Management's Discussion and Analysis – Golden Valley Mines
First Quarter Ended March 31, 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 first quarter ended March 31, 2005. This discussion and analysis should be read in conjunction with the unaudited interim financial statements for the period ended March 31, 2005 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 systematic and aggressive drill target testing in the Abitibi Greenstone Belt. The Company's 60 Abitibi properties are comprised of gold and/or base metals. Golden Valley is following an exploration strategy where preliminary work (gridding, prospecting, geophysical and/or geochemical surveys, reconnaissance mapping) is completed on one property while diamond drilling is testing another, having already been prepared. In this manner, Golden Valley plans to drill up to 5 holes per property, each drill target having been identified as "anomalous", in order that drilling is ongoing throughout the year. The Company hopes to test up to 100 targets per year from 16 to 20 properties.

The Company's 2005 focus is 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. A fifty percent (50%) interest in the Shoot Out properties have been optioned to Little Mountain Resources Limited (West Shoot Out), and to Resolve Ventures Inc. (East Shoot Out). 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 Quarterly Information as at March 31

	March 31 2005	March 31, 2004	March 31, 2003
Total revenues	-	-	-
Net income (loss)	(240,001)	(152,816)	(56,746)
Basic and diluted net loss per share	(0.009)	(0.006)	(0.003)

Results of Operations

As at March 31, 2005, the Company reported a net loss of $240,001, compared to a loss of $451,669 as at December 31, 2004, and $152,816 one year earlier as at March 31, 2004.

Revenues

Cash income from various option and royalty agreements on grassroots exploration projects as at December 31, 2004 was $41,910, but during the first quarter 2005 there was no activity from option and royalty agreements. Similarly, income from geological fees remained at $0 as at March 31, 2005, as during this period there were no fees charged as operator fees to optionee partners carrying out work on the Company's properties. Interest income as at March 31, 2005 was $9,748, compared to $20,811 during the same period in 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 value increased to $297,305 (with a quoted market value of $409,805). 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 first quarter ended 2005, the Company realized investment gains on these shares of $3,028, whereas this amount totaled $17,074.42 as at December 31, 2004.

Non-Exploration Expenditures

Administration expenses totaling $174,682 as at March 31, 2005 were consistent with those incurred during the same period in 2004. This amount is, however, more than double from what the administrative expenses were as at March 31, 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, during the first quarter ended March 31, 2003, the Company was still relatively new. 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.

All categories of administration expenses remained relatively consistent, except for stock-based compensation and advertising/exhibitions/travel. The values ascribed to the stock based compensation ($66,182 as at March 31, 2004 and $20,877 as at March 31, 2005) will always fluctuate, depending on the time during the year that incentive stock options are granted. The significant increase in advertising/exhibitions/traveling, however, is due to the Company's increased activity in various shareholder awareness programs (participation in investment conferences, road shows to the investment community, and other marketing activities). The Company incurred $41,600 for these activities as at March 31, 2005, and as at December 31, 2004, the total costs were $69,796 ($19,263 of which was incurred the first quarter in 2004). Management fees were down from the same period as at March 31, 2004 ($15,000 as at March 31, 2004 compared to $9,750 as at March 31, 2005), 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 ($27,548 as at March 31, 2005 compared to $14,895 as at March 31, 2004), which is a result of the Company retaining outside investor relations services. Rent and office expenses remained consistent during the same period in 2004 ($29,524 as at March 31, 2004 compared to $31,783 as at March 31, 2005). These figures are significantly higher than what they were as at March 31, 2003 ($5,186), again, because the Company's activities were in the organizational and growth stage early in 2003, and there was no second office (Corporate) in Montreal during that period.

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

Exploration Activities and Expenditures

At the end of the first quarter ended March 31, 2005, investments in mineral properties totaled $563,475, compared to $141,486 during the first quarter ended March 31, 2004. Most of the exploration expenses were allocated to the commencement of activities on the Company's James Bay properties, with the balance being applied to the Company's "mainstay" exploration program of systematic target testing in the Abitibi Greenstone Belt, and lastly to staking and claim maintenance costs.

Highlights from the Company's exploration programs during the first quarter ended March 31, 2005 is the commencement of an airborne geophysical survey carried out on the Cheechoo property, a gold property located adjacent to Virginia Gold Mine's Éléonore property (hosting the Roberto gold discoveries). The final airborne report has been received, and in-house interpretive work is ongoing, in order to identify a number of favourable geological-geophysical targets that will warrant ground follow-up and a preliminary diamond drill program. Expenses incurred for this program as at March 31, 2005 was approximately $175,000.

During the first quarter the Company completed two drill programs on its Abitibi Greenstone Belt properties. A four-hole (346 m) drill program was complete on the Double Trouble Prospect (VMS), and 6 holes (632 m) were drilled on the Winnie Lake Prospect (Au). Drilling results at Winnie Lake were encouraging, warranting further exploration work (total cost of approximately $100,000 for the Abitibi projects).

The Company completed new staking of 16 molybdenum properties in the Abibiti, 1137 claims considered prospective for the occurrence of uranium in the Otish and Mistassini Basins (northern Quebec), 1515 hectares in the Urban-Barry Greenstone Belt located in a gold-mineralized geological and structural corridor in northern Quebec, and a number of favourable gold and base-metal properties in the Abitibi region in both Ontario and Quebec were acquired based on in-house project generation activities. Staking costs for the first quarter ended March 31, 2005 totaled $15,695.

Subsequent to the quarter ended March 31, 2005, the Company acquired 15 additional property interests in the James Bay region of Quebec, adding to its existent holdings (through the option agreement with Sirios Resources Inc. in respect of the Cheechoo property). In a transfer and royalty agreement with Canadian Royalties Inc., Golden Valley acquired a 100% interest in 374 mineral claims, that are subject to a 1.5% NSR. Additionally, it acquired Canadian Royalties rights in and to an option agreement with Sirios Resources Inc. in respect of the "Sharks" property, which now 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 diamond drill program is underway, pending analysis of airborne data on the two main properties and the completion of follow-up ground based field work.

Summary of Quarterly Results

	March 05	Dec 04	Sept 04	June 04	March 04	Dec 03	Sept 03	June 03
Total revenues	0	156,156	0	0	0	0	0	0
Net loss	(240,001)	77,859	(200,788)	(175,924)	(152,816)	(72,794)	(65,694)	(104,159)
Basic and diluted net loss per share	(0.009)	0.003	(0.007)	(0.007)	(0.006)	(0.01)	(0.012)	(0.003)

Over the past eight quarters, expenses have gradually and consistently increased reflecting a corresponding consistent increase in exploration and corporate development activities. Revenue appears for the first time in the last quarter of 2004, which is expected to occur sporadically over future quarters as the revenue generated by option agreements and project operator expenses are tied to milestone dates under option and exploration agreements, 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 $1,717,862 at March 31, 2005. No funds remained as of March 31, 2005, representing unspent balance of a flow-through funds. There were no funds were raised through the exercise of warrants and options, however, 200,000 incentive stock options were granted during the period at an exercise price of $0.35 per share.

As at March 31, 2005 the Company had sufficient cash liquidity to carry out its exploration commitments for 2005, however, subsequent to the quarter ended March 31, 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. As at March 31, 2005, however, the Company calculated that approximately $135,000 in exploration rebates will be received from the Quebec Government in 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 was 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.

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	$1,000,000 (2)	200,000	250,000	300,000	250,000	

Notes: (1) Due November 15, 2005. Interest accrued in respect of this Debenture during the first quarter ended March 31, 2005 was $8,877.

(2) This amount increased to $2,310,000 subsequent to the quarter ended March 31, 2005, upon the Company entering into an agreement for the acquisition of additional property interests in the James Bay region of Quebec.

Transactions with Related Parties

There were no significant transactions with related parties in 2004, other than routine payments for management and exploration services, and grants of stock options [See note 8 of the unaudited financial statements].

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 summer will be on planning for the James Bay exploration program (Cheechoo and Sharks projects), and the upcoming Shoot Out project (Ungava, Quebec – Nunavik), which is currently optioned as to 50% to two arms-length exploration companies, each who are required to incur $1,100,000 in exploration expenditures on their respective halves this summer. 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 key prospective areas. We believe that the Company has achieved this as the holder of several diverse properties in Quebec, such as gold properties in James Bay, Uranium properties in the Mistassini region, nickel-copper-PGE in Raglan, Quebec (Nunavik), and gold/VMS properties in the Abitibi Greenstone Belt.

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.canadianroyalties.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."