Management's Discussion and Analysis

Golden Valley Mines Ltd.

For the second quarter ended June 30, 2009

Dated: August 31, 2009

INTRODUCTION

The following is Management's Discussion and Analysis of the financial condition and results of operations of Golden Valley Mines Ltd. (the "**Company**" or "**Golden Valley Mines**") and its subsidiary, Calone Mining Company (S.L.) Ltd ("Calone") for the second quarter ended June 30, 2009. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements of the Company for the second quarter ended June 30, 2009 and the related notes thereto. All figures are in Canadian dollars unless otherwise specified. The technical content in this Management's Discussion & Analysis has been prepared under the joint supervision of Michael P. Rosatelli and Glenn J. Mullan, each of whom are a "Qualified Person" as such term is defined in National Instrument 43-101.

Forward-Looking Statements

This document contains certain forward-looking statements. In some cases, words such as "plans", "expects", or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur, be achieved or continue, have been used to identify these forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict and are not to be interpreted as guarantees for future performance. These forward-looking statements could cause actual events or results to differ materially from those anticipated in such forward-looking statements. All forward-looking statements speak only as of the date hereof and, except as required by law, the Company does not undertake any obligation to update or publicly release any revisions to such forward-looking statements to reflect events, circumstances, or changes in expectations after the date hereof, except as required by law. Accordingly, readers should not place undue reliance on such forward-looking statements.

NATURE OF OPERATIONS

Golden Valley Mines is a mining exploration company, whose assets include 141 exploration properties located in the following areas: (i) the Abitibi Greenstone Belt (101 projects are located between Timmins, Matachewan and Kirkland Lake, Ontario and Rouyn-Noranda, Cadillac, Malartic, Val-d'Or and Chibougamau, Québec); (ii) the James Bay, Mistassini and Otish regions of northern Québec; (iii) the Nunavik (Ungava and Labrador) region of northern Québec; (iv) the Athabasca Basin of Saskatchewan; and (v) the James Bay Lowlands of Ontario.

Golden Valley Mines' primary objective is to conduct basic exploration, including initial diamond drilling, while the Company owns 100% of most of its properties. In instances where the exploration results are less than conclusive (such as when favourable geological conditions are encountered, with no significant discovery) the Company will typically seek partners (other public companies) to conduct follow-up exploration programs and continue the exploration effort. In most of these agreements, Golden Valley Mines continues to act as operator. In this manner, the Company reduces dilution to its share capital and decreases its expenditures. This also allows the Company to continue exploration on these same properties with larger budgets than its own initial investment (most of the agreements allow the partner to earn-in to properties by spending exploration funds over periods of three to four years). Furthermore, in addition to the receipt of exploration funding, these agreements usually provide for receipt by the Company of either cash or shares, or both from its partners. This allows Golden Valley Mines to focus on other early-stage, 100%-owned properties while partners fund more expansive joint venture and remote projects.

Golden Valley Mines' exploration strategy is based on three principles: (a) majority ownership during the initial early stage exploration program; (b) exploration for a wide variety of commodities including precious and base metals, as well as uranium; and (c) drill testing of priority anomalous targets during the early stage grassroots exploration, generally while the properties are 100%-owned.

OVERALL PERFORMANCE

Exploration Activity:

1. Abitibi Greenstone Belt (AGB) "Grassroots Exploration Project", Québec and Ontario

100%-owned Projects: The 101 AGB properties are comprised of gold (54) and/or copper-zinc-silver (45), and nickel-copper-PGE (5) prospects located in Québec (81) and Ontario (23). Golden Valley Mines' exploration strategy consists of a systematic approach designed to reduce exploration risk, and increase the possibility of exploration success, through the sequential exploration of a large number of grassroots properties. Preliminary work (grid establishment, prospecting, geophysical and/or geochemical surveys, reconnaissance and grid mapping and channel sampling) is completed on one property while diamond drilling of up to six prospective targets is completed on another, with the pattern then consistently being repeated throughout the year.

The Asset Conservation Plan ("**ACP**") that was put into effect by the Company in October 2008 was carried into the Company's second quarter operations and accordingly the majority of field-based project expenditures were curtailed on all self-funded exploration activities. For 2009, the exploration budget for the AGB "Grassroots Exploration Project" has been reduced significantly from the prior year with the objective of retaining key members of the exploration team and maintaining its core claims through selective preliminary ground follow-up work and where warranted, drill target testing. Golden Valley Mines will monitor general financial conditions, including market related activity, and will recommence exploration activity when it deems financial conditions have stabilized. The reduced exploration expenditures demonstrate the Company's commitment to protect its financial resources.

Exploration activities for the second quarter ended June 30, 2009 focused on maintaining the Company's core property claims through the establishment of detailed grids and completing ground geophysical programs targeting specific geological targets on three prospects for gold, copper-zinc-silver and cobalt-silver-nickel mineralization respectively. In addition, in-house project generation activities continued unabated from the first quarter with the staking of additional claims related to the company's VMS (volcanogenic massive sulphide) copper-zinc-silver and/or VMS initiative in the AGB region of Québec over the period March-April 2009. Further in-house project generation activities conducted over the second quarter included the acquisition of new land positions prospective for uranium (northern Québec) and nickel-copper-PGE, gold and molybdenum (AGB Québec and Ontario) mineral deposits. Future exploration and/or joint venture plans will be announced once official claim certificates have been received from the Ministère des Ressources naturelles et Faune (MRNF) and Ministry of Northern Development and Mines (MNDM).

In addition, a number of strategic business opportunities in the exploration and/or mine development process have and/or are currently being evaluated, including for the first time, exterior to Canada. Golden Valley Mines, through its subsidiary, Calone made its first overseas transaction with the acquisition of a number of exploration permits in the West African country of Sierra Leone.

2. Properties, Option, and Joint Venture Portfolio Overview:

Abitibi Greenstone Belt

Kalahari Joint Venture:

In the fourth quarter of 2008, the Company entered into a joint venture agreement with Kalahari Resources Inc. ("**Kalahari**") thus earning a 70% interest in a group of nine (9) properties located in the Abitibi Greenstone Belt (Québec and Ontario). Golden Valley Mines will continue to act as the operator during the joint venture phase. Subsequent to the second quarter ended June 30, 2009, an exploration management committee was established for the joint venture and as operator, Golden Valley Mines initiated property compilations for the purposes of program planning and budgeting.

Malartic CHL Prospect:

At the Malartic CHL property, option/joint venture partner Osisko Exploration Ltd. ("**Osisko**") continued processing (logging and sampling) the 19,746 metres (101 drillholes) of core drilled in 2008. To help alleviate the logging and sampling backlog, Golden Valley Mines took procession of 3,767.7 metres (22 drillholes) of 2008 core at its exploration office in Val-d'Or. These drillholes represent drill testing for extensions of the *"Jeffrey Zone"* along strike from Osisko's "South Barnet Zone", testing of other targets along the prospective porphyry-volcanic contacts on the property including the *"Norrie Zone"* and additional follow-up drilling on the "Shaft Zone". The drill assay results will be reported on when received from Osisko.

Osisko has the right to acquire a 70% interest in the Malartic CHL Property in consideration for \$150,000 in cash payments over a four year period (\$150,000 paid) and by completing a minimum of \$2,000,000 in exploration work over a four year period. Upon Osisko earning a 70% interest in the property, Golden Valley Mines will maintain a free-carried interest of 30% to production.

Luciana Prospect:

During the fourth quarter of 2008, Golden Valley Mines and Takara Resources Inc. ("**Takara**") executed an option/joint venture agreement, whereby Takara was granted an option (the "**Option**") to earn up to a 60% interest in the company's 100%-owned Luciana Prospect, located north of Lebel-sur-Quévillon, Québec (the "**TKK Agreement**"). In consideration for the grant of the Option, Takara issued to Golden Valley Mines 250,000 common shares and conducted a drilling program during the month of December 2008 in the minimum amount of \$85,000. In the context of Takara's announcement on March 13, 2009 of its intent to enter into a series of strategic business transactions with Garson Gold Corp. ("**Garson**"), on April 27, 2009 Takara assigned all of rights, title, and obligations in and to the TKK Agreement to Garson. As a result of this assignment, Garson is now bound to all of the terms and conditions of the TKK Agreement. Under the terms of the TKK Agreement, as amended, Garson has until September 30, 2009 to give Golden Valley Mines notice of its intent to keep the Option in good standing. To date, a drill program consisting five (5) holes totaling 557 metres has been completed on the Luciana Prospect by Takara.

<u>*Uranium Joint Ventures - Otish-Mistassini Basins, Québec and Athabasca Basin, Saskatchewan:*</u>

At the *Otish Project*, work continued from the first quarter consisting of compiling and evaluating the data from the 2008 exploration program (69 holes, 2,802 metres diamond drill program completed over two historical uranium showings). The objective of this work consisted of: (i) assessing the geological features specific to these two mineral occurrences to include their setting, host rocks, structural features, form, alteration and mineralogy; (ii) drilling indicated uranium resources discovered thus far at both the Rivière Cheno and Takwa showings; (iii) identifying potential strike extension of the mineralized zones and the targeting for the potential for high-grade mineralization for follow-up drilling in 2009 and, if warranted, prepare a NI 43-101 resource estimate; and (iv) program exploration report

The Otish Uranium Project is located in north-central Québec, Canada. In January 2007, Lexam Explorations Inc. ("**Lexam**") entered into an option to earn 50% of the project from Golden Valley Mines by spending $3 million over three years. To date, approximately $3.3 million has been spent on the property and accordingly, Lexam provided the Corporation with notice of its intent to exercise the option. As a result, a joint venture effective March 31, 2009 has been formed on the property between Lexam and Golden Valley Mines.

At the *Beartooth Island Project* which is under option to Ditem Explorations Inc. ("**Ditem**") located on Lake Athabasca along the northwest margin of the Athabasca Basin, no exploration work was completed on the property during the second quarter of 2009.

Ditem has completed its obligations under the option/joint venture agreement in order to earn a 60% interest in the Beartooth Island Prospect, namely by incurring at least $3 million in exploration expenditures. A joint venture is now in effect on the property. It now has the right to earn an additional 6% (66% aggregate) by delivering a bankable feasibility study (BFS) on the property. Following the final vesting, the Company will retain an aggregate interest on the property of 34%. Golden Valley Mines was the operator of the program throughout the option phase. Based on the previous exploration results (airborne and ground geophysics, diamond drilling) conducted by the joint venture, a Phase III work program of follow-up drilling is recommended by Golden Valley Mines for the 2009-10 winter exploration field season.

McFauld's Lake ("Ring of Fire") Area, James Bay Lowlands, Ontario:

Golden Valley Mines has staked a total of 85 claims (1,231 claim units) covering over 19,600 hectares [approximately 196 km^2] in the area of Noront Resources, Double Eagle nickel-copper-platinum group elements (Ni-Cu-PGE) discoveries in the McFauld's Lake ("Ring of Fire") regional exploration play.

The target selection process utilized by the Company was based on the identification of similar geophysical responses within extensions of the geological terrain associated with the Double Eagle discovery area. As a result of this in-house project generation initiative, five (5) new properties were added to the Company's portfolio in the Ring of Fire area.

In 2008, the Company announced the signing of a definitive agreement among White Pine Resources Inc. (formally WSR Gold Inc., hereinafter "**WPR**") and Noront Resources Ltd. ("**Noront**") to acquire, from Golden Valley Mines, an aggregate 70% legal and beneficial interest for an option/joint venture on two (Luc Bourdon and Luc Bourdon West prospects – a combined 8,944 hectares) of the five, 100%-owned properties in the area. In order for WPR to acquire its 35% interest in the Property, WPR will be required to make payments to Golden Valley Mines totaling $175,000 (or $350,000 in the aggregate with the payments from Noront). Each of WPR and Noront must make a payment of $25,000 in cash to the Company. WPR must issue 340,909 common shares to the Company and Noront must issue 56,174 common shares to the Company. In addition to cash payments and the issuance of the shares, WPR and Noront will also be required to incur aggregate exploration expenditures on the property of at least $5,000,000 over a three year period (of which $1,000,000 must be expended in the first year).

During the quarter, WPR reported (June 26, 2009 press release) the discovery of zinc-copper-silver volcanogenic massive sulfide (“VMS”) mineralization intersected in recent drilling from the McFauld’s Lake joint venture. In the fall of 2008, an airborne “VTEM” (time-domain electromagnetic system) geophysical survey was flown over the properties. Several prominent conductors were outlined with similar geophysical signatures indicative of either Ni-Cu-PGE (i.e. Noront Resources Ltd. Eagle 1 showing) or Cu-Zn-Ag (White Pine Resources 5.01 showing) sulphide mineralization. A total of eight of these (designated G1 through G8) conductors were selected as high priority targets for ground follow-up geophysical surveying and/or diamond drilling on the Luc Burdon claims and one conductor on the Bourdon West claim group. Drilling operations commenced in late April totaling 1,473 metres through 12 holes on 6 separate “VTEM” targets. All the “VTEM” targets produced semi-massive to massive sulphides over various widths and 5 out of the 6 targets drilled carried significant to elevated base metal values. Four of the six VTEM targets tested produced significant to elevated Zn-Cu-Ag values, and one anomaly had anomalous Ni-Cu-Pt-Pd-Au values.

Assay highlights include hole G1-09-02 grading 3.73% Zn, 0.90%Cu and 25.7 g/t Ag over 8.70 metres (from 36.90-45.60m), including 5.60% Zn, 0.90% Cu and 34.9 g/t Ag over 5.70 metres (from 36.90-42.60m). Individual, higher grade zones included 13.10% Zn over 0.65 metres (39.15-39.80m) and 1.43% Cu over 0.75 metres (from 37.65-38.40m).

As of July 1, 2009, WPR/Noront project exploration expenditures total $1,517,181 since the option/joint venture agreement was signed, in addition to $350,000 in payments made to Golden Valley Mines.

Éléonore Gold Discovery Area, James Bay, Québec:

In December 2004, Golden Valley Mines acquired an interest in the Cheechoo Gold Property, located in the vicinity of the Éléonore gold discovery in James Bay, Québec. Following this initial transaction, in 2005 Golden Valley Mines increased its land position to a total of 1,016 claims covering approximately 53,324 hectares (533 km²) by entering into an agreement with Canadian Royalties Inc. on the Sharks Gold Property and through the staking of 100%-owned properties referred to as the Top Corner Prospect group**.**

The Cheechoo ("A", "B", and "C") Prospect and “Sharks” Prospect are under option from Sirios Resources Inc. (“**Sirios**”) pursuant to which the Company, in each case, will earn an initial 60% interest by funding $1,000,000 in exploration over 4-years. Following initial vesting, the Company may then earn an additional 20% interest by completing a bankable feasibility study within 6 years of vesting. Should Sirios then elect to allow the Company to provide the production financing, the Company would then acquire an additional 5% interest (aggregate 85% interest) in the property.

Golden Valley Mines has completed field programs over the properties consequently from 2005 to 2007. In 2008 and 2009, the Company completed detailed compilations for all the previous work carried on the properties for future exploration planning and joint venture reporting.

Following the Company giving to Sirios of its intent to exercise the option in respect of each of the Sharks and Cheechoo properties, a joint venture effective March 31, 2009 has been formed on each of the properties between Sirios and Golden Valley Mines. The parties are currently in discussions with respect to finalizing the formation of the management committee (as required under the joint venture) and determining if and when an exploration program will be carried out on the properties.

3. New Opportunities - Property Acquisitions:

In addition, a number of strategic business opportunities in the exploration and/or mine development process have and/or are currently being evaluated, including for the first time, exterior to Canada. Golden Valley Mines made it first overseas transaction with the acquisition of a number of exploration permits in the West African country of Sierra Leone.

Exclusive Prospecting Permits:

The Company has been informed by the Ministry of Mineral Resources of the Mines Division of Sierra Leone that first of its Exclusive Prospecting Licenses ("EPL") have been recommended for approval. These two properties, encompassing approximately 710 sq-km are located in two geographic areas referred to respectively as the Sula Mountains and the Sewa & Bafi River Area, Kono District.

Sula Mountains Property (Gold Prospect): This property consists of two EPL's, collectively covering approximately 450-sq/km. The property extends along over 50-km of stratigraphy, encompassing portions of a Pre-Cambrian greenstone belt and well-documented from historic work and mapping by government agencies. The properties are road accessible and are located approximately 30-km east of Makeni, or 20-km east of Magburaka.

Sewa & Bafi River Area Property - Kono District (Diamond Prospect): This property consists of a single EPL, of approximately 260-sq/km, located immediately west of the Nimini Hills. It is directly accessible by roads, located approximately midway between the villages of Tungie and Sefadu, within the Chiefdoms of Nimiyama, Gorama Kono and Nimikoro in the Kono District and the Gorama Mende Chiefdom in the Kenema District. Diamond mining continues to be the principal economic activity in this area.

The Company is waiting for confirmation of several additional EPL's and will continue to monitor progress of these applications. Initial exploration work on the properties will consist of a detailed compilation of historical work including a preliminary assessment of the reported known mineral occurrences (gold, diamond, nickel, iron, titanium). Airborne geophysical (magnetic, electromagnetic and radiometric) surveys will also be tendered as part of a first phase exploration program. Ground follow-up work is expected to consist of "boot & hammer" prospecting to assess the reported occurrences and areas identified by the geophysical surveys.

Sierra Leone is located in the central portion of the Archean, West African Craton, disrupted by the opening of the Atlantic Ocean, whose Western counterpart forms the Guyana Shield along the northern coastline of South America (extending from Columbia, and Venezuela to Brazil). Several Pre-Cambrian greenstone belts are well documented from previous work within Sierra Leone. Exploration dedicated to "lode" precious metals (Au-Ag) targets is modest by North American or Western European standards, although numerous indications have been located by the Sierra Leone Geological Survey and its successors. Additionally, alluvial mining has recovered more than 340,000 oz from streams cross-cutting the prospective greenstone belts.

Title of the properties will be held by Calone. The objective behind the formation of Calone is to pursue mineral and other business opportunities in Sierra Leone. It should be noted that this new initiative is complementary to Golden Valley Mines existing Canadian exploration efforts which will continue as disclosed, and according to the Company's original business plan. It is also the Company's intention to pursue its core CSR values in Sierra Leone.

SELECTED QUARTERLY INFORMATION AS AT JUNE 30

	2009	**2008**	**2007**
Total Revenue	45,000	280,235	284,065
Net profit (loss)	(340,711)	(320,570)	(14,965)
Basic and diluted net profit (loss) per share	(0.006)	(0.005)	(0.0003)
Total Assets	18,583,416	20,231,313	20,841,546
Total Liabilities	3,758,261	4,385,554	4,759,375

RESULTS OF OPERATIONS

In the second quarter of 2009, as a result of the Company not recording operators' fees for geological work the Company reported a net loss of $164,039 compared to a net loss of $180,050 in the same period in 2008. Revenues tabulated by the Company for the disposal of its short-term investments were equal to $5,990 compared to nil for the three month period ended June 30, 2008.

Revenues

The Company has entered into the joint venture phase in respect of the Cheechoo, Sharks, Beartooth Island, and Otish properties; as a result the Company will generate revenue in the form of operator's fees only for the programs in respect those joint ventures for which it acts as the operator. Accordingly, revenue generated from geological fees during the second quarter ended June 30 decreased from $81,581 in 2008 to nil in 2009. Interest and dividend revenue income totaled $18,075 in 2009, compared to $41,185 in 2008. As at June 30, 2009, the Company held publicly traded securities and guaranteed investment certificates having a market value of $2,641,954, comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements.

Non-Exploration Expenditures

Administrative expenses decreased from $344,237 in 2008 to $260,716 for the same period in 2009. This can be attributed to the decrease in the amount of funds allocated by the Company to advertising and investor relations which includes exhibitions and promotional materials. The largest increases for administrative expense items were recorded for: i) stock-based compensation (from $29,317 to $40,447), ii) salaries, rent and office expenses (from $45,815 to $54,394), and iii) stock-based payments for services to consultants (from nil to $724).

Other administrative expenses such as professional and legal fees ($86,619), advertising and exhibitions ($37,575) and traveling ($28,718) all decreased in the second quarter ended June 30, 2009. Part XII.6 and other taxes ($1,506) increased whereas management fees ($2,250) remained the same.

Exploration Activities and Expenditures

For the second quarter ended June 30, 2009, total investments in mineral properties increased to an aggregate $13,660,117. Subsequent to the second quarter ended June 30, 2009 the Company received $234,378 as an exploration rebate from the Québec government for work performed on its properties in 2008.

The Company’s 141 property interests in Québec, Ontario and Saskatchewan; including new land acquisitions considered prospective for uranium (northern Québec) and nickel-copper-PGE, gold and molybdenum (AGB Québec and Ontario) mineral deposits in the AGB regions in Québec and Ontario. All of these new property acquisitions are 100%-owned by the Company as the result of an on-going, in-house project generative program.

Over the course of the Company’s 2008 program, exploration expenditures were allocated mainly to the following activities: (i) project generation; (ii) grid establishment and geophysical surveys; and (iii) diamond drill programs and related field costs, but excluding technical/staffing, assaying and travel/transportation.

The primary focus for the Company’s project generation activities during the year was in the AGB region of Québec. Two (2) new properties were acquired by staking that were considered prospective for zinc-copper-silver and/or gold and nickel-copper-PGE deposits and additional claims added to five (5) existing properties based on on-going in-house project generation activities, and one (1) gold property re-staked. In total, 16 new 100%-owed claims were staked for an aggregate 962 hectares at cost of $2,251. An additional $20,187 was allocated to claim maintenance fees used for renewal and/or cash-in-lieu of work expenditure fees. Also, Golden Valley Mines acting as operator for the Otish Uranium Joint Venture Project with Lexam, staked 38 additional claims covering 2,071 ha ($1,746) and administered the claim renewal process ($19,246). In regards to the Company’s Sierra Leone opportunity, approximately $10,000 was incurred with the initiation of the exclusive prospecting permit applications.

Preliminary fieldwork consisting of grid establishment and/or geophysical surveying was completed on three (3) separate properties during the first quarter of 2009 adding to the “pipe-line” of drill ready prospects for the Company's Abitibi Greenstone Belt "Grassroots Exploration Project". This work included expenditures of $19,262 for line-cutting services and $52,455 in geophysical contractor survey and report charges.

Technical and field staff expenditures amounted to $100,466 for the Company’s self-funded Abitibi Greenstone Belt Grassroots Exploration Project, project generation activities and miscellaneous joint venture project work on the Otish uranium project. Related project travel and transportation expenditures amounted to $5,368 over the first quarter of 2009. Sampling and testing charges amounted to $2,156 primarily for the Otish Uranium joint venture work with Lexam.

No diamond drilling was conducted on any properties during the course of the Company’s Abitibi Greenstone Belt "Grassroots Exploration Project" during the first quarter of 2009. The Company has drilled a total of 155 targets (19,345 m) on 40 properties in the Abitibi Greenstone Belt (AGB) “Grassroots Exploration Project” since the program was originally initiated in 2003.

SUMMARY OF QUARTERLY RESULTS

The following selected financial information is for the eight (8) most recently completed quarters as derived from the Company's respective financial statements and notes thereto. The following information should be read in conjunction with the referenced financial statements, the notes to those statements and "Results of Operations" herein.

	Jun 09	**Mar 09**	**Dec 08**	**Sep 08**	**Jun 08**	**Mar 08**	**Dec 07**	**Sept 07**
Total revenues	45,000	Nil	201,661	134,334	116,581	163,654	21,141	52,786
Net gain (loss)	(164,039)	(176,672)	114,285	(241,174)	(180,050)	(140,521)	(540,379)	(188,078)
Basic and diluted net gain (loss) per share	(0,003)	(0.003)	0.002	(0.004)	(0.003)	(0.002)	(0.004)	(0.003)

FINANCIAL CONDITION

Liquidity and Capital Resources

Working capital as at June 30, 2009 was $4,516,943 compared to $5,402,036 as of December 31, 2008. No shares were issued in the second quarter of 2009 and therefore there were no changes in the capital structure of the Company. On April 5, 2009, 1,999,800 warrants outstanding at an exercise price of $0.70 expired.

The Company's liquidity is adequate to cover its commitments for 2009 given that the Company has an option to participate in any exploration program carried out under the joint venture agreements on each of the Cheechoo, Sharks, Beartooth Island, and Otish properties, notwithstanding that should the Company elect not to participate in such programs it shall see its interest in the particular property diluted. The working capital will cover the Company's general and administrative expenses in 2009, provided that no extraordinary circumstances arise.

Contractual Obligations

		Payments due by period	
Obligation	Total	1 year or less	2 years or more
Office Lease	$96,256	$48,128	$48,128

CORPORATE DEVELOPMENT

On June 18, 2009, Golden Valley Mines Ltd established Calone to operate in the Republic of Sierra Leone (Western Africa). The objective behind the formation of Calone is to pursue mineral and other business opportunities in Sierra Leone.

The Company is in the process of complementing its exploration team with external consultants to review additional opportunities. Initial "Exclusive Prospecting Licenses" (EPL) as required under Sierra Leonean legislation have been submitted and are pending governmental approval.

CAPITAL STOCK INFORMATION

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Company's Board of Directors. The holders of the common shares of the Company shall be entitled to vote at all shareholder meetings and to receive such dividends as the Board of Directors of the Company in their discretion shall declare.

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at August 31, 2009:

Common shares: 61,112,612

Preferred Shares: Nil

Escrowed Shares: Nil

Share Purchase Warrants: Nil

Incentive Stock Options:

Expiry Date	Outstanding	Exercise Price
March 21, 2010	200,000	$0.35
July 14, 2010	425,500	$0.30
July 20, 2010	4,500	$0.30
June 16, 2011	300,000	$0.31
September 27, 2011	1,711,100	$0.30
February 7, 2013	860,000	$0.35
June 27, 2013	425,000	$0.36
December 22, 2013	925,000	$0.20
June 22, 2014	300,000	$0.30
August 6, 2010	75,000	$0.30
August 6, 2012	600,000	$0.30
August 6, 2014	370,000	$0.30
TOTAL:	**6,196,100**	

TRANSACTIONS WITH RELATED PARTIES

Transactions concluded during the year with directors, officers, and companies controlled by them include agreements for management consulting services, geological consulting, or for such other services required by the Company. Expenses incurred following the preceding agreements were incurred in the normal course of operations and were paid at fair market value.

Expenses incurred with respect to related parties were concluded in the normal course of operations at the exchange amount accepted by the parties and are as follows:

	June 30, 2009
Management fees	$ 5,250
Professional fees	$ 21,000
Rent	$ 7,000
Expenses capitalized in mineral properties	$ 82,250

OUTLOOK

Asset Conservation Plan: Due to the financial crisis currently still affecting public markets and together with the destabilization of commodity prices in general over the past quarter (zinc, copper, nickel and uranium) the Company has curtailed the majority of its field expenditures on self-funded exploration activity as of early October, 2008 and continued to do so in the second quarter of 2009. The Company will continue to monitor general financial conditions, including market related activity, and will recommence post recession field-based exploration activities when it deems financial conditions have stabilized. There is no way at this time to estimate when that may be. Efforts have been made to maintain the integrity of the exploration team and core staff in the organization while a staffing reduction has been affected.

Grassroots Exploration Programs*:* The Company's principal self-funded programs focus on the Abitibi Greenstone Belt "Grassroots Exploration Project", which is conducted primarily on properties owned 100% by the Company, and previously included plans to continue exploration work at the rate of 1-2 drill programs per month. The 2009 budget for the Abitibi grassroots programs has been reduced to approximately $1,000,000, consisting of project generation, property acquisitions, prospecting, grid establishment, ground geophysical surveys and diamond drilling as required for purposes of assessment, to keep key properties in good standing. Based on historical work in the areas, geophysical signatures, and general geological conditions, the properties included in the exploration programs include both precious and base metals as primary targets.

The Company continues to evaluate other business opportunities including certain distress situations encountered by competitors, and other mining opportunities created by the global financial crisis, including for the first time, properties exterior of Canada.

Advanced Exploration Programs: Separately, the Company has seven primary option/joint venture opportunities that are being conducted in conjunction with its Abitibi Greenstone Belt programs. Of these programs, five our funded by our joint venture partners (two are on uranium projects - Otish Project JV with Lexam and Beartooth Island Project JV with Ditem; four for gold and/or Cu-Zn-Ag - Osisko and Takara joint ventures; and a nickel-copper-PGE/Cu-Zn-Ag - WPR/Noront), while the Kalahari Abitibi Greenstone Belt and Sirios Cheechoo gold projects are funded by Golden Valley Mines. Subject to all five joint venture funded options vesting over the terms of their respective agreements, it is anticipated that the aggregate approximate total funding available for exploration purposes in access of $13 million. Accordingly, this funding allows the Company to conduct programs during the option term, which are generally more advanced than the grassroots programs described above, without depleting its own treasury. Additionally, it also affords the Company exposure to other commodities, such as uranium, and molybdenum for which it might not otherwise be exploring independently.

Uranium Exploration Ventures: The Company is conducting uranium exploration at two joint ventures, both recently vested, with total incurred exploration funding to date (during the option phase of both agreements) having amounting to $3,000,000 on each of the two uranium projects The first of the two uranium programs is located in Northern Saskatchewan ("**Beartooth Island Prospect**") and allowed the Company's partner, Ditem Explorations, to earn up to an aggregate interest of 60% through having funded a minimum of $3,000,000 in exploration expenditures. To date three programs of exploration work have been conducted on the property operated by Golden Valley Mines: (i) airborne geophysical surveys in 2006; (ii) detailed geophysical surveys conducted on the ice of Lake Athabasca in 2007; and (iii) follow-up ground geophysical surveying and a first-phase drill program of approximately 2,500-metres in the first Quarter of 2008. During the second quarter of 2008, Ditem gave notice to the Company of its intent to vest as to a 60% interest in the property, after having incurred the required expenditures pursuant to the option agreement. As of the date hereof, a joint venture has been formed on the property and the Company retains a 40% interest therein; Ditem is now the operator. The Company is continuing to negotiate certain outstanding payments with Ditem.

Similarly, the Company continued uranium exploration at the Otish and Mistassini Basin Prospects in central Québec, a program funded by option/joint venture partner Lexam and operated by Golden Valley Mines. Airborne geophysical surveys conducted over the project areas, traditional prospecting and geological mapping, and historical work compilations delineated several prospective target areas which became the focus of two drill programs concluded during the fourth quarter of 2008. A sixty-nine (69) hole, 2,802 metre diamond drill core was completed on two areas within the Mistassini segment of the property referred to as "Riviere Cheno Ouest Showing" and "Takwa Showing"). During the quarter, Lexam earned a 50% interest in respect of the property through having funded total exploration expenditures of $3,000,000 over a three-year period and providing notice to the Company of its intent to exercise the option.

Gold Exploration: The Company has also benefited from an exploration option/joint venture on its Malartic CHL Prospect which is under option to Osisko**.** The property is contiguous and immediately adjacent to Osisko's 100% owned Canadian Malartic Gold Project near Val-d'Or, Québec. Osisko may earn up to a 70% interest through funding exploration expenditures of $2,000,000, leaving Golden Valley Mines with a 30% carried interest in the property. Osisko has been drilling with multiple rigs over much of the past year and is expected to complete vesting imminently based on work conducted to date. The results for the 101 drill holes drilled in the 2008 program remain outstanding.

Nickel-Copper-Platinum Group Elements: The Company has acquired five 100%-owned properties in the McFaulds Lake ("Ring of Fire") area, James Bay Lowlands, Northern Ontario. The area is considered promising for base metals potential (Ni-Cu-PGE, Cu-Zn-Ag and/or Cr) following recent 2007 announcements of a promising, early-stage nickel discovery by Noront. Two of the properties have recently (June, 2008) been option/joint ventured to Noront and WPR who may each earn a 35% interest, leaving the Company with a 30% carried interest, in consideration for cash/share payments totaling $350,000 and exploration funding of $5,000,000 during the course of the option phase. During the quarter, WPR reported the discovery of zinc-copper-silver volcanogenic massive sulfide ("VMS") mineralization intersected in recent drilling from the McFauld's Lake joint venture. Assay highlights of 3.73% Zn, 0.90%Cu and 25.7 g/t Ag over 8.70 metres (from 36.90-45.60m), including 5.60% Zn, 0.90% Cu and 34.9 g/t Ag over 5.70 metres (from 36.90-42.60m). Individual, higher grade zones included 13.10% Zn over 0.65 metres (39.15-39.80m) and 1.43% Cu over 0.75 metres (from 37.65-

38.40m). As of July 1, 2009, WPR/Noront project exploration expenditures total $1,517,181 since the option/joint venture agreement was signed, in addition to $350,000 in payments made to Golden Valley Mines. Presently WPR is in the process for formulating the next phase of exploration work.

New Opportunities - Property Acquisitions: The Company has acquired mineral exploration rights outside of the well established and known mining jurisdictions of Ontario and Québec. Golden Valley Mines made it first overseas transaction with the acquisition of a number of exploration permits in the West African country of Sierra Leone. A total of eight (8) Exclusive Prospecting Permits (“EPL’s”) have been applied for by the Company, through Calone. So far, three (3) of the EPL’s have now been recommended for approval by the Ministry of Mineral Resources of the Mines Division of Sierra Leone presently. These two properties, encompassing approximately 710 sq-km are located in two geographic areas referred to respectively as the Sula Mountains and the Sewa & Bafi River Area, Kono District, prospective for gold, copper-zinc-silver, nickel-copper-PGE and diamonds. Although the Company has ventured out of its familiar confines, this acquisition represents an expansion of its grassroots exploration business model internationally and is complementary to Golden Valley Mines existing Canadian exploration efforts which will continue as disclosed, and according to the Company's original business plan. This opportunity presents tremendous opportunities for the Company considering the geological potential of Sierra Leone where previous exploration activities have been modest in terms of the historical exploration record within highly prospective Archean Greenstone belts equivalent to those well endowed with mineral deposits of the Guyana Shield along the northern coastline of South America.

In addition, the Company is actively searching and evaluating certain strategic business opportunities in the exploration/mining industry affecting both the senior and junior industry company ranks due to the current financing conditions in the capital markets me. A number of internal reviews have recently been completed or are now currently in progress for distressed companies.

Also the general market uncertainties that have and continue to affect the overall state of the exploration industry has offered Golden Valley Mines new opportunities for its project generation activities, where previously the demand for prospective land was at a much more competitive state. One of the Company’s most important attributes is our ability to identify new high priority exploration opportunities and then utilizing the latest government data and/or historical work reports, acquire the best prospective claims. The results of this grassroots exploration business model has lead to the discoveries of new mineral occurrences (Co-Ag-Ni, Ni-Cu-PGE and Au) in the Abitibi Greenstone Belt on 100%-owned properties and also leading to the successful creation joint ventures on more advanced-stage projects (Malartic CHL Au Project: Osisko JV) and those outside of our primary exploration base in the Abitibi in 2008. Examples of these joint ventures include northern Québec and Saskatchewan (Otish and Beartooth Island Projects: Lexam and Ditem JV’s) and James Bay Lowlands in northern Ontario (Luc Bourdon Prospect, Project: White Pine-Noront JV) and the subsequent confirmation and/or new discoveries of uranium at the Otish Project and brand new copper-zinc-silver / nickel-copper-PGE mineralization on the Luc Bourdon Prospect claims.

Outlook Summary: The capital markets for exploration companies have shown great volatility over the past several months, reflecting the “sub-prime” or credit crisis in the United States and its broadening influence on public capital markets and a generally negative sentiment in investor valuations. The destabilization of commodity prices (zinc, copper, nickel and uranium) has similarly added to the general market malaise with the exception of gold where it has taken on its historical role as the investment choice in economic uncertain times. The public stock markets are expected to remain volatile, as seen throughout the first half of 2009 with expectations of an economic and market recovery by end of year. The Company’s ability to option exploration properties for third party exploration, and fund its own exploration projects is correlated to the strength of the commodities markets and the exploration and mining sectors, and accordingly, is not insulated from general market conditions. As a consequence, the Company implemented the ACP in early October, 2008 in order to diminish expenditures and protect its financial resources and is presently still in affect until such time that economic and market conditions improve.

RISKS AND UNCERTAINTIES

Mineral exploration and mining involve considerable financial and technical risk. Substantial expenditures are usually required to establish ore reserves, to evaluate metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to assure that the current exploration programs planned by the Company will result in profitable commercial mining operations. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or land slides, floods, power outages or fuel shortages, labour disruptions, fires, explosions, and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines. At this point, the Company has no experience in the development and operation of mines and in the construction of facilities required to bring mines into production, and it has, to date relied, and may continue to rely, upon consultants for expertise with respect to the construction and operation of a mining facility.

Future exploration and development activities on the Company's properties will require additional financing. There is no assurance that additional funding will be available to the Company when needed or that, if available, the terms of such financing will be reasonable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests. The effects of these factors cannot be accurately predicted, but any of these issues could impede development or render it uneconomic. The Company's Sierra Leone operations are also subject to political, regulatory, foreign exchange and currency fluctuation risks.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On May 21, 2009, the Canadian Accounting Standards Board ("**AcSB**") confirmed that Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("**IFRS**") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to prepare their financial statements in accordance with IFRS and will have to provide comparative IFRS information for the previous fiscal year.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory authorities. The Company is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting but may not at this time, reasonably quantify the impact of adopting IFRS. However, changes in accounting policies are likely and may materially impact the Company's financial position and results of operations. During the 2009 fiscal year, the Company will continue to evaluate the impact of IFRS on the Company and will develop and put in place a plan for the conversion of its financial statements to IFRS. The actual conversion work will occur in late 2009 and early 2010, in anticipation of the preparation of the December 31, 2010 balance sheet that will be required for comparative purposes for all periods ending in 2011.

The Company will provide updates as further progress is achieved and conclusions are drawn by the Company.

ADDITIONAL INFORMATION

The disclosure required pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* has been made by the Company in its Management Information Circular dated May 19, 2009, which has been filed with regulators and is accessible via the Internet for public viewing on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Additional information about Golden Valley Mines may be obtained from the Company's website at www.goldenvalleymines.com or on SEDAR at www.sedar.com.