

# MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis of the financial condition and results of the operations of Patricia Mining Corp. ("Patricia" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2007. This discussion dated April 25, 2008, should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2007 and 2006. The financial statements were prepared in accordance with Canadian generally accepted accounting principles with the Canadian dollar as the reporting currency. These documents along with others published by the company are available on 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 mining exploration Company listed on the TSX Venture Exchange. The Company's main asset is a 45% interest in the operating Island Gold Mine, located 14 kilometres east of Dubreuilville and 50 kilometres northeast of Wawa, Ontario.

In 2003, Patricia entered into an option and joint venture agreement with Richmond Mines Inc. ("Richmont"), subsequently Richmont earned a 55% undivided interest in the Island Gold Project and became the operator of the Project. Patricia holds a 45% interest in the Project.

The Island Gold Mine property consists of 108 patented and leased mineral claims and 197 staked claim units with an underground mine and an operating 650 tonne-per-day carbon-in-pulp mill. The Island Gold Mine property consists of 4 groups of claims known as the Kremzar, Lochalsh, Goudreau and Island Staked Claims.

The Island Gold Mine property claims are all jointly held by the joint venture except for 4 patented claims of the Goudreau property where the joint venture owns 69% and a third party holds the remaining 31%. The Kremzar property is subject to a 3% Net Smelter Royalty (NSR), until such time as the total NSR received by the joint venture and the third party equals the aggregate of pre-production costs, after which the property becomes subject to a 4% NSR. The Lochalsh Property is subject to a 3% NSR and the Goudreau Property is subject to a 2% NSR and a 15% Net Profits Interest.

As at December 31, 2007 the Island Gold Mine had Proven and Probable Reserves estimated at 1,058,881 tonnes of ore at a grade of 8.39 g/t for 285,536 ounces of gold.

The property has a 650 tonne-per-day carbon-in-pulp mill that was restarted in September 2006 and the first gold was poured in November 2006. In 2006, the property produced 3,255 ounces of gold from operations at the Island Zone. In 2007, prior to starting commercial production, a total of 21,928 ounces of gold were produced.

The Island Gold Mine began commercial production on October 1, 2007. During the period October 1, 2007 to December 31, 2007, 35,043 tonnes of ore were

processed, at an average mill head grade of 7.04 g/t, and 7,354 ounces of gold were produced.

Management's strategy for growth is to work closely with Richmond to develop existing reserves at the Island Gold Project and to explore for additional resources. The Company is seeking to acquire additional advanced exploration gold projects that can be profitably developed and has exploration ongoing on additional exploration projects in the Wawa area.

## ***Results of Operations Island Gold Joint Venture***

### **Island Gold Mine Reserve and Resource Estimates (100%)**

As at December 31, 2007 the Island Gold Mine, Proven and Probable Reserves were estimated at 1,058,881 tonnes of ore at a grade of 8.39 g/t for 285,536 ounces of gold. Measured and Indicated Resources totalled 590,167 tonnes at a grade of 10.14 g/t for 192,422 ounces of gold while Inferred Resources were estimated at 613,635 tonnes at a grade of 9.80 g/t for 193,350 ounces of gold. These tonnages have all increased since the previous estimate dated May 15, 2007 as a result of exploration.

<b>Island and Lochalsh Zones Reserves</b>	<b>December 31, 2007</b>			<b>May 15, 2007<sup>1</sup></b>		
	<b>Tonnes (metric)</b>	<b>Grade (g/t Au)</b>	<b>Ounces</b>	<b>Tonnes (metric)</b>	<b>Grade (g/t Au)</b>	<b>Ounces</b>
Proven	369,325	8.91	105,773	106,835	8.62	29,598
Probable	689,555	8.11	179,763	907,019	8.54	249,113
<b>Total Proven and Probable</b>	<b>1,058,881</b>	<b>8.39</b>	<b>285,536</b>	<b>1,013,854</b>	<b>8.55</b>	<b>278,711</b>

<b>Island, Lochalsh and Goudreau Zones Resources<sup>2</sup></b>	<b>December 31, 2007</b>			<b>May 15, 2007<sup>1</sup></b>		
	<b>Tonnes (metric)</b>	<b>Grade (g/t Au)</b>	<b>Ounces</b>	<b>Tonnes (metric)</b>	<b>Grade (g/t Au)</b>	<b>Ounces</b>
Measured	8,135	6.45	1,687	5,835	4.59	860
Indicated	582,032	10.19	190,735	448,870	10.33	149,112
<b>Total Measured and Indicated</b>	<b>590,167</b>	<b>10.14</b>	<b>192,422</b>	<b>454,705</b>	<b>10.26</b>	<b>149,972</b>
Inferred	613,635	9.80	193,350	610,728	9.96	195,549

<sup>1</sup> Based on GENIVAR estimates as at May 15, 2007 with geological information available as at January 31, 2007.

<sup>2</sup> Resources presented in the above table are exclusive of reserves and do not have demonstrated economic viability at this time.

For the reserves, the geological envelope takes into account a cut-off grade of 5 g/t Au and a minimum true thickness of 2.0 metres for stope openings and 3.0 metres for development. Mining dilution of 20% at 0.5 g/t Au was applied. Reserves are based on a gold price of US\$650/oz with an exchange rate of C\$=US\$ of 1.00 (i.e gold price of C\$650/oz). For the resources, the geological envelope takes into account a cut-off grade of 5 g/t Au and a minimum true thickness of 1.5 metres for Lochalsh, Goudreau and Inferred Resources at the Island Zone, 2 metres for Indicated and Measured Resources at the Island Zone. High values are cut to 75 g/t Au. The average ore density is 2.82 tonnes/m<sup>3</sup>. A block model for the reserves and resources was interpolated using the inverse distance to the second power. A

20-metre (Island Zone) and a 25-metre (Lochalsh and Goudreau Zones) spherical search ellipsoid was used in the model with restriction on a maximum of 4 composites.

The Proven Reserve Category and the Measured Resource Category were calculated with a zone of influence of 10 metres from mine openings along strike. The Probable Reserve Category and the Indicated Resource Category were calculated with a maximum of 20 metres between drill holes for the Island Zone and 25 metres for the Goudreau and Lochalsh zones. Finally, the Inferred Resources are defined by isolated drill hole intercepts showing no clustering inside an envelope of 20 and 25 metres respectively. The crown pillar is not included in this resource estimate. The average true thickness of each zone is 2.7 metres for the Island Zone, 2.3 metres for the Lochalsh Zone and 3.1 metres for the Goudreau Zone.

In addition, the Island Gold Project includes the past-producing Kremzar Mine which has historical (pre NI 43-101) Reserves. The latest estimate of resources for the Kremzar mine was completed in December 1990 by Derry, Michener, Booth and Wahl (DMBW), just as the mine was closing. Mineral Reserves at the time of closing were 181,944 tonnes at 6.27 g/t Au in the Proven and Probable Category and Possible Reserves of 85,952 tonnes at 7.04 g/t Au (Parish 1990). The possible category, which was eliminated in 2000 (CIM 2000), is considered roughly equivalent to the Inferred Mineral Resources with dilution added in the new CIM classification system. Management is not treating the historical estimate as current, but believes that the DMBW estimate is relevant because it is the most recent estimate available and that it is probably reliable. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. Readers are cautioned that the Kremzar Mine reserves are historical estimates that predate NI 43-101 and should not be relied upon.

### **Island Gold Mine Operations (100%)**

The Island Gold Mine began commercial production on October 1, 2007. During the period October 1, 2007 to December 1, 2007, the Island Gold Mine processed 35,202 tonnes of ore, at an average head grade of 6.84 g/t, and 7,302 ounces of gold were sold at an average price of US\$726 (C\$780) per ounce.

In 2007, the Island Gold Mine had total production of 142,442 tonnes at a mill head grade of 6.02 g/t and a total of 29,281 ounces were produced.

Significant production ore came from the 140 and 315 levels with lesser amounts from the 190 and 240 levels. Mining is primarily by long hole stoping.

In 2007, the joint venture invested a total of \$21,270,000 into advanced exploration and development work at the Island Gold Mine. In 2007, a total of 4,075 meters of underground development was completed. During the year the ramp was extended to a total vertical depth of 350 meters.

In 2007, 12,939 meters of underground drilling confirmed an extension of the Island Zone to the east of previously defined resources and resulted in the addition of Indicated Resources of 179,404 tonnes at a grade of 9.17 g/t gold and Inferred Resources of 21,140 tonnes at 8.27 g/t gold. The extension is strategically located near the exploration drift on the 190 level east of the Island Zone. Further drilling will be completed in this area in 2008.

Prior to starting commercial production, a total of 23,031 ounces of gold were recovered in 2007 from the processing of development ore and mineralized material. Revenue of \$16,775,000 generated during the nine-month period from January 1, 2007 to September 30, 2007, prior to starting commercial production, was applied

against the investment in the property (Interest in Joint Venture Mining Properties) in accordance with generally accepted accounting standards. For the period October 1, 2007 to December 31, 2007, the Mine generated revenue of \$5,742,625.

The initial mining operations at Island Gold have been below budgeted expectations. In particular, the mill head grade has been below the reserve grade and the mine has not produced ore at the planned rate. The low head grade has been in part due to dilution which has been largely resolved with improved mining techniques such as cable bolting, improved surveying and better control on production drilling. The fourth quarter production rate of approximately 400 tpd is expected to increase with improvements in planning and productivity.

The Island Gold Project is accounted for as a Variable Interest Entity (VIE) with Richmond being the primary beneficiary. Accordingly the Company's interest in the Project is accounted for using the equity method. Summarized operational information for the joint venture is as follows:

**Island Gold Mine Operating Results are as follows<sup>1</sup>**

	<b>2007</b>	2006	2005
Tonnes	<b>35,202</b>	-	-
Head grade (g/t)	<b>6.84</b>	-	-
Recovery (%)	<b>96.36</b>	-	-
Recovered grade (g/t)	<b>6.45</b>	-	-
Ounces sold	<b>7,302</b>	-	-
Cash cost per ounce (US\$)	<b>621</b>	-	-
Investment in property, plant and equipment (thousands of CAN\$) <sup>2</sup>	<b>4,495</b>	21,934	11,533
Exploration expenses (thousands of CAN\$)	<b>505</b>	264	141
Development metres	<b>4,075</b>	3,469	2,111
Metres of exploration drilling			
Underground	<b>12,940</b>	28,149	7,903
Surface	-	10,602	-

1 The Company has a 45% interest in the Island Gold Joint Venture. In the financial statements, the Company, pursuant to AcG15, accounts for Island Gold Joint Venture using the equity method. The above results are for 100% of the operation of the Island Gold Mine. Commercial production was for the period October 1, 2007 to December 31, 2007.

2 During 2007, exploration tax credits totalling \$350 were applied for. For the years 2006 and 2005, the information presented is attributable to the advanced exploration program, including development and exploration activities, performed during these periods.

***Project NPV (100%)***

The economic valuation of the Island Gold Mine as at May 15<sup>th</sup> 2007 was estimated by Genivar using the Net Present Value (NPV) method. The NPV method converts all cash flows of investment and revenues occurring throughout the project mine life into an equivalent single sum at present time using a discount rate. The base case scenario resulted in an NPV of \$45,984,147 at a 5% discount rate.

#### Assumptions:

- The beginning of production has been established on July 1st, 2007, with a 3-month pre-production period from April to June. The production phase is spread over 4.8 years, until 2011.
- A total of 799,514 tonnes are milled at an average grade of 8.093g/t over the project life. Tonnes milled vary from 550 to 675 tpd over the life of the mine.
- The price of gold used ranges from US\$670/oz at the beginning of the pre-production period and gradually decreases to US\$520/oz in 2011, the last year of operation.
- An exchange rate of C\$1.12=US\$1 is used for the pre-production and the production period in 2007. It then increases to C\$1.15 for the remaining lifetime of the mine.
- Mill recovery of 94%.
- The Project is subjected to a 3% net smelter royalty.
- Operating costs average C\$105/tonne of ore milled or US\$354/oz over the 2007-2011 period and total capital expenditures, including deferred development, reach nearly C\$9.0M. When considering the production period only (from July 2007), operating costs are C\$103/tonne of ore milled or US\$346/oz.
- Closure costs of C\$750,000 have been used with a salvage value for the equipment sold of C\$2,500,000.

#### ***Results of Operations***

During the year ended December 31, 2007, the Company incurred additional expenditures of \$2.0 million (2006:\$11.4 million) on developing the Island Gold Mine through the Joint Venture.

The Company incurred net general and administrative expenses of \$1,284,960 for the year ended December 31, 2007 compared to \$1,147,225 in the previous year. These results include Patricia's share of the loss of \$177,687 (2006; 92,110) incurred by the Island Gold Joint Venture. Net loss for the year was \$1,343,860 after including a provision for future income tax expense of \$58,900. This compares with a net loss for the previous year of \$783,925 after provision for future income tax recovery of \$363,300.

The Island Gold Mine was put into commercial production at the beginning of the fourth quarter of 2007. The Company is now required to expense all interest on debt related to the Island Gold Mine that was formerly being capitalized. This resulted in interest and accretion expenditures of \$161,943 (2006: nil) and long term debt interest expense of \$85,808 (2006; nil).

During the year, the Company paid management and directors fees of \$171,000 as compared to \$282,000 the previous year. This decrease was due to one time costs incurred as a result of the departure of former management in 2006.

Investor Relations expenses decreased by \$59,793 over 2006. Investor relation expense in 2006 contained expenditures for two investor relations consultants for six months of the year.

Salaries and benefits increased by \$40,260 over 2006 as a result of recruitment fees and hiring an additional person at head office.

There was no stock-based compensation expense recorded for the year, a non-cash item (2006 \$357,500).

All other General and Administrative expenses were materially unchanged from the prior year.

### ***Liquidity and Capital Resources***

As at December 31, 2007, the Company had cash of \$77,000. This compares with \$563,706 at December 31, 2006. At December 31, 2007, the Company had a working capital deficit of \$5,108,043 compared to working capital deficit of \$2,607,433 at December 31, 2006. Cash and working capital have both significantly decreased due to in excess of \$1.383 million in development expenditures being incurred at the Island Gold Mine. During the year the Company completed a rights offering of units comprising of a common share and one-half of a common share purchase warrant. The details of this placement are set out in Note 10(b) to the audited financial statements of the Company for the years ended December 31, 2007 and 2006. The company also completed the placement of a non brokered private placement debenture which resulted in gross proceeds of \$975,000. Details of this financing are contained in Note 8 of the audited financial statements of the Company for the years ended December 31, 2007 and 2006. The proceeds of these financings were used to continue to fund development at the Island Gold mine and for general working capital purposes. In total, the Company received net cash of \$1,652,250 from all financing activities. This compares with \$10,047,095 in the previous year.

The Company has no operating revenues except as provided through the Company's interest in the Island Gold Joint Venture. The Joint Venture is accounted for as a Variable Interest Entity and as such the equity method of accounting is being used. Summarized financial information for the joint venture is contained in Note 17 to the audited financial statements of the Company for the years ended December 31, 2007 and 2006. This equity investment resulted in a loss of \$177,687 for the year.

The Company has raised funds in the past through equity financings, issuances of debentures and the exercise of options and warrants to finance its operations. As at December 31, 2007, the Company does not have sufficient cash to meet its short-term working capital requirements and will be seeking new funding.

Under the provisions of the Island Gold Project Operating and Joint Venture Agreement, the Company has entered into a loan agreement with Richmond Mines. The Company has a loan facility of up to \$4,500,000 for the purposes of financing the Company's proportionate share of development expenditures relating to the Island Gold Project. As at December 31, 2007 the loan balance was \$3,375,000 (2006; \$4,500,000). The loan

bears interest at prime plus 3% and is secured by the Company's interest in the Island Gold Project. Repayment is required in 36 equal monthly instalments commencing April 1, 2007. The loan can be repaid at any time without penalty. The Company reduced this long term debt by \$1,250,000 during the year.

On June 1, 2007 the Company completed a \$1,000,000 non-brokered private placement debenture financing with a private individual. The debenture was issued at 97.5% of face value which resulted in \$975,000 to the Company. The debenture yields 9% and is due on June 1, 2008. Further details of this transaction are contained in Note 8 to the audited financial statements of the Company for the years ended December 31, 2007 and 2006.

Subsequent to the year end, the holder of the \$2,000,000 debenture which came due on July 1, 2007 has agreed to convert the debenture and interest into 4,382,404 units. Each unit was priced at \$0.52 and is comprised of one common share and one half of a share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.75 on or before January 11, 2009. This transaction improved the working capital deficit by over \$2,000,000.

Management considers that once the mine achieves targeted grade and production tonnages that sufficient cash flow from the Company's interest in the Island Gold Project will be achieved to service the long term debt obligation and provide working capital.

### ***Commitments***

The Company has a lease commitment for premises which expires February 29, 2013. Minimum rental commitments over the life of the lease approximate \$631,000. The Company has mitigated this commitment by subleasing office space over the same lease life for approximately 50% of the total rental commitment.

The Minister of Northern Development and Mines ("MNDM") is the holder of a collateral mortgage in the amount of \$577,800 on the buildings, mill and real property contained in the Island Gold Project. The collateral mortgage was given by the Company to MNDM as financial assurance in respect of the Company's Island Gold Project Closure Plan. MNDM also holds a letter of credit of \$183,523 (2006-\$158,135) as financial assurance for the Island Gold Project.

The Company has entered into various one-year renewable management contracts that provide for certain payments being made upon the occurrence of certain events, such as a change of control, in the amount of \$102,000. As the likelihood of these events taking place is not determinable, no provision has been made for such contingent amounts.

## Summary of Annual and Quarterly Results

	2007 \$	2006 \$	2005 \$ (restated)
Revenue	-	-	-
Net loss for the year	(1,343,860)	(783,925)	(527,319)
Net loss per common share Basic <sup>1</sup>	(0.04)	(0.03)	(0.02)
Total Assets	26,500,789	25,441,598	15,600,899
Long Term liabilities	4,112,900	4,118,000	2,293,900

### 2007 (3 month periods)

	Dec. 31 \$	Sept. 30 \$	June 30 \$	Mar. 31 \$
Revenue	-	-	-	-
Net income (loss) for the period	(827,177)	(138,591)	(184,009)	(194,083)
Net income (loss) per share <sup>1</sup>	(0.02)	0	(0.01)	(0.01)
Total assets	26,500,789	26,504,526	26,619,315	25,473,063

### 2006 (3 month periods)

	Dec. 31 \$	Sept. 30 \$	June 30 \$	Mar. 31 \$
Revenue	-	-	-	-
Net (loss) for the period	( 323,105)	(161,969)	(599,329)	300,478
Net (loss) per share <sup>1</sup>	(0.01)	(0.01)	(0.02)	0.01
Total assets	25,441,598	23,243,964	20,753,847	17,357,158

<sup>1</sup> Loss per share remains the same on a fully diluted basis.

## Fourth Quarter

The Company's net loss for the three months ended December 31, 2007, was \$827,177 or \$0.02 loss per share as compared to a loss of \$323,105 or \$0.01 loss per share for the three months ended December 31, 2006. Loss before income taxes for the three months ended December 31, 2007, was \$768,277 compared to a loss of \$195,505 for the three months ended December 31, 2006. This increase in loss before tax is due to amortization and depletion expense of \$315,072 as the result of declaring the start of commercial production at the beginning of the fourth quarter. No depletion of the Island Gold project has previously been recorded. In the fourth quarter, interest expense of \$102,460 and long term debt interest of \$85,808 were also recorded as an expense and are no longer being capitalized as a result of the declaration of commercial production. Other major expenditure in the fourth quarter were management and directors compensation of \$58,500 (2006; \$65,500). Salaries and benefits were \$32,086 (2006; \$4,698) for the quarter as a result of recruitment fees and hiring an additional person at head office.

## ***Shares Issued and Outstanding***

As of April 25, 2008, the issued and outstanding common shares of the Company totalled 43,704,597. In addition, 1,920,000 stock options have been granted to purchase common shares and there are 4,911,877 share purchase warrants which also entitle the holders to purchase common shares of the Company. These stock options and warrants, if exercised, would result in the issuance of an additional 6,831,877 common shares of the Company.

## ***Related Party Transactions***

The Company shares its premises with other companies that have a common officer and director, and the Company is reimbursed by the related companies for their proportional share of the expenses. Included in accounts payable and accrued liabilities at December 31, 2007 is \$120,354 (2006 - \$29,833) owing to related parties. Included in amounts receivable at December 31, 2007 is \$7,568 (2006 - \$187) receivable from one of these companies.

During 2007, the Company completed a share purchase rights offering of 3,574,745 units for gross proceeds of \$1,858,867. Each unit was comprised of one common share and one half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share on or before December 29, 2008 at an exercise price of \$0.75. The common share purchase warrants have been valued at \$71,495. An additional 123,077 warrants were issued to a corporation with a common officer, and a common director, who acted as guarantor. These warrants were valued at \$11,077. This same corporation purchased 3,158,882 units of the rights offering for gross proceeds of \$1,642,619.

During 2006, the Company completed a non-brokered private placement of 2,397,455 units for gross proceeds of \$1,989,889. Each unit consists of one flow-through common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share on or before December 29, 2008 at an exercise price of \$1.20 in year one and \$1.50 in year two. The common share purchase warrants have been valued at \$167,822. An additional 103,973 warrants were issued as compensation related to this private placement. These compensation warrants were valued at \$15,596. Directors and officers of the Company subscribed for 310,000 units for gross proceeds of \$257,300.

The above amounts were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## ***Proposed Transactions***

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

## ***Critical Accounting Estimates***

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. The most significant accounting estimates are the policy of capitalizing exploration costs on its mineral properties and the valuation of such properties, asset and stock-based compensation.

The Company reviews its portfolio of mineral properties on a periodic basis to determine whether a write-down of the capitalized cost of any property is required. The recoverability of the amounts shown for mineral properties and deferred exploration costs 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.

The Company uses a Black-Scholes option-pricing 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.

## ***Financial Instruments***

### **Fair Value**

The financial statement carrying amounts for cash and cash equivalents, sundry receivable and accounts payable and accrued liabilities approximate fair value because of the limited term of these instruments. Fair value estimates were made at December 31, 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.

### **Interest Rate Risk**

The Company has interest-bearing borrowings for which general rate fluctuations apply.

### **Commodity Price Risk**

The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of gold.

## ***Changes in Accounting Policies***

### **Accounting Changes**

On February 1, 2007, the Company adopted CICA Handbook Section 1530, Comprehensive Income; Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 3865, Hedges.

#### **i) Financial Instruments:**

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their

classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge, and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

ii) Comprehensive Income:

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income, and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the company includes unrealised gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

The application for this new standard had no impact on the Company's financial statements as at and for the year ended December 31, 2007 and, as such, a statement of comprehensive income has not been included in these financial statements.

iii) Hedging:

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the year ended December 31, 2007, the company had no hedges.

**Future Accounting Changes**

The Canadian Institute of Chartered Accountants ("CICA") has issued several new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These standards are effective for interim and annual financial statements for the Company's reporting periods beginning on January 1, 2008.

i) Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new requirement impacts disclosures only and will not impact the financial results of the Company.

ii) Financial Instruments - Disclosures and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company is currently assessing the impact of these new accounting standards on its financial statements.

iii) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canada GAAP and IFRS.

## ***Risks and Uncertainties***

### **Mining Industry**

The exploration for, development and mining of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. The Island Gold Project operations are subject to most of the hazards and risks normally encountered in the exploration, development and production of ore, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The Company's activities are directed towards the search, evaluation, development and mining of mineral deposits. The mineral properties in which the Company has an interest contain no known body of commercial ore and any exploration programs thereon are exploratory searches for ore, other properties in which the Company has an interest are subject to preliminary stages of exploration and development programs only, while other properties in which the Company holds an interest are in

the production stage. There is no certainty that the expenditures to be made by the Company as described herein will result in discoveries of commercial quantities of ore.

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

#### **Failure to Achieve Production Estimates**

The ore reserves presented in the Company's public disclosure materials are in large part estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. There are numerous uncertainties inherent in estimating proven and probable reserves including many factors beyond the Company's control. The estimation of reserves is a complex and subjective process and the accuracy of any such estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Reserve estimates may require revision based on various factors such as actual production experience, exploration results, market price fluctuations of gold, results of drilling, metallurgical testing, production costs or recovery rates. These factors may render the proven and probable reserves unprofitable to develop. Any material reduction in estimates of the Company's reserves or its ability to extract these reserves could have a material adverse effect on its future cash flow, results of operations and financial condition.

Also, the grade of ore mined may differ from that indicated by drilling results, which variation may have an adverse impact on production results. In addition, the reliability of estimates of future production might also be affected by factors such as weather and environmental occurrences.

The Company's failure to achieve its production estimates could have a material and adverse effect on the Company's future cash flows, results of operation and financial condition. The Company's annual production estimates are developed based on, among other things, mining experience, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of production. Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed above.

#### **Additional Reserves for Gold Production**

Mines have limited lives based on proven and probable reserves, and as such exploration and development must be continually performed to replace and expand reserves as they are depleted. The ability to maintain or increase its annual production of gold will be dependent in significant part on the ability to expand existing operations. There can be no assurance that exploration programs will yield new mineral reserves to replace mined reserves and to expand current mineral reserves.

#### **Uncertainty of Reserve and Resource Estimates**

Patricia Mining Corp. is a development stage enterprise in the process of exploring and developing its interests in resource properties and has not yet determined

whether these properties contain reserves that are economically recoverable. The figures for resources presented herein are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the expected level of recovery will be realized. Should economically recoverable reserves be demonstrated in the future, the grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed metal prices and operating costs. Future production could differ dramatically from reserve estimates for, among other reasons:

- mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
- increases in operating mining costs and processing costs could adversely affect resources and reserves;
- the grade of the resources and reserves may vary significantly from time to time and there is no assurance that any particular level of metals may be recovered from the ore; and
- declines in the market price of the metals may render the mining of some or all of the reserves uneconomic.

Any of these factors may require the company to reduce its resource or reserves estimates or increase its costs. Short-term factors, such as the need for the additional development of a deposit or the processing of new different grades, may impair the Company's profitability. Should the market price of the metals fall, the Company could be required to materially write down its investment in mining properties or delay or discontinue production or development of new projects.

### Sensitivity Analysis

Sensitivity analysis evaluates the economic effect of changes to major assumptions that are used to calculate the economic valuation of a project. The Island Gold Mine is highly sensitive to changes in revenue. For a reduction in revenue of 20% the NPV drops to \$16.8M while at +20% the NPV would increase to 75.1M. Highlights of the sensitivity analysis from the May 2007 Genivar 43-101 technical report is as follows:

#### Sensitivity Analysis for Island Gold Project NPV (NPV at 5% discount)

Canadian dollars	Base Case									
	-20%	-15%	-10%	-5%	0%	+5%	+10%	+15%	+20%	
<b>PRODUCTION PARAMETERS</b>										
Grade	21,623,747	27,713,847	33,803,947	39,894,047	45,984,147	52,074,248	58,164,348	64,254,448	70,344,548	
Recovery Rate	21,623,747	27,713,847	33,803,947	39,894,047	45,984,147	52,074,248				
Gold Price	16,722,080	24,037,597	31,353,114	38,668,631	45,984,147	53,299,664	60,615,181	67,930,698	75,885,814	
Exchange Rate	41,082,481	42,307,898	43,533,314	44,758,731	45,984,147	47,209,564	48,434,981	49,660,397	50,885,814	
<b>ECONOMIC PARAMETERS</b>										
Revenue	16,824,339	24,114,291	31,404,243	38,694,195	45,984,147	53,274,100	60,564,052	67,854,004	75,143,956	
Operating Expenditures	64,591,840	59,939,917	55,287,994	50,636,071	45,984,147	41,332,224	36,680,301	32,028,378	27,376,454	
Capital Expenditures	47,613,668	47,206,288	46,798,908	46,391,528	45,984,147	45,576,767	45,169,387	44,762,007	44,354,627	

**Note: there is no data over 5% for recovery rate as it would exceed 100%**

### Government Regulation

The exploration and development activities of the Company are subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration and development activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the

environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although the Company's exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and development, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

Government approvals and permits are currently, and may in the future be, required in connection with Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### **Permits and Licenses**

Mineral exploration and mining activities may only be conducted by entities that have obtained or renewed exploration or mining permits and licenses in accordance with the relevant mining laws and regulations. No guarantee can be given that the necessary exploration and mining permits and licenses will be issued to the Company or, if they are issued, that they will be renewed, or that the Company will be in a position to comply with all conditions that are imposed. Nearly all mining projects require government approval. There can be no certainty that these approvals will be granted to the Company in a timely manner, or at all.

### **Environmental Risks and Hazards**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Production at mineral properties may involve the use of dangerous and

hazardous substances. While all steps will be taken to prevent discharges of pollutants into the ground water and the environment, the Company may become subject to liability for hazards that cannot be insured against.

### **Commodity Prices**

The future profitability of the Company will be directly related to the market price of gold. Gold prices fluctuate considerably and are affected by numerous factors beyond the Company's control, such as industrial and jewelry demand, inflation and expectations with respect to the rate of inflation, the strength of the U.S. dollar and of other currencies, interest rates, gold sales by central banks, forward sales by producers, production and cost levels, changes in investment trends and international monetary systems and changes in the supply and demand for gold on the public and private markets. The gold market is characterized by significant above-ground reserves which can dramatically affect the price should a portion of these reserves be brought to market. Gold price is sometimes subject to rapid short-term changes because of speculative activities. When calculating mineral reserve estimates, the estimate of the price of gold used was C\$650 per ounce. If gold prices were to decline significantly or for an extended period of time, the Company might be unable to continue its operations, develop its properties or fulfill its obligations under its agreements with its partners or under its permits and licenses. As a result, the Company might lose its interest in, or be forced to sell, some of its properties. In the event of a sustained, significant drop in gold price, the Company may be required to re-evaluate its assets, resulting in reduced estimates of reserves and resources and in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. Furthermore, since gold price is established in US dollars, a significant increase in the value of the Canadian dollar relative to the US dollar coupled with stable or declining gold prices could adversely affect the Company's results with respect to the sale of gold.

In 2007, the average market price of gold rose more than 15% to US\$695 per ounce compared with US\$604 in 2006. In 2006, the price rose 36% over the average price of US\$444 per ounce for 2005. These consecutive rises in gold prices have resulted in growth that has benefited all gold producers in recent years, although the strength of the Canadian dollar has lessened the impact on Canadian producers. The main factors that continue to have a positive influence on the price of gold include:

- Depreciation of the U.S. dollar relative to other currencies and the low prevailing interest rates;
- Non-hedging and reduced hedging policies of producers;
- Demand that exceeds the industry's annual production;
- Ongoing geopolitical instability.

The following table sets out the annual average gold price (London PM fix) over the past five years:

	(US\$)	Exchange rate	(CAN\$)
2003	363	1.40	509
2004	410	1.30	534
2005	444	1.21	538
2006	604	1.13	685
<b>2007</b>	<b>695</b>	<b>1.07</b>	<b>744</b>

### **Uninsured Risks**

The Company carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which the Company cannot insure or against which it elects not to insure.

### **Conflicts of Interest**

Certain of the directors of the Company also serve as directors and/or significant shareholders of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. In the event that a director or executive officer has a material interest in any transaction being considered by the Company, any such conflict will be subject to and governed by procedures prescribed by the Business Corporations Act (Ontario) (the "OBCA") which require a director or officer of a corporation experiencing such a conflict to disclose his interest and refrain from voting on any such matter unless otherwise permitted by the OBCA. In addition, Section 134 of the OBCA provides that every director must act honestly and in good faith with a view to the best interests of the Company. Section 134 is a formalization of the fundamental fiduciary duty that a director has to the corporation and encompasses, among other obligations, a duty of loyalty and a duty of confidentiality. As a fiduciary, a director may not interfere with, or take advantage of, any opportunities that rightfully belong to the Company. That a director may represent a specific shareholder of the Company does not relieve the director from fulfilling his fiduciary duty to the Company. If such director was to take any action which preferred the interests of a third party to the interests of the Company, such director would be liable to the company for a breach of his fiduciary duty, regardless of any legal duties which such director may have to the third party.

### **Land Title**

Although title to the Company's mineral properties has been reviewed by or on behalf of the Company and title opinions were delivered to the Company, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected

defects. In addition, the Company may be unable to operate the properties as permitted or to enforce its rights with respect to its properties.

### **Requirement of Additional Financing**

The continuing development of the Company's properties will depend upon the Company's ability to obtain financing through the joint venturing of projects, debt financing, and equity financing or other means. No assurance can be given that the Company will be successful in obtaining the required financing on acceptable terms, if at all.

### **Dependence on Personnel**

The Company's ability to manage growth effectively will require the Company to continue to implement and improve the Company's management systems and to recruit and train new employees. Although the Company has done so in the past, the Company cannot assure that it will be successful in attracting and retraining skilled and experienced personnel.

### **Interest Rate Risk**

The Company has interest-bearing borrowings for which general rate fluctuations apply.

### **Joint Venture**

The Company is not the operator or the joint venture and has limited ability or is unable to exert influence over strategic decisions made in respect to properties subject of such joint ventures.

Joint ventures can often require unanimous approval of the parties to the joint venture or their representatives for certain fundamental decisions such as an increase or reduction of registered capital, merger, division, dissolution, amendment of the underlying documents, and the pledge of the joint venture assets, which means that each joint venture party has a veto right with respect to such decisions which could lead to a deadlock.

## ***Outlook***

In the first quarter of commercial production, despite a higher gold price, the Island Gold Mine did not meet budgeted expectations and results were lower than projected from the Genivar cash flow model. The 4<sup>th</sup> quarter results saw production progress gradually, with improvements in reducing dilution to achieve a higher head grade. Efforts are in progress to improve production tonnage and to build a surface ore stockpile to enable the mill to be operated at higher daily throughput and achieve the targeted production rate of 650 tonnes per day. Management considers that once the mine achieves targeted grade and production tonnages, sufficient cash flow will be achieved to service the long term debt obligations and provide working capital.

Using the December 31, 2008, reserve estimate, the Island Gold Mine has approximately 4.5 years of reserves at the targeted production rate of 650 tonnes per day. The property has significant exploration potential and there is considerable opportunity to define additional resources and to convert existing resources into reserves to extend the mine life. More than 20,000 meters of exploration drilling are

planned for 2008. The drilling will primarily target the eastern extension of the Island Zone, the down dip extension of the Island Zone and the Lochalsh Zone.

### ***Disclosure Controls and Procedures***

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made to facilitate full and timely disclosure to the public.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as of December 31, 2007, by and under the supervision of management, including the Chief Executive Officer. Based on this evaluation, the Chief Executive Officer has concluded that disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time periods specified in those rules.

### ***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.

On behalf of the Board of Directors,



Richard H. Sutcliffe, Ph.D., P. Geo.  
Chairman



Christopher R. Chadder, CA  
Chief Executive Officer

April 25, 2008

