New developments during the past two years appear to demonstrate that significant potential may also 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 significant 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 high expectations for this area looking forward.

**Abitibi Royalties Inc.** also announced several other acquisitions of royalties in the Malartic and Cadillac areas through the past year, enhancing its core focus in the Abitibi area of Québec and exposure to additional properties and royalties both East and West of the original *Malartic CHL Prospect*.

**OPTION AND JOINT VENTURE AGREEMENTS:** **Golden Valley** has also retained interests in over 15 of its mining properties (in whole or in part, pursuant to its interests in the various option, joint venture and/or royalty agreements it has entered into with third parties) on which exploration continues, largely funded by arms-length joint venture partners.



As at April 30, 2019

Management of **Golden Valley** had established the financial objective of reducing 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 essential and quality service. Much has been accomplished to date, but more improvement is anticipated as **Val-d'Or Mining Corporation** primarily, but also **International Prospect Ventures Ltd.** become more autonomous and gain critical mass. It is expensive to be a public company and we expect those who work with us as contractors and service providers to also adhere to industry best practices and often exceed conventional performance expectations. "Good enough" rarely is, and we 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.

Junior mining company CEOs are likely optimists by requirement, as much as by nature, but a dose of reality (called the market) is useful to remind ourselves that past activity, including our own trading range, is no measure of future success, no matter how focused and unique we may consider ourselves versus our peer groups. I am aware it is a common criticism of many junior mining companies that "we cannot see the forest for the trees". In this context, it helps to constantly assess our performance not just against industry and market capitalization peers, but to measure our performance against all other domains and sectors. This is also the fairest way to ensure that the **Golden Valley** "value proposition" is evident to investors during all market cycles. Stock market analysts and others in the investment and public markets 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 the discussion eventually becomes one about the improvement in broad financial conditions instead of the broken record of despair we have endured for much of the past decade.

If it is true that *only survivors can win*, then we have survived well enough. Survival is essential, but the objective remains real growth through development of our assets, within our financial capacity. Several events transpired within our **Golden Valley** corporate environment that appear quite promising. Four of our public company holdings, all focused on gold, primarily, enjoyed exploration real success in 2018. Since December 31, 2018, the improvements have been even more pronounced thus far in 2019: **Abitibi Royalties Inc.** on the *Malartic CHL Prospect* near our "home ice" in Val-d'Or, Québec, **Alexandria Minerals Corporation** on the *Centremaque Prospect*, also near our home office and centre of activity in Val-d'Or, **Bonterra Resources Inc.** on the *Lac Barry Prospect* located further to the NE near the Windfall Lake area, and **Sirios Resources Inc.** on the *Cheechoo Prospect* further north in James Bay, Québec. The public market awareness for each of these companies is well-deserved as each have done the heavy-lifting with financial funding commitments and/or exposure through royalties on focus properties, and have persevered where others encountered difficulties. All four of these projects are gold projects, all four of them are situated in Québec, which positions our company well in a competitive and congested landscape for precious metals.

**Alexandria Minerals Corporation** completed a first-phase drill program through 2018 consisting of 7 drill holes (>3300-metres) at the **Golden Valley** joint venture property on 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. Announced plans for 2019 include a minimum 2500-metre drill program. **Alexandria** must spend a total of \$4,000,000 to earn an 80% interest, leaving **Golden Valley** with a 20% Free-Carried Interest and a 1.5% NSR (0.5% NSR buyback for \$1,000,000), if vested.

**Bonterra Resources Inc.** reported significant drill results from the 2018 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 through 2018, and **Bonterra** have recently vested, by having spent over \$2,000,000 on the *Lac Barry Prospect*, located near Windfall Lake, NE of Val-d'Or. **Golden Valley** will now retain a 15% Free-Carried Interest and a 3% NSR (1% NSR buyback for \$1,000,000).

**Sirios Resources Inc.** continued its own exploration success through 2018 at *the Cheechoo Prospect* in which **Golden Valley** continues to hold a significant NSR (ranging from 2.5% to 4% for Au, varying with Au prices and a fixed 4% NSR on all other commodities), and an important equity stake in **Sirios** (approximately 2% of **Sirios**). An additional attraction to **Golden Valley** is exploration leverage through both our equity in **Sirios** and retained NSR holdings, while **Sirios** continue to fund 100% of all exploration on the project. **Sirios** is aggressively drilling this project, with over 58 additional ddh's completed during 2018 (over 15,000-metres). In total, **Sirios** has now drilled over 198-ddh's (over 50,700-metres) at the *Cheechoo Project* and has announced plans to issue a first resource estimate later in 2019. The benefits of this transaction to **Golden Valley** are the following: equity consideration received from **Sirios**, significant exploration and development investment by **Sirios**, and NSRs retained in the property, as well as access to continued investor interest in the James Bay region of Québec.

Each of these properties has been subject to an option or joint venture transaction that management considers beneficial to **Golden Valley** in several respects. Our transactions are quite unique compared to conventional exploration agreements and include exposure to continued exploration success through our shareholdings in these public companies and, in the cases of the now vested Cheechoo and Lac Barry Prospect transactions, through our royalty holdings.

**CONCLUSIONS:** 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 option agreements and joint ventures largely funded by partners, and our own listed associate entities, initially formed as subsidiaries, to continue our exploration efforts in a generally non-traditional manner. This affords **Golden Valley** shareholders the benefits of exploration success through our shareholdings in the other entities, complemented by royalties and free-carried interests as the property agreements and transactions mature. It should also be evident that this strategy prevents dilution to our share capital as the funding is provided by partners, not just during the option and exploration stages, but, importantly, the significant funding which follows vesting in our properties. These agreements, in management's view, are an endorsement of the quality of our properties and previous work results.

The nature of disclosure for small capitalization public companies requires that risks be disclosed. **Golden Valley** takes this further by highlighting the risks; in fact, 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 maximize exposure to the benefit of **Golden Valley** shareholders. To that end, management continues to review and assess many opportunities both in Canada and in international locales for both precious and base metals, and other commodities.

Finally, a robust "*merci*" to you, our shareowners, for your past and continued support. Management will continue to work as a group to optimize our current assets, review new opportunities and continue efforts to seek out innovative joint ventures on a variety of commodities in both precious and base metals. We do so while protecting our share capital and exercising discipline over our financial resources in a competitive landscape for public mining companies.

(signed) "*Glenn J. Mullan*"

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