Management's Discussion and Analysis – Golden Valley Mines
Second Quarter Ended June 30, 2005

Introduction

The following is management's discussion and analysis of the financial condition and results of operations of Golden Valley Mines Ltd. (the "Company") for the second quarter ended June 30, 2005. This discussion and analysis should be read in conjunction with the unaudited interim financial statements for the period ended June 30, 2005, the audited financial statements for the year ended December 31, 2004, and the related notes thereto. All figures are in Canadian dollars unless otherwise noted.

Nature of Operations

Golden Valley Mines is a mining exploration company, having an interest in approximately 100 exploration properties located in: i) the Abitibi Greenstone Belt (Ontario and Quebec); ii) the Nunavik (Ungava and Labrador) region of northern Quebec; iii) the James Bay region of northern Quebec; and iv) the Athabaska Basin of Saskatchewan.

The mainstay of Golden Valley's business plan is Abitibi Greenstone Belt systematic gold and base metals exploration program. Golden Valley is following an exploration strategy where preliminary work (gridding, prospecting, geophysical and/or geochemical surveys, reconnaissance mapping) is completed on any given property, followed by a diamond drill program, testing the targets that have been identified. In this manner, Golden Valley typically drills up to 5 holes per property, each drill target having been identified as "anomalous", and this effort is systematically carried out throughout the year. The Company aims to test up to 100 targets per year on 16 to 20 properties.

The Company's 2005 focus has been to increase its property interests in the James Bay region of Quebec. In December 2004, Golden Valley Mines acquired an interest in the Cheechoo gold property, located in the vicinity of Virginia Gold Mines Eleonore gold discovery in James Bay, Qc., and in May, 2005 the Company's property interests in this vicinity tripled from what it was at year end.

Over the past few years, Golden Valley has held interests in three significant nickel-copper-platinum-palladium (Ni-Cu-PGE) properties in the Nunavik (far North) region of Quebec – the Marymac Prospect, located near Kuujjuaq, Québec, and the East and West Shoot Out properties, located on the Raglan South Trend, close to Falconbridge's Raglan Mine. In 2003 Golden Valley granted an option for two separate parties to earn a fifty percent (50%) interest in the Shoot Out properties, and as at the date hereof, only the option on the West Shoot Out property remains in effect. Additionally, Golden Valley Mines has exposure to diamond exploration through the Bijoux Venture, consisting of 11 properties southwest of Kuujjuaq in Nunavik, Québec, and the Company has several interests in Uranium properties located in the Athabaska basin region of Saskatchewan and in the Mistassini and Otish Basins, Qc.

Selected Information for the Six Month Period Ended June 30

	June 30 2005	June 30, 2004	June 30, 2003
Total revenues	16,000	-	-
Net income (loss)	(468,423)	(328,740)	(160,905)
Basic and diluted net loss per share	(0.017)	(0.012)	(0.008)

Results of Operations

As at June 30, 2005, the Company reported a net loss of $468,423, compared to a loss of $451,669 as at December 31, 2004, and $328,740 one year earlier as at June 30, 2004.

Revenues

Revenues are typically derived from Geological Fees and cash income from various option agreements on grassroots exploration projects. Cash income from option agreements varies from quarter to quarter, depending on the number of property vendings during each quarter. As at December 31, 2004, revenue from Property Options totaled $41,910 for fiscal 2004, and as at June 30, 2005 there has not been any cash generated from option agreements. However, subsequent to the six month period ended June 30, 2005, the Corporation completed a property option agreement in respect of its Brokers Fee Prospect located in the Abitibi Greenstone Belt, and any cash derived therefrom will be reported in the interim financial statements for next fiscal quarter (see Note 9 to the interim financial statements as at June 30, 2005). Income from geological fees increased from $0 as at March 31, 2005, to $16,000 as at June 30, 2005. These geological fees were generated from fees charged as operator to optionee partners carrying out work on the Company's properties. Interest income as at June 30, 2005 was $16,823, compared to $38,189 during the same period in 2004, and $64,397 as at fiscal year ended December 31, 2004. Interest is generated primarily from private placements funds, and accordingly, this amount will fluctuate, depending on the time of year that the Company completes its private placement financings. This income is virtually offset by interest charges on the Company's Debenture, together with ongoing bank charges. As at December 31, 2004, the Company held publicly traded securities having a book value of $212,000, and as at March 31, 2005, this book value increased to $297,305 (with a quoted market value of $409,805). By June 30, 2005 the book value of the Company's holdings (of publicly traded securities) had decreased slightly from the previous quarter to $296,593 (with a quoted market value of $359,093). The securities held by the Company are comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements. During the second quarter ended 2005, the Company realized investment gains on these shares of $3,028, whereas this amount totaled $17,074 as at December 31, 2004. During the second quarter ended June 30, 2005, the Company subscribed for 666,667 units of Kalahari Resources Inc. at a cost of $40,000, whereby one unit consisted of one common share of Kalahari and one 12 month purchase warrant exerciseable at $0.10 per share.

Non-Exploration Expenditures

Administration expenses totaling $376,027 as at June 30, 2005 were slightly higher than those incurred during the same period in 2004. This amount is, however, almost double from what the administrative expenses were as at June 30, 2003. The main reasons for the significant increase after 2003, are the fact that the Company began to expense stock-based compensation after the first quarter in 2003, and, up to the second quarter ended June 30, 2003, the Company was slowly implementing its business plan of systematic target testing in the Abitibi Greenstone Belt. The Company changed its accounting policies and began expensing stock-based compensation for consultants for the first time in 2002, and for management and employees for the first time in late 2003.

With the exception of stock-based compensation, the largest increase in expenses during this six month period ended, compared to the six month period ended June 20, 2004, are those related to advertising/exhibitions/travel. This increase is a consequence of the level of activity associated with shareholder awareness programs (participation in investment conferences, road shows to the investment community, and other marketing activities). The Company incurred $92,886 for these activities as at June 30, 2005, and as at December 31, 2004, the total costs were $69,796. The values ascribed to the stock based compensation ($46,105 as at June 30, 2005 and $132,364 as at June 30, 2004) will always fluctuate, depending on the time during the year that incentive stock options are granted. Management fees were down from the same period as at June 30, 2004 ($19,500 as at June 30, 2005 compared to $30,000 as at June 30, 2004), owing primarily to certain fees being allocated more to the exploration side of the business, given the increase in exploration activities. Professional fees almost doubled from that during the same period in 2004 ($44,516 as at June 30, 2004 compared to $80,678 as at June 30, 2005), which is a result of the Company retaining outside investor relations services. Rent and office expenses decreased during the six month period ended June 30, 2005 ($59,437) compared to expenses related to rent and office during the same six month period ended June 30, 2004. Historically, over the past few years, the costs associated with rent and office escalated significantly, primarily because of the addition of a Montreal office location. However, these costs have leveled out somewhat, fluctuating only during periods of increased exploration activities.

A new expense under Administrative Expenses is the inclusion of taxes paid on flow-through funds – which was $12,684 as at June 30, 2005 (compared to $32,611 as at December 31, 2004 and $nil as at June 30, 2004).

Exploration Activities and Expenditures

At the end of the second quarter ended June 30, 2005, investments in mineral properties totaled $933,675 (before deducting funds received as a grant from the Québec Government), compared to $307,067 during the second quarter ended June 30, 2004. The large increase in 2005 exploration expenditures compared to the same period in 2004 is on account of the commencement of activities on the Company's James Bay properties, and additionally, in respect of an increase in acquisition and claim maintenance costs. Otherwise, the expenditures have been applied to the Company's "mainstay" exploration program of systematic target testing in the Abitibi Greenstone Belt.

Highlights from the Company's exploration programs during the second quarter ended June 30, 2005 include work conducted in the James Bay ("Mid-North") area of Quebec, and continuance of grass-roots generative work in the Abitibi Greenstone Belt (Quebec & Ontario).

Results from the airborne geophysical surveys (magnetic & electromagnetic) conducted during the spring, 2005 on the Sharks and Cheechoo Prospects outlined a number of exploration target signatures deemed worthy of additional ground follow-up. Lake sediment sampling is also underway in an effort to prioritize the many geophysical targets. The properties are proximate to the gold discoveries reported by Virginia Gold Mines at the Eleonore property, being located both immediately west and east of the discovery area. Exploration expenses incurred during the six month period ended June 30, 2005 for this program (on the property interests acquired from Sirios only) totaled approximately $262,000.

Grass-roots exploration defining new drill targets continued in the Abitibi Greenstone Belt where one drill program was completed during the second quarter, at the Mona Lisa Prospect near La Sarre, Quebec. No significant results were returned. Additional ground work consisting of prospecting and/or ground-based geophysical surveys has resolved drill targets at eleven additional grass-roots properties located in the following areas of northwestern Quebec:

- Chibougamou area: Bejopipa (Au); Ile Joe (Au); Lac Dulieux (Au) and Bearmac (Au);

- Duparquet area: Sea Serpent (Au), Riviere Lois (Au-VMS), Golden Jet (VMS);
- Val-d'Or area: Lac Laverdiere (VMS) and Lac Lemoyne (VMS: #31); and
- Kalahari Joint Venture: Cook Lake Prospect (Au) & Perestroika Prospect (Au).

The Company announced the signing of an option/joint venture on April 12, 2005 with Kalahari Resources Inc. covering 9-grassroots properties in the Abitibi Greenstone Belt. The Company may acquire up to an 85% interest by incurring staged expenditures totaling $1,000,000 over 3-years on any one, or combination of the properties.

Also during the second quarter ended June 30, 2005, the Company acquired 15 additional property interests in the James Bay region of Quebec, adding to its existing holdings in the region. Having already retained an interest by way of an option/joint venture agreement with Sirios Resources Inc. in respect of the Cheechoo property, Golden Valley entered into a transfer and royalty agreement with Canadian Royalties Inc., whereby Golden Valley acquired a 100% interest in 374 mineral claims, that are subject to a 1.5% NSR in favour of Canadian Royalties, in addition to assuming Canadian Royalties rights in and to an option agreement with Sirios Resources Inc. in respect of the "Sharks" property. This transaction obligates Golden Valley to incur the required $1,000,000 in exploration expenditures over 4 years to earn a 60% interest (in addition to the obligation to reimburse staking and exploration costs in respect of that property). Planning for a 2005 ground-based field work program is underway, pending a possible program for limited diamond drilling to be completed prior to December, 2005.

Summary of Quarterly Results

	June 05	March 05	Dec 04	Sept 04	June 04	March 04	Dec 03	Sept 03
Total revenues	16,000		156,156	0	0	0	0	0
Net loss	(288,422)	(240,001)	77,859	(200,788)	(175,924)	(152,816)	(72,794)	(65,694)
Basic and diluted net loss per share	(0.008)	(0.009)	0.003	(0.007)	(0.007)	(0.006)	(0.01)	(0.012)

Over the past eight quarters, expenses have gradually and consistently increased reflecting a corresponding consistent increase in exploration and corporate development activities. As mentioned earlier, revenue will appear sporadically over any given quarter, depending on revenue generated from acting as project operator in respect of partnered properties, or by way of option agreements, all of which may be augmented, altered, or cancelled with little notice.

Financial Condition

Liquidity and Capital Resources

Working capital decreased from $2,013,444 as at December 31, 2004 to $1,055,823 at June 30, 2005. No funds remained as of June 30, 2005, representing unspent balance of a flow-through funds. There were no funds were raised through the exercise of warrants and options, and a total of 245,500 options expired during the second quarter ended June 30, 2005.

As at June 30, 2005 the Company's cash liquidity position would not enable it to carry out its exploration commitments for 2005, given that during the second quarter ended June 30, 2005 the Company acquired additional exploration obligations in respect of new projects in the James Bay region, and accordingly, a financing will have to be completed in 2005 in order to maintain the ongoing commitments of the new projects in this region. The non-flow-through funds received in 2004 from the exercise of convertible securities will cover the Company's general and administrative expenses to the end of 2005, provided that no extraordinary circumstances arise. However, the Company expects to receive $135,000 in exploration tax credits from the Quebec government in early 2006.

On January 1, 2005, the Company adopted prospectively the recommendations of the CICA Handbook, paragraph 20A, Section 3860, *Financial Instruments – Disclosure and Presentation*. This paragraph defines notably the presentation of a contractual obligation of a fixed amount which has to be settled by delivery of its own equity instruments. Such an obligation is a financial liability. The impact of this change is the classification of the convertible debenture of $300,000 as a liability instead of an item in Shareholders Equity and the interest is charged to Operations instead of Deficit. This amount ($300,000) was inadvertently not deducted from the working capital amount disclosed in the Company's Management Discussion and Analysis for the First Quarter Ended March 31, 2005 – "Financial Condition – Liquidity and Capital Resources". Accordingly, as a result of the changes in accounting policies set out herein, the Working Capital as at March 31, 2005 was $1,417,862 (and $1,055,823 as set out hereinabove).

As an exploration stage company, with a limited revenue stream, the Company budgets exploration and administrative expenses, and closely monitors its burn rate, investments and cash position.

Contractual Obligations

Payments due by Period

Obligation	Total	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
Debenture	300,000	300,000 (1)	-	-	-	-
Property Options/Purchase	$2,310,000	200,000	250,000	300,000	250,000	

Notes: (1) Due November 15, 2005. Interest accrued in respect of this Debenture during the second quarter ended June 30, 2005 was $4,537.

Transactions with Related Parties

During the second quarter ended June 30, 2005, $57,500 in expenses that were capitalized in mineral properties were invoiced by a party who is an Officer and Director of the Company. Additionally, a total of $22,300 was paid in management and professional fees to parties that are officers or directors of the Company.

Further, the acquisition of the James Bay property interests from Canadian Royalties Inc. described above in “Exploration Activities and Expenditures” is considered to be a related party transaction, in that certain of the officers and directors of the Company are also officers or directors of Canadian Royalties.

Lastly, Kalahari Resources obtained its rights in the properties mentioned above (in “Exploration Activities and Expenditures”) between three and twelve years ago from an officer of the Corporation, who is also a director, and the properties are subject to various net smelter return royalties in favour of this officer/director.

Outlook

Golden Valley Mines exploration plans for 2005 have been described in the Exploration Expenditure section of this document, and in further detail in the Company’s 2004 Annual Report. The Company’s principal objectives are related to the Abitibi project, but a large focus for the fall will be on planning for the James Bay exploration program (Cheechoo and Sharks projects). A small ground-based exploration program with the possibility of limited diamond drilling will likely take place during the fall, 2005, with a larger, Phase II exploration program planned for 2006.

The proposed aggregate $2,200,000 program for the Shoot Out properties was not commenced during the second quarter ended June 30, 2004, given that during this quarter, one partner terminated the option (East Shoot Out) after incurring $200,000[not exactly true, I used some of the $200K to pay the money owed from 2004, about $105,000 was used in exploration] in 2005, and the Company’s other partner has been unable to commence the 2005 program until after the completion of a plan of arrangement and private placement. Accordingly, the Company will be seeking one or more partners to further explore any upcoming programs in respect of the Nunavik holdings, where necessary.

The capital markets for exploration companies appeared to weaken over the first quarter in 2005 and these markets could remain as such for one to two years, or even longer, depending on the strength of the commodities markets. Golden Valley Mines success in optioning exploration properties for third party exploration, and seeking funding for in-house exploration, is directly related not only to the strength of exploration markets, but also the ability to obtain and maintain a select group of properties in key prospective areas.

Risks and Uncertainties

The exploration and development of mineral deposits involves significant and other risks over an extended period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate, and few properties which are explored are ultimately developed into producing mines. The long-term profitability of the Company’s operations will be in part related to the cost and success of its exploration programs, which may be affected by a number of factors out of the Company’s control, such as commodity prices, the availability of skilled personnel, qualified vendors, and critical equipment.

Substantial expenditures are required to establish reserves through drilling, to determine the technical and economic feasibility of mining and extracting them, and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, it is impossible to ensure that the current or proposed exploration programs on properties in which the Company has an interest will result in profitable mining operations.

Additional Information

Additional information about Golden Valley Mines, including the annual information form, may be obtained from the Company’s website at www.goldenvalleymines.com or on SEDAR at www.sedar.com.

Forward Looking Statement

“All statements other than those of a historical nature are ‘forward-looking statements’ that may involve a number of unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.”