

PETAQUILLA MINERALS LTD.

For Quarter and Year End Report - April 30, 2007

Management Discussion and Analysis
Of Results of Operations and Financial Condition

For periods ended April 30, 2007, and January 31, 2006

PETAQUILLA MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Petaquilla Minerals Limited ("PTQ" or the "Company") reports the financial results for the fifteen months ended April 30, 2007, which have been prepared on the basis of available information up to September 28, 2007. Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements and related notes for the same period and the twelve month period ended January 31, 2006.

Management's discussion and analysis provides a review of the performance of PTQ's business and compares its performance for the three months ended April 30, 2007, with the three months ended January 31, 2006. In addition, comparative information is provided for the fifteen month period ended April 30, 2007 compared with the twelve month period ended January 31, 2006. This discussion also provides an indication of future developments along with issues and risks that can be expected to impact future operations. There is no guarantee of future performance, since actual results could change based on events beyond management control.

OVERALL PERFORMANCE

Business Overview

PTQ is a Canadian based gold exploration and development company with its development activities located solely in Panama.

PTQ's growth strategy has been to establish a gold production base from the development of its 100% owned Molejon deposit located in Zone 3 within the Ley Petaquilla Concession. In addition, PTQ plans to continue to evaluate gold and mineral development projects and/or related production possibilities by means of internal development of its mineral assets or growth through acquisition or merger of assets with companies having either production or advanced development stage gold and/or mineral projects.

Significant Events of the Period

Plan of Arrangement

- On June 6, 2006, the shareholders of PTQ voted in favour of the May 10, 2006, proposed Plan of Arrangement.
- Subsequently, on June 19, 2006, Supreme Court approval in the Province of British Columbia was obtained for the Plan of Arrangement.
- The result of the Plan of Arrangement is that each shareholder of PTQ receives one share of Petaquilla Copper Ltd. ("Copper"), a newly formed company. Each shareholder continues to

hold one share of PTQ and one share of Copper, for each one share of PTQ held on the Effective Date of the Plan of Arrangement.

- According to the terms of the Plan of Arrangement, PTQ transferred title to Copper of its wholly-owned subsidiary, Georecursos Internacional S.A., the holder of the 52% interest in the Ley Petaquilla concession lands. PTQ retained 100% ownership of the gold and precious metal deposits within the Ley Petaquilla concession as well as all the other concession lands adjacent to the Ley Petaquilla concession.
- As part of the June 2005 Mine Development Plan approved by the Government of Panama in September 2005, Copper continues with the development of its interest in the copper based mineral deposits and PTQ advances the development of its interest in the Molejon deposit, being the first gold and precious metal deposit identified within the Ley Petaquilla concession lands.
- PTQ paid \$500,000 to Copper as part of the Plan of Arrangement in order to acquire 22,189,434 of the issued shares of Copper. This initial 20% equity stake has been diluted to 18.55% as at April 30, 2007, and will be diluted upon future share capital financings that are anticipated to be necessary for the ongoing funding of the Copper deposit project.
- The transaction has been accounted for on a continuity of interests basis, whereby Copper maintained the carrying values of the acquired interests originally reported in the records of the Company. Because such values were nominal in the records of PTQ and PTQ was not engaged in any significant activities with respect to the proportion transferred prior to the effective date of the Plan of Arrangement, there is no material comparative information to provide for the prior periods.
- As a result of the Plan of Arrangement, the Company now accounts for Copper on an equity basis resulting in an equity loss of \$1,773,000 and a dilution gain of \$3,080,000 for the period ended April 30, 2007.
- Copper is in the process of applying to list its shares on the Toronto Stock Exchange.

Molejon Gold Deposit Project

- Completed additional metres of infill diamond drilling between the Molejon Main Zone and the Molejon NW Zone, additional resource drilling, and condemnation holes for the Molejon plant site and related areas.
- Road access improvements including the ongoing design and commencement of bridge construction for river and stream crossing continues.
- Phase 1 of the upgrade for the government road from La Pintada to Coclesito has been completed.
- Construction of the 8 kilometre road from the Molejon site to the Colina site is 90% complete. Access by lighter vehicles is possible. New culverts will be constructed going forward. This road will be shared by PTQ and Copper.

- Continued evaluation of short and long term power sources for the future development of the Molejon mine site as well as adjacent areas within the concession lands.
- Possible mine equipment, mine plan and mill design options explored for the ongoing development.
- Acquisition plans commenced for key mill components with acquisition of three refurbished ball mills.
- Acquired additional mine equipment, vehicles, software and office equipment, as part of ongoing development plans.
- Continued design of the tailings and waste facilities together with studies underway for a detailed geotechnical testing plan.
- Continued updating of the environmental impact study, evaluation of the hydrological aspects of the Molejon project and geotechnical aspect of the open pit. The evaluation phase is complete.
- The metallurgical testing program, including crushing, grinding, cyanidation, liquid/soil separation and cyanide detoxification tests is nearing completion.
- Continued survey, and delineation of selected areas suitable for a tailings dam and associated infrastructure, subject to fatal flaw analysis (incl. condemnation drilling).
- Survey of the delineation of the plant site has been completed.

Socio / Economic Activities

- Representatives from local communities from around the project area visited the mine site offices, the road construction project and the exploration camp. They received information about PTQ's projects and assistance in understanding the project impacts in their respective villages.
- Youths received bursaries, which will support them for three years to attend secondary schooling.
- Medical centre in Coclesito has been assisted with medical supplies and ambulance services.
- Ongoing medical attendance and support to government authorities in transporting critically ill residents of communities near the Molejon mine site to medical centres.
- Donation of school supplies for all the schools in the Donoso District in the Province of Colon.
- Sports training (Little League) program commenced in four communities in the Donoso District.

- In three communities, assistance has been provided with respect to installation and maintenance of the potable water system.
- Started the provision of at least one healthy meal for all children in the nine closest schools to the Molejon mine site.
- In five communities near the Molejon mine site, work has started on the creation and upgrade of local roads to access the main road presently under construction.
- As part of projects to create sustainable long-term economic value to the local communities, PTQ has initiated a cattle-breeding program for local cattle ranchers near the mine site.

Optioned Lands

Rio Belencillo Concession - Panama

The Company holds various interests in other land concession areas adjacent to the Ley Petaquilla Property in Panama, including the Rio Belencillo and Rio Petaquilla concessions.

By an Agreement dated May 7, 2005, and amended on June 10, 2005, Gold Dragon Capital Management Ltd. (“Gold Dragon”), a company formerly having a common director, has an option to purchase all of the Company’s interest in the Rio Belencillo and Rio Petaquilla concessions by the expenditure of \$100,000 in approved exploration costs by May 7, 2007, an additional \$400,000 in approved exploration costs by February 7, 2008, and by then paying the Company \$1,152,400. This sum is payable in shares of Gold Dragon.

The payment of \$100,000 on account of exploration expenditures has not been made in accordance with the terms and conditions of the May 7, 2005, agreement. The Company is in the process of amending the agreement with Gold Dragon.

During the period ended April 30, 2007, the Company received \$32,843 (US \$29,078) from Madison Minerals Ltd. (“Madison”), the Company’s joint venture partner, for exploration costs related to the Rio Belencillo concession.

San Juan Concession - Panama

During the period ended April 30, 2007, the Company entered into an agreement with Geneva Gold (formerly Eurogold Mining Inc.), for the exploration and development of the San Juan Concession. The San Juan Property is adjacent to the Company’s Molejon gold project and the Petaquilla porphyry copper project in north central Panama. Under the agreement, Geneva Gold may earn a 60% interest in the San Juan Property by incurring exploration expenditures of at least US\$6,000,000, by paying Petaquilla Minerals Ltd. US\$600,000 in cash and by causing to be issued to Petaquilla Minerals Ltd. 9,000,000 shares of the public company (“Pubco”) to which Geneva Gold will assign its interest in the property, all over a period of three years. If Pubco acquires a 60% interest in the property, it may increase its interest to 70% by incurring US\$3,000,000 in additional exploration expenditures in the fourth year. The Company was to be the operator of the project. The Company received the initial cash option payment of \$111,120 (US\$100,000).

During the current period, the Company rescinded the above agreement and returned the initial cash option payment of \$111,120 (US\$100,000) to Geneva Gold. Geneva Gold has claimed for loss in share value said to be caused by Petaquilla's news release announcing that the agreement with the company has been rescinded. The amount of the claim has not been quantified, and according to Company's counsel it is too early to provide an opinion on either parties chances of success as discoveries have not yet taken place. Legal fees of \$14,251 were incurred up to April 30, 2007.

Forward-looking statements

This report may contain forward-looking statements, including statements regarding the business and anticipated future financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause, or contribute to such differences include, among others, market price, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Company's required financial filings.

Private Placement

On October 17, 2006, the Company closed a non-brokered private placement of 9,400,000 Units at a price of \$2.40 per Unit for gross proceeds in the amount of \$22,560,000 (the "Private Placement").

Each Unit consists of one common share and one transferable share purchase warrant of the Company, and each warrant entitles the holder to purchase an additional common share of the Company for a period of five years at a price of \$3.00 per share.

On the Effective Date of the Plan of Arrangement, purchasers under the Private Placement received:

- a. one common share of the Company and one share purchase warrant (a "PTQ Warrant"), where each PTQ Warrant entitles the holder to purchase one common share of the Company for a period of five years; and
- b. one common share of Copper and one share purchase warrant (a "Copper Warrant"), where each Copper Warrant entitles the holder to purchase one common share of Copper for a period of five years.

Until such time as Copper has been listed on a recognized Canadian stock exchange (the "Copper Listing Date"), the Copper Warrant and the PTQ Warrant must be exercised together. From and after the first five trading days after the Copper Listing Date, the Warrants can be exercised separately, and in that event, the respective exercise prices of the PTQ Warrants and the Copper Warrants will be based on \$3.00 multiplied by the ratio of the five day volume weighted average price of each of the PTQ and Copper shares during the first five trading days for Copper.

The Copper shares and Copper warrants will be subject to resale restrictions until such time that Copper becomes a reporting issuer or another exemption from resale restrictions is available. The PTQ

common shares are freely tradable following the Effective Date.

Finders' fees in the form of compensation warrants and cash were paid in connection with the private placement.

SELECTED ANNUAL INFORMATION

Key Financial Data (in \$ thousands)	2007	2006	2005
Net loss from continuing operations	(27,962) ⁽¹⁾	(2,568) ⁽²⁾	(1,798) ⁽³⁾
Net loss for the year	(27,962) ⁽¹⁾	(2,568) ⁽²⁾	(1,798) ⁽³⁾
Loss per share – basic and diluted	(0.35)	(0.05)	(0.04)
Cash outflow from operating activities	(8,980)	(1,758)	(1,166)
Working capital	(4,221)	8,689	871
Total assets	45,376 ⁽⁴⁾	12,807 ⁽⁵⁾	1,989 ⁽⁶⁾
Dividends	0	0	0

(1) includes \$20,386,270 stock-based compensation

(2) includes \$410,301 stock-based compensation

(3) includes \$716,876 stock-based compensation

(4) increase as compared to total assets on January 31, 2006, is primarily a result of mineral property costs that have been deferred during the period.

(5) increase as compared to total assets on January 31, 2005 is primarily a result of cash acquired from issuance of capital stock and mineral property costs less general and administrative expenses during the year.

(6) decrease as compared to total assets as at January 31, 2004 is primarily a result of expenditures on property exploration and general and administrative expenses during the year.

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED APRIL 30, 2007, COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 2006

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and all amounts are expressed in Canadian dollars unless otherwise indicated.

The operating results of PTQ reflect its ongoing administrative costs, net of interest and other income. PTQ does not have any operating mining assets. However, significant development work is underway on the Molejon gold deposit with a present targeted production start up for fiscal 2008.

Revenue

Interest and other income in the three months ended April 30, 2007, totaled \$56,849 compared to \$24,198 in the three months ended January 31, 2006.

Expenses

Expenses for the three months ended April 30, 2007, were \$11,891,408, a substantial increase from a recovery of \$1,344,288 for the three months ended January 31, 2006. The increase in expenses is primarily based on stock-based compensation, consulting, travel, office and administration, investor relations and shareholder information, all associated with the ongoing development activities of the Molejon gold deposit. In the three months ended January 31, 2006, there was a recovery of resource property costs of \$1,384,951 as compared to \$Nil in the three months ended April 30, 2007, as result of the Company's change in accounting policy to capitalize resource property costs. Stock-based compensation, a non-cash expense, increased to \$10,378,308 compared to a decrease of \$744,701 in the three months ended January 31, 2006, as a result of deferred options that were vested during the prior period which were previously valued at grant date, and revalued on the date of approval during the current year. Options affected by the Plan of Arrangement, whereby options that were outstanding at October 17, 2006, were rolled back by 40% except for 675,000 options, were revalued at Plan of Arrangement date resulting in an increase in the stock-based compensation expense for these options.

During the three months ended April 30, 2007, PTQ recorded a foreign exchange loss of \$877,565 compared to a loss of \$23,625 in the three months ended January 31, 2006.

The net loss for the three months ended April 30, 2007, was \$11,350,015 or \$0.14 per share compared to a net income for the three months ended January 31, 2006, of \$1,344,861 or earnings of \$0.02 per share.

Operating Activities

Corporate and administrative cash costs, offset by interest and other income and changes in non-cash working capital resulted in a cash outflow of \$4,850,859 from continuing operating activities in the three months ended April 30, 2007. Operating activities in the three month period ended January 31, 2006, resulted in cash inflows of \$931,747.

Financing Activities

During the three months ended April 30, 2007, the exercise of stock options resulted in net proceeds of \$199,642. This compares to \$236,300 in the three months ended January 31, 2006. Share subscriptions totalling \$150,000 were received during the three months ended April 30, 2007, related to a private placement that closed subsequent to the period. This compares to \$Nil received for share subscriptions in the three months ended January 31, 2006.

Long term debt of \$Nil was incurred to fund the acquisition of mining equipment purchases during the three month period ended April 30, 2007. No long term debt was incurred in the comparative period of the prior year.

Investing Activities

Resource Property Development Agreements

Molejon Gold Deposit

The Company is to recover \$4,582,937 in resource property costs as at April 30, 2007, due to amounts allocated to Copper that related primarily to shared infrastructure costs. A base has been well established at PTQ's advanced stage epithermal Molejon gold deposit in Panama. PTQ continues to drill with both its infill drilling and trenching programs. PTQ is hopeful the ongoing drill program will add both ounces and grade to the published resource estimate for Molejon.

During the three months ended April 30, 2007, \$4,204,975 was spent on vehicles, computer equipment and software, office equipment, land and buildings and general equipment, compared to \$139,013 in the three months ended January 31, 2006.

Steffan, Robertson & Kirsten ("SRK") completed a NI 43-101 compliant mineral resource estimate on the Molejon gold deposit and presented it to PTQ in October 2005. The report estimates the inferred mineral resource of the Molejon gold deposit to be 11.2 million tonnes grading 2.48 g/t for total contained gold of 893,000 ounces using a bottom cut-off grade of 0.500 g/t Au. This represents an increase of 35% over a 1995 pre 43-101 resource estimate of 7.8 million tonnes grading 2.63 g/t for total contained gold of 661,000 ounces using a bottom cut-off grade of 0.500 g/t Au.

AAT Mining Services completed a NI 43-101 compliant mineral resource estimate on the Molejon gold deposit and presented it to PTQ in June 2007. The report estimates the Measured and Indicated resources at 17.9 million tonnes at 1.08 g/t, and Inferred resources at 22.2 million tonnes at 0.715 g/t, for a total of 1.1 million ounces at a cutoff grade of 0.3 g/t. This represents a conversion of Inferred resources to Measured and Indicated resources of about 70% compared to the prior Inferred-only estimates.

PTQ intends to focus the first phase of the mine development plan on the Molejon gold deposit, and has begun further exploration and development work for the purposes of a feasibility study on the deposit.

Lidar Survey

PTQ had previously entered into an agreement for completion of a Light Detection and Ranging ("Lidar") survey of 1,621 square kilometers of Panama including all PTQ's concession lands. Lidar technology employs highly sophisticated laser light pulses striking the surfaces of the earth from an airplane-mounted device, and measuring the time of pulse return. Using highly robust data storage capacity, the laser data is examined then compiled to give very detailed images of extraordinary refinement. This LIDAR technology is well suited for making digital elevation models, topographic mapping and automatic feature extraction. Forestry assessments including forestry biometrics, wireless communication design, coastal engineering, survey assessments and volumetric calculations are among the common applications. Fieldwork was completed by November 30, 2006. Data gathering and interpretation was 70% finished by April 30, 2007, 90% by the end of July 2007, with the balance estimated to be completed by November 30, 2007.

Balance Sheet

As at April 30, 2007, PTQ had total assets of \$45,277,587 as compared with \$12,807,172 at January 31, 2006. This increase is primarily a result of equipment purchases and mineral property expenditures during the year. Working capital deficit as at April 30, 2007, of \$4,220,761 decreased from working capital of \$8,689,060 at January 31, 2006 as a result of operating and capitalized expenditures during the period.

SUMMARY OF QUARTERLY RESULTS

	2007 Apr 30 Q5	2007 Jan 31 Q4	2006 Oct 31 Q3	2006 July 31 Q2	2006 April 30 Q1
Net loss from continuing operations	\$ (11,370,015)	\$ (3,467,366)	\$ (9,237,684)	\$ (2,987,297)	\$ (900,088)
Net loss	\$ (11,370,015)	\$ (3,467,366)	\$ (9,237,684)	\$ (2,987,297)	\$ (900,088)
Loss per share from continuing operations – basic and diluted ⁽¹⁾	\$ (0.14)	\$ (0.04)	\$ (0.12)	\$ (0.04)	\$ (0.01)
Loss per share – basic and diluted ⁽¹⁾	\$ (0.14)	\$ (0.04)	\$ (0.12)	\$ (0.04)	\$ (0.01)

	2006 January 31 Q4	2005 October 31 Q3	2005 July 31 Q2	2005 April 30 Q1
Net income (loss) from continuing operations	\$ 1,344,861	\$ (1,405,686)	\$ (1,407,029)	\$ (1,099,904)
Net loss	\$ 1,344,861	\$ (1,405,686)	\$ (1,407,029)	\$ (1,099,904)
Earnings (loss) per share from continuing operations – basic and diluted ⁽¹⁾	\$ 0.03	\$ (0.03)	\$ (0.03)	\$ (0.02)
Loss per share – basic and diluted ⁽¹⁾	\$ 0.03	\$ (0.03)	\$ (0.03)	\$ (0.02)

- (1) The effect of potential share issuances pursuant to the exercise of options and warrants would be anti-dilutive and, therefore, basic and diluted losses per share are the same.

RESULTS OF OPERATIONS – FOR THE FIFTEEN MONTH PERIOD ENDED APRIL 30, 2007, COMPARED TO TWELVE MONTH PERIOD ENDED JANUARY 31, 2006

Expenses

Expenses, net of interest and other income, foreign exchange gains and losses, for the fifteen months ended April 30, 2007, were \$27,962,450, an increase of \$25,394,692 from \$2,567,758 from the twelve months ended January 31, 2006.

The increase in expenses is primarily based on increases in stock-based compensation, wages and benefits, consulting, travel, office and administration, investor relations and shareholder information, all associated with the ongoing development activities of the Molejon gold deposit.

Included in expenses in the fifteen months ended April 30, 2007, is stock-based compensation, a non-cash expense, of \$20,386,270 compared to \$410,301 in the twelve months ended January 31, 2006, as a result of options granted and vested during the period and options previously valued at grant date and revalued at approval date and options arising from the Plan of Arrangement that were revalued on the Plan of Arrangement date.

The net loss for the fifteen months ended April 30, 2007, was \$0.35 per share compared to \$0.05 per share for the twelve months ended January 31, 2006.

Cash Flow

Operating Activities

Corporate and administrative cash costs, offset by interest and other income and changes in non-cash working capital resulted in a cash outflow of \$8,980,102 in the fifteen months ended April 30, 2007, compared to \$1,757,852 for the twelve months ended January 31, 2006. This increase in outflow was due to ongoing non-capitalized Molejon project development expenses.

Financing Activities

During the fifteen months ended April 30, 2007, the exercise of stock options and warrants and the private placement financing resulted in net proceeds of \$31,439,670 compared to \$11,826,329 for the comparative period in the prior year. In addition, during the fifteen months ended April 30, 2007, long term debt of \$1,413,510 was incurred to fund acquisition of mining equipment assets compared to \$Nil in the twelve months ended January 31, 2006. Repayments totaling \$226,443 were made against the long term debt during the fifteen months ended April 30, 2007.

The Company and Copper share common facilities and collectively undertake the construction of roads and other infrastructure. As both companies use the common infrastructure, the two companies have entered into a cost sharing agreement in order to split the cost between the companies. Management has estimated that the cost of the infrastructure is to be split 80% to Copper and 20% to Minerals based on the usage of the facilities and administrative costs are split on a 50/50 basis. These ratios were approved by the Board of both companies. As the projects advance toward production, these allocations will be continuously reviewed and may change if circumstances such as related usage change.

During the fifteen months ended April 30, 2007, the Company incurred costs related to shared roads and bridges as well as general and administrative expenses of which \$4,598,937, has been proportionately allocated to Copper. This compares to \$Nil advances to Copper in the prior year. Subsequent to April 30, 2007 the amount receivable from Copper was repaid in full.

Investing Activities

For the fifteen months ended April 30, 2007, acquisition costs of property and equipment of \$5,942,363 was incurred compared to \$291,877 during the twelve months ended January 31, 2006. Investment in mineral properties was \$19,387,844 for the fifteen months ended April 30, 2007, compared to \$2,197,611 for the comparative period for the prior year. During the fifteen months ended April 30, 2007, the Company deposited \$30,000 to be used as collateral for the credit card used

by the Company to pay ongoing travel and related costs, and invested \$500,000 into Copper in return for 22,189,434 common shares.

LIQUIDITY AND CAPITAL RESOURCES

PTQ does not currently own or have an interest in any mineral producing properties and has not derived any revenues from the sale of gold, copper or other materials in the last three financial years.

As at April 30, 2007, PTQ had a working capital deficit of \$(4,220,761) (January 31, 2006 – working capital of \$8,689,060). During January 2006 and October 2006, PTQ raised funds from two private placements but will have to raise additional funds to meet PTQ's obligations and to undertake ongoing development and further exploration of the Molejon gold deposit. Management will be pursuing additional sources of financing and while it has been successful in the past there can be no assurance that it will be able to do so in the future. Accordingly, there is possible doubt about the ability of PTQ to continue as a going concern.

PTQ was required to post a performance bond of US\$780,000 to maintain its interest in the concession lands.

PTQ has pledged a guaranteed investment certificate in the amount of US\$780,000 as security for a letter of credit with the Bank of Nova Scotia to satisfy the requirements of the performance bond. The Canadian dollar equivalent of the US\$780,000 investment is \$863,226 as at April 30, 2007, after recognizing a foreign exchange loss of \$29,016 from the January 31, 2006, balance of \$892,242.

The total amount of restricted cash as at April 30, 2007 was \$1,188,026 comprising the performance bond mentioned above of \$863,226 plus the \$30,000 collateral for the credit card mentioned in investing activities, and also including a pledge for financing a term deposit in the amount of \$294,800.

Other than as discussed herein, PTQ is not aware of any trends, demands, commitments, events or uncertainties that may result in PTQ's liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in PTQ's liquidity will be substantially determined by the timing of any production decision on its Molejon gold deposit which, in turn, will be substantially determined by the price of gold.

CONTRACTUAL AND OTHER OBLIGATIONS

The Company is committed to the following plant and equipment acquisitions related to the mine site construction:

- a) \$1,428,000 for construction in progress
- b) \$4,981,000 for gold recovery equipment;
- c) \$3,345,000 for generators;
- d) \$1,788,000 for other support items.

All above commitments will become payable during the fiscal year 2008.

PTQ has a 50% share of a five-year lease for office premises. PTQ's contractual and other obligations as at April 30, 2007, are summarized as follows:

	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Office Lease	\$ 33,120	\$ 66,240	\$ 44,160	Nil

During the period ended April 30, 2007, the Company entered into a five-year lease for office premises at an estimated annual cost of \$66,240 commencing September 1, 2006. Cancellation of two previous lease obligations was obtained effective May 15, 2006.

From October 18, 2006, the office leasing costs have been split equally between the Company and Petaquilla Copper Ltd., consequent to the Plan of Arrangement. Therefore the estimated annual cost is \$33,120 to the Company.

During the period ended April 30, 2007, the Company entered into a contract relating to an environmental impact study. The amount payable at the end of the contract is \$131,776.

CAPITAL STOCK

Authorized Capital

At the June 6, 2006, Annual and Special Meeting of Shareholders, a special resolution was authorized and approved changing the authorized capital of the Company to an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

April 30, 2007	January 31, 2006
Unlimited common shares without par value	100,000,000 common shares without par value
Unlimited preference shares without par value	20,000,000 preference shares without par value

Issued Capital

As at April 30, 2007, an aggregate of 89,876,951 common shares were issued and outstanding of which 44,200 were repurchased and held as treasury stock. As of the date of this report, 91,757,207 common shares were issued and outstanding with 44,200 common shares being held as treasury stock.

Stock transactions are as follows:

	Number of Shares	Amount	Contributed Surplus
Issued			
Balance as at January 31, 2004	48,829,542	\$ 50,849,326	\$ 327,822
Exercise of stock options	2,185,497	476,209	(114,383)
Exercise of warrants	249,498	105,257	(42,883)
Stock-based compensation	-	-	716,876
Balance as at January 31, 2005	51,264,537	51,430,792	887,432
Non-brokered private placement, net of finders' fees (a)	9,965,670	8,933,334	-
Exercise of stock options	1,465,600	713,008	(241,690)
Exercise of warrants	7,550,496	1,939,187	(51,563)
Stock-based compensation	-	-	410,301
Share issuance costs	-	(39,112)	-
Balance as at January 31, 2006	70,246,303	62,977,209	1,004,480
Non-brokered private placement, net of finders' fees (b)	9,400,000	21,603,200	-
Exercise of stock options	5,247,813	12,336,264	(9,435,997)
Exercise of warrants	4,982,835	5,979,403	-
Stock-based compensation	-	-	20,504,666
Share issuance costs (Note 13)	-	(1,414,061)	820,518
Balance as at April 30, 2007	89,876,951	101,482,015	12,893,667
Non-brokered private placement	1,411,912	2,824,305	-
Exercise of stock options	124,300	632,502	(569,651)
Stock-based compensation	-	-	2,109,004
Share issuance costs	-	(30,568)	-
Balance as at July 31, 2007	91,413,163	104,908,254	14,433,020
Exercise of stock options	344,044	1,436,162	(923,583)
Balance as at September 28, 2007	91,757,207	\$ 106,344,416	\$ 13,509,437

PTQ had the following Warrants outstanding as at the date of this report:

Number of Warrants Outstanding	Exercise Price	Expiry Date
9,798,000	\$ 3.00 ⁽¹⁾	October 17, 2011
<u>705,956</u>	\$3.50	May 8, 2009
10,503,956		

(1) Exercise price is the aggregate exercise price required to exercise one option of PTQ and one option of Copper with half of the proceeds to be allocated to the Company and half to Copper. Both options must be exercised together until such time as Copper is listed on the TSX.

On October 17, 2006, the Company issued share purchase warrants in connection with the non-brokered private placement which closed during the period. Each warrant entitles the holder to purchase an additional common share of the Company for a period of five years at a price of \$3.00 per share. In addition, the Company agreed to issue 398,000 finders' warrants, each finder's warrant

entitling the holder to purchase one additional common share of the Company at an exercise price of \$3.00 per share for a period of five years.

On the Effective Date of the Plan of Arrangement, the warrant holders received:

- a. one share purchase warrant (a “PTQ Warrant”), where each PTQ Warrant entitles the holder to purchase one common share of the Company for a period of five years; and
- b. one share purchase warrant (a “Copper Warrant”), where each Copper Warrant entitles the holder to purchase one common share of Copper for a period of five years.

Until such time as Copper has been listed on a recognized Canadian stock exchange (the “Copper Listing Date”), the Copper Warrant and the PTQ Warrant must be exercised together. From and after the first five trading days after the Copper Listing Date, the Warrants can be exercised separately, and in that event, the respective exercise prices of the PTQ Warrants and the Copper Warrants will be based on \$3.00 multiplied by the ratio of the five day volume weighted average price of each of the PTQ and Copper shares during the first five trading days for Copper.

The PTQ Warrants were subject to a hold period expiring February 18, 2007. The Copper shares and Copper Warrants will be subject to resale restrictions until such time that Copper becomes a reporting issuer or another exemption from resale restrictions is available. The PTQ common shares will be freely tradable following the Effective Date.

The following summarizes information about the stock options outstanding as at Sept 28, 2007:

Number of Stock Options		
Outstanding	Exercise Price	Expiry Date
87,064	0.50 ⁽¹⁾	April 21, 2010
374,820	0.50 ⁽¹⁾	July 11, 2010
60,800	1.00 ⁽¹⁾	December 31, 2010
1,109,240	1.05 ⁽¹⁾	February 1, 2011
120,000	1.73 ⁽¹⁾	April 27, 2011
5,745,899	2.01	January 15, 2012
150,000	2.25	October 19, 2008
200,000	2.22	June 12, 2012
500,000	2.25	June 20, 2012
50,000	2.48	July 11, 2012
100,000	2.49	July 12, 2012
50,000	2.54	July 23, 2012
8,547,823		

- ⁽¹⁾ Exercise price is the aggregate exercise price required to exercise one option of PTQ and one option of Copper with half of the proceeds to be allocated to the Company and half to Copper. Both options must be exercised together until such time as the Company is listed on the TSX.

During the fifteen months ended April 30, 2007, PTQ issued 10,230,648 shares for the exercise of stock options and warrants and 9,400,000 shares pursuant to the private placement closed in October

2006. Subsequent to period end, the Company issued 468,344 shares for the exercise of stock options for gross proceeds of \$575,429 and 1,411,912 shares for gross proceeds of \$2,824,305 pursuant to a private placement closed in May 2007.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the fifteen months ended April 30, 2007, PTQ had the following transactions with related parties:

- a.) The Company paid consulting fees of \$426,726 (12 months ended January 31, 2006 - \$114,559) to companies controlled by a director, a former director and an officer.
- b.) The Company received \$7,573 (January 31, 2006 - \$Nil) and paid \$Nil (12 months ended January 31, 2006 - \$9,446) for rent charges from a company with a former common director
- c.) The Company paid legal fees of \$274,584 (12 months ended January 31, 2006 - \$Nil) and share issue costs of \$113,097 (January 31, 2006 - \$Nil) to a law firm controlled by an officer.
- d.) The Company paid \$134,127 for supplies (12 months ended January 31, 2006 - \$61,749) to a company controlled by a director and officer.
- e.) Included in accounts payable is \$55,901 (January 31, 2006 - \$1,241) due to directors, officers, and companies controlled by an officer and a director all of which are payable within 30-days. The amount is non-interest bearing and unsecured. Subsequent to April 30, 2007, the amount was paid in full.
- f.) The amount recoverable from Petaquilla Copper Ltd. is \$4,582,937 . The amount is non-interest bearing, unsecured, and without specific terms of repayment. Subsequent to April 30, 2007 the amount was repaid in full.
- g.) During the period, the Company charged \$103,348 in asset usage fees to Petaquilla Copper Ltd.
- h.) The Company received \$16,122 from Copper for rent payments.

These transactions are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

SUBSEQUENT EVENTS

Subsequent to April 30, 2007:

- a) The Company issued 468,344 shares on the exercise of stock options for proceeds of \$575,429.
- b) The Company closed a non-brokered private placement comprising of 1,387,879 units at \$2.00 per unit, and 24,033 units at \$2.02 per unit for gross proceeds of \$2,824,305. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable into a common share at a price of \$3.50 per share for a period of two years following closing of the private placement. The share purchase warrants are subject to an accelerated expiry provision that, if the volume weighted average trading price of the common shares of the Company as traded on the Toronto Stock Exchange exceeds \$7.00 per share for at least 30 consecutive trading days, the Company shall have the right, exercisable within 30 days thereafter, to give notice to each warrant holder requiring the exercising of the warrants within a 30 day period. If the Company exercises such right, the warrant will, if not exercised by the warrant holder in accordance with their terms and conditions, expire at the end of such 30 day period. The securities issued under this private placement are subject to a four-month and a day resale restriction in effect until September 10, 2007.
- c) The Company entered into a capital lease arrangement with Banco Bilbao Vizcaya Argentaria (Panama) S.A. ("BBVA") for the purchase of equipment to advance the Molejon project into production.

The facility will be advanced in the following concurrent tranches: one for US\$2,443,386 and the other for US\$9,006,256. The equipment includes but is not restricted to: ball mills, Metso crushing plant; cranes and an aggregate crushing plant.

The interest rate on this facility is 9% per annum. As a condition of the loan, throughout the amortization period, the equipment will be registered with the Public Registry of the Republic of Panama in the name of BBVA and will serve as collateral for the facility.

- d) The Company granted an aggregate of 900,000 stock options to employees, consultants, a director and an officer with exercise prices between \$2.22 to \$2.54 and expiry dates between October 19, 2008, and July 23, 2012.

CRITICAL ACCOUNTING ESTIMATES

The preparation of PTQ's consolidated financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities, as well as revenues and expenses.

The most critical accounting estimates, upon which PTQ's financial statements depend, are those estimates of proven and probable reserves and resources, recoverable ounces therefrom, and assumptions of operating costs and future gold prices. Such estimates and assumptions affect the potential impairment of long-lived assets and the rate at which depreciation, depletion and amortization are charged to earnings. In addition, management must estimate costs associated with mine reclamation and closure costs.

During the year, PTQ has capitalized mineral property acquisition costs and mine development costs at cost since it has decided that the Molejon gold deposit has economically feasible production potential. It is in accordance with Canadian generally accepted accounting principles that PTQ should capitalize pre-production expenditures net of revenues received, until the commencement of commercial production. A significant portion of the PTQ's property, plant and equipment and mine development costs will then be depreciated and amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of depreciation, depletion and amortization of property, plant and equipment and mine development costs is based on the amount of reserves expected to be recovered from each location.

The process of estimating quantities of gold reserves is complex, requiring significant decisions in the evaluation of all available geological, geophysical, engineering and economic data. The data for a given ore body may also change substantially over time as a result of numerous factors, including but not limited to, additional development activity, production history and the continual reassessment of the viability of ore bodies under various economic conditions. A material revision to existing reserve estimates could occur because of, among other things: revision to geological data or assumptions; a change in the assumed gold prices; and the results of drilling and exploration activities.

If estimates of reserves prove to be inaccurate, or a mining plan changes due to reductions in the price of gold or otherwise, resulting in a reduction in the reserves expected to be recovered, PTQ could be required to write-down the recorded value of its plant and equipment and mine development costs, or to increase the amount of future depreciation, depletion and amortization expense, both of which would adversely affect PTQ's earnings and net assets.

PTQ will have an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. These estimated costs, known as the Asset Retirement Obligation, will be recorded as a liability at their fair values in the periods in which they occur, and at each reporting period, are increased to reflect the interest element (accretion expense) considered in the initial fair value measurement of the liabilities. If the estimate of reclamation costs proves to be inaccurate, PTQ could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense per ounce, resulting in a reduction in PTQ's earnings and net assets.

The Company accounts for all stock-based payments and awards using the fair value-based method. Under the fair value-based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-

employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. Compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period.

CHANGES IN ACCOUNTING POLICY

PTQ is not presently aware of any pending accounting policies that would impact the Company's financial reporting.

FINANCIAL INSTRUMENTS

PTQ's financial instruments consist of cash and cash equivalents, receivables, prepaid expenses, accounts payable and other accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that PTQ is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

FOREIGN EXCHANGE

PTQ is subject to financial risk arising from fluctuations in foreign currency exchange rates. PTQ does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

RISK AND UNCERTAINTIES

The following is a brief discussion of those distinctive or special characteristics of PTQ's operations and industry, which may have a material impact on, or constitute risk factors in respect of PTQ's financial performance.

The next twelve months or more will see the continuation of the ongoing development of the Molejon gold deposit. This includes planned completion of road access with related bridge crossings where needed, evaluation of the optimal short and long term power supply and access to the potential mine site and ongoing engineering evaluation.

Potential delays in the Development of Molejon Gold Deposit and Cost Overruns

Whilst the Molejon gold deposit development is underway, costs for required equipment remain under review and may escalate beyond original estimates. This possible cost escalation, along with other as yet unresolved logistical and engineering issues relating to the Molejon development, all part of a standard building, construction and anticipated start up of a new mining operation, may result in significant cost experiences that differ from present day estimates. These cost concerns are in addition to the tight labor market in the mining industry as well as rising material and fuel costs. There is no

guarantee the Molejon gold project will, after more development and engineering work is completed, together with required capital equipment purchases, be an economically feasible production opportunity.

Mining Risks and Insurance

A risk analysis has as yet to be completed for the Molejon deposit. While it is not possible to speculate on possible risks associated with an open pit mining operation in Panama, there may be as yet to be identified significant risk factors. PTQ anticipates the planned Feasibility Study for the Molejon Project will in due course illuminate the knowledge data set on both potential risks and the plans to mitigate same where possible.

Any as yet to be identified risks cannot be completely eliminated and it is possible that the occurrence of one or more of such factors could have a material adverse effect on PTQ's financial condition and results of operations.

The business of gold mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes in the regulatory environment, cave-ins and flooding and gold bullion losses. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Any payments made with regards to such liabilities may have a material adverse effect on PTQ's financial performance and results of operations.

PTQ carries insurance to protect itself against certain risks of mining and processing to the extent that is economically feasible but which may not provide adequate coverage in all circumstances. Insurance risks covered include vehicle, machinery, equipment, health, accident, and liability insurance.

Gold Price Volatility

PTQ's development plans are highly sensitive to changes in the price of gold. With the near term focus being on the Molejon gold deposit, ongoing development is highly dependent on gold prices as it affects the ability to raise required financing.

Gold prices fluctuate and are affected by numerous factors, including expectations with respect to the rate of inflation, exchange rates, interest rate, global and regional political and economic crises and governmental policies with respect to gold holdings by central banks. The demand for and supply of gold affects gold prices but not necessarily in the same manner as demand and supply affect the prices of other commodities.

The supply of gold consists of a combination of mine production and existing stocks of bullion and fabricated gold held by governments, public and private financial institution, industrial organization and private individuals. The demand for gold consists of jewelry and investment demand.

Uncertainty of Mineral Reserves

Mineral reserves and mineral resources are estimates of the size and grade of deposits based on limited sampling and on certain assumptions and parameters. No assurance can be given that the present inferred reserves and related grades will eventually be confirmed either in whole or in part, as

measured or indicated reserves. Prolonged declines in the market price of gold may render inferred mineral reserves containing relatively lower grades of gold mineralization uneconomic to exploit and could materially reduce the PTQ's reserves. Should such reductions occur, PTQ could be required to delay or discontinue production plans or the development of new projects, resulting in increased net losses and reduced cash flow. Short-term factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may impair the potential economic feasibility of the Molejon gold deposit.

Replacement of Mineral Reserves

There are a number of uncertainties inherent in any program relating to the location of economic mineral reserves, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities and the appropriate financing thereof. Accordingly, there can be no assurance that PTQ's programs will yield new mineral reserves to expand current inferred mineral reserves.

Financing of Exploration Programs

There are inferred mineral reserves on PTQ's Molejon (Petaquilla Law Zone 3) concession, but PTQ may carry out further exploration on this property with the objective of establishing additional economic mineral reserves. Exploration for minerals is a speculative business necessarily involving a high degree of risk. It is not known if the expenditures to be made by PTQ on its mineral properties will result in discoveries of commercial mineral reserves. If PTQ's efforts are not successful at individual properties, the expenditures at those properties will be written off. If PTQ's exploration programs are successful, additional funds may be required for the development of economic mineral reserves in order to achieve commercial production. In addition, the exploration and development of PTQ's properties may depend upon PTQ's ability to obtain financing through the joint venturing of projects, sale of property interests, debt financing, equity financing or other means. There is no assurance that PTQ will be successful in obtaining the required financing, equity financing or other means on commercially reasonable terms, or at all. The inability of PTQ to obtain necessary financing could have a material adverse effect on PTQ's ability to explore and develop its properties.

Government Permits

Further development of the Molejon gold deposit to completion of an economic feasibility study, construction of mill facilities and commencement and continuation of production at the Molejon gold deposit will require additional approvals, permits and certificates of authorization from different government agencies on an on-going basis. Obtaining the necessary governmental permits is a complex and time consuming process involving numerous jurisdictions and may involve public hearings and costly undertakings on the part of PTQ. The duration and success of permitting efforts are contingent upon many variables not within PTQ's control.

Environmental protection permitting, including the approval of reclamation plans, could increase costs and cause delays in the development of the Molejon gold deposit, depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and, if obtained, that the costs involved will not exceed those previously estimated by PTQ. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that PTQ would not proceed with the development or operation of a mine or mines.

Asset Retirement Obligation

Reclamation requirements may change and do vary depending on the location and the government regulatory body, but they are similar in that they aim to minimize long term effects of exploration and mining disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree of pre-disturbance land forms and vegetation. All of PTQ's operations are subject to reclamation liability based on current laws and regulations and the expected future costs to be incurred in reclaiming, restoring and closing its operating mine sites. It is possible that PTQ's estimate of its ultimate reclamation liability could change, from the amount recorded in the financial statements, in the near term due to possible changes in laws and regulations and changes in cost estimates.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for the design and maintenance of both internal control systems over financial reporting and disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Current disclosure controls include meetings with the CEO, chief financial officer and members of the board of directors and audit committee through emails, telephone conferences and informal meetings to review public disclosure. All public disclosures are reviewed by certain members of senior management and of the board of directors and audit committee. The board of directors has delegated the duties to the chief executive officer who is primarily responsible for financial and disclosure controls.

The design of the Company's internal control systems over financial reporting and the effectiveness of its disclosure controls and procedures were reviewed during the year ended April 30, 2007, and determined not to be effective. The audit committee has been provided information on the deficiencies.

The Company has assessed the effectiveness of its disclosure controls and procedures and the design of internal controls over financial reporting and during the process identified certain weaknesses in internal controls.

These weaknesses are as follows:

- a) Due to the limited number of staff it is not feasible to achieve complete segregation of incompatible duties; and
- b) Due to the size of the Company and the limited number of staff, the Company does not have the optimum complement of personnel with all of the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise.

Management and the board of directors continue to work to mitigate the risk of a material misstatement. Management has identified certain areas where it can improve process controls and intends on incorporating these changes into the control over the financial reporting over the next

twelve months. Steps have been taken to mitigate these issues as management has engaged certain specialists in a consulting role to assist on an as required basis.

CAUTIONARY NOTE TO USA READERS

As a British Columbia corporation, PTQ is subject to certain rules and regulations issued by the British Columbia Securities Commission (“BCSC”). PTQ is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, security of samples and mineral resources and mineral reserve estimates. Further, PTQ describes mineral resources associated with its properties utilizing terminology such as “inferred” or “indicated” which are terms recognized by Canadian regulators but not recognized by the United States Securities and Exchange Commission (“SEC”).

Cautionary Note to USA Investors Regarding Mineral Resources

The SEC allows mining companies, in their filings with the SEC, to disclose only those mineral deposits they can economically and legally extract or produce. PTQ may use certain terms in this document, such as “mineral resources”, “indicated mineral resources” and “inferred resources” that are recognized and mandated by Canadian securities regulators but not recognized by the SEC.

This report may use the term “inferred resources”. USA readers are cautioned that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. “Inferred resources” have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resources will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. USA Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.

ADDITIONAL INFORMATION

Additional information relating to PTQ, including News Releases, Financial Statements and prior period MD & A filings, PTQ’s Annual Information Form, is available on SEDAR at www.sedar.com.