Management's Discussion and Analysis – Golden Valley Mines
Third Quarter Ended September 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 third quarter ended September 30, 2005. This discussion and analysis should be read in conjunction with the unaudited interim financial statements for the period ended September 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 the 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, and in November, 2005 the Company completed all matters pertaining to the acquisition of an interest in eleven additional properties in the James Bay region to become one of the principal claim holders in the James Bay region.

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 Québec – 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 third quarter ended September 30 2005, 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 Nine Month Period Ended September 30

	September 30 2005	September 30, 2004	September 30, 2003
Total revenues	16,000	-	-
Net income (loss)	(653,184)	(529,528)	(226,598)
Basic and diluted net loss per share	(0.023)	(0.020)	(0.012)

Results of Operations

As at September 30, 2005, the Company reported a net loss of $653,184, compared to a loss of $451,669 as at December 31, 2004, and $529,529 one year earlier as at September 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 September 30, 2005 there has not been any cash generated from option agreements. The Company generated $16,000 from geological fees during the 9-months period ended as at September 30, 2005. Interest income as at September 30, 2005 was $19,305, compared to $51,527 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. Notwithstanding this however, the interest paid by the Company in respect of its debenture, together with its ongoing bank charges exceeded the amount of interest earned during the period ended September 30, 2005. As at December 31, 2004, the Company held publicly traded securities having a book value of $212,000, as at March 31, 2005, this book value increased to $297,305 (with a quoted market value of $409,805), and as at June 30, 2005 this book value decreased slightly to $296,593 (with a quoted market value of $359,093). By September 30, 2005 the book value of the Company's holdings (of publicly traded securities) had decreased slightly from last quarter to $289,963 (with a quoted market value of $409,963). 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, and the completion of two private placements. During the nine month period ended September 30, 2005, the Company realized investment gains on these shares of $3,028, whereas this amount was nil during the same nine month period ended September 30, 2004.

Non-Exploration Expenditures

Administrative expenses totaled $548,909 as at September 30, 2005. This amount is similar to the total administrative expenses, as at September 30, 2004, however, it is almost double from what the administrative expenses were as at September 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.

The largest administrative expenses during this nine month period ended September 30, 2005 are professional fees ($120,482), rent and office expenses ($111,946) and the combined advertising/exhibitions/travel ($118,214). With the exception of stock-based compensation, each of these expenses is up sharply from the same nine month period ended September 30, 2004. These increases are a consequence of the level of activity associated with shareholder awareness programs (participation in investment conferences, road shows to the investment community, the retaining outside investor relations services and other marketing activities). Additionally, the values ascribed to the stock based compensation ($70,843 as at September 30, 2005 and $199,254 as at September 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 September 30, 2004 ($29,250 as at September 30, 2005 compared to $45,000 as at September 30, 2004), owing primarily to certain fees being allocated more to the exploration side of the business, given the increase in exploration activities. Rent and office expenses increased slightly during the nine month period ended September 30, 2005 ($111,946) compared to expenses related to rent and office during the same nine month period ended September 30, 2004 ($104,101). 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.

Exploration Activities and Expenditures

At the end of the third quarter ended September 30, 2005, investments in mineral properties totaled $1,446,066 gross, before deduction any applicable funds to be received as a grant from the Québec Government, compared to $447,067 during the third quarter ended September 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 third quarter ended September 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).

During the third quarter ended September 30, 2005, the Company began the third phase of the 2005 on-site exploration on its Cheechoo Gold project. This phase of work follows airborne geophysical surveys and lake-bottom sediment sampling completed earlier this year. Several target areas for gold and base metals were identified from the results of the airborne magnetic and electromagnetic geophysical surveys. The mapping, prospecting and sampling program is directed at high priority geophysical targets and prospective areas identified from regional geological mapping. The object of the program is to delineate several targets for follow-up diamond drilling.

Subsequent to the third quarter ended September 30, 2005, the Company completed the second phase of the 2005 field program on the Cheechoo Gold Project. Field work consisted primarily of prospecting and geological mapping in proximity to Virginia Gold Mines's Eleonore property. Priority electromagnetic (EM) anomalies, identified in the March 2005 Fugro DIGHEM airborne survey, were "ground truthed", and a number of mineralized outcrops were discovered near target anomalies and sampled. Exploration expenses incurred during the nine month period ended September 30, 2005 for this program, including exploration expenses incurred on the newly acquired James Bay properties, totaled approximately $480,000.

During the three month period ended September 30, 2005, the Company announced the signing of an option/joint venture agreement with Range Metals Inc. whereby Range Metals may earn up to a 55% interest in the Broker's Fee Prospect, situated near Kirkland lake, Ontario by incurring staged expenditures totaling $1,000,000 over 3-years on the property. Additionally, the Company was assigned all of Canadian Royalties Inc.'s (TSX-V:CZZ) interests in 645 mining claims in the James Bay area of Québec. Canadian Royalties retained a 1.5% NSR on 374 of these claims. Certain officers of the Corporation are also officers and/or directors of Canadian Royalties Inc.

Summary of Quarterly Results

	Sept 05	June 05	March 05	Dec 04	Sept 04	June 04	March 04	Dec 03
Total revenues	16,000	16,000	0	156,156	0	0	0	0
Net loss	(184,761)	(288,422)	(240,001)	77,859	(200,788)	(175,924)	(152,816)	(72,794)
Basic and diluted net loss per share	(0.007)	(0.008)	(0.009)	0.003	(0.007)	(0.007)	(0.006)	(0.01)

Financial Condition

Liquidity and Capital Resources

Working capital decreased from $2,013,444 as at December 31, 2004 to $429,102 at September 30, 2005. No funds remained as of September 30, 2005, representing unspent balance of flow-through funds. There were no funds were raised through the exercise of warrants and options, and a total of 5,000 options were cancelled during the third quarter ended September 30, 2005.

As at September 30, 2005 the Company's cash liquidity position would not enable it to carry out its exploration commitments for 2005 and 2006, given that during the third quarter ended September 30, 2005 the Company acquired additional exploration obligations in respect of new projects in the James Bay region, and accordingly, subsequent to the third quarter ended September 30, 3005 three private placement financing were completed and $1,518,950 were raised through issuance of an aggregate 5,063,167 Units (see note 9 Subsequent Events for details on the terms of the Units). Additionally, pursuant to the terms of an unsecured convertible debenture dated May 15, 2003 (maturity November 15, 2005) in the principle amount of $300,000, the Corporation made a final interest payment of $18,147 by issuing 65,327 common shares. The Company also agreed to redeem payment of the principle amount of the debenture by the issuance of aggregate 1,000,000 units of the Company (one common share and one half of a warrant exerciseable at $0.35 for 12 months and thereafter at $0.40 for the ensuing twelve month period).

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 $429,102 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	400,000	400,000	-	-	-	-

Notes: (1) Due November 15, 2005. Interest accrued in respect of this Debenture during the third quarter ended September 30, 2005 was $9,074.

Transactions with Related Parties

During the third quarter ended September 30, 2005, $71,150 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 $32,050 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.

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 winter will be on 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 winter of 2006.

The proposed aggregate $2,200,000 program for the Shoot Out properties was not commenced during the third quarter ended September 30, 2005, given that during the nine month period ended September 30, 2005, one partner terminated the option (East Shoot Out) 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.”