



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

May 20, 2020

Dear Shareowners and Stakeholders:

Only a few months ago, as we started to review the past year to assess our performance, the first storm clouds started to appear in various media reports about a dangerous, and apparently mobile, disease called COVID-19. As the coronavirus impact accelerated and public awareness aligned with government authorities and the scientific community, this new risk, a global pandemic, quickly became all-encompassing. Travel restrictions, closing of borders, quarantine measures and other mitigation strategies became the dominant talking points along with emergency financial measures as the lockdown began to touch us all: shareowners, stakeholders, employees, management, directors, consultants and service providers – and our respective families, communities, provinces and nations. Our concerns and attention shifted from logistical planning for exploration programs in remote locations to taking appropriate enhanced hygiene precautions in our own offices, and changing our communications protocols. Indeed, the way we interact has been altered and we, as a company, have adapted quickly to the new landscape. In accordance with government regulations and various COVID restrictions, we have implemented many strategies to hopefully mitigate the transmission of the disease, and to protect those who are required to work in our physical office, while continuing to deliver appropriate services to our shareowners.

It must be said that some of the changes were quite likely overdue, and have resulted in some noticeable improvements. Our technology was updated to allow for most of our work to be done remotely. Office hours and protocols were changed, to minimize contact in our work space, and to ensure the health and safety of our staff. It is easy in such a deluge of troubling news to lose sight of the fact that our company has progressed on a number of fronts, all in alignment with our board strategy to afford maximum exposure and leverage through our related associate entities (primarily the three public companies “spun out” of **Golden Valley Mines Ltd.** back in 2011: **Abitibi Royalties Inc.**, **International Prospect Ventures Ltd.** and **Val-d’Or Mining Corporation**) and other industry partners (joint ventures) while maintaining a firm and disciplined control on costs. COVID-19 notwithstanding, I am delighted to present the following review highlighting some of your company’s recent accomplishments.

OVERVIEW: Last year, many public market analysts, observers and investors suggested that market and commodity prices appeared to be strengthening and that public financings were returning to levels and frequencies not seen for many previous years. Natural resource issuers, and junior mining in particular, face many routine challenges. One of the new pressures recognized was the observation that new emerging market sectors, such as cryptocurrencies, blockchain and cannabis, were successfully penetrating venture capital markets to an extent well beyond what natural resource companies were attracting. Mining exploration seemed to be losing much of its traditional speculative audience. The early optimism for mining equities in general, and junior mining in particular, quickly faded and was replaced with a negative sentiment that became the new normal. Many of the base metal commodity prices remained flat, while some metal prices retreated significantly (such as nickel, zinc, diamonds, uranium). Precious metals fared better, and indeed, gold performed well with a price increase of over 17% over the year (December 31, 2018 to December 31, 2019) and an even better performance to current time, certainly partly influenced by the massive

economic impact to the global economy. Gold did even better in Canadian currency where it has been reaching historical highs.

In terms of our own daily challenges, access to capital and access to investors are amongst the prime challenges and many small public companies continue to be fragile and face distress conditions. Market awareness is a key priority for our company, as 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 exercises of stock options and warrants from prior financings) and generally avoiding dilutive financings that have characterized many of our peers 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 when the dilution to shareowners may be massive. 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. It is also worth noting that with all of the risks we highlight in our financial statements and Management Discussion and Analysis (including political, geographic, indigenous, environmental, currency and commodity prices factors), that it was a risk called COVID-19 that became the dominant theme early in 2020, a risk that did not appear in any of our prior reports. There is likely a lesson here for us all, as it seems we have tried to protect everyone from everything, but failed miserably. The only consolation is that this is a global phenomenon, and not related to our industry, company, commodity, strategic plan, nor for that matter, our country or province.



ASSOCIATE ENTITIES: A key part of our deliberate strategy has been to try and create value for our shareowners through our associate entities, originally spun out of **Golden Valley** in 2011. At that time, 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.** (now **Val-d'Or Mining Corporation**) and **Uranium Valley Mines Ltd.** (now **International Prospect Ventures Ltd.**) It is a useful exercise to now look back over that nine-year period to learn what worked well, what did not and to adjust our internal planning in order to extract maximum value from each of the associate entities for the benefit of **Golden Valley Mines** shareowners.

Nunavik Nickel Mines Ltd. was intended to focus on nickel exploration in Québec's far north Nunavik region. Nickel, as a commodity, proved to be extremely difficult to finance, in particular for a remote project. We took measures to control our costs and reduce our cash outflows, while seeking alternative commodities and projects that

would attract more financing possibilities. Following reviews of other companies, other properties, other commodities (with a focus on precious metals) and other business domains (including cannabis), 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. We then changed the **Nunavik Nickel Mines** company name to **Val-d'Or Mining Corporation (VZZ-TSXV)** and continued our original grassroots exploration strategy using **Val-d'Or Mining** to do the work and become the operating exploration entity. **Golden Valley Mines** currently holds approximately 33% of the issued share capital of **Val-d'Or Mining**. In summary, **Golden Valley Mines** has taken over 60 mining properties on which significant historic expenses had been incurred from the original staking of the mining claims and original public listing of **Golden Valley Mines** (we estimated that **Golden Valley Mines** had invested over \$10,000,000 into these properties since its original listing) and optioned them to **Val-d'Or Mining** (which option was exercised in late 2019) in exchange for over 60 new NSR's, \$2,000,000 in share equity consideration in **Val-d'Or Mining**, and an exploration commitment now funded by **Val-d'Or Mining**. Joint ventures offer many benefits to a company like **Golden Valley Mines** beyond any direct financial consideration. They also represent news flow, field work and exploration activity and potential for new discoveries in gold and base metals properties in our geographic base, the prolific Abitibi Greenstone Belt. **Golden Valley Mines'** business plan has worked well through **Abitibi Royalties** and now our efforts are in trying to create success through the other two related associate entities, albeit their very different strategic plans.

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 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 Craton region of Western Australia, following early, and - to myself, certainly - very exciting, exploration results announced by **Novo Resources Ltd.** and several other companies working in the area Southeast of Karratha, generally clustered near Marble Bar and Nullagine, two historic gold mining areas. **Uranium Valley Mines** changed its name to **International Prospect Ventures Ltd.** (and symbol to **IZZ-TSXV**) and is now focused on grassroots gold exploration in Western Australia. We have used the same exploration strategy and philosophy there that we do at home, and, have acquired a 100% interest in eight tenement (properties) areas through direct application. Our properties are large (>100,000-hectares, or >250,000-acres) with no partners and no earn-in commitments. Independent prospectors, working on some of our properties this past year as permitted, have reported encouraging results inclusive of the recovery of several good-sized gold nuggets (including one of over 7 ounces!). At the very least, this would appear to be a good endorsement of the geological potential and our initial site visits have confirmed same. **International Prospect Ventures** continues to review assets, properties and NSR royalties in Australia. **Golden Valley Mines** owns over 16% of this company and is the largest individual shareholder at this time. This is the first foray outside Canada for our group for some time and Australia has certainly done so many things well in the mining space. Western Australia has demonstrated quickly to us why it has secured consistently favourable rankings from the Fraser Institute in Vancouver, BC (annual report on mining jurisdictions using various criterion to evaluate fiscal policy, land tenure, investment and exploration strategies and Government support, etc., to rank locales from best to worst throughout the globe). It is no coincidence that our group focuses on Québec and Western Australia.

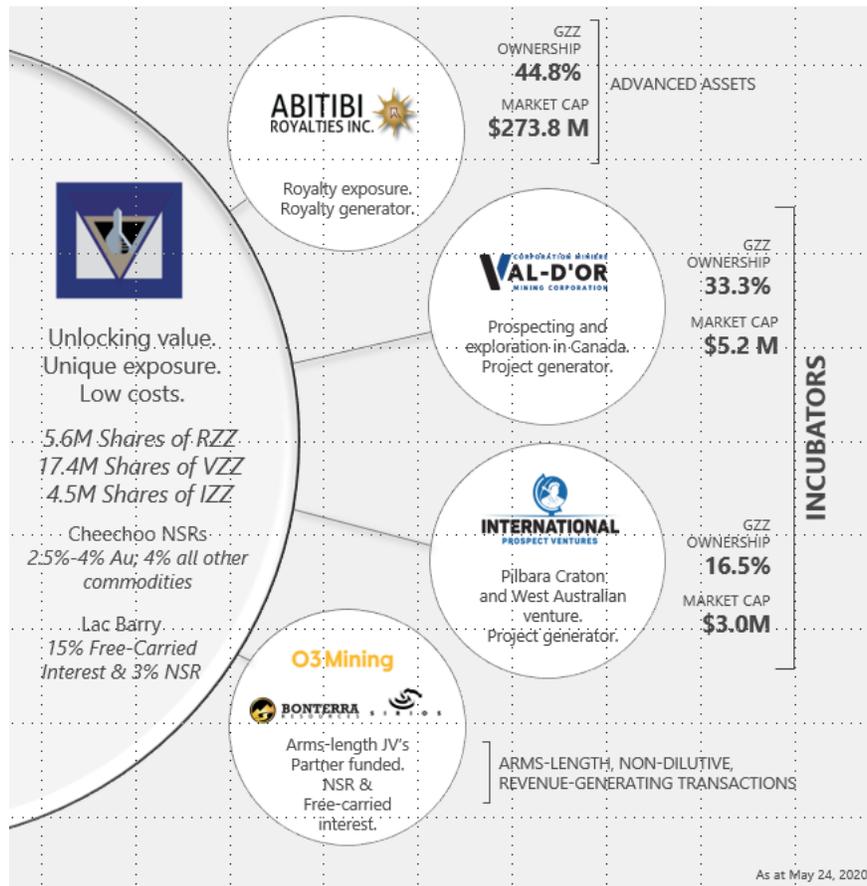
These transactions enable **Golden Valley Mines** to focus as a key shareholder and to provide general guidance, governance and exploration experience as the associate entities become more autonomous and advance exploration on their respective key properties. **Golden Valley Mines** has transitioned into more as the holder of the NSR royalties (Cheechoo Prospect and Lac Barry Prospect – both now vested and leaving us with credible NSR's on our once early-stage prospects) and as a significant shareholder of the associate entities. This unique strategy of using our own assets (properties) through the companies we have formed and listed has worked very well for us, in particular with our shareholdings in **Abitibi Royalties** over the past many years. The above two holdings (**International Prospect Ventures** and **Val-d'Or Mining**) also serve to demonstrate another focus of our strategic plan, namely, to try and create value from grassroots exploration (in Canada and Australia) for the benefit of shareholders in **Golden Valley Mines** 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. Effectively, all of the value we have enjoyed came from success derived from work focused on our grassroots properties, while exercising discipline over costs, in particular at the **Golden Valley Mines** level.

Abitibi Royalties Inc. (RZZ-TSXV), the third of the three companies spun out of **Golden Valley Mines** in 2011, has been the best example of this dedication to our original property assets. 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 and, in particular, to peer-group comparisons amongst royalty and junior/small-capitalization mining companies. It has also performed much better than the price of gold. It is rewarding to note that much of our gain came during a period of generally lackluster gold prices. The recent gold price increase makes **Abitibi Royalties** an even more compelling story. Looking back over time (nine years since listing of **Abitibi Royalties**), it helps to assess and understand the rewards from maintaining focus over time and adhering to our core strategic principles. There were, and are, many opportunities to dilute shareowners, acquire other assets and embark on other adventures but we did not. We have resisted dilution, implemented a share buyback (Normal Course Issuer Bid), reduced our share count, implemented a dividend with a monthly distribution, acquired multiple new royalties and interests in the key area to us, near Malartic, Québec, while much of our peer group(s) seem to be facing conventional dilution and erosion of market capitalization.

For those with good memories, it was not always like this with **Abitibi Royalties**, having traded below \$0.40 only a few short years ago. The gains speak for themselves, and attest to our steadfast commitment to share structure, low share count and attention to our shareowners. Your company continues to own approximately 45% of **Abitibi Royalties**, clearly making this our “anchor asset”. The market capitalization of **Abitibi Royalties** has increased by over \$100,000,000 over the past year! **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 Mines** to enable **Abitibi Royalties** 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, East Malartic, 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 is known for the highest average grade of the Malartic past production). Although located at significant depth, and with the usual risks associated with past production areas, East Malartic is considered by management to represent a potential new cornerstone asset.

OPTION AND JOINT VENTURE AGREEMENTS: **Golden Valley Mines** 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.



Management of **Golden Valley Mines** had established the financial objective of reducing expenses (not just exploration expenses, but also general and administrative, legal, audit/financial and management costs) and improving efficiencies in order to provide our shareowners with quality services at competitive rates. Much has been accomplished in this regard but more improvement is anticipated as **Val-d'Or Mining Corporation** primarily, but also **International Prospect Ventures** become more autonomous and gain critical corporate mass and capacity. 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 nature, but a reality check (called the market) is useful to remind ourselves that history is no indication of future success. I am aware it is a common criticism of many junior mining companies that we too often drink our own Kool-Aid. 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 Mines** “value proposition” is evident to investors during all market cycles, including this one characterized by extreme volatility. We can all therefore hope that the contemporary narrative evolves soon from pandemic issues and closures to one more focused on our collective prosperity and health. Indeed, our global perspective has changed to a more collective and balanced recognition that we all share in this together. Proof rests in our new lexicon inclusive of self-isolation, supply chain discussions, border closures, PPE equipment and frontline workers, as we learn to balance our economic and societal interest against this new imminent threat.

If it is true that *only survivors can win*, then we have survived well enough up to now. Of course, survival is an imperative, but the corporate objective remains real growth through development of our mineral property and equity assets, within our financial capacity. Several recent events transpired within our **Golden Valley Mines** corporate environment that appear quite promising. Four of our public company holdings, all focused on gold primarily, enjoyed real and measurable exploration success in 2019. Thus far into 2020, the improvements have been even more striking: **Abitibi Royalties** on the *Malartic CHL Prospect* near our “home ice” in Val-d’Or, Québec, **O3 Mining Inc.** 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 transaction with **O3 Mining Inc.** in late 2019, and then recommenced drilling through year-end and into 2020. Initial drill results appear quite exciting with positive results reported from two areas, now referred to as “Epsilon” and “Pontiac East” within the **Golden Valley Mines** joint venture property on the Centremaque Prospect. The location and geological context of the property, and the new mineral occurrences, astride the prolific Larder-Cadillac Fault Zone, and immediately west of the Orenada Zone 4 deposit and the new Bulldog Zone, in the heart of the Val-D'Or mining camp all make this a compelling part of the **Golden Valley Mines** story. This joint venture requires a total exploration commitment of \$4,000,000 to earn the operator an 80% interest, leaving **Golden Valley Mines** 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 Mines** joint venture property at the Lac Barry Prospect, and have named their new discovery area the “Temica Gold Zone”. Work continued through 2019, and **Bonterra Resources** has 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 Mines** 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 2019 further north in James Bay, Québec at the Cheechoo Prospect. **Golden Valley Mines** 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 Resources** (approximately 2% of **Sirios Resources**). An additional attraction to **Golden Valley Mines** is exploration leverage through both our equity in **Sirios Resources** and retained NSR holdings, while **Sirios Resources** continue to fund 100% of all exploration on the project. **Sirios Resources** has now drilled over 270-ddh's (over 64,000-metres) at the Cheechoo Prospect. **Sirios Resources** also released their maiden resource estimate, based on an open-pit constrained model, which yielded inferred resources containing 1.6 million ounces Au from 71 million tonnes at an average grade of 0.69 g/tn Au and reported additional potential for expansion (December 2019, **Sirios Resources** website; BBA Inc., Pierre-Luc Richard, geo. whose results have been published in the December 11, 2019 press release).

This joint venture provides multiple benefits to **Golden Valley Mines** including a significant equity consideration received from **Sirios Resources**, ongoing exploration and development investment by **Sirios Resources** (now estimated to be in excess of \$20,000,000 spent by our partner), and NSRs retained in the property. This first resource estimate is a real achievement and attests to further local potential in the James Bay “Mid-North” area of Québec where **Golden Valley Mines** continues to hold other 100%-owned properties.

Each of these properties has been subject to an option or joint venture transaction that management considers beneficial to **Golden Valley Mines** in multiple respects. Our transactions are quite unique by design 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 NSR royalty holdings.

CONCLUSIONS: Only a few years ago, **Golden Valley Mines** was a more conventional mining exploration company, raising funds deployed directly on exploration, causing dilution and then continuing the process. The **Golden Valley Mines** board worked to develop a very different, and unique business plan focused on cutting costs and joint venturing properties so that funding came from our partners, with property vesting occurring only after all commitments were met. Leveraging our property assets into new corporate and transactional opportunities became dominant while attempting to minimize dilution to **Golden Valley Mines** shareowners. **Golden Valley Mines** transitioned from a conventional public company exploring directly into a more diversified entity. We now structure our agreements and joint ventures to be largely partner-funded. We have assisted our own listed associate entities, initially formed as subsidiaries, to continue our exploration efforts in a generally non-traditional manner. This affords **Golden Valley Mines** 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 vest. 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 our previous work results.

The nature of disclosure for public companies requires that risks be disclosed. **Golden Valley Mines** 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 Mines** 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 now with the luxury of being a significant recipient of the new dividend paid by **Abitibi Royalties**.

A final word on the gold market, directed in particular to the many shareowners I know personally. I have often been quick to state that I am not a gold bug, am generally agnostic when it comes to commodities and that my personal thrill comes more from exploration success than any particular commodity. Over a 20-year period going back to our public listing, we have explored for precious and base metals, energy and industrial minerals and commodities. As we altered our strategic plan to focus on our associate entities and joint ventures, and as exploration success and market interest shifted our property portfolio more towards gold, our shareowners have responded favourably. Recent events, including the massive economic and social damage inflicted by the COVID-19 pandemic, take us largely into uncharted waters. These unprecedented events appear as if they will be leaving some deep scars. Governments have responded quickly with economic stimulus and rescue efforts on a largely global scale. Increases and surges now refer more to unemployment, bankruptcies and health care costs, with potential inflation and further financial bailouts likely to be with us for a very long time. Markets do not like uncertainty, and society has little patience. The staggering costs that appear to be looming are likely to be the platform for much social, and certainly economic unrest. All of that is before the "Blame Game" or finger-pointing starts in earnest. Governments will likely be obliged to fund many of our national requirements using financial tools that historically have caused inflation, eroded currencies and decreased the standard of living. In short, I am most certainly a gold bug now.

Finally, a robust "*merci*" to you, our shareowners, for your continued support. Management will continue to work to optimize our current assets, review and leverage new opportunities and continue efforts to seek out innovative joint ventures on a variety of commodities in both precious and base metals (but definitely with a gold focus for now). We will endeavour to do so while protecting our share capital from needless dilution and exercising discipline over our financial resources in a very competitive landscape for public mining companies. Stay healthy!

(signed) "*Glenn J. Mullan*"

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