Management's Discussion and Analysis
Golden Valley Mines Ltd.
For the third quarter ended September 30, 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 third quarter ended September 30, 2006. This discussion and analysis should be read in conjunction with the unaudited financial statements for the third quarter ended September 30, 2006, the audited financial statements for the year ended December 31, 2005, 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) exploring for a wide variety of commodities; and (c) drill testing of priority targets.

The 95 Abitibi properties are comprised predominately of gold and/or base metals prospects located in Québec and Ontario in areas proximate to established mining camps (Timmins, Kirkland Lake, Rouyn-Noranda, Cadillac, Malartic and Val-d'Or). 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 completed on another.

In December 2004, Golden Valley Mines entered into an option agreement to acquire an interest in the Cheechoo gold property located in the vicinity of the Goldcorp Éléonore gold discovery in James Bay, Québec. In 2005 Golden Valley entered into an additional option agreement to increase 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%. This allows shareholders maximum leverage through ownership for having incurred the early-stage exploration risk. In instances where the exploration results are less than conclusive (such as when favourable geological conditions are encountered, but without a 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 own share capital and 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 continue to focus on other early-stage, 100%-owned properties while partners fund more expensive joint ventures, programs on remote projects and follow-up programs on optioned properties.

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, its Otish and Mistassini uranium projects in central Quebec and for several of its Abitibi projects in Québec and Ontario.

Results of Operations

In the quarter ended September 30, 2006, the Company reported a net loss of $55,580 compared to losses of $184,761 for the same period in 2005. This change is due mostly to an increase in revenue from property option agreements and a favourable return on the Company's short-term investments.

Revenues

Revenue generated from property options increased from nil in 2005 to $26,000 for the same period in 2006. Interest income totaled $9,176 in 2006, an increase from the previous three-month period ended September 30, 2005 ($2,482).

Interest income fluctuates during this period from year to year, depending on the Company's cash balance, and interest rates. As at September 30, 2006, the Company held publicly traded securities having a market value of $686,789 and a book value of $413,820, comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements. During the third quarter ended September 30, 2006, the Company realized investment gains on these shares of $32,218, compared to nil during the same period in 2005.

Non-Exploration Expenditures

The Company's administrative expenses for this quarter decreased, with the exception of advertising and exhibition expenses which remained relatively stable ($21,341 compared to $21,045 in 2005). Additionally, professional fees decreased from $39,805 to $28,329, and traveling expenses also decreased from $4,283 to 3,833 due to investor relations expenses, a component of professional fees. Stock-based compensation for this quarter is at zero given that the Company granted options just before quarter end. Management fees remained unchanged ($9,750). Rent and office expense also decreased by almost 45% during this quarter ($23,731).

Exploration Activities and Expenditures

At the end of the third quarter ended September 30, 2006, total investments in mineral properties increased to an aggregate $7,092,685. The Company's 130 property interests contained within 3680 mining claims (204,295-Ha) located in Québec, Ontario, and Saskatchewan (including two new 2006 land acquisitions in the Abitibi Greenstone Belt: namely the PDAC Prospects and Island 27 Prospect) are considered prospective for gold, base metals, uranium, and diamonds. Several other existing 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 third quarter included two diamond drill programs, geophysical surveys and prospecting at several properties in the Abitibi Greenstone Belt and over the Cheechoo A claim block respectively, and follow-up completion of a detailed mapping and prospecting program.

Drilling was completed on the Riverside and Bogside NW Prospects (JV with Kalahari Resources Inc.). A total of three diamond drill holes tested combined northeast-trending geophysical / geological targets identified over the north-western section of the Bogside NW property claim block and over the northern, contiguous 4-claim Riverside property respectively both located in the Cadillac area of northwestern Québec. No significant assays were received from these programs.

Final geophysical reports ground were received for the Ducros Sill option (Ducros Twp., Québec), Lockout Prospect (Clericy Twp., Québec), and Cheechoo "A" Prospect in the James Bay region where groundwork started prior to quarter end.

At the Beartooth Island Prospect, situated in the Athabasca Basin of Saskatchewan, a MEGATEM® II survey consisting of 1156 line kilometres was flown over the entire property, including the island and surrounding portions of Lake Athabasca The property-scale, high-resolution and deep penetrating electromagnetic-magnetic survey is expected to define major structural features (faults) and conductive zones normally associated with uranium deposits found elsewhere in the Athabasca Basin. A number of such unconformity-type uranium occurrences are known in this part of the Athabasca Basin region, such as the undeveloped Maurice Bay deposit to the northwest of Beartooth Island (currently owned by Cameco). The objective of the airborne survey will be to prioritize areas over strong geophysical targets for detailed ground follow-up including marine seismic surveys, and if warranted, drill testing of potentially defined targets.

Exploration activities on the James Bay properties during the nine month period ended September 30, 2006 have been focused on a multiphase program consisting of linecutting and geophysical surveys at the Cheechoo "A" Prospect. A program of detailed geological mapping and sampling was completed on a portion of the property grid for follow-up to rock samples collected in 2005 and results obtained from the ground geophysical results. Subsequent to the completion of the nine month period ended September 30, 2006, a phase II program was completed over other parts of the combined property, but was later expanded to included additional follow-up work over Cheechoo "A" block based on favourable geophysical and rock sampling results obtained from Phase I program, where detailed grid mapping and ground-based geophysical surveys conducted over the summer identified a well-developed and mineralized shear zone.

A property wide air photo survey has also been completed to assist in planning of traverses, mapping, prospecting and logistical operations. Prospecting conducted through the 3rd quarter was directed to areas identified in the 2005 airborne geophysical survey, areas having returned anomalous gold-copper results from grab samples in late 2005 (Cheechoo "A"

NW and Cheechoo "B" SW), lake sediment survey results, areas proximate to competitor activity, and ongoing data compilation work.

The Company announced that it entered into an agreement with Quinsam Capital Corporation on the Arbade-Richore Prospect near Matachewan, Ontario whereby Quinsam may earn a 51%-interest by making cash payment of $10,000, issuing 400,000 shares of Quinsam and completing $1,000,000 in exploration expenditures over 3-years (including $200,000 over the first 12-months).

Finally, the Company was granted an option to earn a 100% interest in the Island 27 Property near Matachewan, Ontario ("**Island 27 Property**"), situated in Burt, Flavelle, Gross, and Holmes Townships, near Matachewan, Ontario, from an individual prospector. The property appears to be well located in terms of its regional geological and geophysical setting, being transacted by the prolific Kirkland Lake - Larder Lake Break and the NW trending Cross Lake fault. As of the date hereof, the Corporation made a cash payment of $25,980, and will vest in a 100% interest, subject to a 2% NSR, upon incurring $100,000 in exploration expenditures prior to December 31, 2007.

	Sept 06	**June 06**	**March 06**	**Dec 05**	**Sept 05**	**June 05**	**March 05**	**Dec 04**
Total revenues	26,000	39,000	15,000	4,000	Nil	16,000	Nil	156,156
Net gain (loss)	(55,580)	(75,462)	(138,289)	27,839	(184,761)	(228,422)	(240,001)	37,420
Basic and diluted net gain (loss) per share	(0.001)	(0.002)	(0.004)	0.001	(0.007)	(0.008)	(0.009)	0.001

Over the past eight quarters, expenses have gradually and consistently increased 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 $1,578,290 as at December 31, 2005 to $1,391,558 as at September 30, 2006. As of September 30, 2006, the Company has spent the balance of its flow-through reserve ($185,299). During the period, $33,500 was raised through the exercise of options.

As at September 30, 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 $185,299 held as at June 30, 2006 was allocated to 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 and the Company's other projects

The Company, as Operator in respect of Ditem's Beartooth Island exploration program, received an aggregate $200,350 of which the Company allocated $162,998 to the 2006 exploration program to date. Accordingly, at quarter end, the Company held a balance of $37,351, such amount representing the balance of third party exploration funds received during the quarter.

Subsequent to quarter end, the Company closed a flow-through private placement offering of 3,100,000 common shares at a price of $0.33 per share for gross proceeds of $ 1,023,000. A commission representing 6% of the gross proceeds raised was paid by the Corporation to a financial advisor. The funds raised pursuant to the offering will be used by the Company to finance its exploration and development activities in respect of its James Bay, Abitibi, and other grass-roots properties located in Québec.

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

		Payments due by period	
Obligation	$Total	1 year	More than 1 year
Property Options/Purchase[1]	$2,700,000	$500,000	$2,200,000

Notes

[1] The following details the balance of optional expenditures by the Company should it elect to maintain the property options, as optionee of the various properties in which the Company is earning an interest:

a. $800,000 over the next three (3) years to earn up to a 60% interest from Sirios Resources Ltd. on the Cheechoo Prospect. Notwithstanding the foregoing, expenditures incurred while completing the August to October 2006 field program will be included in the Company's fiscal year end financial statements.

b. $800,000 over the next three (3) years to earn up to a 60% interest in the Sharks prospect pursuant to an assignment of interest by Canadian Royalties Inc. Notwithstanding the foregoing, expenditures incurred while completing the August to October 2006 field program will be included in the Company's fiscal year end financial statements;

c. $1,000,000 on any one of or a combination of nine mineral properties to acquire up to an 85% interest from Kalahari Resources Ltd. Notwithstanding the foregoing, expenditures incurred while completing the 2006 field program will be included the Company's fiscal year end financial statements; and

d. $100,000 on the Island 27 Property by December 31, 2007 to acquire a 100% interest (subject to an NSR).

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 September 30, 2006 save for routine payments for management and exploration services in the aggregate amount of $67,800.

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 although there is no assurance of same. Golden Valley Mines ability to option exploration properties for third party exploration and to fund its own exploration projects is related to the strength of both the commodities markets and the exploration and mining sectors, and accordingly, is considered by management 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 strength of the exploration and mining sectors, 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)
November 29, 2006

(s) Jennifer L. Boyle

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November 29, 2006