

Management's Discussion and Analysis
Golden Valley Mines Ltd.
For the first quarter ended March 31, 2006

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, 2006. This discussion and analysis should be read in conjunction with the unaudited financial statements for the first quarter ended March 31, 2006 and the related notes thereto. All figures are in Canadian dollars unless otherwise noted.

Nature of Operations

Golden Valley Mines is a mineral exploration company, whose assets include approximately 130 exploration properties located in: i) the Abitibi Greenstone Belt (Ontario and 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; and (c) drill testing of priority targets.

The 90 Abitibi properties are comprised predominately of gold and/or base metals prospects located in Québec and Ontario. Golden Valley Mines exploration strategy consists of an approach designed to reduce exploration risk and increase the probability of exploration success, through the systematic and 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 conducted on another.

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.

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 and expenditures, 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 expensive joint venture and remote projects.

Golden Valley Mines is actively seeking exploration partnerships for the Marymac nickel-copper-PGE project in Nunavik, Québec, the Shoot Out Nickel-Copper-PGE project in Québec, the Bijoux diamond venture, located in the James Bay/Nunavik region of Québec, as well as for several of its Abitibi projects situated in Québec and Ontario.

Selected Quarterly Information as at March 31

	March 31, 2006	March 31, 2005	March 31, 2004
Total Revenue	15,000	Nil	Nil
Net income (loss)	(138,289)	(240,001)	(152,816)
Basic and diluted net loss per share	(0.004)	(0.09)	(0.006)

Results of Operations

As at March 31, 2006, the Company reported a net loss of \$138,289 compared to losses of \$240,001 as at March 31, 2005. This change is due mostly to an increase in revenue from property option agreements as well a favorable return on the Company's short-term investments.

Revenues

Revenue generated from property options increased from nil in 2005 to \$15,000 for the same period in 2006. Interest income totaled \$5,808 in 2006, a decrease from the previous first quarter-ended March 31, 2005 (\$9,748). Interest income fluctuates during this period from year to year, depending on the Company's cash balance and interest rates.

As at March 31, 2006, the Company held publicly traded securities having a market value of \$559,382 and a book value of \$305,142. These publicly traded securities 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 March 31, 2006, the Company realized investment gains on these securities of \$16,595, compared to \$3,028 during the same period in 2005.

Non-Exploration Expenditures

The Company's administrative expenses for this quarter remained relatively consistent due to the stabilization of the Company's business activities compared to the same period in 2005: salaries, rent and office expenses (\$14,662 compared to \$31,783 in 2005) as did advertising and exhibition expenses (\$16,669 compared to \$37,843 in 2005) decreased, management fees (\$9,750) as did Part XII.6 and other taxes (\$12,000 compared to \$12,684 in 2005) were steady, and professional fees (\$38,229 compared to \$27,548 in 2005) and traveling expense (\$11,313 compared to \$3,757 in 2005) increased.

The values ascribed to the stock-based compensation (\$21,238 as at March 31, 2006 and \$20,877 as at March 31, 2005) did not fluctuate and such stabilization is attributable to the period during the year that such incentive stock options were granted. Stock-based payments for services increased dramatically compared to the same period in 2005 (\$32,726 in 2006 compared to \$4,088 in 2005); accordingly this figure is significantly higher than it was in March 2005 as a result of the Company retaining the services of a number of consultants for investor relations and corporate activities. Again, the increase to the Company's disbursement in professional fees is also attributed to it retaining outside investor relations and corporate services.

On February 1, 2006, the Company moved into a new office location in Val-d'Or, Québec; as a result the Company realized a one-time write-off of leasehold improvements in the amount of \$18,397 of not-amortized capitalized expenses for the old office building.

Finally, as at December 31, 2005, the Company finished amortizing its deferred organization expenditures, therefore this expense will not be repeated as of that date.

Exploration Activities and Expenditures

At the end of the first quarter ended March 31, 2006, total investments in mineral properties increased to an aggregate \$6,359,628. As at the year-end 2005, Golden Valley Mines had drilled a total of 90 targets on 20 properties in the Abitibi Greenstone Belt Project. The Company's 130 property interests in Québec, Ontario and Saskatchewan include the new 2005 land acquisitions in the Urban-Barry Greenstone Belt, considered prospective for Gold and molybdenum, and uranium properties in the Abitibi-Témiscamingue, Otish and Mistassini regions of Québec. Several other gold and base metal properties have been expanded as a result of initial exploration work and on-going in-house project generation activities.

Active exploration programs undertaken during the first quarter ended March 31, 2006 include a diamond drill program on the Golden Jet prospect, a gold and VMS property located in Duparquet Township (Abitibi), where a three-hole, 349 meter drill program intersected sulphide zones, but did not return any significant gold or copper-zinc-silver mineralization. The three anomalies, however, with broadly coincidental gold-copper soil anomalies, provide additional information in order to investigate a 500 metre trend extending from the vicinity of the drill holes.

The Hunter Mine Group prospect, also a gold and base metal target located along the border of Duparquet and Destor Townships, which is approximately 34 kilometres north of the city of Rouyn-Noranda, had preliminary field work completed late in 2005, in order that on-site preparations for the drill program could be completed during the first quarter ended March 31, 2006. Drilling commenced subsequent to the first quarter and the company is awaiting results. The drill program evaluated three separate targets representing potentially separate volcanogenic massive sulphide (VMS) and/or gold mineralizing events.

Exploration activities on the James Bay properties in 2005 focused on a three phase program, starting with a Fugro DIGHEM airborne survey, followed by a lake-bottom sediment sampling survey where 440 lake-sediment samples were collected, and thirdly by a 34 field day ground reconnaissance program resulting in the collection of 418 rock samples. Twenty-seven (27) of the first 418 rock gram samples (or 6%) collected on the project assayed 0.1 g/t gold or better. The highest grade mineralized sample returned assay values of 3.98 g/t gold and 1.73% copper. Based on the results from the 2005 program, Golden Valley's 2006 exploration program on the James Bay property interests will focus the Phase I program on the Cheechoo A property, located immediately west of the Eleonore property (Virginia Gold Mines), and prospecting, mapping, and geochemical surveying are planned for Cheechoo B, Cheechoo C, and Sharks – which are all located contiguous to and east of the Roberto discovery (Virginia Gold Mines).

During the first quarter ended March 31, 2006, Golden Valley entered into a transaction with Osisko Exploration Ltd. (Osisko) in respect of 11 claim lots, located in two separate blocks south east of Malartic, Québec, in Fournier Township. Osisko can earn a 70% interest in the main, north claim block, by incurring \$2,000,000 in exploration expenditures over 4 years and making incremental payments totaling \$100,000. Golden Valley's 30% would be carried to production. Golden Valley vended Osisko a 100% interest in the south claim block in consideration for \$100,000 cash and a 2% net smelter return royalty in favour of Golden Valley. Additionally, during the first quarter, Golden Valley optioned a 66% interest in its Beartooth Island project, a 23,760 hectare uranium exploration property located in the northwest portion of the Athabasca Basin, Saskatchewan to Ditem Explorations Inc. (Ditem). Ditem can earn a 50% interest by incurring \$1,000,000 over three years, and thereafter, this interest may be increased to 60% by incurring an additional \$2,000,000, and again to 66% by delivering to Golden Valley a bankable feasibility study. As partial consideration for the work commitment, Golden Valley received 2,000,000 Ditem Warrants, entitling Golden Valley to acquire one common share of Ditem at \$0.10 for a period of two (2) years of which the Corporation has undertaken to exercise 1,000,000 warrants by May 1, 2006.

Additionally, on December 15, 2005, as amended on March 31, 2006, Amseco Exploration Ltd. (Amseco) was granted an option to acquire up to a 51% interest in the Amikougami property provided that it issued 400,000 shares to the Corporation (200,000 on signing and the balance issuable on or before July 1, 2006), make an aggregate \$10,000 cash payment (\$5,000 at signing and the balance payable on or before July 1, 2006) and incur total exploration expenditures of \$1,000,000 over a 3 year period of which \$250,000 must be incurred on or before March 31, 2007. Golden Valley retained a 3% NSR on the property. Additionally, the Company's initial \$500,000 joint venture exploration expenditures will be carried by Amseco, and in the event that a bankable feasibility study is delivered, the Company retains a "back-in" right to reacquire 11%.

There was no field exploration work conducted on Golden Valley Mines' Nickel-Copper-PGE projects in Nunavik, Québec in 2005 (Marymac and Shoot Out). Exploration on the Shoot Out project in 2004 consisted of camp construction, general exploration and prospecting, and 2,492 meters of diamond drilling on West Shoot Out, and 1,811 meters of drilling at East Shoot Out. The West Shoot Out program focused on delineating the known sulphide mineralization at the Alpha and India showings, and the East Shoot Out program focused on exploring two prospective ultramafic bodies, namely the SO-4 and SO-6 sills.

	March 06	Dec 05	Sept 05	June 05	March 05	Dec 04	Sept 04	June 04
Total revenues	15,000	4,000	Nil	16,000	Nil	156,156	Nil	Nil
Net gain (loss)	(138,289)	27,839	(184,761)	(228,422)	(240,001)	37,420	(200,788)	(175,924)
Basic and diluted net gain (loss) per share	(0.004)	0.001	(0.007)	(0.008)	(0.009)	0.001	(0.007)	(0.007)

Over the past eight quarters, expenses have gradually and consistently augmented reflecting a corresponding consistent increase in exploration and corporate development activities. 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 decreased from \$1,717,862 as at March 31, 2005 to \$1,511,017 as at March 31, 2006. As of March 31, 2006, an unspent balance of \$422,462 in flow-through funds remained. During the period, there were no funds raised through the exercise of warrants and options.

As at March 31, 2006, the Company had sufficient cash liquidity to carry out its exploration commitments for 2006. The non-flow-through portion of working capital will cover the Company's general and administrative expenses in 2006, provided that no extraordinary circumstances arise. The flow-through reserve of \$422,462 will cover the Company's obligations under its agreements with Sirios Resources Inc. and Canadian Royalties Inc. for the 2006 exploration program in the James Bay area of Québec (Cheechoo and Sharks Prospects). As at March 31, 2006 the Corporation incurred expenditures in the amount of the \$166,420 on the Abitibi project.

Given that the Company is a small corporate entity focused on exploration, with a limited revenue stream, the Company budgets exploration and administrative expenses, and closely monitors its general and administrative operating costs, its investments, as well as its cash position.

Contractual Obligations

Obligation	\$Total	Payments due by period	
		1 year or less	2 years or more
Flow-through exploration expenditures	\$422,462	\$422,462	-
Exercise of Warrants ⁽¹⁾	\$100,000	\$100,000	-
Issuance of Shares ⁽²⁾	-	-	-
Property Options/Purchase ⁽³⁾	2,600,000	\$500,000	\$2,100,000

Notes

- (1) Obligation of the Company in respect of Ditem Exploration Inc. (Beartooth Island Prospect) due by May 1, 2006.
- (2) Obligation of the Company to issued an aggregate 12,500 common shares pursuant to a purchase and sale agreement with three (3) vendors pertaining to the Ducros property due by May 23, 2006.
- (3) The following is the detail of the optional expenditure commitments of the Company should it elect to maintain property options, as optionee of the various properties in which the Company is earning an interest:
 - (i) \$800,000 over the next three (3) years to earn up to an 80% interest from Sirios Ressources Ltd. on the Cheechoo Prospect;
 - (ii) \$800,000 over the next three (3) years to earn up to 80% interest in the Sharks prospect pursuant to an assignment of interest by Canadian Royalties Inc.; and
 - (iii) \$1,000,000 on any one of or a combination of nine mineral properties to acquire up to an 85% interest from Kalahari Ressources Ltd.

Transactions with Related Parties

Other than as detailed in the Company's audited financial statements for the year ended December 31, 2005 (see Note 13, *Related Party Transactions* therein), there were no significant transactions with related parties during the fiscal period ended March 31, 2006 save for routine payments for management and exploration services in the aggregate amount of \$13,050 of which \$300 was paid to a company controlled by an officer and director of Golden Valley (office rent).

Outlook

Golden Valley Mines exploration results to date have been summarized in the Exploration Activities and Expenditures section of this document. The Company's principal objectives are related to the Abitibi project, the Cheechoo/James Bay project, and various other grassroots 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.

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 is available through the Company's website at www.goldenvalleymines.com or through the internet on the System for Electronic Document Analysis and Retrieval (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."

(s) Glenn J. Mullan

(Signed) Glenn J. Mullan
President and Chief Executive Officer
Val-d'Or, Québec (Canada)
May 30, 2006

(s) Jennifer L. Boyle

(Signed) Jennifer L. Boyle
Chief Financial Officer
Val-d'Or, Québec (Canada)
May 30, 2006