

The information set forth in this document should be read in conjunction with the audited financial statements of the Company for the two years ended December 31, 2006 and 2005, in accordance with Canadian generally accepted accounting principles and the related notes thereto.

Forward Looking Statements

Except for the historical statements contained herein, this management's discussion and analysis presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and other minerals and metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Young-Shannon Gold Mines, Limited to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to international operations, risks related to the integration of acquisitions; risks related to joint venture operations; actual results of current exploration activities; actual results of current or future reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and other minerals and metals; possible variations in ore reserves, grade or recovery rates; failure of equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the management and officers of Young-Shannon Gold Mines, Limited believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Young-Shannon Gold Mines, Limited does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Description of Business

The Company is engaged in the exploration and development of two mineral properties in the region of Sudbury, Ontario, Canada.

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Financial Highlights

Summary of Quarterly Results

The following tables set out financial performance highlights for the last eight quarters.

	Fourth Quarter Dec. 31, 2006	Third Quarter Sept. 30, 2006	Second Quarter June 30, 2006	First Quarter March 31, 2006
Interest income	\$ 0	\$ 1	\$ 5	\$ 19
Expenses	84,372	44,847	52,554	71,879
Future income tax (recovery)	59,282	0	0	0
Net income/(loss)	(143,654)	(44,846)	(52,549)	(71,860)
Net income/(loss) per share	(0.01)	(0.00)	(0.00)	(0.00)
Cash flow from/(used in) operations	50,764	(41,337)	(58,901)	(109,505)
Cash, end of period	521,135	602,889	104,744	129,008
Assets	4,251,346	4,100,151	3,608,165	3,629,891
Long-term (future tax) liabilities	368,500	309,218	309,218	309,218
Cash dividends declared	0	0	0	0

	Fourth Quarter Dec. 31, 2005	Third Quarter Sept. 30, 2005	Second Quarter June 30, 2005	First Quarter March 31, 2005
Interest income	\$ 34	\$ 65	\$ 34	\$ 2,425
Expenses	82,706	62,809	72,026	67,081
Write-off of mining properties and deferred exploration expenditures	37,331	13,452	0	0
Future income tax (recovery)	(106,560)	0	0	0
Net income/(loss)	(13,443)	(76,196)	(71,992)	(64,656)
Net income/(loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
Cash flow from/(used in) operations	(20,904)	38,280	(238,765)	116,821
Cash, end of period	242,525	159,020	190,879	577,010
Assets	3,746,216	3,544,289	3,564,988	3,794,429
Long-term (future tax) liabilities	309,218	0	0	0
Cash dividends declared	0	0	0	0

Three Months Ended December 31, 2006

The widening of the fourth quarter loss of \$143,654 experienced in the current fiscal year as compared to the fourth quarter loss of \$13,443 in the prior fiscal year is driven primarily by the recognition of a \$106,560 future tax recovery in 2005, in contrast to the \$59,282 future tax expense recognized in 2006. These provisions are recorded upon the conclusion of the Company's annual audit and completion of the annual corporate taxation filings.

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	Year Ended Dec. 31, 2006	Year Ended Dec. 31, 2005	Year Ended Dec. 31, 2004
Interest income	\$ 25	\$ 2,558	\$ 13
Expenses	253,652	335,405	144,316
Future income tax (recovery)	59,282	(106,560)	(96,592)
Net income/(loss)	(312,909)	(226,287)	(47,711)
Net income/(loss) per share	(0.01)	(0.01)	(0.00)
Cash flow from/(used in) operations	(158,979)	(104,568)	(166,266)
Cash, end of year	521,135	242,525	810,087
Assets	4,251,346	3,746,216	3,730,977
Long-term (future tax) liabilities	368,500	309,218	415,778
Cash dividends declared	0	0	0

Twelve Months ended December 31, 2006

The Company continues to focus on operational efficiency. In the current fiscal year, almost all expense categories have remained the same or seen a year over year decline as management focuses its resources on its properties. Exceptions to this include advertising and promotion where directed efforts to improve the Company's visibility within the market were made, and stock based compensation where options issued in the prior year were assigned a fair market value utilizing the Black-Scholes option valuation model. Furthermore, the prior fiscal year saw a write-down of the LaCucharas property of \$50,783 whereas in the current fiscal year there were no write-downs being taken on any of the Company's mineral property interests.

Liquidity and Capital Resources

Young-Shannon reported working capital as at December 31, 2006 of \$382,348 (December 31, 2005 – \$126,959) and cash balances of \$521,135 (December 31, 2005 – \$242,525).

The Company continues to fund its exploration activities through equity financing. In October 2006, the Company closed a non-brokered private placement of 5,575,000 units at a price of \$0.11 per unit for gross proceeds of \$613,250. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder thereof to purchase one common share of the Company at a price of \$0.15 per share for a period of 18 months following the closing date of the private placement.

A 5% finder's fee comprising 158,750 common shares of the Company was paid to Trilogy Capital Limited and a 5% finder's fee comprising of 87,500 common shares of the Company was paid to VC Group Investments, S.A. In addition, a 5% cash commission was paid to Brant Securities Limited in the amount of \$1,375 and to Haywood Securities Inc. in the amount of \$2,200.

Young-Shannon has no credit facilities with financial institutions, accordingly its financial instruments consist of cash, sundry receivables and accounts payable and accrued liabilities. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. Young-Shannon estimates that the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values because of their short term nature.

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Although the Company has sufficient capital resources to meet its immediate obligations, the Company may seek to raise additional funding to finance future exploration programs. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource based junior companies, in addition to the results of the Company's exploration programs and the acquisition of additional projects.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will rely on its ability to obtain equity or debt financing for growth. Young-Shannon may need additional capital, and may raise additional funds should its Board deem it advisable.

Management is confident that it will be able to raise sufficient capital to further explore and develop its properties and projects in the coming year. The ability of the Company to develop its existing assets into commercial and profitable operations, however, will require participation by outside parties for capital or will require additional financing from other outside sources. There can be no guarantee that the Company will be able to secure any required financing.

Off-Balance Sheet Arrangements

Young-Shannon does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Proposed Transactions

There is no imminent decision by the Board of Directors of the Company with respect to any transaction beyond what is included in this MD&A. On January 11, 2007 Young-Shannon signed a Letter of Intent with a private Canadian company, whereby the private company can earn a 46.25% interest in its Chester property. Please refer to page 12 for further details.

Critical Accounting Estimates

The preparation of the Company's financial statements requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered to be significant include estimates of the recoverability of mineral interests and stock-based compensation.

The recoverability of the amounts shown for mining interests is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet its obligations under various agreements and the success of future operations or dispositions.

The Company uses a Black-Scholes model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparables in the estimate of future volatilities.

New Accounting Pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Handbook Section 3865, Hedges. These standards are effective for interim and annual financial statements for the Company's fiscal years beginning on or after October 1, 2006. The Company is currently assessing the impact of these new accounting standards on its financial statements.

Financial and Other Instruments

The Company is not involved in any hedging program, nor is it a party to any financial instruments that may have an impact on its financial position.

Results of Operations: Chester Property

The Chester gold property in Chester Township, Ontario, is situated some 121 kilometres south-southwest of Timmins, and 162 kilometres north-northwest of Sudbury. The Chester project is composed of eleven patented, contiguous mining claims, and since January 1997 the Company has acquired eighteen unpatented mining claims. Considerable exploration work has been done on the Chester Township property to date, consisting of mapping, geophysics, drilling, trenching, shaft sinking and assaying which has yielded significant results, requiring further exploration efforts.

Preliminary results from the Phase 1 drilling carried out in July 2004, showed gold values in every hole. Phase 1 drilling consisted of six holes totaling 5,120 feet targeting the historic C Prime gold deposit. Certain gold intersections were expanded and include gold intersections such as 28.13 grams per tonne across 10 feet and 3.92 grams per tonne across 45 feet.

The gold values are related to single and multiple quartz veins containing free gold, chalcopryrite, pyrite, tellurides, molybdenum, galena and specularite. The gold mineralization also extends into the adjacent wallrock for variable distances associated with disseminated sulfide mineralization. Host rocks include both trondhjemites and diorites cut by regional east-west and northwest-trending shear systems. The C Prime deposit lies at the intersection of two shear systems and dips southward at 47 °. Previous drilling defined the deposit for 900 feet along strike and along the dip for 400 feet. Phase 1 drilling has extended the C Prime Deposit for another 200 feet down-dip, where it remains open. Additional sampling of the Phase 1 drill core extended the identified gold intersections to their full width. This included mineralization which continued well into the surrounding wall rock. These assay results provided the basis for the Phase 2 drilling program.

Phase 2 drilling on the C Prime deposit was completed at the end of the first quarter, 2005. A total of 1,295 metres (4,247 ft.) was cored over five drill holes. Four of these holes were drilled immediately east along strike from the Phase 1 drilling and resulted in extending the C Prime zone approximately 53 metres (175 ft) down dip. Host rocks were similar to previous drilling on the C Prime zone, that is, trondhjemites and minor diorites which show varying degrees of alteration typically expressed as sericitization and silicification. Shearing is present throughout. Also, noteworthy is that sulphide mineralization, generally comprising pyrite, pyrrhotite, and minor chalcopryrite, is disseminated through the drill core from trace amounts to 3 percent.

En echelon quartz and quartz-carbonate veining with widths varying from centimeter to metre scale is present throughout the core. Mineralization noted was pyrite, pyrrhotite, chalcopryrite, molybdenum, and iron oxides.

The fifth hole on the Phase 2 drilling was completed on the western end of the C Zone approximately 122 metres (400 ft.) west of the old mine shaft. Lithologies intersected here were an alternating sequence of granodiorites, trondhjemites, gabbros, and ultramafics. Disseminated sulphides, typically pyrite, pyrrhotite, and chalcopryrite, are present throughout the drill core which range in concentrations from trace to 3 percent. Shearing of the rocks occurs throughout the core as does quartz and quartz-carbonate veining. These veins tend to carry pyrite, pyrrhotite, chalcopryrite, molybdenum, and hematite mineralization.

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Drill assays results extended the C-Prime deposit approximately 42 metres (138 ft.) down dip. The best gold intersections included 16.65 grams per tonne over 1.05 metres, which included visible gold, 12.45 grams per tonne over 1.2 metres, 8.4 grams per tonne over 0.8 metres, 9.22 grams per tonne over 0.5 metres, and 34.18 grams per tonne over 0.3 metres.

Phase 2 drilling on the C-Prime deposit has confirmed the continuity of gold mineralization from the Phase 1 drilling in 2004 and has extended this to a total down dip depth of approximately 225 metres (738 ft.), where it remains open.

During the month of September, 2005, a down hole IP survey was completed on the Chester Property. Results from the survey, obtained in early October, defined two parallel zones (anomalies) of high conductivity approximately 260 ft. (80 m) apart occurring down dip and parallel to the east-northeast trending C-Zone. These targets will be a high priority focus for future diamond drill testing follow-up.

Results of Operations: McMillan Property

On October 25, 2004 the Company optioned the McMillan gold project, which is located 75 kilometers southwest of the Greater City of Sudbury in Mongowin and McKinnon Townships. The Company has optioned 26 claims, which include the former producing McMillan gold mine. The option, from MBMI Resources Inc., gives Young-Shannon the right to earn up to a 60% interest in the former gold producer. The terms of the option, are as follows to earn a 50% interest:

	Cash	Common Shares	Work Commitment
Upon signing (paid)	\$ 10,000	150,000	\$ -
1 st Anniversary (paid)	15,000	150,000	200,000
2 nd Anniversary (paid)	20,000	150,000	300,000
3 rd Anniversary	30,000	200,000	400,000
	\$ 75,000	650,000	\$ 900,000

After the 3rd Anniversary, Young-Shannon will have the option to increase its interest to 60% by spending an additional \$400,000 on the McMillan property and issuing an additional 250,000 shares to MBMI Resources Inc. Upon the exercise of the Option, Young-Shannon and MBMI will be deemed to have formed a Joint Venture.

Gold was first discovered on the McMillan claims in the early 1920s. By the late 1920s, a vertical shaft and underground exploration was carried out. A 125 ton per day mill was subsequently built and operated until 1937. The McMillan gold mine produced 60,000 tons of gold ore at a recovered grade of 0.18 ounces per ton for a total of approximately 10,800 recovered ounces of gold. It has a vertical shaft to a depth of approximately 875 feet and workings at several levels. Historical records indicate that the mineralization continued below the 900-foot level. The McMillan mine was dewatered and re-sampled underground in 1985-86. This underground sampling from different stopes and headings ranged from 0.07 to 0.48 ounces per ton gold. Based on these results, a work program was recommended consisting of underground diamond drilling in order to determine the continuity of the mineralized structures, but was never completed due to a lack of funds.

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In the spring of 2004, MBMI completed a surface diamond drilling program on the McMillan claims consisting of 1,077 meters in seven holes. The best intersections are listed in the following table:

Summary of 2004 MBMI Resources Inc. Drilling

Hole Number	Interval (Meters)	Intersection (Meters)	AU (g/tonne)	AU (oz/Ton)
MM-1-04	3.13 – 3.33	0.20	15.46	0.45
	9.15 – 9.69	0.52	13.92	0.40
MM-1B-04	9.90 – 14.55	4.65	11.21	0.33
MM-2-04	113.30 – 118.30	5.00	9.89	0.28
	137.20 – 139.30	2.10	5.79	0.17
MM-3-04	182.75 – 193.60	10.85	7.91	0.23

The 2004 drilling extended the known gold mineralization at the McMillan gold mine 120 meters to the east and 20 meters to the west of the previously mined area to define a 400 meter strike length. The gold mineralization remains open along strike in both directions and at depth below the old workings.

The McMillan property is underlain by sediments and minor volcanic flows and pyroclastics of the Gowganda Formation. Gold occurs in quartz and quartz-carbonate veins occurring within sheared argillites.

A drilling campaign designed to test the extent of the new gold zone discovered on the property in the April, 2004 program by MBMI Resources Inc. was begun early in the first quarter of 2005. Five holes totalling 1,485 metres (4,870 ft.) were completed before the drill crew had to be mobilized to the Chester Property.

The first four drill holes were collared from two setups and designed to bracket the new gold zone in MBMI's drill holes MM-2-04 and MM-3-04. Drill hole MM-3-04 reported 7.91 g/t (0.23 oz./t) gold over 10.85 metres; drill hole MM-2-04 (collared from the same location as MM-03-04 with a shallower inclination) intersected the up-dip extension of the gold zone in MM-03-04 (see MBMI's Press Release of May, 12, 2004).

Drill holes MM-05-01 and MM-05-02, from the first quarter, 2005 campaign, were collared from the same location with inclinations of -50° and -65° respectively, designed to test a 50 ft. *eastward* strike extension of the new gold zone. Drill holes MM-05-03 and MM-05-04 likewise were collared from the same location with inclinations of -50° and 65° respectively and were designed to test a 50 ft. *westward* strike extension of the new gold zone.

Assay results showed that the gold zone continued both east and west along strike from drill holes MM-2-04 and MM-3-04. The western strike extension, in particular, showed that the lower part of the zone found in drill hole MM-03-04 was extended to drill hole MM-05-04 with continued high grades and widths. One intersection averaged 5.52 g/t (0.16 oz./t) gold over 4.05 metres and a second intersection 8.4 metres lower in the hole averaged 11.16 g/t (0.32 oz./t) gold over 4.65 metres, including one section of 22.2 g/t (0.65 oz./t) gold over 1.85 metres.

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The fifth drill hole from the first quarter, 2005 campaign was designed to continue defining the strike, plunge, and rake extensions to gold mineralization previously mined on the property in the mid-1930's. Hole MM-05-05 intersected a high grade zone located approximately 310 ft. (94.5 metres) below the lowest mine workings and at least 75 ft. (23 metres) along strike, which assayed 8.72 g/t (0.25 oz./t) gold over 1.3 metres, including one section of 27.22 g/t (0.79 oz/t) over 0.3 metres.

The drill crew was remobilized to the McMillan property early in the second quarter of 2005, after completion of the drilling campaign on the Chester Property, to complete the drilling campaign originally defined for the property for the first half of 2005. Five diamond drill holes, totalling 1,038 metres (3,401 ft.) were completed during this second quarter campaign.

Assay results showed that the gold zone continued westward along strike from diamond drill holes MM-2-04 and MM-3-04 completed by MBMI Resources Inc. during the summer of 2004 and diamond drill holes MM-05-03 and MM-05-04 completed by Young-Shannon in January and February of 2005 (see Young-Shannon's Press Release of March 8, 2005). Diamond drill hole MM-05-6 from the second quarter campaign, collared 15 metres (50 ft.) west of diamond drill holes MM-05-03 and MM-05-04, intersected a zone averaging 7.30 g/t gold over 7.25 metres, including one section of 38.81 g/t over 1.00 metres, and a second section of 9.12 g/t over 1.00 metres.

Diamond drill holes MM-05-03 and MM-05-04 from the January-February, 2005 campaign were collared 15 metres (50 ft.) west of the original high grade gold discovery in holes MM-2-04 and MM-3-04 by MBMI.

Drill hole MM-05-10, collared to test a 40 metre (131 ft.) down dip extension of high grade gold in drill hole MM-05-04, intersected 6 zones of quartz-carbonate veining with thicknesses ranging between 0.30 and 0.75 metres in width carrying gold grades from 1.19 to 5.59 g/t. This zone of veining comprises a down hole width of about 48 metres (157 ft.). It is this zone of shearing and silica (quartz) flooding that is host to the high grade gold mineralization.

The juxtaposition of the high grade gold intersections in drill core from both Young-Shannon's drilling as well as MBMI's drilling inferred, at this time, a steep plunge to the gold zone.

Drill hole MM-05-07 was selected to test a down dip and rake extension to the old McMillan Mine underground workings from 1930's. The hole was terminated at 117 metres (384 ft.) when it unfortunately broke through into an old drift. However, the final 0.5 metres of core intersected quartz veined sheared argillites which assayed 13.78 g/t gold .

The two remaining holes from the second quarter drilling campaign, MM-05-08, and MM-05-09 were selected to test the down dip extension of gold mineralized surface exposures elsewhere on the property comprising quartz veining in sheared argillites, i.e. lithologies similar to both the high grade gold mineralization at the old McMillan Mine and the new high grade gold zone defined by diamond drill holes MM-02-04, MM-03-04, MM-05-01, -02, -03, 04, -06, and -10.

Drill hole MM-05-08 was collared approximately 50 metres (164 ft.) west along strike from the surface exposure of the old McMillan Mine sub-economic 'A-Zone'. Assay results showed gold mineralization at the expected down dip projection, however the best results were limited to 2.53 g/t over 0.30 metres and 1.73 g/t over 0.60 metres.

Drill hole MM-05-09 was collared approximately 335 metres (1,100 ft.) west of the old McMillan Mine shaft, along the approximate strike (overburden precluded tracing lithologies precisely). Drilling was to test down dip an 11 metres (36 ft.) zone of intense quartz veining on surface. The drilling azimuth was to the south, since all known geology on the property dips steeply to the north. However, as the hole

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progressed the dip of the host rock ultimately began to parallel the drilling. The hole was therefore terminated at 117 metres (384 ft.) since it became clear that the zone of interest could not be tested unless the drilling azimuth was reversed.

Highlights of the diamond drilling campaign by Young-Shannon on the McMillan Property for the first two quarters of 2005 are summarized on Press Releases dated March 8 and May 24, 2005 and are available on SEDAR for review.

A distinct geologic feature evident in all drill core from the high grade gold zone being defined on the property at that time was the presence of disseminated pyrite and arsenopyrite. Content of these two sulphides within the gold mineralized zone is commonly 10 – 15%, and locally approaches 25%. Therefore, it was concluded that this zone should be easily mapped by geophysical methodology, specifically, down hole induced polarization (IP). This would provide a vectoring targeting tool for planning Young-Shannon's next round of drilling on the property.

During the month of August, 2005, a down hole IP survey was completed on the McMillan Property. Results of the survey defined a new, wide, and highly conductive geophysical target related to the drilled gold mineralization and approximately 300 metres below surface (see Young-Shannon's Press Release of August 15, 2005).

A diamond drill rig was mobilized to the McMillan Property in early December, 2005 to test the geophysical targets defined by the August, 2005 survey. Drilling was not completed until the end of April, 2006, however, due to technical and logistical problems.

Three diamond drill holes, MM-05-11, MM-05-12, and MM-05-13 totalling 691 metres (2,266 ft.) were completed during this recent campaign.

Diamond drill hole MM-05-11 was collared 40 metres west of drill hole MM-05-08, completed during the winter drilling campaign of 2005. It was selected to test a down hole IP response identified from the geophysical program in 2005. Young-Shannon was interested in finding a westward extension to the historic underground workings of the old McMillan Gold Mine 'A'-Zone. It is noteworthy that although the down hole IP identified a strong east-west trending (parallel to strike) geophysical target at depth, drill core results showed only minor sulphide content -generally less than 1% - at the target depth. Assay results similarly showed uninteresting gold values. It is believed that although the geophysical target was missed, it remains viable. Diamond drill testing of this target is planned for a future drilling campaign, however, in a slightly different location from the MM-05-11 collar.

Diamond drill hole MM-05-12 was collared 40 metres west of drill hole MM-05-05, completed during the winter drilling campaign of 2005. It was selected to test a down-hole IP (Induced Polarization), off-hole (from MM-05-05) geophysical response identified from the geophysical program in 2005. It was abandoned, however, after just 38 metres of drilling due to unstable ground conditions, and the drill had to be moved to a new collar location.

Diamond drill hole MM-05-13 was collared 40 metres east of drill hole MM-05-05, completed during the winter drilling campaign of 2005. It was selected to test a down-hole IP (Induced Polarization), off-hole (from MM-05-05) geophysical response identified from the same geophysical program completed during the latter part of 2005.

Assay results from drill core in hole MM-05-13 showed that a zone was intersected which averaged down hole grades and widths of 7.21 g/t gold over 21.3 metres including sections of 8.12 g/t gold over 4.60 metres, and 14.96 g/t gold over 8.60 metres, including 22.65 g/t gold over 4.70 metres, 27.72 g/t gold over 3.10 metres, and 35.70 g/t gold over 2.10 metres.

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The table below summarizes drill core grades and widths from drill hole MM-05-13.

Hole No.	Interval (metres)	Intersection (metres)	Au (g/tonne)
MM-05-13	403.00-424.30	21.30	7.21
including	409.30-413.90	4.60	8.12
and	419.60-428.20	8.60	14.96
including	419.60-424.30	4.70	22.65
including	419.60-422.70	3.10	27.72
including	420.60-422.70	2.10	35.70
also	426.70-427.70	1.00	19.41

Fire assays by Swastika Laboratories Ltd., Swastika, Ontario. At least 10% of all samples are reassayed. Blanks and standard samples are inserted for quality control and assurance.

The gold zone in MM-05-13 is hosted by intensely sheared, brecciated, and altered argillites and arenites which have been flooded by quartz and quartz-carbonate veining. Sulphides generally comprise less than 10% of the mineralized zone, however, locally, there are bands of semi-massive to massive sulphides up to 35% with thicknesses up to 70 cm. Primarily, sulphides throughout the gold zone are comprised of pyrite and arsenopyrite with minor chalcopyrite and pyrrhotite. However, one 40 cm band of semi-massive pyrrhotite assayed 54.72 g/t. gold.

The qualified person for the Chester and McMillan projects under National Instrument 43-101 is Greg Lipton, P.Geo., the company's President and CEO

Subsequent Events

Diamond drilling on the McMillan Mine Property commenced in early December, 2006 and was completed in late January, 2007. Three diamond drill holes, MM-06-01, MM-06-02, and MM-06-03 totalling 1,606 metres (5,267 ft.) were completed during this recent campaign. Two of the three diamond drill holes, MM-06-01 and MM-06-02, were targeted to test along-strike and down-dip extensions to gold zones defined in drilling campaigns in 2005 and 2006.

Diamond drill hole MM-06-01 was collared 100 metres (328 ft.) westward along strike of diamond drill hole MM-05-05, completed in 2005, and 142 metres (466 ft.) westward along strike of drill hole MM-05-13. It intersected the same gold zone as drill hole MM-05-05 at approximately the same depth from surface, but due to the drill azimuth being oriented slightly east with respect to the azimuth of drill hole MM-05-05, the westward strike extent at depth was approximately 46 metres (151 ft.) from MM-05-05. Highlights of gold assay results from drill core intersections appear in the table below.

Drill hole MM-06-02 was collared 7 metres north of MM-05-13 at a steeper inclination angle and tested this gold zone approximately 160 metres (525 ft.) down-dip. Assay results showed that the gold zone intersected in drill hole MM-05-13 continued at depth. MM-06-02 intersected 4.29 g/t (0.14 oz.) gold over 1.85 metres including one section of 13.82 g/t (0.44 oz.) gold over 0.3 metres, and a second

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section of 12.00 g/t (0.38 oz.) gold over 0.3 metres. Highlights of additional gold assay results from drill core intersections appear in the table below. It is noteworthy that this gold zone resides within a zone approximately 43 metres wide of silica flooding and quartz-carbonate veining within sheared, brecciated, and altered argillaceous sediments and arsenates comprising approximately 10% sulphides of arsenopyrite, pyrrhotite, and pyrite - host rocks that are identical to the gold zone intersected up-dip in drill hole MM-05-13.

Diamond drill hole MM-06-03 was collared approximately 10 metres north of drill hole MM-05-05 with a slightly different azimuth and inclination than MM-05-05. Its purpose was to test the strong IP chargeability high identified from the July 2005 down hole IP inversion modelling which showed a target occurring off the end (at a greater depth) of drill hole MM-05-05.

Drill hole MM-06-03 intersected a zone of approximately 14 metres of sheared, altered argillites with up to 40% silica flooding and quartz-carbonate veining at 473 metres down hole, which correlates with mineralization in drill hole MM-05-05. Sulphide content here was approximately 2% and comprised pyrrhotite and pyrite. The best gold grade was 1.17 g/t (0.04 oz.) over 0.5 metres. The drill hole was extended to 552 metres, however, no significant sulphides were observed that could explain the IP anomaly. It is conceivable that this drill hole was not extended far enough.

Highlights of this recent phase of drilling are summarized on Young-Shannon's Press Release dated March 1, 2007, which is available on SEDAR for review, as well as the following table.

Hole No.	Interval (metres)	Core length Intersection (metres)	Au (g/tonne)
MM-06-01	423.00-424.25	1.25	4.21
	438.00-439.00	1.00	11.11
	448.90-449.25	0.35	3.34
	452.70-453.00	0.30	17.39
MM-06-02 including including	491.30-493.15	1.85	4.29
	491.30-491.60	0.30	13.82
	492.85-493.15	0.30	12.00
	514.40-514.70	0.30	8.91

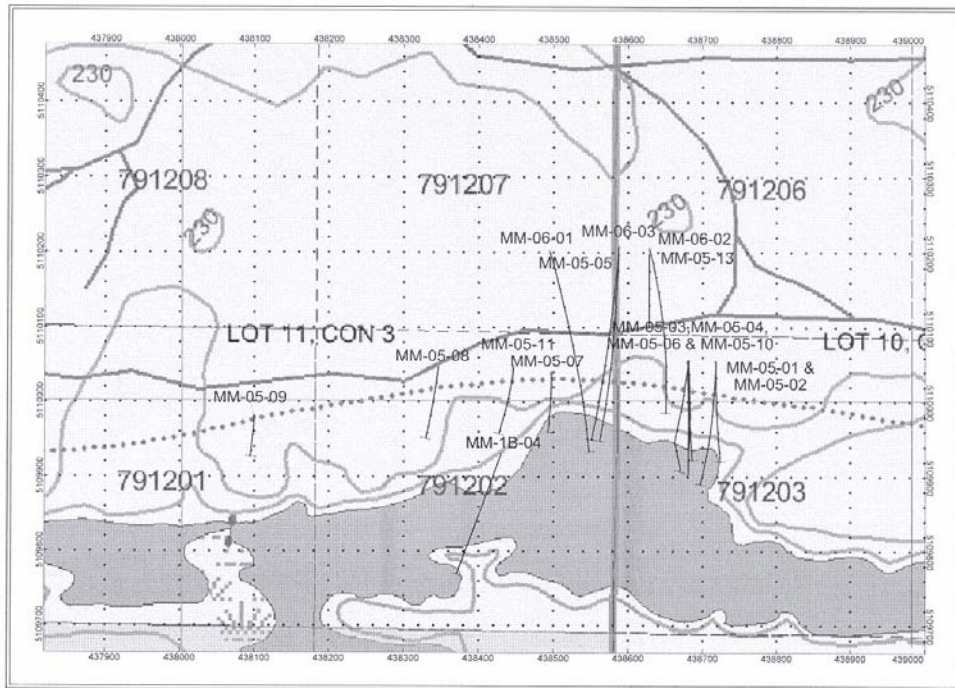
Fire assays using 30 gm pulp by Swastika Laboratories Ltd., Swastika, Ontario. Blanks and standard samples are inserted for quality control and assurance.

The gold zone identified from this drilling campaign, combined with the high grade gold intersected in diamond drill holes MM-05-05, MM-05-13, and MM-05-06 (see Young-Shannon's Press Release of May 24, 2005) sequentially eastward along strike defines a strike length of high grade gold mineralization of at least 550 ft. (168 m), which remains open in all directions.

A future campaign of geophysics and diamond drilling is being planned to continue to define the high grade gold zone.

The location map of the McMillan Property in Mongowin and McKinnon townships below illustrates the juxtaposition of diamond drill holes from campaigns covering 2005 to the first quarter of 2007.

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During June, 2006 MBMI Resources Inc. transferred ownership of the McMillan Mine Property to Garson Resources Ltd. The terms of the Option and Joint Venture Agreement between Young-Shannon Gold Mines, Limited and MBMI Resources Inc. were likewise transferred to Garson Resources Ltd. Option cash payments, common share payments, and exploration work commitments, including anniversary dates, remain the same.

On January 11, 2007 Young-Shannon signed a Letter of Intent with a private Canadian company, whereby the private company can earn a 46.25% interest in its Chester property. Coincident with the signing of the Letter of Intent, the private company has paid Young-Shannon a non-refundable deposit of \$CDN 5,000. The full terms of a binding agreement will be set out in a definitive option and joint venture agreement. Upon execution of the option and joint venture agreement the private company shall pay Young-Shannon an additional \$CDN 10,000.

The private company will be required to spend a total of \$CDN 2,250,000 in exploration costs to earn its 46.25% interest including \$CDN 250,000 by July 31, 2007 and \$CDN 500,000 in each twelve month period ending on July 31, until July 31, 2011. The parties may, however, extend this deadline by mutual consent. Also, cash payments of \$CDN 15,000 will be made by the private company to Young-Shannon on each of the first four anniversaries of the effective date of the Agreement.

The notice of this Letter of Intent was news released and SEDAR filed.

Subsequent to year end, the Company announced the appointment of a Chief Financial Officer (CFO) effective February 1, 2007. As part of the CFO's compensation the Company has agreed to grant him a 100,000 share option out of the company's stock option plan at an exercise price of \$0.135 and valid for a period of five years.

Risks and Uncertainties

Young-Shannon's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Young-Shannon's common shares should be considered speculative in nature.

The business of exploration for minerals and mining involves a high degree of risk. A relatively small proportion of properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on any of the mineral properties in which the Company holds interest or intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company has limited experience in the development and operation of mines and has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. The prices of mineral products have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees, contractors and consultants.

The Company's operations are subject to environmental regulations promulgated by local, provincial and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact

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assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. Further, the Company's properties are in the exploration stage and are not commercially viable at this time. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Additional Disclosure for Venture Issuers Without Significant Revenue

The balance of Mining Property Acquisitions and Deferred Exploration Expenditures increased to \$3,822,399 on December 31, 2006 (December 31, 2005 - \$3,607,859), details of which are provided in the audited annual financial statements.

Management's Responsibility for Financial Information

The Company's financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The Financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Disclosure Controls and Procedures

Management has evaluated the effectiveness of the disclosure controls and procedures and has concluded that, based on our evaluation, they are sufficiently effective as of December 31, 2006 to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations

Internal Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in annual filings, interim filings or other

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reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls and procedures can only provide reasonable assurance over the effectiveness of controls. As a result, disclosure controls and procedures are not expected to prevent and detect all misstatements due to error or fraud. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective as at December 31, 2006.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

The assessment includes a risk evaluation and documentation of key processes. Due to the inherent limitations in all control systems, an evaluation of internal control over financial reporting can only provide reasonable assurance over the effectiveness of controls. As a result, the system of internal control over financial reporting is not expected to prevent and detect all misstatements due to error or fraud. Based on the assessment of internal control over financial reporting, the CEO and CFO have concluded that the Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles as at December 31, 2006 except as noted below:

The Company uses a service organization to perform the majority of its financial reporting functions including the recording of transactions, the reconciliation of accounts and the preparation of financial statements. Controlling and monitoring processes performed by the service organization are as important as controlling and monitoring processes performed within the Company. Management currently monitors the work performed by the service organization through the review of financial statements and other financial information and discussions with the staff of the service organization. Though these monitoring controls do provide some assurance, they lack a sufficient level of precision to ensure errors are prevented or detected.

In 2006 and 2007 the particular service organization has been proceeding to obtain an "Auditors report of controls at a service organization" which, when completed in 2007, will provide information on which management can assess whether internal controls at the service organization are sufficient and are designed and operating effectively.

There have been no changes in internal control over financial reporting during the period ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure of Outstanding Share Data

Young-Shannon shares trade on the TSX Venture Exchange under the symbol GYS. The Company is authorized to issue an unlimited number of common shares without par value. On April 30, 2007, there were 31,170,078 common shares issued and outstanding, 1,870,000 stock options outstanding with a weighted average exercise price of \$0.12 expiring between 2008 and 2012, and 4,287,500 warrants outstanding with a weighted average exercise price of \$0.14 expiring in 2007 and 2008.

Additional Information

Additional information relating to Young-Shannon is available on the Internet at the SEDAR website www.sedar.com.