

# PATRICIA MINING CORP.

## Management's Discussion and Analysis of Financial Results for the Six Months Ended June 30, 2006

The following is Management's Discussion and Analysis intended to help the reader to understand the history, business environment, strategy, risks and the financial condition of the Company. Management's Discussion and Analysis has been prepared as of August 25, 2006 and is issued in conjunction with the unaudited consolidated financial statements for the six months ended June 30, 2006. The Management's Discussion and Analysis should be read in conjunction with the audited financial statements for the year ended December 31, 2005, and the related annual Management's Discussion and Analysis. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the Canadian dollar as the reporting currency.

The reader is encouraged to review additional information relating to the Company on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) or from the office of the company.

### **Overview and Strategic Activities**

Patricia Mining Corp. ("Patricia") is a Canadian exploration Company with a focus on gold. Patricia's main asset is the Island Gold Project in the Wawa area, Ontario.

The Island Gold Project, located 14 kilometres east of Dubreuilville and 50 kilometres northeast of Wawa, Ontario consists of approximately 120 patented and leased claims and a modern, fully permitted 650-tonne-per-day carbon in pulp mill. In August 2003, Patricia announced the completion of an agreement with Richmond Mines Inc. ("Richmont Mines"), whereby Richmont Mines was granted the option to earn up to a 55% undivided joint venture interest in the Island Gold Project. In November, 2005, Richmont Mines earned its 55% interest in the Project and is in the process of putting the project into production which is expected to commence in late August 2006.

Mining operations will commence with the Island Zone. As at December 31, 2005 the Island Zone contained Measured Resources totalling 29,280 tonnes of ore at an average grade of 10.90 g/t gold; Indicated Resources totalling 294,680 tonnes at an average grade of 11.19 g/t gold and Inferred Resources totalling 352,030 tonnes at an average grade of 12.08 g/t gold as provided by Richmont Mines. Exploration and development is ongoing on the Island, Lochalsh and Goudreau zones.

### **Results of Exploration and Development Activities**

A total investment of \$10,525,442 has been made in the first six months of the current year by the Company and Richmont Mines Inc. to ready the project for production.

The refurbished 650 tonne per day mill at the Island Gold Project located near Wawa, Ontario is now targeted for start up the week of August 27<sup>th</sup>, 2006.

The start up was originally planned for late July 2006 and was delayed by late shipments of key components by third party suppliers. All key components have now arrived onsite and are being installed. There is a newly formed mill team on site ready for start up.

An exploration program involving surface drilling in the Goudreau and Lochalsh zones is currently in progress and will continue into the third quarter.

An underground definition drill program which was started in the first quarter of 2006 is still in progress. The purpose of this program is to increase the resources available for processing. This new resource estimate is expected to be available during the fourth quarter of 2006.

Investment, development and exploration work at the Island Gold Project is as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2006	2005	2006	2005
<b>Investment (\$)</b>	<b>6,212,146</b>	<b>2,452,681</b>	<b>10,525,442</b>	<b>4,247,626</b>
<b>Metres of Development</b>				
Drifts and crosscuts	351	306	593	524
Raises	25	15	93	15
Ramp	163	238	319	419
Other	47	-	91	-
Ore development	482	-	653	-
<b>Total</b>	<b>1,068</b>	<b>559</b>	<b>1,749</b>	<b>958</b>
<b>Meters of Exploration drilling</b>				
Underground	6,577	-	11,757	-
Surface	5,021	-	6,704	-

A budget for the development of the project was completed by Richmond Mines in 2005 and a total of \$26 million is budgeted to be spent by the Joint Venture Participants under its plans to bring the mine into production. The first \$10 million was completed by Richmond Mines pursuant to the option and joint venture agreement in November 2005. The anticipated additional \$16 million of capital will be financed by each participant according to their respective interest in the Project.

The 2006 mine plan estimates that approximately 20,000 ounces of gold will be produced in 2006 commencing in late August 2006. The Company's 45% share of this production is estimated to be approximately 9,000 ounces. Lower-grade development ore will be processed to commission the mill with the anticipation that higher-grade ore will be processed in the fourth quarter of 2006 once commissioning has been completed.

Milestones achieved in the second quarter were:

- The Joint Venture Participants invested \$6,212,146 at the Island Gold Project in the second quarter.
- The ramp has now reached the 290 level and now has a vertical depth of 295 metres.
- 46 holes totalling 6,577 metres of underground exploration diamond drilling were completed in the Island, North Shear and Island North Zones.
- 11 holes totalling 5,021 meters of surface exploration diamond drilling were completed on the Goudreau and Lochalsh Zones.
- Dewatering of the Kremzar workings for access to the mill conveyor system has been completed.
- The Company acquired a 75% interest in Vencan Gold Corporation's Edwards gold property adjoining the Company's Island Gold Project and 100% of the 3% NSR on the past producing Edwards Mine. The Edwards property consists of 39 staked and 4 patented mining claims. The Company earned a 75% interest by making a cash payment of \$30,000 (paid) and issuing 500,000 common shares (issued) valued at \$450,000. The Company also acquired an option to acquire the remaining 25% interest in this property by issuing 1,000,000 common shares of the Company within the first 30 months of the agreement, or by issuing 1,500,000 common shares of the Company after the initial 30 month period. The remaining 25% interest will be carried for the first \$1,000,000 in exploration expenditures or two years, whichever occurs first. The share issuances are subject to regulatory approval. Richmond Mines Inc. has the opportunity to participate in this acquisition and acquire up to a 55% interest in the acquisition.

## **Liquidity and Capital Resources**

As of June 30, 2006, the Company had cash and cash equivalents of \$997,774 compared to \$902,045 at June 30, 2005. As at June 30, 2006, the Company had working capital of \$61,947 compared to \$1,134,379 as at June 30, 2005. The decrease in working capital is due to the Company now recording 45% of the joint ventures payables.

The Company has sufficient cash to meet the requirements of its current operating expenses. The Company has raised funds in the past through equity financing and the exercise of options to finance its operations.

During the second quarter 475,088 warrants were exercised and 296,000 stock options were exercised for total cash proceeds of \$401,028.

## **Results of Operations**

Richmont Mines is the operator of the Island Gold Project and, as such, is responsible for all costs. There were limited exploration and development expenditures incurred directly by Patricia on the Island Gold Joint Venture during the six-month period ended June 30, 2006. Management continues to closely monitor the progress of Richmont Mines at the Island Gold site.

The Company reported no revenues for the three-month period ended June 30, 2006. For the three months ended June 30 2006, the Company had an operating loss of \$599,329 or \$0.02 loss per share compared to an operating loss of \$138,806 or \$0.01 loss per share for the three months ended June 30, 2005.

Management fees increased by \$37,000 over the same period in the previous year due to a one time expense incurred as a result of the departure of the former president of the Company. Investor relations expense increased by approximately \$19,000 over the same period in the previous year mainly due to the addition of Mr. Michael D'Amico who was hired to augment the Company's investor relations program. Office and General Salaries and Benefits increased a total of approximately \$29,000 over the same period as the previous year as the Company now reports 45% of the administrative expenditures incurred by the Island Gold Joint Venture.

Stock based compensation for the period, a non-cash item, totalled \$357,500 as a result of the issuance of stock options. This compares to Nil for the same period in the previous year. As a result of preparing the financial statements in accordance with Canadian generally accepted accounting principles, management is required to estimate the value of all stock option grants and report this amount as an expense. This estimate of value is based on the Black-Scholes valuation model. The Black-Scholes option pricing model was developed for use in estimating the value of traded options that have no vesting restrictions and are fully transferable. Because the Company's stock-based compensation options have characteristics significantly different from those of traded

options, and because changes in the subjective input assumptions can materially affect the estimate, in management's opinion, amounts estimated using the Black-Scholes option pricing model may differ materially to the actual fair value of the Company's stock-based compensation options.

All other expenses remain relatively unchanged over the same period in the previous year.

### **Shares Issued and Outstanding**

As of August 25, 2006, the issued and outstanding common shares of the Company totalled 30,278,475. In addition, 2,284,000 stock options and 1,745,066 share purchase warrants are outstanding which entitle the holders there of to purchase common shares of the Company. These stock options and warrants, if exercised, would result in the issuance of 4,029,066 common shares of the Company.

### **Proposed Transactions**

While the Company continues to seek and evaluate quality exploration projects and financing opportunities, there are no transactions currently pending.

### **Financial Instruments**

The financial statement carrying amounts for cash and cash equivalents, sundry receivables, accounts payable and accrued liabilities approximate fair value because of the limited term of these instruments. Fair value estimates were made at June 30, 2006, based on relevant market information and information about the financial instrument. The carrying value of long-term debt is a reasonable estimate of its fair value due to the variable nature of the applicable interest rate.

### **Risks and Uncertainties**

The price of gold has had an upward trend for several years. There are significant uncertainties regarding the continuation of this trend and a reversal of the trend could have an adverse impact on the Company's business.

The Canadian to U.S. dollar exchange rate has fluctuated significantly in the last few years. A higher exchange rate has a negative impact on the company as its costs are in Canadian dollars and future revenues will be denominated in U.S. dollars.

Although the agreement with Richmond provides financing for the development of the Island Gold Project, the Company is potentially dependent on the availability of equity financing for the purpose of other mineral exploration and development projects. A decline in the price of gold would adversely affect the Company's ability to raise additional funds.

Other trends such as increased competition for skilled labour and technical experts could potentially impact on the Company's business. In addition, there is a trend of increasing regulatory requirements that increases both the cost and length of time required to advance the Company's projects.

Other risk factors that could affect the Company's outlook include, but are not limited to, problems related to geological, technical, environmental, mining, and processing issues, future results of exploration programs at the Island Gold Project, land title issues, government regulations and environmental issues.

## **Outlook**

The Company anticipates mill start-up in the week of August 28<sup>th</sup>, 2006 and we look forward to being a new junior gold producer in Canada.

Management is further encouraged by the strong price of gold and bullish equity markets that have prevailed over the last several months. However, a strong Canadian dollar relative to the U.S. dollar has somewhat offset the effect of higher gold prices.

## **Special Note Regarding Forward-Looking Statements**

This Report contains forward-looking statements that are based on beliefs of its management as well as assumptions made by and information currently available to management of the Company. When used in this Report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", and the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those statements.

Such risk factors include those set forth under "Risks and Uncertainties" above. The statements contained in this Report speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

August 25, 2006

signed "Gary Kirk"

Gary Kirk  
President and CEO

signed "Christopher R. Chadder"

Christopher R. Chadder, CA  
CFO

