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**") for the year ended December 31, 2006. This discussion and analysis should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2006 and the related notes thereto. All figures are in Canadian dollars unless otherwise specified.

Nature of Operations

Golden Valley Mines is a mining exploration company, whose assets include approximately 131 exploration properties located in: i) the Abitibi Greenstone Belt (98 projects all located between Timmins, Matachewan and Kirkland Lake, Ontario and Rouyn-Noranda, Cadillac, Malartic, Val-d'Or and Chibougamou, Québec; ii) the James Bay, Mistassini and Otish regions of northern Québec; iii) the Nunavik (Ungava and Labrador) region of northern Québec; and iv) the Athabasca Basin of Saskatchewan.

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

Abitibi Greenstone Belt: The 98 Abitibi Greenstone Belt properties are comprised almost equally of gold (48) and/or base metals (50) prospects located in Québec (79) and Ontario (19). 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 properties. Preliminary work (gridding, prospecting, geophysical and/or geochemical surveys, reconnaissance mapping) is completed on one property while diamond drilling of up to five prospective targets is being completed on another, with the pattern then consistently being repeated.

James Bay, Québec: In December 2004, Golden Valley Mines acquired an interest in the Cheechoo gold property; located in the vicinity of Virginia Gold Mines Éléonore gold discovery in James Bay, Québec, and in 2005 Golden Valley increased its land position on the project to 535 square kilometers. Grid work included line cutting, geophysical surveys and geological mapping at the Cheechoo "A" property to follow-up on some encouraging values reported in the 2005 program. Assays ranging from trace to over 209.24 g/t Au were reported from a quartz-fractured dioritic stock in the southwestern section of the Cheechoo "A" property. The "Marchand" Showing is located near the Cheechoo "B" property boundary with the Sharks Prospect. Grab sample results along this newly defined "Marchand" mineralized corridor (Cheechoo-Sharks) assayed from trace to as high as 11.96 g/t gold. Gold mineralization is associated with a foliated, silicified and garnetiferous paragneiss rock unit hosting up to 5% fine sulphides. The host structure was further identified approximately 122 metres to the northeast and is interpreted to extend a further 260 metres northeast where anomalous results were also reported in 2005. Over 530 rock and channel samples were collected in the course of the two field programs completed in 2006. An expanded program consisting of detailed geophysical surveys over the anomalous areas identified in the 2006 programs and to include a significant component of diamond drilling was announced in January 2007.

Note that The Cheechoo "A", "B", and "C" Prospects and the Sharks Prospect are both option - joint ventures with Sirios Resources (SOI) 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 SOI then elect to allow GZZ to provide the production financing, GZZ would then acquire a final additional 5% interest. Golden Valley Mines now also holds a 100% interest in 11 other properties in the James Bay area, or is earning an interest through the above option - Joint Ventures, in a total of 1,017 claims covering 53,377 ha (534- km2) in the James Bay - Opinaca region.

Uranium Joint Ventures: Saskatchewan and Otish-Mistassini, Québec: The Company acts as operator in two option joint ventures for uranium as a primary commodity. The Saskatchewan project is located on Lake Athabasca centered around Beartooth Island along the northwest margin of the Athabasca Basin. In 2006, an airborne geophysical survey was conducted, and consisted of the MEGATEM® II system. The survey appeared to have outlined several north-south trending lineaments in the western portion of the property and northeast trending lineaments in the eastern part of the property all thought to potentially represent fault zones. In the east portion of the property, these lineaments are considered of interest due to their proximity to the Black Bay fault zone, associated potentially with uranium mineralization closer to the Uranium City and Beaverlodge areas to the northeast. Note that the Beartooth Island Prospect is located approximately 10-km SE of the Maurice Bay deposit (Cameco).

An option/joint venture was announced in early January, 2007 on the Company's Otish and Mistassini Basin uranium project in central Québec. Work in 2006 consisted of compilations and ground acquisitions.

One of the Golden Valley Mines' objectives is to conduct basic exploration, including initial diamond drilling, while the Company owns the properties 100%. 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 expenditures but continues 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 three to four years), and the Company acquires securities (shares or cash) from its partners in addition to the exploration funding. This allows Golden Valley Mines to focus on other early-stage, 100%-owned properties while partners fund more expansive joint venture and remote projects.

During 2006, Golden Valley Mines acquired 12 new 100%-owned projects, and optioned the "Island-27" property located between Kirkland Lake and Matachewan, Ontario from a prospector. Work continued on the Kalahari joint venture where the Company is earning up to an 85% interest by funding $1,000,000 of exploration on a group of 9 properties all located in the Abitibi Greenstone Belt.

No new work was performed at the Marymac nickel-copper-PGE project in Nunavik, Québec or at the Shoot Out Nickel-Copper-PGE project in Québec, the Bijoux diamond venture, located in the James Bay/Nunavik region of Québec and for several of its Abitibi projects in Québec and Ontario.

Selected Annual Information

	2006	2005	2004
Total Revenue	187,749	20,000	156,156
Net profit (loss)	201,735	(625,345)	(492,108)
Basic and diluted net profit (loss) per share	0.01	(0.02)	(0.02)

Results of Operations

In 2006, the Company reported a net profit of $201,735, compared to losses of $625,345 in 2005 and $492,108 in 2004. This change is due mostly to an increase in revenue from property option agreements, exploration joint ventured, and the gains realized on disposal of property and short term investments.

Revenues

Golden Valley Mines did completed a number of exploration option agreements in 2006, and accordingly, revenue generated from property options increased from nil in 2005 to $170,374 in 2006. Income from geological fees slightly decreased from $20,000 in 2005 to $17,375. Interest and other revenue income totaled $29,316 in 2006, compared to $21,873 in 2005 and $64,397 in 2004. Interest income fluctuates from year to year, depending on the Company's cash balance, and interest rates. As at December 31, 2006, the Company held publicly traded securities having a market value of $748,518 and a book value of $372,550, comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements. During 2006, the Company realized investment gains on these shares of $877,062 compared to $25,645 in 2005 as a result of good market conditions.

Non-Exploration Expenditures

Administration expenses decreased from $773,885 to $677,759 in 2006 largely as a result of the completion in the amortizations of deferred organization expenditures ($98,600).

Excluding stock-based compensation, management fees, and Part XII taxes which remained stable in 2006, stock-based payments for services, professional fees, advertising and exhibition, traveling, and the write-off of leasehold improvements increased in 2006, and salaries, rent, and office expenses, as well as bad debt and amortization of deferred organization expenditures decreased in 2006.

In an effort to broaden shareholder awareness, Golden Valley Mines enhanced its corporate development through increased corporate communications and better publicity of the Company's exploration activities resulting in an increase in advertising and exhibition ($128,169 in 2006 compared to $118,673 in 2005), and traveling expenses

($47,094 in 2006 compared to $35,845 in 2005). The intent of this effort is to ensure that financings are conducted at the best possible terms taking into account the best interest of both the Company and its shareholders. Investor relations expenses, a component of professional fees, have also increased from $72,417 in 2005 to $94,977 in 2006. The foregoing increases are due to the increase of the level of business activities in 2006. Stock-based payments for services have also increased ($96,183 in 2006 compared to $55,753 in 2005) as a result of an increase in the number of stock options granted to consultants in 2006. Finally during the 2006 fiscal year the Company recorded a write-off of leasehold improvements due to it moving into new office facilities.

Salaries, rents, and office expenses decreased in 2006 from $120,403 to $67,206 in 2005 due to the Company requiring lesser administrative support and incurring fixed costs on a monthly basis. In 2006, the Company did not register any bad debt compared to $36,273 in 2005 as a result of unpaid geological fees charged to a third-party optionee in 2004.

Exploration Activities and Expenditures

At the end of the 2006 fiscal year, total investments in mineral properties increased to an aggregate $7,251,903. By year-end 2006, Golden Valley Mines had drilled 69 targets on 22 properties in the Abitibi Greenstone Belt Project, a program that had been initiated in 2003. The Company's 131 property interests in Québec, Ontario and Saskatchewan include new 2006 land acquisitions in the Abitibi Greenstone Belt, prospective for gold and base metals, as well as new projects acquired elsewhere for uranium (Otish and Mistassini regions in Québec). Several other gold and base metal properties were expanded as a result of initial exploration work and on-going in-house project generation activities. Also during 2006, Golden Valley acquired the right to earn up to an 85% interest in nine gold/base metal properties in the Abitibi region of Québec and Ontario, by incurring $1,000,000 on any one or all of the properties. Properties optioned to third parties during 2006 included the Beartooth Island Prospect (Saskatchewan), optioned to Ditem Explorations Inc., and the Otish-Mistassini Basin Prospects option/joint ventured to Lexam Explorations Inc.; the Malartic CHL Prospects (two groups) which were optioned to Osisko Explorations Inc. and the Arbade-Richore Prospect which was optioned to Quinsam Capital Corporation.

Highlights for the 2006 exploration program included additional surface gold discoveries following work conducted at the Cheechoo gold project, James Bay region Québec, advancement of several Abitibi Greenstone Belt gold and base metal projects suitable for joint venture formations, option / joint ventures arranged for the Company's two uranium projects in Saskatchewan and northern Québec and increase in property holdings to 131 consisting of 3,600 claims (203,000 hectares or 502,000 acres)

	Dec 06	Sept 06	June 06	March 06
Total Revenue	107,749	26,000	39,000	15,000
Net gain (loss)	471,066	(55,580)	(75,462)	(138,289)
Basic and diluted net gain (loss) per share	0.017	(0.001)	(0.002)	(0.004)

	Dec 05	Sept 05	June 05	March 05
Total Revenue	4,000	Nil	16,000	Nil
Net gain (loss)	27,839	(184,761)	(228,422)	(240,001)
Basic and diluted net gain (loss) per share	0.001	(0.007)	(0.008)	(0.009)

Revenues are 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 as at December 31, 2006 was $2,000,484 compared to $1,578,290 as of December 31, 2005. During the fiscal year ended December 31, 2006, the Corporation raised an aggregate $2,570,109 in gross proceeds from two separate flow-through private placement offerings consisting of the issuance of 3,100,000 common shares at a price of $0.33 per share, and 3,773,438 common shares at a price of $0.41 per share. During the 2006 fiscal year, the Company collected an aggregate $31,740 from the exercise of broker's options, $74,025 from the exercise of warrants, and $185,170 from the exercise of incentive stock options.

The Company has sufficient liquidity to conduct its exploration commitments for 2007. The non-flow-through portion of working capital will cover the Company's general and administrative expenses in 2007, provided that no extraordinary circumstances arise. The flow-through reserve of $2,538,887 will cover the Company's obligations under its agreements with current exploration partners.

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

Fourth Quarter

During the fourth quarter, the Company closed flow-through private placement offerings resulting in the issuance of an aggregate 6,873,438 common shares and total proceeds of $2,570,110.

Capital Stock Information

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited umber of preferred share without nominal or par value, issuable in one or more series with restrictions as determined by the 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 dividend 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 December 31, 2006:

Common shares: 44,281,104
Preferred Shares: Nil
Escrowed Shares: Nil

Share Purchase Warrants:

Incentive Stock Options:

Expiry Date	Exercise Price	Number
October 3, 2007	$0.35	1,500,000
November 4, 2007	$0.40[1]	2,301,278
November 4, 2007	$0.35[2]	480,007
November 7, 2007	$0.40[3]	333,333
December 15, 2007	$0.40[4]	500,000
		TOTAL: 5,114,618

Notes:
[1] $0.35 before November 4, 2006
[2] $0.30 before November 4, 2006
[3] $0.35 before November 7, 2006
[4] $0.35 before December 15, 2006

Transactions with Related Parties

Expiry Date	Outstanding	Exercisable	Exercise Price
September 27, 2007	205,000	205,000	$0.25
April 7, 2008	250,000	250,000	$0.31
June 25, 2008	1,500,000	1,500,000	$0.35
February 4, 2009	2,000	2,000	$0.35
July 7, 2009	1,214,900	1,214,900	$0.20
March 21, 2010	200,000	200,000	$0.35
July 14, 2010	683,500	677,171	$0.30
July 20, 2010	84,500	82,779	$0.30
June 16, 2011	300,000	110,556	$0.31
September 27, 2011	1,795,000	315,787	$0.30
TOTAL:	**6,234,900**	**4,558,193**	

In addition to the Corporation entering into agreements with private companies controlled by directors or officers of the Corporation for the acquisition of properties: (i) on September 30, 2005, Canadian Royalties Inc., a public corporation that has common officers and directors with the Corporation, assigned to the Corporation all of its interest in and to certain mining claims it held in the James Bay area of the Province of Québec; and (ii) on February 21, 2005, the Company acquired the right to earn up to an 85% interest in a group of nine Abitibi properties from Kalahari Resources Inc. Kalahari had previously acquired these properties from two vendors, one of which is an officer of the Company, and the underlying agreements are subject to an NSR (3% to 3 1/2%) and a balance of cash payments, $50,000 of which was paid by the Company in 2005 (See Note 8 - Mineral Properties).

Other 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 Corporation. Expenses incurred following the preceding agreements were incurred in the normal course of operations.

Outlook

Golden Valley Mines exploration plans for 2007 have been described in further detail in the Company's 2006 Annual Report. The Company's principal objectives are related to the Abitibi project with plans to continue work at the rate of 1-2 drill programs per month, the Cheechoo/James Bay project (with plans to include diamond drilling near the end of 2007), continue uranium exploration at Beartooth Island, Saskatchewan in a program funded by partner Ditem Explorations Inc. and initiate uranium exploration at the Otish and Mistassini Basin Prospects in a program funded by Lexam Explorations Inc. and to continue various other grassroots generative exploration efforts.

The capital markets for exploration companies remain strong due to continued strength in the commodities prices of the Company's principal exploration targets such as base metals, gold, uranium, molybdenum and diamonds. These markets could remain strong for one or more years. Golden Valley Mines ability to option exploration properties for third party exploration, and fund its own exploration projects is correlated to the strength of commodities markets and the exploration and mining sectors, and accordingly, is considered to have a healthy outlook for the near term.

Subsequent Events

Subsequent to December 31, 2006, the Corporation closed two private placement offering whereby it raised and additional $3,249,800 in gross working capital through the issuance of an aggregate 7,423,878 units. For additional information in this regard, kindly refer to note 16 of the Audited Financial Statements of the Company for the year ended December 31, 2006 which accompany this Management's Discussion and Analysis.

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.

Financial Reporting Controls and Procedures

The Corporation maintains internal accounting and administrative control systems designed to ensure the relevance and reliability of the financial information and the protection of assets. Management acknowledges its responsibility in managing the Corporation's business according to the requirements of the relevant laws and accepted standards and financial principles, in addition to maintaining well-ordered and efficient standards of conduct in its activities.

During 2006, the effectiveness of the disclosure controls and procedures of the Corporation were evaluated by the management. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective.

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 April 24, 2007 which will be accessible via the Internet for public viewing on the System for Electronic Document Analysis and Retrieval (SEDAR) on or before May 18, 2007 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.

Forward Looking Statements

This document contains certain 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 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 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. Accordingly, readers should not place undue reliance on such forward-looking statements.