

PETAQUILLA MINERALS LTD.

Management Discussion and Analysis

For the Three and Twelve Months
Ended January 31, 2007

PETAQUILLA MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Petaquilla Minerals Limited ("PTQ") reports the financial results for the twelve months ended January 31, 2007, which have been prepared on the basis of available information up to March 17, 2007. Management's Discussion and Analysis should be read in conjunction with the interim consolidated financial statements and related notes for the same period as well as the most recent annual financial statements of PTQ.

Management's discussion and analysis provides a review of the performance of PTQ's business and compares its performance for the three months ended January 31, 2007 with the same period of the prior year. In addition, comparative information is provided for the twelve month period ended January 31, 2007 and the comparative period of the prior year. This discussion also provides an indication of future developments along with issues and risks that can be expected to impact future operations. There is not a guarantee of future performance, since actual results could change based on factors and barriers beyond management control.

OVERALL PERFORMANCE

Business Overview

PTQ is a Canadian based copper and 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 the 100% owned Molejon deposit located within the Ley Petaquilla Concession. In addition, PTQ plans to continue to evaluate gold and copper 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 copper projects.

Fourth Quarter Accomplishments and Subsequent Events

Plan of Arrangement

- On June 6, 2006, the shareholders of PTQ voted in favor 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 will be that each shareholder of PTQ will receive one share of Petaquilla Copper Ltd., a newly formed company. Each shareholder will continue to hold one share of PTQ and one share of Petaquilla Copper Ltd. (“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 its wholly-owned subsidiary, Georecursos Internacional S.A., the holder of the 52% interest in the Ley Petaquilla concession lands. PTQ would retain 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 Republic of Panama in September 2005, Copper would then continue with the development of its interest in the copper based mineral deposits and PTQ would advance 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 will distribute \$5,500,000 to Copper as part of the Plan of Arrangement. PTQ will own 22,189,434 of the issued shares of Copper. This initial 20% equity stake may well be diluted upon future share capital financings that are anticipated to be necessary for the ongoing funding of the Copper deposit project.
- Copper is in the process of applying to list its shares on the Toronto Stock Exchange.

Molejon Gold Deposit Project

- Completed additional meters of trenching on the Botija Abajo deposit and on the Mestizo deposit.
- Completed additional meters of infill diamond drilling between Molejon Main Zone, the Molejon NW Zone, condemnation holes for the Molejon plant site and related areas, the Botija Abajo.
- Road access improvements including the ongoing design and commencement of bridge construction for river and stream crossing continues.
- Road upgrade contracts underway for portions of the government road from La Pintada to Coclesito.
- Initial survey and trail cutting is ongoing in preparation for commencement of extending the road 8 kms from the Molejon site to the Colina and Botija Abajo sites.
- 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 in 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 evaluation of the requirements for updating the environmental impact study, evaluation of the hydrological aspects of the Molejon project and geotechnical aspect of the open pit.
- Ongoing research of a metallurgical testing program, including crushing, grinding, cyanidation, liquid/soil separation and cyanide detoxification tests.
- Extension of survey, coverage and delineation of preliminary areas suitable for a tailings dam and plant site, subject to fatal flaw analysis (incl. condemnation drilling).

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 their secondary schooling.
- Medical center 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 medial centers.
- 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 given with installation and maintenance of the potable water system.
- Started the provision of at least one healthy meal for all kids 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

- In mid-May 2006, PTQ entered into a Joint Venture agreement with Eurogold Mining Inc. for the exploration and development of the San Juan concessions in Panama. Terms of that agreement require Eurogold to spend at least \$ 6,000,000 in exploration expenditures as well as additional consideration to earn a 60% interest. Eurogold may increase its interest to 70% by the expenditure of an additional \$ 3,000,000. PTQ is the Operator of the Joint Venture. In January 2007, this agreement was rescinded.
- In late May 2006, Gold Dragon Capital Management Ltd. (“Gold Dragon”), a company having a common director, exercised its options to the 68.88% Zone 1 Belencillo concession lands. Transfer of title from PTQ to Gold Dragon is an ongoing process. PTQ will not receive percentage of shares in Gold Dragon, the consideration to be paid as part of the Option terms, until such formal title transfer has been completed.

Gold Dragon is a private holding company for equities of most major Exchange Listed Securities. The percentage share of Gold Dragon is to be calculated based on the Net Asset Value of Gold Dragon plus the sum of \$ 1,152,400 CDN = Post Issue Evaluation. The Net Asset Value of Gold Dragon will be based on the Mark-to-Market valuation of the Gold Dragon holdings plus the exploration expenditures listed in the Option Agreement. The shares of Gold Dragon to be then be issued to PTQ will be calculated using the formula $\$ 1,152,400 / \text{Post Issue Valuation}$.

Private Placement

On October 17, 2006, the Company closed a non-brokered private placement for 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 PTQ warrants will be 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 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.

RESULTS OF OPERATIONS – FOR THE FOURTH QUARTER

PTQ'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 the second quarter of fiscal 2008.

Revenue

Interest and other income in the three months ended January 31, 2007 totaled \$129,766 compared to \$24,198 in the same period of the prior year.

Expenses

Expenses for the three months ended January 31, 2007 were \$3,669,712, 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, wages and benefits, consulting, travel, office and administration, shareholder information, Plan of Arrangement costs, investor relations, 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 January 31, 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 \$1,100,019 compared to a decrease of \$744,701 in the same period of the prior year, as a result of options vested during the period which were previously valued at grant date, and revalued during the period at Plan of Arrangement date.

During the three months ended January 31, 2007, PTQ recorded a foreign exchange gain of \$72,580 compared to a loss of \$23,625 in the same period of the prior year.

The net loss for the three months ended January 31, 2007 was \$3,467,366 or \$0.04 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.

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 \$377,251 from continuing operating activities in the three months ended January 31, 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 January 31, 2007, the exercise of stock options resulted in net proceeds of \$303,362. This compares to \$9,915,694 in the comparative period for the prior year. In addition, during the three months ended January 31, 2007 long term debt of \$890,841 was incurred to fund the acquisition of mining equipment assets. No long term debt was incurred in the comparative period for the prior year.

Investing Activities

Resource Property Development Agreements

Molejon Gold Deposit

The Company spent \$10,187,558 in resource property costs during the three months ended January 31, 2007 in addition to the \$2,389,769 spent during the year ended January 31, 2006 and \$13,726,843 spent during the nine months ended October 31, 2006. A base camp 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. In addition, further trenching is underway on the Botija Abajo and Mestizo sites that are adjacent to the Molejon gold deposit. 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 January 31, 2007, \$478,306 was spent on vehicles, computer, software and office equipment, compared to \$139,013 in the same period of the prior year.

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.

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.

Rio Belencillo Option

By an Agreement dated May 7, 2005 and amended on June 10, 2005, Gold Dragon Capital Management Ltd. (“Gold Dragon”), a company 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.

Initial exploration on the Rio Belencillo by Madison Minerals Ltd. included 3,756 meters of diamond drilling. The Rio Petaquilla is a 45 square kilometer exploration stage property located adjacent to Zone 1 of the Rio Belencillo.

San Juan Option

PTQ has entered into an agreement with Eurogold Mining Inc. (“Eurogold”), for the exploration and development of the San Juan Concessions in Panama. The San Juan Property is adjacent to PTQ’s Molejon gold project and the Petaquilla porphyry copper project in west central Panama. Under the agreement, Eurogold may earn a 60% interest in the San Juan Property by incurring exploration expenditures of at least US\$6,000,000, by paying Petaquilla US\$600,000 in cash and by causing to be issued to Petaquilla 3,000,000 shares of the public company (“Pubco”) to which Eurogold 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. PTQ will be the operator of the project. PTQ has received the initial cash option payment of \$111,120 (US\$100,000).

During the period ended January 31, 2007, the Company rescinded this agreement.

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. Field work is presently estimated at 74% complete with September 30, 2006 estimated for field work completion. Data gathering and interpretation will progress thereafter spanning October 2006 through February 2007.

Balance Sheet

As at January 31, 2007, PTQ had total assets of \$37,463,646 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 period. Working capital as at January 31, 2007 of \$920,203 decreased from working capital of \$8,689,060 at January 31, 2006 as a result of operating expenditures during the period.

PTQ received net proceeds of \$31,240,028 from the issuance of capital stock as the result of the exercise of options and warrants and the private placement, compared to \$11,826,329 in the same period of the previous year.

SUMMARY OF QUARTERLY RESULTS

	2007	2006	2006	2006
	Jan 31	Oct 31	July 31	April 30
	Q4	Q3	Q2	Q1
Net loss from continuing operations	\$ (3,467,366)	\$ (9,237,684)	\$ (2,987,297)	\$ (900,088)
Net loss	\$ (3,467,366)	\$ (9,237,684)	\$ (2,987,297)	\$ (900,088)
Loss per share from continuing operations – basic and diluted ⁽¹⁾	(0.04)	(0.12)	(0.04)	(0.01)
Loss per share – basic and diluted ⁽¹⁾	(0.04)	(0.12)	(0.04)	(0.01)
	2006	2005	2005	2005
	January 31	October 31	July 31	April 30
	Q4	Q3	Q2	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⁾	0.02	(0.03)	(0.03)	(0.02)
Loss per share – basic and diluted ⁽¹⁾	0.02	(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.

TWELVE MONTH RESULTS - SUMMARY

Expenses

Expenses, net of interest and other income, foreign exchange gains and losses, for the twelve months ended January 31, 2007 were \$16,950,375, a substantial increase from \$2,538,350 for same period in the prior year.

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

Included in expenses is stock-based compensation, a non-cash expense, of \$10,007,962 compared to \$410,301 in the same period of the prior year, as a result of options granted and vested during the period and options previously valued at grant date and revalued at approval date.

The net loss for the twelve months ended January 31, 2007 was \$0.21 per share compared to \$0.05 per share for the 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 \$4,129,243 in the twelve months ended January 31, 2007 compared to \$1,757,852 for the same period in the prior year. This increase in outflow was due to ongoing non-capitalized Molejon project development expenses.

Financing Activities

During the twelve months ended January 31, 2007, the exercise of stock options and warrants and the private placement financing resulted in net proceeds of \$31,240,028 compared to \$11,826,329 for the comparative period in the prior year. In addition, during the twelve months ended January 31, 2007 long term debt of \$1,340,483 was incurred to fund acquisition of mining equipment assets compared to \$Nil in the comparative period for the prior year.

Investing Activities

For the twelve months ended January 31, 2007, acquisition costs of property and equipment of \$1,737,388 was incurred compared to \$291,877 during the comparative period for the prior year. Investment in mineral properties was \$23,914,401 for the twelve months ended January 31, 2007 compared to \$2,197,611 for the comparative period for the prior year. Additional investments of \$793,358 in performance bond and restricted cash that form as part of collateral to long term debt instruments were made during the twelve months ended January 31, 2007 compared to \$Nil for the comparative period for the prior year.

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 January 31, 2007, PTQ had working capital of \$920,203 (January 31, 2006 - \$8,689,060). During January 2006 and October 2006, PTQ raised funds from a private placement but will have to raise additional funds 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 Ley Petaquilla concession. As at January 31, 2004, PTQ fulfilled this requirement by holding a Republic of Panama Sovereign Bond (the "Panama Bond") with a face value of US\$750,000, which PTQ had purchased earlier at a discount of US\$630,000, and an additional one-year term deposit of US\$31,175.

The discount on the Panama Bond was being amortized to income over the original term of the bond. The Panama Bond was also returning a portion of its principal to PTQ over the term of the loan. During the fiscal year ended January 31, 2005, the Panama Bond was redeemed early resulting in a gain of \$198,142.

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 \$919,776 as at January 31, 2007 after recognizing a foreign exchange loss of \$27,534 from the January 31, 2006 balance of \$892,242.

During the twelve months ended January 31, 2007, the Company pledged \$383,240 (US\$325,000) by way of a term deposit with the bank as a reserve to meet statutory employer payroll obligations that will arise through the next six months ended July 31, 2007.

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 the 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 to be paid for by the end of the second quarter of fiscal 2008:

- a) \$1,524,000 for a CIP plant;
- b) \$5,286,000 for gold recovery equipment;

- c) \$3,580,000 for generators;
- d) \$2,880,190 for other support items.

PTQ has a five-year lease for office premises. PTQ's contractual and other obligations as at January 31, 2007 are summarized as follows:

	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Office Lease	\$ 295,375	\$ 61,112	\$ 122,224	\$ 112,039	Nil

CAPITAL STOCK

Authorized Capital

At the June 6, 2006 Annual General Meeting of the 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.

January 31, 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 January 31, 2007, an aggregate of 89,367,031 common shares were issued and outstanding of which 44,200 were repurchased and held as treasury stock. As of the date of this report, 89,646,871 common shares were issued and outstanding with 44,200 common shares being held as treasury stock.

PTQ had the following Warrants outstanding as at January 31, 2007:

Number of Shares	Exercise Price	Expiry Date
9,798,000	\$ 3.00 ⁽¹⁾	October 17, 2011

- (1) Exercise price is the aggregate exercise price required to exercise one option of PTQ and one option of the Company with half of the proceeds to be allocated to the Company and half to PTQ. Both options must be exercised together until such time as the Company 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 finders' 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 will be 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 January 31, 2007:

Number of Shares Outstanding	Exercise Price	Expiry Date
44,200	\$ 0.50 ⁽¹⁾	September 21, 2007
87,064	0.50 ⁽¹⁾	April 21, 2010
440,700	0.50 ⁽¹⁾	July 11, 2010
19,440	0.50 ⁽¹⁾	September 13, 2010
231,000	0.62 ⁽¹⁾	October 5, 2010
115,800	1.00 ⁽¹⁾	December 31, 2010
1,447,940	1.05 ⁽¹⁾	February 1, 2011
120,000	1.73 ⁽¹⁾	April 27, 2011
5,989,543	2.01	January 15, 2012
8,495,687		

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

During the twelve months ended January 31, 2007, PTQ issued 4,737,893 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 279,840 shares for the exercise of stock options.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the twelve months ended January 31, 2007, PTQ had the following transactions with related parties:

- a.) The Company paid consulting fees of \$392,979 (January 31, 2006 - \$114,559) to companies controlled by a director, a former director and an officer.
- b.) The Company paid wages and benefits of \$919,039 (January 31, 2006 - \$230,525) to directors and officers.
- c.) The Company received \$7,573 (January 31, 2006 - \$Nil) and paid \$Nil (January 31, 2006 - \$9,446) for rent charges from a company with a former common director.
- d.) The Company paid legal fees of \$230,061 (January 31, 2006 - \$Nil) and share issue costs of \$219,698 (January 31, 2006 - \$Nil) to a law firm controlled by an officer.

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

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 there from, 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 flexible 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 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.

CHANGES IN ACCOUNTING POLICY

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

FINANCIAL INSTRUMENTS

PTQ's financial instruments consist of cash and cash equivalents, marketable securities, receivables, prepaid expenses, performance bond, accounts payable and other accrued liabilities. 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.

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. This 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.

Gold Price Volatility

PTQ's development plans are highly sensitive to changes in the price of copper and 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 Ley Petaquilla 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.

Reclamation Obligations

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 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 in the near term due to possible changes in laws and regulations and changes in cost estimates.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of October 31, 2006. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that PTQ's 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 period specified in those rules.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal control and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. PTQ's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee will meet with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

FORWARD-LOOKING STATEMENTS

Certain information regarding PTQ as set forth in the MD&A, including management's assessment of PTQ's future plans and operations, contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuation, imprecision of reserve estimates, environmental risks, taxation policies, competition from other producers, the lack of qualified personnel or management, stock market volatility and the ability to access sufficient capital from external or internal sources. The actual results, performance or achievement could materially differ from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them does, what benefits PTQ will derive there from.

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.