

PETAQUILLA MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(An Exploration Stage Company)

Nine Months Ended

October 31, 2006 and 2005

(Unaudited – Prepared by Management)

PETAQUILLA MINERALS LTD.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Michael Levy"
President

"Tony M. Ricci"
Chief Financial Officer

December 13, 2006

PETAQUILLA MINERALS LTD.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)

	October 31, 2006 (Unaudited)	January 31, 2006 (Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 18,759,110	\$ 9,171,318
Receivables	50,094	32,188
Prepaid expenses	<u>269,445</u>	<u>36,650</u>
Total current assets	19,078,649	9,240,156
Property and equipment (Note 4)	1,386,715	285,005
Mineral properties (Note 5)	17,057,273	2,389,769
Advances to Petaquilla Copper Ltd. (Note 6)	663,399	-
Restricted cash (Note 7)	<u>1,663,528</u>	<u>892,242</u>
	<u>\$ 39,849,564</u>	<u>\$ 12,807,172</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,806,025	\$ 551,096
Current portion of long term debt (Note 8)	<u>243,314</u>	<u>-</u>
Total current liabilities	2,049,339	551,096
Amount payable to Petaquilla Copper Ltd. (Note 6)	5,500,000	-
Long term debt (Note 8)	<u>449,642</u>	<u>-</u>
	<u>7,998,981</u>	<u>551,096</u>
Shareholders' equity		
Capital stock (Note 9)		
Authorized		
Unlimited common shares and preferred shares without par value (Note 9)		
Issued and outstanding		
88,864,031 (January 31, 2006 – 70,246,303) common shares	97,780,051	62,977,209
Contributed surplus (Note 9)	4,421,214	1,004,480
Deficit	<u>(70,183,701)</u>	<u>(51,558,632)</u>
	32,017,564	12,423,057
Treasury stock, at cost (Note 12)		
Repurchased, not cancelled		
44,200 (January 31, 2006 – 44,200) common shares	<u>(166,981)</u>	<u>(166,981)</u>
	<u>31,850,583</u>	<u>12,256,076</u>
	<u>\$ 39,849,564</u>	<u>\$ 12,807,172</u>
Nature of operations and going concern (Note 1)		
Commitments (Note 14)		
Subsequent events (Notes 9(b), 10, 17)		
On behalf of the Board:		
<u>“Michael Levy”</u>	Director	<u>“Richard Fifer”</u> Director

The accompanying notes are an integral part of these consolidated financial statements.

PETAQUILLA MINERALS LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in Canadian Dollars)
PERIODS ENDED OCTOBER 31

	Three months ended October 31, 2006	Three months ended October 31, 2005	Nine months ended October 31, 2006	Nine months ended October 31, 2005
EXPENSES				
Accounting and legal	\$ 74,898	\$ 16,153	\$ 341,004	\$ 157,351
Consulting fees	41,129	160,872	335,822	220,541
Depreciation	121,675	12,753	220,786	27,026
Filing fees	12,996	1,944	49,036	10,137
Investor relations and shareholder information	131,380	77,494	608,728	214,067
Office administration	215,423	49,215	558,441	155,897
Rent	13,971	20,819	40,130	65,502
Resource property costs	(10,608)	-	-	11,105
Stock-based compensation (Notes 9 & 10)	7,587,896	208,054	8,907,943	410,299
Travel	538,471	114,936	992,437	209,167
Wages and benefits	<u>479,837</u>	<u>154,325</u>	<u>1,226,336</u>	<u>274,502</u>
Total expenses	<u>(9,207,068)</u>	<u>(816,565)</u>	<u>(13,280,663)</u>	<u>(1,755,594)</u>
OTHER INCOME (EXPENSE)				
Foreign exchange gain (loss)	(74,839)	(38,888)	(31,862)	(54,022)
Gain on sale of marketable securities	-	-	21,191	-
Interest income	<u>44,223</u>	<u>8,719</u>	<u>166,265</u>	<u>24,041</u>
	<u>(30,616)</u>	<u>(30,169)</u>	<u>155,594</u>	<u>(29,981)</u>
Loss for the period	(9,237,684)	(846,734)	(13,125,069)	(1,785,575)
Deficit, beginning of period	(55,446,017)	(46,656,268)	(51,558,632)	(44,143,412)
Amount distributed to Petaquilla Copper Ltd. (Note 6)	(5,500,000)	-	(5,500,000)	-
Loss on sale of treasury stock (Note 12)	<u>-</u>	<u>(3,273,447)</u>	<u>-</u>	<u>(4,847,462)</u>
Deficit, end of period	<u>\$ (70,183,701)</u>	<u>\$ (50,776,449)</u>	<u>\$ (70,183,701)</u>	<u>(50,776,449)</u>
Basic and diluted loss per share	\$ (0.12)	\$ (0.01)	\$ (0.18)	\$ (0.03)
Weighted average number of shares outstanding	<u>80,250,338</u>	<u>56,208,918</u>	<u>73,824,630</u>	<u>52,503,089</u>

The accompanying notes are an integral part of these consolidated financial statements.

PETAQUILLA MINERALS LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
PERIODS ENDED OCTOBER 31

	Three months ended October 31, 2006	Three months ended October 31, 2005	Nine months ended October 31, 2006	Nine months ended October 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (9,237,684)	\$ (846,734)	\$ (13,125,069)	\$ (1,785,575)
Items not affecting cash:				
Depreciation	121,675	12,753	220,786	27,026
Stock-based compensation	7,587,896	208,054	8,907,943	410,299
Gain on sale of marketable securities	-	-	(21,191)	-
Foreign exchange loss (gain) on restricted cash	11,932	41,333	22,072	45,844
Changes in non-cash working capital items:				
(Increase) decrease in receivables	1,879	(23,532)	(17,906)	2,457
(Increase) decrease in prepaid expenses	(39,549)	(786)	(232,795)	(34,205)
(Decrease) increase in accounts payable and accrued liabilities	94,096	30,077	494,168	29,506
Net cash used in operating activities	<u>(1,459,755)</u>	<u>(578,835)</u>	<u>(3,751,992)</u>	<u>(1,304,648)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issuance of capital stock	28,613,682	1,280,798	30,936,666	1,910,635
Share issuance costs	(1,625,033)	-	(1,625,033)	-
Net proceeds from sale of treasury stock	-	953,961	-	1,273,946
Proceeds from long term debt	<u>130,826</u>	<u>-</u>	<u>449,642</u>	<u>-</u>
Net cash provided by financing activities	<u>27,119,475</u>	<u>2,234,759</u>	<u>29,761,275</u>	<u>3,184,581</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	96,974	(52,421)	(1,259,082)	(152,864)
Investment in mineral properties	(8,551,955)	(486,029)	(13,726,843)	(1,384,951)
Advances to Petaquilla Copper Ltd.	(663,399)	-	(663,399)	-
Purchase of performance bond and restricted cash	-	-	(793,358)	-
Proceeds from sale of marketable securities	<u>-</u>	<u>-</u>	<u>21,191</u>	<u>-</u>
Net cash used in investing activities	<u>(9,118,380)</u>	<u>(538,450)</u>	<u>(16,421,491)</u>	<u>(1,537,815)</u>
Change in cash and cash equivalents	16,541,340	1,117,474	9,587,792	342,118
Cash and cash equivalents, beginning of period	<u>2,217,770</u>	<u>116,192</u>	<u>9,171,318</u>	<u>891,548</u>
Cash and cash equivalents, end of period	\$ 18,759,110	\$ 1,233,666	\$ 18,759,110	\$ 1,233,666

Supplemental disclosure with respect to cash flows (Note 16)

The accompanying notes are an integral part of these consolidated financial statements.

PETAQUILLA MINERALS LTD.

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

OCTOBER 31, 2006

(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS

The Company was incorporated in the Province of British Columbia and is in the business of the acquisition and exploration of resource properties and has not yet determined whether its properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

At October 31, 2006, the Company has working capital of \$17,029,310 (January 31, 2006 - \$8,689,060). During the period ended October 31, 2006, the Company raised funds from a private placement for further exploration and subsequent development of its mineral properties. Management is 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.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are as follows:

Basis of consolidation

These interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Petaquilla Minerals, S.A. (a Panama corporation), Adrian Resources (BVI) Ltd. (a British Virgin Island corporation), Petaquilla Gold, S.A. (a Panama corporation).

All significant inter-company transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. To limit its credit risk exposure in excess of federally insured amounts, the Company places its deposits with financial institutions with high credit standing.

PETAQUILLA MINERALS LTD.

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

OCTOBER 31, 2006

(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Marketable securities

Marketable securities are carried at the lower of cost and quoted market value on an individual investment basis.

Property and equipment

Equipment is recorded at cost less accumulated depreciation, which is provided on the following capital assets on the declining balance basis at rates as follows:

Furniture and fixtures	20%
Office equipment	20%
Computer equipment	30%
Equipment	30%
Vehicles	30%
Computer software	50%
Leasehold improvements	5 year straight line

Resource properties

Acquisition costs of resource properties, together with direct exploration and development expenditures incurred thereon, are deferred until the property to which they relate is placed into production, sold or abandoned. The carrying values of resource properties are, where necessary, written down to the estimated recoverable amount based on undiscounted estimated future net cash flows. Costs relating to properties abandoned are written off when the decision to abandon is made.

The Company follows the cost reduction method of accounting for the receipt of property option and similar payments. Cash and other property payments received from the Company's exploration partners are credited to the respective property until capitalized costs are recovered; thereafter, such payments are included in income. Option payments are exercisable at the discretion of the optionee and are only recognized when received. Management fees earned for the management of properties are included in income.

On an annual basis, the Company reviews the carrying values of deferred resource property acquisition and exploration expenditures with a view to assessing whether there has been impairment in value. In the event that management determines potential reserves to be insufficient to recover the carrying value of any property, the carrying value will be written down or written off, as appropriate.

PETAQUILLA MINERALS LTD.

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

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(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Asset retirement obligations**

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. To date, the Company has not incurred any asset retirement obligations.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Foreign currency translation

Integrated foreign operations are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the period-end exchange rate, non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates, and revenue and expenses are translated at rates approximating those in effect at the time of the transactions. Translation gains and losses are reflected in loss for the period.

Foreign currency-denominated monetary accounts of the Company are translated at the period-end exchange rate. Exchange gains and losses on translation are recognized as a gain or loss in the period they arise.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

PETAQUILLA MINERALS LTD.

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

OCTOBER 31, 2006

(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Income taxes

Future income taxes are recorded using the asset and liability method under which future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

3. MARKETABLE SECURITIES

The Company holds shares of certain publicly traded companies with a book value of \$Nil (January 31, 2006 - \$Nil) and a market value of \$Nil (January 31, 2006 - \$15,375). During the period ended October 31, 2006, all of the Company's holdings of marketable securities were sold for net proceeds of \$21,191 and a gain of \$21,191.

PETAQUILLA MINERALS LTD.

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

OCTOBER 31, 2006

(Unaudited – Prepared by Management)

4. PROPERTY AND EQUIPMENT

	October 31, 2006			January 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	\$ 310,387	\$ 64,753	\$ 245,634	\$ 127,650	\$ 22,329	\$ 105,321
Computer software	459,349	91,893	367,456	20,418	3,754	16,664
Equipment	280,127	48,759	231,368	74,173	15,045	59,128
Furniture and fixtures	29,045	7,578	21,467	23,375	4,330	19,045
Leasehold improvements	8,951	8,951	-	8,951	2,920	6,031
Office equipment	29,698	6,236	23,462	14,778	3,421	11,357
Vehicles	341,095	56,760	284,335	79,803	12,344	67,459
Land	<u>212,993</u>	<u>-</u>	<u>212,993</u>	<u>79,803</u>	<u>12,344</u>	<u>67,459</u>
	\$ 1,671,645	\$ 284,930	\$ 1,386,715	\$ 349,148	\$ 64,143	\$ 285,005

5. MINERAL PROPERTIES

The Company has capitalized \$17,057,273 in mineral property costs as at October 31, 2006:

	October 31, 2006	January 31, 2006
Molejon property	\$ 17,167,200	\$ 2,389,769
Rio Belencillo concession	1,192	-
San Juan concession	(111,120)	-
	<u>\$ 17,057,273</u>	<u>\$ 2,389,769</u>

Molejon Property – Panama

In June 2005, the shareholders of Minera Petaquilla agreed to separate the gold deposit and other precious metal mineral deposits that might be developed within the Ley Petaquilla mineral concession from the copper mineral deposits within the Ley Petaquilla mineral concession. The agreement provides for the Company, through Petaquilla Gold, S.A., to own a 100% interest in the Molejon gold deposit, as well as all other gold and precious metal mineral deposits that might be developed within the Ley Petaquilla mineral concession, subject to a graduated 1% - 5% Net Smelter Return, based on the future gold price at the time of production, payable to Teck and Minova as to 35.135% and 64.865% respectively.

Approval of the phased Mine Development Plan was obtained in September 2005. Transfer of title to the Company of the Molejon gold mineral deposit, as well as the other rights as described above is underway.

PETAQUILLA MINERALS LTD.

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

OCTOBER 31, 2006

(Unaudited – Prepared by Management)

5. MINERAL PROPERTIES (cont'd...)

Molejon Property – Panama (cont'd...)

As of October 31, 2006, the Company has incurred the following costs related to the Molejon gold deposit. These costs have been capitalized on the Company's consolidated balance sheet as mineral property costs:

	October 31, 2006	January 31, 2006
Camp, plant costs and equipment	\$ 4,581,788	\$ 197,300
Drilling	3,859,147	106,842
Roads and bridges	2,683,223	293,407
Trenching	2,585,695	811,037
Assaying	996,893	167,434
Engineering and geology	880,321	275,372
Purchases, logistics and site administration	830,146	352,250
Community service plan	303,335	45,205
Permits and licences	234,583	81,097
Data management	212,069	59,825
	\$ 17,167,200	\$ 2,389,769

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 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.

PETAQUILLA MINERALS LTD.

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(Expressed in Canadian Dollars)

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(Unaudited – Prepared by Management)

5. MINERAL PROPERTIES (cont'd...)***Rio Belencillo Concession - Panama (cont'd...)***

During the period ended October 31, 2006, the Company received \$32,843 (US \$29,078) from Madison Minerals Ltd., a joint venture partner, for exploration costs related to the Rio Belencillo concession. Exploration costs incurred during the period ended October 31, 2006 have been capitalized on the Company's consolidated balance sheet as mineral property costs:

	October 31, 2006	January 31, 2006
Trenching	\$ 21,836	\$ -
Engineering and geology	5,723	-
Roads and bridges	4,106	-
Camp costs	2,370	-
Payment received from Madison	(32,843)	-
	\$ 1,192	\$ -

San Juan Concessions - Panama

During the period ended October 31, 2006, the Company entered into an agreement with Eurogold Mining Inc. ("Eurogold"), for the exploration and development of the San Juan Concessions. The San Juan Property is adjacent to the Company'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. The Company will be the operator of the project. The Company has received the initial cash option payment of \$111,120 (US\$100,000).

6. PLAN OF ARRANGEMENT AND ADVANCES TO PETAQUILLA COPPER LTD.

During the period ended October 31, 2006, the shareholders of the Company voted in favor of the May 10, 2006 proposed Plan of Arrangement. During the same period, the 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 the Company will receive one share of Petaquilla Copper Ltd. ("Copper"), a private company. Each shareholder will continue to hold one share of the Company and one share of Copper, for each one share of the Company held on the Effective date of the Plan of Arrangement.

PETAQUILLA MINERALS LTD.

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(Expressed in Canadian Dollars)

OCTOBER 31, 2006

(Unaudited – Prepared by Management)

6. PLAN OF ARRANGEMENT AND ADVANCES TO PETAQUILLA COPPER LTD. (cont'd...)

The Effective Date of the Plan of Arrangement is October 18, 2006 whereby each holder of the common shares of the Company on October 17, 2006 is entitled to receive one common share of Copper for each common share of the Company held.

According to the terms of the Plan of Arrangement, the Company transferred title to Copper its wholly-owned subsidiary, Georecursos Internacional S.A., the holder of the 52% interest in the Ley Petaquilla concession lands. The Company 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.

The Company distributed \$5,500,000 to Copper as part of the Plan of Arrangement. The Company will own 20% 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. The amount distributed of \$5,500,000 has been charged to deficit in the current period.

During the nine months ended October 31, 2006, the Company paid for mineral property costs and general administrative expenses related to Copper in the amount of \$663,399.

Copper is in the process of applying to list its shares on the Toronto Stock Exchange.

PETAQUILLA MINERALS LTD.

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OCTOBER 31, 2006

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7. RESTRICTED CASH

The Company is required to post a performance bond of US\$780,000 to maintain its interest in the Petaquilla property. As at January 31, 2004, the Company fulfilled this requirement by holding a Republic of Panama Sovereign Bond (the "Panama Bond") with a face value of US\$750,000, which the Company 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 the Company 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. The Company 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 \$875,706 as at October 31, 2006 after recognizing a foreign exchange loss of \$16,536 from the January 31, 2006 balance of \$892,242.

During the period ended October 31, 2006, the Company pledged \$367,509 (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 April 30, 2007.

During the period ended October 31, 2006, the Company arranged a bank loan for \$428,403 (US\$382,400) to acquire road and mine site equipment. The bank loan is repayable in 36 equal monthly instalments of \$13,155 (US\$11,742) commencing in May 2006 and bears interest at an annual rate of 5.625%. Collateral for this equipment loan is in the form of a pledge of \$278,043 (US\$250,000) renewable term deposit and a fixed first charge on the purchased equipment.

During the period ended October 31, 2006, the Company pledged \$112,270 (US\$100,000) by way of term deposit with the bank as a performance bond with the Ministry of Commerce (Panama) for possible environmental impacts.

During the period ended October 31, 2006, the Company deposited \$30,000 with HSBC Bank to be used as collateral for the credit card used by the Company to pay ongoing travel and related costs.

	October 31, 2006	January 31, 2006
Performance bond	\$ 875,706	\$ 892,242
Payroll reserve	367,509	-
Equipment loan collateral	278,043	-
Environmental impact bond	112,270	-
Credit card collateral	30,000	-
	\$ 1,663,528	\$ 892,242

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(Unaudited – Prepared by Management)

8. LONG TERM DEBT

During the period ended October 31, 2006, the Company arranged a bank loan of \$428,403 (US\$382,400) to acquire road and mine site equipment. The loan is repayable in 36 equal monthly instalments of \$13,155 (US\$11,742) commencing in May 2006 and bears interest at an annual rate of 5.625%. Collateral for this loan is comprised of a pledge of a \$278,043 (US\$250,000) renewable term deposit and a fixed first charge on the purchased equipment. As at October 31, 2006, the current portion of the long term debt is \$138,255 and the long term portion is \$225,751.

During the period ended October 31, 2006, the Company arranged a bank loan of \$89,126 (US\$78,810) to acquire vehicles to be used for the mine site. The loan is repayable in 36 equal monthly instalments of \$2,834 (US\$2,506) commencing in May 2006 and bears interest at an annual rate of 5.75%. Collateral for this loan is comprised of a fixed first charge on the purchased equipment. As at October 31, 2006, the current portion of the long term debt is \$27,653 and the long term portion is \$48,191.

During the period ended October 31, 2006, the Company arranged a bank loan of \$259,029 (US \$230,720) to acquire additional road and mine sit equipment. The loan is repayable in 36 monthly instalments of \$8,359 (US \$7,445) commencing in October 2006 and bears interest at an annual rate of 10%. Collateral for this loan is comprised of a first charge on the purchased equipment. As at October 31, 2006, the current portion of the long term debt is \$77,406 and the long term portion is \$175,568.

	October 31, 2006	January 31, 2006
Long term debt		
Equipment loan #1	\$ 364,006	\$ -
Vehicle loan	75,976	-
Equipment loan #2	<u>252,974</u>	-
	692,956	-
Less: current portion	<u>(243,314)</u>	-
	<u>\$ 449,642</u>	<u>\$ -</u>

9. CAPITAL STOCK AND CONTRIBUTED SURPLUS

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.

	October 31, 2006	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

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

	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	4,234,893	7,888,472	(5,491,209)
Exercise of warrants	4,982,835	5,979,403	-
Stock-based compensation	-	-	8,907,943
Share issuance costs	-	(668,233)	-
Balance as at October 31, 2006	88,864,031	\$ 97,780,251	\$ 4,421,214

- a) In January 2006, the Company completed a non-brokered private placement and issued 9,965,670 units at a price of \$0.95 per unit, for gross proceeds of \$9,467,387. Each unit consists of one common share and one-half of one non-transferable share purchase warrant aggregating 4,982,835 warrants. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$1.20 per share if exercised in the first year following the closing, and at a price of \$1.44 per share if exercised in the second year following the closing. The warrant will terminate within 20 days unless exercised in the event the Company's closing stock price meets or exceeds \$2.00 for 10 consecutive trading days and the Company issues a press release of such an event. The Company paid finders' fees of \$534,053 for net proceeds of \$8,933,334.
- b) In October 2006, the Company completed a non-brokered private placement and issued 9,400,000 units at a price of \$2.40 per unit, for gross proceeds of \$22,560,000. Each unit consists of one common share and one share purchase warrant (see Note 11). The Company agreed to issue 398,000 share purchase warrants as finders' fees in connection with part of the private placement (see Note 11). The fair value of the finders' warrants is \$426,304 which was approved and recorded subsequent to the period. In addition, the company paid finders' fees of \$956,800 for net cash proceeds of \$21,603,200.

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9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

- c) The Company has adopted a new shareholder rights plan, subject to regulatory and shareholder approval. Under the new Plan, the Company will issue one Right for no consideration for each outstanding common share of the Company to all holders of record of common shares as at 5:00 p.m., Pacific time, March 7, 2006. Thereafter, each common share issued by the Company during the term of the Plan will have one Right attached to it. The term of the Plan is five years unless the rights are earlier redeemed or exchanged. The Plan will be subject to review after the third year of its term.

The Rights are attached to the common shares and cannot be exercised until eight trading days after a triggering event has taken place. A triggering event is one of the following: (i) an Acquiring Person, as defined in the Plan, acquires 20% or more of the common shares of the Company; or (ii) an Acquiring Person announces his intention to make a take-over bid that would result in the person owning 20% or more of the outstanding common shares of the Company. Upon such a triggering event occurring, each Right would separate from the common share and thereafter entitle the holder to purchase common shares at 50% discount to the market price, up to the amount of the \$30 exercise price of the Right.

The Rights will not be separated from the shares if the Acquiring Person makes a Permitted Bid, defined in the Plan to mean a bid made pursuant to a take-over bid circular to all shareholders of the Company, which has a minimum deposit period of at least 60 days and pursuant to which not less than 50% of the common shares, other than those held by the Acquiring Person, are deposited and not withdrawn.

10. STOCK OPTIONS

Subsequent to period end, the Company received approval for its stock option plan which authorizes the board of directors to grant incentive stock options to directors, officers and employees whereby the maximum number of shares reserved for issuance under the Company's plan is 10,000,000 common shares of which 3,797,693 have been exercised, leaving 6,202,307 common shares available under the Plan of which 3,009,144 incentive stock options are outstanding as at October 31, 2006.

Prior to the Plan of Arrangement taking effect, and in order to create unallocated options to be granted in the future to new employees, officers and directors, the existing optionees were asked to voluntarily reduce the number of shares under option to each of them to 60% of the number of shares held under the option on the day before the Effective Date of the Plan of Arrangement. All of the optionees agreed to this arrangement except for an option holder holding 675,000 options who elected to retain the number of options held under the existing grants. Each revised option outstanding would enable the option holder to receive one share of the Company and one share of Copper upon exercising. For example, when an optionee prior to the Effective Date held an option to purchase 100,000 shares of the Company, that optionee after the Effective Date would hold an option to purchase 60,000 shares of the Company and 60,000 shares of Copper. Both options must be exercised together. Consequently, the number of options outstanding at October 31, 2006 was reduced to 3,009,144.

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10. STOCK OPTIONS (cont'd...)

The aggregate number of common shares reserved for issuance to any person may not exceed 5% of the number of outstanding common shares. The exercise price of the options will be determined by the fair market value of the shares at the closing price on the date prior to date of the grant. Options granted must be exercised no later than 10 years after the date of grant or such lesser period as may be determined by the Board. The Board may at its discretion in any granting of an option set a vesting period whereby the option may only be exercisable in pre-determined instalments. Stock option transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at January 31, 2004	3,089,297	\$ 0.18
Granted	2,770,000	0.43
Exercised	(2,185,497)	0.17
Expired	-	-
Forfeited	<u>(1,300,000)</u>	0.41
Balance at January 31, 2005	2,373,800	0.36
Granted	5,573,000	0.53
Exercised	(1,465,600)	0.32
Expired	-	-
Forfeited	<u>(450,000)</u>	0.42
Balance at January 31, 2006	6,031,200	0.53
Granted	3,730,000	1.66
Exercised	(4,234,893)	0.53
Expired	(400,000)	1.24
Forfeited	(493,400)	0.98
Voluntary reduction	<u>(1,623,763)</u>	0.91
Balance at October 31, 2006	3,009,144	0.88
Number of stock options exercisable	1,775,296	\$ 0.77

The weighted average fair value of stock options granted and vested during the nine months ended October 31, 2006 was \$1.50 (October 31, 2005 - \$0.25) per option.

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10. STOCK OPTIONS (cont'd...)

As at October 31, 2006, the following stock options were outstanding as follows:

Number of Shares Outstanding	Exercise Price	Expiry Date
49,200	\$ 0.50	September 21, 2007
87,064	0.50	April 21, 2010
840,700	0.50	July 11, 2010
19,440	0.50	September 13, 2010
231,000	0.62	October 5, 2010
115,800	1.00	December 31, 2010
1,545,940	1.05	February 1, 2011
120,000	1.73	April 27, 2011
3,009,144		

Total stock options granted during the nine months ended October 31, 2006 are 3,730,000 of which 893,400 were forfeited during the period. Stock options granted that are not vested have been excluded from the calculation of stock-based compensation. Total brokers' share purchase warrants granted and subject to shareholder approval during the nine months ended October 31, 2006 are 398,000. Total stock-based compensation recognized for the fair value of stock options granted, vested and approved by the shareholders during the nine month period ended October 31, 2006 was \$8,907,943 (October 31, 2005 - \$1,155,002).

The fair value of stock options and share purchase warrants granted is estimated using the Black-Scholes option pricing model with the following assumptions:

	Nine Months Ended October 31, 2006	Nine Months Ended October 31, 2005
Risk-free interest	4.03 – 4.30 %	3.34 - 4.20 %
Expected dividend yield	-	-
Expected stock price volatility	45% - 87%	46% - 65%
Expected option/warrant life in years	5 years	5 years

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11. SHARE PURCHASE WARRANTS

Share purchase warrant transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at January 31, 2004	7,799,994	\$ 0.25
Issued	-	-
Exercised	249,498)	0.25
Expired	-	-
Balance at January 31, 2005	7,550,496	0.25
Issued	4,982,835	1.20/1.44
Exercised	(7,550,496)	0.25
Expired	-	-
Balance at January 31, 2006	4,982,835	1.20/1.44
Issued	9,798,000	3.00
Exercised	(4,982,835)	1.20
Expired	-	-
Balance at October 31, 2006	9,798,000	\$ 3.00

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 an 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:

- 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
- 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

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11. SHARE PURCHASE WARRANTS (cont'd...)

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.

As at October 31, 2006, the following share purchase warrants were outstanding and exercisable as follows:

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

12. TREASURY STOCK

During the period ended October 31, 2005, the Company sold 1,616,000 of its shares held in treasury at an average price of \$0.79 per share for net proceeds of \$1,273,946. These shares were previously issued and reacquired at a cost of \$3.79 per share by the Company some years ago pursuant to an issuer bid. The loss of \$4,847,462 resulting from the sale of these shares and related broker fees has been charged to deficit during the period ended October 31, 2005. As at October 31, 2006, 44,200 common shares were held in treasury.

13. RELATED PARTY TRANSACTIONS

During the period ended October 31, 2006:

- The Company paid consulting fees of \$142,979 (October 31, 2005 - \$82,509) to companies controlled by a director, a former director and an officer.
- The Company paid wages and benefits of \$689,759 (October 31, 2005 - \$125,975) for consulting services to directors and officers.
- The Company received \$7,573 (October 31, 2005 - \$3,766) for rent charges from a company with a common director.
- The Company paid legal fees and share issue costs of \$360,802 (October 31, 2005 - \$Nil) to a law firm controlled by an officer.

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13. RELATED PARTY TRANSACTIONS (cont'd...)

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

14. COMMITMENTS

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) \$1,684,050 for a CIP plant;
- b) \$2,245,400 for gold recovery equipment;
- c) \$3,200,000 for generators;
- d) \$1,571,780 for other support items.

During the period ended October 31, 2006, the Company entered into a five-year lease for office premises at an estimated annual cost of \$61,112 commencing September 1, 2006. Cancellation of two previous lease obligations was obtained effective May 15, 2006.

In April 2006, the Company entered into an agreement for completion of a Light Detection and Ranging survey of 1.621 square kilometres of Panama, including all of the Company's concession lands with initial filed work scheduled for completion by September 30, 2006. Cost of this survey is estimated at \$919,000 of which \$184,000 has been paid. The balance of \$735,000 is payable over the data gathering and interpretation phases, spanning October 2006 to February 2007.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, performance bond, accounts payable and other accrued liabilities. Unless otherwise noted, it is management's opinion that the Company 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.

The Company is subject to financial risk arising from fluctuations in foreign currency exchange rates. The Company does not use any derivative instruments or hedging activities to reduce its exposure to fluctuations in foreign currency exchange rates.

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16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine months ended October 31, 2006	Nine months ended October 31, 2005
Investment in mineral properties - cash	\$ 16,116,612	\$ 1,384,951
Investment in mineral properties – non-cash	940,661	-
	<u>\$ 17,057,273</u>	<u>\$ 1,384,951</u>
Acquisition of property and equipment - cash	\$ 1,323,301	\$ -
Acquisition of property and equipment – non-cash	63,414	-
	<u>\$ 1,386,715</u>	<u>\$ -</u>

	October 31, 2006	January 31, 2006
Cash and cash equivalents consist of:		
Cash	\$ 3,802,206	\$ 1,420,258
Term deposits	14,956,904	7,751,060
	<u>\$ 18,759,110</u>	<u>\$ 9,171,318</u>

17. SUBSEQUENT EVENTS

Subsequent to October 31, 2006:

- a) The Company issued 355,000 shares on the exercise of stock options for proceeds of \$177,500.