

**PETAQUILLA MINERALS LTD.**  
**(An Exploration Stage Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Quarter Ended July 31, 2007**

**(Unaudited – Prepared by Management)**

**PETAQUILLA MINERALS LTD.**  
(An Exploration Stage Company)

(the “Company”)

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**Three months ended July 31, 2007**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of Company’s management.

The Company’s independent auditor has not performed a review of there 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.

October 4, 2007

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

	July 31, 2007 (Unaudited)	April 30, 2007 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,693,927	\$ 665,290
Receivables	149,555	100,410
Prepaid expenses	<u>1,053,208</u>	<u>452,718</u>
Total current assets	3,896,690	1,218,418
<b>Investment in Petaquilla Copper Ltd.</b> (Note 4)	907,565	1,807,000
<b>Amount receivable from Petaquilla Copper Ltd.</b> (Note 14)	-	4,582,937
<b>Prepaid deposits</b>	649,292	-
<b>Property and equipment</b> (Note 6)	10,883,460	5,343,147
<b>Mineral properties</b> (Note 3)	36,598,961	31,236,455
<b>Restricted cash</b> (Note 5)	<u>1,127,671</u>	<u>1,188,026</u>
<b>Total assets</b>	<u>\$ 54,063,639</u>	<u>\$ 45,375,983</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 4,421,357	\$ 4,951,297
Current portion of long term debt (Note 6)	330,096	487,882
Current portion of obligations under capital leases (Note 7)	<u>2,084,391</u>	<u>-</u>
Total current liabilities	6,835,844	5,439,179
<b>Amount payable to Petaquilla Copper Ltd.</b> (Note 14)	3,727,246	-
<b>Asset retirement obligations</b> (Note 16)	4,484,250	4,400,000
<b>Long term debt</b> (Note 6)	674,348	699,185
<b>Obligations under capital leases</b> (Note 7)	<u>4,612,868</u>	<u>-</u>
<b>Total liabilities</b>	<u>20,334,556</u>	<u>10,538,364</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)		
Authorized		
Unlimited common shares and preferred shares without par value (Note 8)		
Issued and outstanding		
91,413,163 (April 30, 2007 – 89,876,951) common shares	104,941,050	101,482,015
Shares subscribed	-	150,000
Contributed surplus (Note 8)	14,400,224	12,893,667
Deficit	<u>(85,445,210)</u>	<u>(79,521,082)</u>
Treasury stock, at cost (Note 11)	33,896,064	35,004,600
Repurchased, not cancelled		
44,200 (April 30, 2007 – 44,200) common shares	<u>(166,981)</u>	<u>(166,981)</u>
<b>Total shareholders' equity</b>	<u>33,729,083</u>	<u>34,837,619</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 54,063,639</u>	<u>\$ 45,375,983</u>

**Commitments and contingencies** (Note 3 and 14)

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

**PETAQUILLA MINERALS LTD.**

(An Exploration Stage Company)

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Three Months Ended July 31, 2007	Three Months Ended July 31, 2006
<b>EXPENSES</b>		
Accounting and legal	\$ 191,100	\$ 171,793
Accretion of asset retirement obligation	84,250	-
Consulting fees	296,919	138,819
Amortization	437,133	65,688
Filing fees	22,695	31,887
Investor relations and shareholder information	204,541	327,821
Office administration	628,687	228,506
Rent	44,696	8,322
Resource property costs	-	4,671
Stock-based compensation (Notes 8 & 9)	2,109,004	1,261,988
Travel	261,563	284,268
Wages and benefits	<u>492,969</u>	<u>580,888</u>
Total expenses	<u>(4,773,557)</u>	<u>(3,104,651)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Foreign exchange gain (loss)	(475,200)	78,129
Interest income and amortization of discount on bond	28,067	39,225
Asset usage fees	195,997	-
Loss from equity investment	(1,261,757)	-
Gain on dilution of equity investment	<u>362,322</u>	<u>-</u>
	<u>(1,150,571)</u>	<u>117,354</u>
<b>Loss for the period</b>	(5,924,128)	(2,987,297)
<b>Deficit, beginning of period</b>	(79,521,082)	(52,458,720)
<b>Deficit, end of period</b>	<u>\$ (85,445,210)</u>	<u>\$ (55,446,017)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>
<b>Weighted average number of shares outstanding</b>	<u>91,146,116</u>	<u>72,270,691</u>

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

**PETAQUILLA MINERALS LTD.**  
(An Exploration Stage Company)  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	Three Months ended July 31, 2007	Three Months ended July 31, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (5,924,128)	\$ (2,987,297)
Items not affecting cash:		
Accretion of asset retirement obligation	84,250	-
Amortization	437,133	65,688
Stock-based compensation	2,109,004	1,261,988
Foreign exchange loss (gain) on restricted cash	60,355	(13,568)
Loss from equity investment	1,261,757	-
Gain on dilution of equity investment	(362,322)	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(49,145)	(8,742)
(Increase) decrease in prepaid expenses	(600,490)	(112,187)
(Decrease) increase in accounts payable and accrued liabilities	<u>(529,941)</u>	<u>(72,000)</u>
Net cash used in operating activities	<u>(3,513,527)</u>	<u>(1,866,118)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options and warrants	62,851	2,091,418
Proceeds from private placement	2,824,305	-
Proceeds from shares subscribed	(150,000)	-
Share issuance costs	(30,568)	-
Proceeds from capital leases	6,697,259	-
Repayment of long term debt	<u>(182,623)</u>	<u>25,279</u>
Net cash provided by financing activities	<u>9,221,224</u>	<u>2,116,697</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(6,276,407)	(637,994)
Investment in mineral properties	(5,063,545)	(2,853,573)
Deposits for equipment	(649,292)	-
Payments from Petaquilla Copper Ltd.	8,310,183	-
Purchase of performance bond and restricted cash	<u>-</u>	<u>(227,908)</u>
Net cash used in investing activities	<u>(3,679,061)</u>	<u>(3,719,475)</u>
<b>Change in cash and cash equivalents</b>	<b>2,028,636</b>	<b>(3,468,896)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b><u>665,291</u></b>	<b><u>5,686,666</u></b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,693,927</b>	<b>\$ 2,217,770</b>

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)

JULY 31, 2007

(Unaudited – Prepared by Management)

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**1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY**

The Company was incorporated in the Province of British Columbia and is in process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing and permitting to complete the development, and future profitable productions or proceeds from the disposition thereof.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not generated any operating revenues to date and has experienced recurring operating losses and accumulated a deficit of \$85,445,210 as at July 31, 2007. Also the Company had a working capital deficiency of \$2,939,154 at July 31, 2007 (April 30, 2007 – working capital deficiency of \$4,220,761). These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is in substantial doubt and the Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management's plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These interim consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The disclosures in these interim consolidated financial statements do not conform in all aspects to the requirements of Canadian GAAP for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. The interim consolidated financial statements should be read in conjunction with the most recent annual financial statements as at April 30, 2007.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These interim 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), Aqua Azure S.A (a Panama corporation) along with its 51% interest in Petaquilla Power and Water S.A. ("PPW")(a Panama corporation). The Company proportionately consolidates its 69% interest in a joint venture investment, Compania Minera Belencillo, S.A. ("Belencillo") (a Panama corporation).

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

**Interim consolidated financial statements**

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These interim consolidated financial statements do not include in all respects the annual disclosure requirements of generally accepted accounting principles.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Accounting Policy for Petaquilla Copper Ltd.**

The Company owns 18.32% of the common shares of Petaquilla Copper Ltd. (“Copper”), and uses the equity method to account for the investment, since the two companies share common directors and management. The Company’s proportionate share of income and expenses is recorded with a corresponding entry made to the investment account. The Company assesses whether there have been any indications of impairment and if there are and the carrying amount would not be expected to be recovered, there would be a write-down to fair value.

**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.

**Property and equipment**

Equipment is recorded at cost less accumulated amortization, which is provided on the declining balance basis at rates as follows:

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Furniture and fixtures	20%
Office equipment	20%
Computer equipment	30%
Equipment	30%
Vehicles	30%
Computer software	50%
Leasehold improvements	5 year straight line
Buildings	4%

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Mineral properties**

Acquisition costs of mineral 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 mineral 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 mineral 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.

**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. Subsequently, these capitalized asset retirement costs will be amortized to expense over the life of the related assets using the unit-of-production method. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial fair value measurements (additional asset retirement costs).

**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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 operations 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 as a result of 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.

**Stock-based compensation**

The Company accounts for all stock-based payments and awards under the fair value based method.

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

**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 or loss 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 to the current period's presentation.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Changes in Accounting Policies**

Effective May 1, 2007, the Company has adopted the provisions of the following new Canadian Institute of Chartered Accountants (CICA) Handbook Sections:

(a) Section 3855 Financial Instruments – Recognition and Measurement

This section describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under the new standard, all financial instruments will be classified as one of the following: Held-to-maturity; Loans and receivables, Held-for-trading; or Available-for-sale. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale financial instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for-trading on initial recognition.

(b) Section 1530 Comprehensive Income and Section 3251 Equity

These sections describe standards for reporting and disclosing comprehensive income, its components and related changes in equity. Comprehensive income includes net income as well as changes in equity during a period from transactions and events from non-owner sources, such as unrealized gains or losses on available-for-sale financial instruments. Adopting this standard has no impact on the Company's financial statements for the period ended July 31, 2007.

(c) Section 3861 Financial Instruments – Disclosure and Presentation

The Company's financial instruments include cash and cash equivalents, receivables, and accounts payable and accrued liabilities and long-term debt. Upon adoption of these new standards, the Company designates its cash and cash equivalents as held-for-trading, its receivable, as receivables, and its account payable and accrued liabilities and long-term debt as other financial liabilities. The fair values of these financial instruments approximate their carrying values because of their short term nature. The Company had no held-to-maturity financial assets for the period ended April July 31, 2007. In management's opinion the Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The Company is not exposed to derivative financial instruments.

Comprehensive income represents the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income refers to items that are recognized in comprehensive income but excluded from net income calculated in accordance with generally accepted accounting principles until such time as it is considered appropriate to recognize them in net income. The Company had no "other comprehensive income or loss" transactions for the period ended July 31, 2007.

**PETAQUILLA MINERALS LTD.**  
 (An Exploration Stage Company)  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 (Expressed in Canadian Dollars)  
 JULY 31, 2007  
 (Unaudited – Prepared by Management)

**3. MINERAL PROPERTIES**

	July 31, 2007	April 30, 2007
Molejon property	\$ 36,543,503	\$ 31,210,449
Rio Belencillo concession	55,458	26,006
	<u>\$ 36,598,961</u>	<u>\$ 31,236,455</u>

***Molejon Property – Panama***

In June 2005, the shareholders of Minera Petaquilla S.A. (“Minera Petaquilla”) (a joint venture investment) 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.

(See Note 4).

Approval of the phased Mine Development Plan was obtained in September 2005.

**San Juan Concession - Panama**

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

During the prior period, the Company rescinded the above agreement and returned the initial cash option payment of \$111,120 (US\$100,000) to Geneva Gold.

Geneva Gold has claimed for loss in share value said to be caused by Petaquilla’s news release announcing that the agreement with the company has been rescinded. The amount of the claim has not been quantified, and according to Company’s counsel it is too early to provide an opinion on either parties chances of success as discoveries have not yet taken place.

(See Note 14).

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**3. MINERAL PROPERTIES (Continued)**

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

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

**4. PLAN OF ARRANGEMENT AND ADVANCES TO PETAQUILLA COPPER LTD.**

During the period ended April 30, 2007, the shareholders of the Company voted in favor of the April 21, 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.

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 transactions were accounted on the continuity of interest’s basis.

The Company owns 22,189,434 of the issued shares of Copper at a cost of \$500,000. This initial 20% equity stake has been and may be further diluted based on share capital financings that were carried out for ongoing funding of the Copper deposit project. As a result of the Plan of Arrangement, the Company now accounts for Copper on an equity basis resulting in an equity loss of \$1,261,757 and a dilution gain on dilution of \$362,322 for the period ended July 31, 2007.

As at July 31, 2007, the amount payable to Copper is \$3,727,246, related to advances to pay for mineral property costs and administrative expenses.

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**5. RESTRICTED CASH**

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 a performance bond. The Canadian dollar equivalent of the US\$780,000 investment is \$831,246 as at July 31, 2007. During the period ended April 30, 2007, 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. The Company also pledged as security for financings a term deposit in the amount of \$266,425 (US\$250,000).

**6. LONG TERM DEBT**

During the period ended April 30, 2007, the Company arranged a bank loan of \$407,524 (US\$382,400) to acquire road and mine site equipment. The loan is repayable in 36 equal monthly instalments of \$12,513 (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 \$266,425 (US\$250,000) renewable term deposit and a fixed first charge on the purchased equipment. As at July 31, 2007, the current portion of the long term debt is \$102,484 and the long term portion is \$145,618.

During the period ended April 30, 2007, the Company arranged a bank loan of \$83,988 (US\$78,810) to acquire vehicles to be used for the mine site. The loan is repayable in 36 equal monthly instalments of \$2,671 (US\$2,506) commencing in May 2006 and bears interest at an annual rate of 9.25%. Collateral for this loan is comprised of a fixed first charge on the purchased equipment. As at July 31, 2007, the current portion of the long term debt is \$21,206 and the long term portion is \$31,828.

During the period ended April 30, 2007, the Company arranged a bank loan of \$245,878 (US \$230,720) to acquire additional road and mine site equipment. The loan is repayable in 36 monthly instalments of \$7,934 (US \$7,445) commencing in October 2006 and bears interest at an annual rate of 9.00%. Collateral for this loan is comprised of a first charge on the purchased equipment. As at July 31, 2007, the current portion of the long term debt is \$59,179 and the long term portion is \$125,922.

During the period ended April 30, 2007, the Company arranged a bank loan of \$597,645 (US \$560,800) to acquire additional road and mine site equipment. The loan is repayable in 36 monthly instalments of \$19,284 (US \$18,095) commencing in January 2007 and bears interest at an annual rate of 9.25%. Collateral for this loan is comprised of a first charge on the purchased equipment. As at July 31, 2007, the current portion of the long term debt is \$141,073 and the long term portion is \$355,396.

During the period ended April 30, 2007, the Company arranged a bank loan of \$26,110 (US \$24,500) to acquire a vehicle to be used for the mine site. The loan is repayable in 36 monthly instalments of \$845 (US \$793) commencing in January 2007 and bears interest at an annual rate of 9.25%. Collateral for this loan is comprised of a first charge on the purchased vehicle. As at July 31, 2007, the current portion of the long term debt is \$6,154 and the long term portion is \$15,584.

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**6. LONG TERM DEBT (Continued)**

The following table summarizes the loans outstanding as at July 31, 2007:

	July 31, 2007	April 30, 2007
Long term debt		
Equipment loan #1	\$ 248,102	\$ 303,203
Vehicle loan #1	53,034	64,061
Equipment loan #2	185,101	218,115
Equipment loan #3	496,469	576,443
Vehicle loan #2	<u>21,738</u>	<u>25,245</u>
	1,004,444	1,187,067
Less: current portion	<u>(330,096)</u>	<u>(487,882)</u>
	<u>\$ 674,348</u>	<u>\$ 699,185</u>

Anticipated long term debt principal repayments are as follows:

2008	\$ 330,096
2009	523,309
2010	151,039
	<u>\$ 1,004,444</u>

**7. CAPITAL LEASE OBLIGATION**

During the period, the Company entered into a capital lease arrangement with Banco Bilbao Vizcaya Argentaria (Panama) S.A. (“BBVA”) for the purchase of equipment to advance the Molejon project into production.

The facility is for the following concurrent tranches:

- a) Financial leasing of up to US\$2,012,200 and US\$2,443,386 totalling together US\$2,443,386; and
- b) Financial leasing of up to US\$9,006,256

The equipment includes but is not restricted to: ball mills, Metso crushing plant; cranes and an aggregate crushing plant.

As a condition of the loan, the equipment will serve as collateral throughout the amortization period and will be registered with the Public Registry of the Republic of Panama.

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**7. CAPITAL LEASE OBLIGATION (Continued)**

Future minimum lease payments on the capital lease obligation are as follows:

2008	\$	2,601,530
2009		2,585,871
2010		<u>2,491,022</u>
		7,678,423
Less: Imputed interest of 9%		<u>(981,165)</u>
Total		6,697,259
Current obligation		<u>(2,084,391)</u>
Long-term obligation	\$	<u>4,612,868</u>

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(See Note 12(e)).

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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

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.

**Authorized Capital**

Unlimited common shares without par value  
Unlimited preference shares without par value

	Number of Shares	Amount	Contributed Surplus
<b>Issued</b>			
Balance as at January 31, 2006	70,246,303	62,977,209	1,004,480
Non-brokered private placement, net of finders' fees (b)	9,400,000	21,603,200	-
Exercise of stock options	5,247,813	12,336,264	(9,435,997)
Exercise of warrants	4,982,835	5,979,403	-
Stock-based compensation	-	-	20,504,666
Share issuance costs (Note 13)	-	(1,414,061)	820,518
Balance as at April 30, 2007	89,876,951	101,482,015	12,893,667
Non-brokered private placement	1,411,912	2,824,305	-
Exercise of stock options	124,300	665,298	(602,447)
Stock-based compensation	-	-	2,109,004
Share issuance costs (Note 13)	-	(30,568)	-
Balance as at July 31, 2007	91,413,163	\$ 104,941,050	\$ 14,400,224

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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)**

- a) 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 \$820,518 that was approved and recorded during the fiscal year. In addition, the company paid finders' fees of \$956,800 for net cash proceeds of \$21,603,200.
- b) In May 2007, the Company closed a non-brokered private placement comprising of 1,387,879 units at \$2.00 per unit, and 24,033 units at \$2.02 per unit for gross proceeds of \$2,824,305. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable into a common share at a price of \$3.50 per share for a period of two years following closing of the private placement. The share purchase warrants are subject to an accelerated expiry provision that, if the volume weighted average trading price of the common shares of the Company as traded on the Toronto Stock Exchange exceeds \$7.00 per share for at least 30 consecutive trading days, the Company shall have the right, exercisable within 30 days thereafter, to give notice to each warrant holder requiring the exercising of the warrants within a 30 day period. If the Company exercises such right, the warrant will, if not exercised by the warrant holder in accordance with their terms and conditions, expire at the end of such 30 day period. The securities issued under this private placement were subject to a four-month and a day resale restriction that expired on September 10, 2007.
- c) The Company has adopted a new shareholder rights plan, subject to regulatory and shareholder approval. Under the new Plan, the Company issued 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.

Subsequent to July 31, 2007, the Company issued 344,044 shares on the exercise of stock options for net proceeds of \$512,578.

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**9. STOCK OPTIONS**

During the period ended April 30, 2007, the Company received approval for its new stock option plan (the “New 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 New Plan is 10,000,000.

On December 8, 2006, no shares remained in reserve under the Company’s former incentive stock option plan (the “Former Plan”). The 2,556,144 options that remained outstanding as of December 8, 2006 under the Former Plan were carried forward to the New Plan. In January and April 2007, the Company granted a total of 6,139,543 incentive stock options under the New Plan. During the period ended July 31, 2007, the Company granted a total of 900,000 incentive stock options to a director, employees and consultants.

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.

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**9. STOCK OPTIONS** (Continued)

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, 2006	6,031,200	0.53 <sup>(1)</sup>
Granted (re: Plan of Arrangement)	3,730,000	1.14 <sup>(1)</sup>
Granted	6,139,543	2.02
Exercised	(5,247,813)	0.59 <sup>(1)</sup>
Expired	(400,000)	1.24 <sup>(1)</sup>
Forfeited	(493,400)	0.98 <sup>(1)</sup>
Forfeited	(20,000)	2.01
Voluntary reduction	<u>(1,623,763)</u>	0.91 <sup>(1)</sup>
Balance at April 30, 2007	8,115,767	1.76 <sup>(1)</sup>
Granted	900,000	2.3
Exercised	<u>(124,300)</u>	1.01 <sup>(1)</sup>
Balance at July 31, 2007	8,891,467	1.82 <sup>(1)</sup>
Number of stock options exercisable	4,319,293	\$ 1.56 <sup>(1)</sup>

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

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**9. STOCK OPTIONS (Continued)**

As at July 31, 2007, the following stock options were outstanding as follows:

Number of Shares		Exercise Price	Expiry Date
Outstanding			
87,064	0.50 <sup>(1)</sup>	April 21, 2010	
374,820	0.50 <sup>(1)</sup>	July 11, 2010	
90,800	1.00 <sup>(1)</sup>	December 31, 2010	
1,199,240	1.05 <sup>(1)</sup>	February 1, 2011	
120,000	1.73 <sup>(1)</sup>	April 27, 2011	
5,969,543	2.01	January 15, 2012	
150,000	2.25	October 19, 2012	
200,000	2.22	June 12, 2012	
500,000	2.25	June 20, 2012	
50,000	2.48	July 11, 2012	
100,000	2.49	July 12, 2012	
50,000	2.54	July 23, 2012	
8,891,467			

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

Total stock options granted during the three months ended July 31, 2007 are 900,000. Stock options granted that are not vested have been excluded from the calculation of stock-based compensation. Total stock-based compensation recognized for the fair value of stock options granted, vested and approved by the shareholders during the three month period ended July 31, 2007 was \$2,109,004 (July 31, 2006 - \$1,261,988).

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

The weighted average fair value of the stock options granted is estimated approximately \$1.75 using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended July 31, 2007	Three months ended July 31, 2006
Risk-free interest	4.67 %	4.17%
Expected dividend yield	-	-
Expected stock price volatility	92%	69%
Expected option/warrant life in years	5 years	5 years

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**10. SHARE PURCHASE WARRANTS**

Share purchase warrant transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at January 31, 2006	4,982,835	1.20/1.44
Issued	9,798,000	3.00 <sup>(1)</sup>
Exercised	<u>(4,982,835)</u>	1.20
Balance at April 30, 2007	9,798,000	3.00 <sup>(1)</sup>
Issued	<u>705,955</u>	3.50 <sup>(1)</sup>
Balance at July 31, 2007	<u>10,503,955</u>	<u>\$ 3.03 <sup>(1)</sup></u>

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 were subject to a hold period that expired on February 18, 2007. The Copper shares and Copper Warrants are 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.

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**10. SHARE PURCHASE WARRANTS (Continued...)**

On May 10, 2007, the Company closed a non-brokered private placement comprising of 1,387,879 units at \$2.00 per unit, and 24,033 units at \$2.02 per unit for gross proceeds of \$2,824,305. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable into a common share at a price of \$3.50 per share for a period of two years following closing of the private placement. The share purchase warrants are subject to an accelerated expiry provision that, if the volume weighted average trading price of the common shares of the Company as traded on the Toronto Stock Exchange exceeds \$7.00 per share for at least 30 consecutive trading days, the Company shall have the right, exercisable within 30 days thereafter, to give notice to each warrant holder requiring the exercising of the warrants within a 30 day period. If the Company exercises such right, the warrant will, if not exercised by the warrant holder in accordance with their terms and conditions, expire at the end of such 30 day period. The securities issued under this private placement are subject to a four-month and a day resale restriction in effect until September 10, 2007.

As at July 31, 2007, the following share purchase warrants were outstanding and exercisable as follows:

Number of Shares	Exercise Price	Expiry Date
9,798,000	\$ 3.00 (1)	October 17, 2011
705,955	\$ 3.50	May 9, 2009
10,503,955		

(1) Exercise price is the aggregate exercise price required to exercise one share purchase warrant of Petaquilla Copper Ltd. And one share purchase warrant of the Company with half of the proceeds to be allocated to the Company and half to Petaquilla Copper Ltd. Both share purchase warrants must be exercised together until such time as Petaquilla Copper Ltd. is listed on the TSX.

**11. TREASURY STOCK**

During the period ended January 31, 2006, 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 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 January 31, 2006. As at July 31, 2007, 44,200 common shares were held in treasury.

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**12. RELATED PARTY TRANSACTIONS**

During the three months ended July 31, 2007, PTQ had the following transactions with related parties:

- a.) The Company paid consulting fees of \$4,985 (July 31, 2006 - \$103,603) to companies controlled by a director, a former director and an officer.
- b.) The Company paid wages and benefits of \$107,001 (July 31, 2006 - \$484,303) to directors and officers.
- c.) The Company paid legal fees of \$22,639 (July 31, 2006 - \$141,103) and share issue costs of \$30,568 (July 31, 2006 - \$Nil) to a law firm controlled by an officer.
- d.) The amount payable to Petaquilla Copper Ltd. is non-interest bearing, unsecured and without specific terms of repayment.
- e.) During the period, the Company received or accrued \$195,997 in asset usage fees from Copper for the use of certain mining equipment. Also during the period, the Company and Copper advanced negotiations with the lessor of the equipment to have the commercial terms of the leasing arrangement correspond with the terms of the Plan of Arrangement made effective on October 18, 2006, such that Copper will ultimately become the lessee of the equipment. The cost recovery arrangement will be subject to review and revision to reflect changes in operations.

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

**13. SEGMENT INFORMATION**

The Company has one operating segment being the exploration of resource properties. The Company has not earned revenues from any projects.

**14. COMMITMENTS AND CONTINGENCIES**

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

- a) \$944,613 for a CIP plant;
- b) \$3,332,245 for gold recovery equipment;
- c) \$1,112,775 for generators;
- d) \$1,105,193 for other support items.

All of the above commitments will be paid within the current year.

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**14. COMMITMENTS AND CONTINGENCIES (Continued)**

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

	<b>Less than 1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>More than 5 Years</b>
Office Lease	\$ 33,120	\$ 66,240	\$ 35,880	Nil

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

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

From October 18, 2006, the office leasing costs have been split equally between the Company and Petaquilla Copper Ltd., consequent to the Plan of Arrangement (see Note 4 Plan of Arrangement and Advances to Petaquilla Copper Ltd.) Therefore the estimated annual cost is \$33,120 to the Company.

Geneva Gold Ltd. has claimed for loss in share value said to be caused by Petaquilla's news release announcing that the agreement with the Company has been rescinded. The amount of the claim has not been quantified, and according to Company counsel it is too early to provide an opinion on either party's chances of success as discoveries have not yet taken place. The claim is under the review of an arbitrator whose decision will be final and binding on all parties.

**15. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, debt, restricted cash, and receivable from Petaquilla Copper Ltd. 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. ASSET RETIREMENT OBLIGATIONS**

The Company's asset retirement obligation relates to site-restoration and clean-up costs related to its Molejon gold project located in Panama.

A reconciliation of the provision for asset retirement obligations is as follows:

Balance at January 31, 2006	\$	-
Liabilities incurred in the current period		<u>4,400,000</u>
Balance at April 30, 2007		4,400,000
Accretion expense		<u>84,250</u>
Balance at July 31, 2007	\$	<u>4,484,250</u>

The provision for asset retirement obligations is based upon the following assumptions:

- a) The total undiscounted cash flow required to settle the obligation is approximately \$6,848,000;
- b) Asset retirement obligation payments are expected to occur during fiscal year 2014 and 2015;
- c) A credit adjusted risk-free rate of 7.65% has been used to discount cash flows.

**17. SUBSEQUENT EVENT**

Subsequent to July 31, 2007:

- a) The Company issued 344,044 shares on the exercise of stock options for proceeds of \$512,578.