

PETAQUILLA MINERALS LTD.

For Quarter Ended Report – November 30, 2008

Management's Discussion and Analysis
of Results of Operations and Financial Condition

For periods ended November 30, 2008 and October 31, 2007

PETAQUILLA MINERALS LTD.

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

Petaquilla Minerals Ltd. ("PTQ" or the "Company") reports the financial results for the six months ended November 30, 2008, which have been prepared on the basis of available information up to January 12, 2009. Management's Discussion and Analysis should be read in conjunction with the unaudited consolidated financial statements and related notes for the six months ended November 30, 2008, and six months ended October 31, 2007, and with the audited consolidated financial statements and related notes thereto of the Company, as at and for the 13 months period ended May 31, 2008.

Management's discussion and analysis provides a review of the performance of PTQ's business and compares its performance for the six months ended November 30, 2008, with the six month ended October 31 of the prior year. This discussion also provides an indication of future developments along with issues and risks that can be expected to impact future operations. There is no guarantee of future performance, since actual results could change based on factors and barriers beyond management control.

OVERALL PERFORMANCE

Business Overview

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

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

Significant Accomplishments for the Period

Molejon Gold Deposit Project

- All equipment relating to the electrical and mechanical components of the processing facility has been received or is in transit.
- Emergency tailings pond completed.
- Civil work has been completed.
- Piping and related accessories have been received and works have commenced on connecting all the equipment and the tanks.

- Waste dumps and pre-stripping activities have commenced in anticipation of plant commissioning.
- Road access for starter pit has started with anticipated completion early in the third quarter.
- Construction of bridge connecting the mine to the plant is now 80% complete.
- All working related to CIP tanks has been completed. Support structure for agitation mechanism for the leaching tanks has been completed.
- Construction of mill feed bins has commenced and all related materials are on site.
- General warehouse, ADR and refinery have been completed.
- Metallurgy lab equipment is now all on site and structure is 70% complete.
- Tailing pond #2 earth movements is nearly complete. Liners have been ordered and are in transit.
- Received approval of environmental impact study.

Senior secured notes financing

- Completed the second and third tranche financing of the senior secured notes for gross proceeds of US\$27,750,000.
- The Company redeemed 36,032.376 Notes at 120% of their principal value for a total payment of \$44,920,843 (US\$43,238,852).
- Completed supplemental tranche financing of the senior secured notes for gross proceeds of US\$20,000,000.

Disposal of Petaquilla Copper Ltd common shares

- The Company disposed of its 20,418,565 common shares of Petaquilla Copper Ltd. to Inmet Mining Corporation at a price of \$2.20 per common share, for proceeds for \$44,920,043.

Environmental Impact Study Approval

On November 26, 2008, ANAM issued a Resolution approving the Company's Environmental Impact Study Category III (the "EIS"). The Resolution sets out a number of conditions to be satisfied before the Company can attain full commercial production of the Molejon Gold Mine in Panama. On detailed review of the Resolution, it became apparent that some conditions are inapplicable to the Molejon operation, and others have already been satisfied by the Company. The Directors of the Company, therefore, established a working group to cooperate with ANAM to ensure that all conditions are satisfied or waived, so that full commercial production in 2009 will take place without delay.

FORWARD-LOOKING STATEMENTS

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

RESULTS OF OPERATIONS – FOR THE SIX MONTHS ENDED NOVEMBER 30, 2008 COMPARED TO THE SIX MONTHS ENDED OCTOBER 31, 2007

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

The operating results of PTQ reflect its ongoing administrative costs, net of interest and other income. PTQ does not have any operating mining assets. However, significant development work is underway on the Molejon gold deposit with a present targeted production start up for fiscal 2009.

Other income (expense)

In the six months ended November 30, 2008, other income increased by to \$9,768,158 compared to \$7,730,130 in the six months ended October 31, 2007. Increase in other income is due to:

- During the six months ended November 30, 2008, the Company recorded other expense of \$4,111 compared to income of \$401,626 in the six months ended October 31, 2007, resulting from asset usage charges to (from) Petaquilla Copper Ltd. ("PTC") for the use of certain equipment during the period. Decrease is due to PTC acquiring these assets that were previously owned by PTQ.
- During the six months ended November 30, 2008, PTQ recorded \$91,145 from power and drilling services provided to PTC compared to \$nil in the six months ended October 31, 2007, due to no such services being provided in the comparative period
- During the six months ended November 30, 2008, PTQ recorded a foreign exchange loss of \$7,761,999 compared to a foreign exchange gain of \$1,365,387 in the six months ended October 31, 2007. This primarily results from a significant decrease in the exchange rate from Canadian dollars to United States dollars impacting as the Company's liabilities are predominantly denominated in United States dollars.

- During the six months ended November 30, 2008, PTQ recorded a gain on sale of marketable securities of \$35,564,723 compared to \$nil in the six months ended October 31, 2007, due to the sale of shares in Petaquilla Copper Ltd.
- During the six months ended November 30, 2008, PTQ recorded interest income of \$149,175 compared to \$58,187 in the six months ended October 31, 2007, due to the Company managing its excess cash to earn a return on these funds.
- During the six months ended November 30, 2008, PTQ recorded a loss of \$18,150,687 as a result of an increase in the fair value of the senior secured notes compared to \$nil in the six months ended October 31, 2007, as the Company did not have any fair value losses in the comparative period.
- During the six months ended November 30, 2008, PTQ recorded an equity loss of \$1,901,051 compared to \$2,565,199 in the six months ended October 31, 2007 and a dilution gain of \$1,804,750 compared to \$8,470,129 in the six months ended October 31, 2007, related to its investment in PTC. Equity loss reflects PTQ's portion of the losses that are attributed to its percentage ownership in PTC. The dilution gain resulted from the difference between PTQ's carrying cost of PTC and the amount paid for each PTC share issued.

Expenses

Expenses for the six months ended November 30, 2008, decreased to \$9,736,619 compared with \$10,219,647 for the six months ended October 31, 2007. The decrease in expenses is primarily due to:

- During the six months ended November 30, 2008, PTQ incurred \$101,429 in consulting fees compared to \$467,087 in the six months ended October 31, 2007. Decrease is due to less consultants being utilized during the period as the Company's activities are primarily relating to completion of the processing mill.
- During the six months ended November 30, 2008, PTQ incurred \$181,706 in amortization compared to \$787,387 in the six months ended October 31, 2007, due to certain operating assets being sold in second quarter of fiscal 2008 to PTC.
- During the six months ended November 30, 2008, PTQ incurred \$339,160 in investor relations and shareholder information costs compared to \$460,986 in the six months ended October 31, 2007, due to lower investor relation activities.
- During the six months ended November 30, 2008, PTQ incurred \$521,674 in office administration compared to \$1,804,693 in the six months ended October 31, 2007, due to cost cutting measures and lower administrative activities relating to the project and Company affairs.
- During the six months ended November 30, 2008, PTQ incurred \$750,386 in stock-based compensation, a non-cash expense, compared to \$4,304,693 in the six months ended October 31, 2007, due to lower number of options vesting compared to the comparative period.

The above decreases were offset by the following:

- During the six months ended November 30, 2008, PTQ incurred \$892,830 in accounting and legal costs compared to \$557,138 in the six months ended October 31, 2007, due to higher audit fees relating to the company yearend audit.
- During the six months ended November 30, 2008, PTQ incurred debt issuance costs of \$4,419,474 compared to nil in the six months ended October 31, 2007, as a result of the issuance of the second, third and supplemental tranche of the senior secured notes financing. No senior notes were issued in the comparative period.
- During the six months ended November 30, 2008, PTQ incurred \$616,625 in travel compared to \$501,484 in the six months ended October 31, 2007, due to financing activities, overseas investor relations activities and senior management and director meetings in Panama.
- During the six months ended November 30, 2008, PTQ incurred \$1,546,690 in wages and benefits compared to \$1,002,674 in the six months ended October 31, 2007, due to additional senior management and office staff.

Net income and comprehensive income for the six months ended November 30, 2008, was \$31,539 or \$0.00 per basic and diluted share compared to a net loss and comprehensive loss of 2,489,517 or loss of \$0.03 per basic and diluted share for the six months ended October 31, 2007.

Cash Flow

Operating Activities

Corporate and administrative cash costs, offset by interest and other income and changes in non-cash working capital resulted in a cash outflow of \$5,682,951 from continuing operating activities in the six months ended November 30, 2008. Operating activities in the six-month period ended October 31, 2007, resulted in cash outflows of \$3,368,648.

Financing Activities

During the six months ended November 30, 2008, the issuance of capital stock resulted in net proceeds of \$40,995 compared to \$9,326,521 in the six-month period ended October 31, 2007. Repayment of bank overdraft was \$2,087,820 in the six months ended November 30, 2008, compared to \$nil in the six-month period ended October 31, 2007. Proceeds from senior secured notes were \$49,581,000 in the six months ended November 30, 2008, compared to \$nil in the six-month period ended October 31, 2007. Redemption of senior secured notes was \$44,920,843 in the six months ended November 30, 2008, compared to \$nil in the six-month period ended October 31, 2007. Debt issuance costs in the six months ended November 30, 2008, was \$4,419,474 compared to \$nil in the six months period to October 31, 2007. Prepaid interests on the senior secured notes were \$7,437,150 compared to \$nil in the six month ended October 31, 2007. Total repayments of capital leases and long term debt totaled \$1,333,276 compared to \$679,645 in the same period of the prior year. Share issuance costs of \$nil in the six months ended November 30, 2008, compared to \$253,693 in the six-month period ended October 31, 2007.

Investing Activities

During the six months ended November 30, 2008, the Company received \$44,920,843 from the sale of Petaquilla Copper Ltd. shares compared to \$nil in the six months ended October 31, 2007.

Mineral Property Development Agreements

Molejon Gold Deposit

The Company spent \$14,976,625 in mineral property costs during the six months ended November 30, 2008, compared to \$13,409,780 in the six months ended October 31, 2007. Cash expenditure is solely related to completion of the processing mill and the mine.

During the six months ended November 30, 2008, \$1,230,521 was spent on mining equipment, computer software and office equipment, compared to \$8,720,040 in the six months ended October 31, 2007, reflecting the change towards the gold pre-production phase of the project in the current period.

During the six months ended November 30, 2008, the Company paid \$3,924,292 for deposits for equipment and construction material compared to \$nil in the six months ended October 31, 2007.

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED NOVEMBER 30, 2008 COMPARED TO THE THREE MONTHS ENDED OCTOBER 31, 2007

Other income (expense)

In the three months ended November 30, 2008, other income increased to \$16,236,941 compared to \$8,880,701 in the three months ended October 31, 2007. Increase in other income is due to:

- During the three months ended November 30, 2008, the Company recorded other expense of \$2,044 compared to income of \$205,629 in the three months ended October 31, 2007, resulting from asset usage charges to (from) Petaquilla Copper Ltd. (“PTC”) for the use of certain equipment during the period. Decrease is due to PTC acquiring these assets that were previously owned by PTQ.
- During the three months ended November 30, 2008, PTQ recorded a foreign exchange loss of \$4,394,241 compared to a foreign exchange gain of \$1,840,587 in the three months ended October 31, 2007. This primarily results from a significant decrease in the exchange rate from Canadian dollars to United States dollars impacting as the Company’s liabilities are predominantly denominated in United States dollars.
- During the three months ended November 30, 2008, PTQ recorded a gain on sale of marketable securities of \$35,564,723 compared to \$nil in the three months ended October 31, 2007, this was due to the sale of shares in Petaquilla Copper Ltd.

The above increases were offset by the following:

- During the three months ended November 30, 2008, PTQ recorded a loss of \$15,136,619 as a result of increase in the fair value of the senior secured notes compared to \$nil in the three months ended October 31, 2007, as the Company did not have any fair value losses in the comparative period.
- During the three months ended November 30, 2008, PTQ recorded an equity loss of \$647,905 compared to \$1,303,442 in the three months ended October 31, 2007, and a dilution gain of \$765,280 compared to \$8,107,807 in the three months ended October 31, 2007, related to its investment in PTC. Equity loss reflects PTQ's portion of the losses that are attributed to its percentage ownership in PTC. The dilution gain resulted from the difference between PTQ's carrying cost of PTC and the amount paid for each PTC share issued.

Expenses

Expenses for the three months ended November 30, 2008, decreased to \$4,238,904 compared with \$5,446,090 for the three months ended October 31, 2007. The decrease in expenses is primarily due to:

- During the three months ended November 30, 2008, PTQ incurred \$68,129 in consulting fees compared to \$170,168 in the three months ended October 31, 2007. Decrease is due to fewer consultants being utilized during the period as the Company's activities are primarily relating to completion of the processing mill.
- During the three months ended November 30, 2008, PTQ incurred \$96,888 in amortization compared to \$350,254 in the three months ended October 31, 2007, due to certain operating assets being sold in second quarter of fiscal 2008 to PTC.
- During the three months ended November 30, 2008, PTQ incurred \$194,059 in office administration compared to \$1,176,006 in the three months ended October 31, 2007, due to cost cutting measures and lower administrative activities relating to the project and Company affairs.
- During the three months ended November 30, 2008, PTQ incurred \$479,521 in stock-based compensation, a non-cash expense, compared to \$2,195,689 in the three months ended October 31, 2007, due to lower number of options vesting compared to the comparative period.

The above decreases were offset by the following:

- During the three months ended November 30, 2008, PTQ incurred \$484,555 in accounting and legal costs compared to \$366,038 in the three months ended October 31, 2007, due to higher audit fees relating to the company yearend audit.
- During the three months ended November 30, 2008, PTQ incurred debt issuance costs of \$1,262,341 compared to nil in the three months ended October 31, 2007, as a result of the issuance of the supplemental tranche of the senior secured notes financing. No senior notes were issued in the comparative period.

- During the three months ended November 30, 2008, PTQ incurred \$494,301 in travel compared to \$239,921 in the three months ended October 31, 2007, due to financing activities, overseas investor relations activities and senior management and director meetings in Panama.
- During the three months ended November 30, 2008, PTQ incurred \$785,077 in wages and benefits compared to \$509,705 in the three months ended October 31, 2007, due to additional senior management and office staff.

Net income and comprehensive income for the three months ended November 30, 2008, was \$11,998,037 or \$0.12 per basic and diluted share compared to a net loss and comprehensive loss of 3,434,611 or loss of \$0.04 per basic and diluted share for the three months ended October 31, 2007.

Cash Flow

Operating Activities

Corporate and administrative cash costs, offset by interest and other income and changes in non-cash working capital resulted in a cash outflow of \$531,598 from continuing operating activities in the three months ended November 30, 2008. Operating activities in the three-month period ended October 31, 2007, resulted in cash outflows of \$794,170.

Financing Activities

During the three months ended November 30, 2008, the issuance of capital stock resulted in net proceeds of \$9,495 compared to \$6,843,058 in the three-month period ended October 31, 2007. Proceeds from senior secured notes were \$21,370,000 in the three months ended November 30, 2008, compared to \$nil in the three-month period ended October 31, 2007. Redemption of senior secured notes was \$44,920,843 in the three months ended November 30, 2008, compared to \$nil in the three month period ended October 31, 2007. Debt issuance costs in the three months ended November 30, 2008, was \$1,262,341 compared to \$nil in the three months period to October 31, 2007. Prepaid interests on the senior secured notes were \$3,205,500 compared to \$nil in the three month ended October 31, 2007. Total repayments of capital leases and long term debt totaled \$859,679 compared to \$497,022 in the same period of the prior year. Share issuance costs of \$nil in the three months ended November 30, 2008, compared to \$223,125 in the three month period ended October 31, 2007.

Investing Activities

During the three months ended November 30, 2008, the Company received \$44,920,843 from the sale of Petaquilla Copper Ltd. shares compared to \$nil in the three months ended October 31, 2007.

Mineral Property Development Agreements

Molejon Gold Deposit

The Company spent \$6,589,000 in mineral property costs during the three months ended November 30, 2008, compared to \$8,346,336 in the three months ended October 31, 2007. Cash expenditure is solely related to completion of the processing mill and the mine.

During the three months ended November 30, 2008, \$207,993 was spent on mining equipment, computer, software and office equipment, compared to \$2,443,633 in the three months ended October 31, 2007, reflecting the change towards the gold pre-production phase of the project in the current period.

During the three months ended November 30, 2008, the Company paid \$3,205,500 for deposits for equipment and construction material compared to \$nil in the three months ended October 31, 2007.

Balance Sheet

As at November 30, 2008, PTQ had total assets of \$133,623,825 as compared with \$107,482,486 at May 31, 2008. This increase is primarily a result of proceeds received from private placements, as well as equipment purchases and mineral property expenditures during the period. The working capital surplus as at November 30, 2008, of \$10,016,043 increased from a working capital deficiency of \$3,692,913 at May 31, 2008.

SUMMARY OF QUARTERLY RESULTS

	2008 Nov 30 Q2	2008 Aug 31 Q1	2008 May 31 (4 months)	2008 Jan 31 Q3
Net income (loss) from continuing operations	31,539	(11,966,498)	(11,991,311)	10,136,528
Net income (loss)	31,539	(11,966,498)	(11,991,311)	10,136,528
Earnings (loss) per share – basic and diluted ⁽¹⁾	0.00	(0.13)	(0.13)	0.10
	2007 Oct 31 Q2	2007 Jul 31 Q1	2007 Apr 30 Q5	2007 Jan 31 Q4
Net loss from continuing operations	\$ 3,434,611	\$ (5,924,128)	\$ (11,370,015)	\$ (3,467,366)
Net loss	\$ 3,434,611	\$ (5,924,128)	\$ (11,370,015)	\$ (3,467,366)
Loss per share – basic and diluted ⁽¹⁾	\$ 0.04	\$ (0.06)	\$ (0.14)	\$ (0.04)

(1) The effect of potential share issuances pursuant to the exercise of options and warrants would be anti-dilutive and, therefore, basic and diluted losses per share are the same for the quarters ended January 31, 2007, to July 31, 2007, and May 31, 2008, to August 31, 2008. For the quarters ended October 31, 2007, January 31, 2008, and November 30, 2008, potential share issuances pursuant to the exercise of options and warrants would be dilutive and the basic and diluted earnings per share using the treasury stock method are shown above.

LIQUIDITY AND CAPITAL RESOURCES

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

As at November 30, 2008, PTQ had a working capital surplus of \$10,016,043 (May 31, 2008 – working capital deficiency of \$3,692,913). PTQ may have to raise additional funds to undertake ongoing commissioning of the Molejon Project and further exploration of the surrounding concessions, and to meet its operating obligations. Management may pursue 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. Under the US\$60 Million senior secured notes indenture, the Company can issue an additional 16,032.376 Notes for gross proceeds of \$19,883,353 (US\$16,032,376).

The Company deposited \$31,603 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 has pledged as security for financings a term deposit in the amount of \$496,000 (US\$400,000). The Company is required to post a performance bond to comply with Environmental law, article 112 in Panama, and the Company has posted a term deposit for \$248,040 (US\$200,000) as a guarantee. Also, the Company posted a term deposit for \$49,608 (US\$40,000) for a performance bond with the Ministry of Commerce and Trade in Panama.

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

CONTRACTUAL AND OTHER OBLIGATIONS

	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Office Lease	\$ 33,120	\$ 66,240	Nil	Nil
Capital expenditure commitment	\$2,590,354	Nil	Nil	Nil
Equipment lease	\$2,725,126	\$3,313,603	Nil	Nil
Senior secured notes	Nil	\$72,761,148	Nil	Nil
Operating credit line Facility	\$7,378,0131	Nil	Nil	Nil
Long-term debt	\$443,670	\$26,861	Nil	Nil
Asset retirement obligation	Nil	Nil	Nil	\$7,720,245

CAPITAL STOCK**Authorized Capital**

Unlimited common shares without par value

Unlimited preference shares without par value – rights and privileges conferred on issuance

	Number of Common Shares	Amount	Contributed Surplus	Warrants
Issued				
Balance as at April 30, 2007	89,876,951	\$ 91,596,035	\$ 12,073,149	\$ 10,706,498
Non-brokered private placement, net of finders' fees (a)	4,552,412	10,918,342	-	1,327,463
Exercise of stock options	1,055,883	3,110,114	(2,026,487)	-
Exercise of warrants	373,395	1,153,659	-	(578,617)
Share issue relating to legal settlement	100,000	261,000	-	-
Stock-based compensation	-	-	6,359,356	-
Senior secured notes warrants	-	-	-	808,327
Share issuance costs	-	(1,181,067)	-	713,326
Balance as at May 31, 2008	95,958,641	\$105,858,083	\$16,406,018	\$12,976,997
Exercise of stock options	81,480	224,657	(183,662)	-
Stock-based compensation	-	-	772,284	-
Senior secured notes finders warrants cost	-	(217,587)	-	217,587
Senior secured notes warrants	-	-	-	717,059
Balance as at November 30, 2008	96,040,121	\$105,865,153	\$ 16,994,641	\$ 13,911,643

Issued Capital

As at November 30, 2008, an aggregate of 96,040,121 common shares were issued and outstanding of which 44,200 were repurchased. As of January 12, 2009, 96,040,121 common shares were issued and outstanding with 44,200 common shares being held as treasury stock.

PTQ had the following Warrants outstanding as at January 12, 2009:

Number of Warrants Outstanding	Exercise Price	Expiry Date
9,424,605	\$1.54	October 17, 2011
705,955	\$3.50	May 8, 2009
1,120,875	\$3.50	October 31, 2009
182,000	\$3.50	December 20, 2009
389,000	\$3.50	May 9, 2010
12,319,500	\$2.30	May 21, 2013
492,780	\$2.30	May 21, 2013
3,820,000	\$2.30	June 4, 2013
152,800	\$2.30	June 4, 2013
6,780,500	\$2.30	July 8, 2013
271,220	\$2.30	July 8, 2013
<u>35,659,235</u>		

The following summarizes information about the stock options outstanding as at January 12, 2009:

Number of Shares Outstanding	Exercise Price	Expiry Date
30,000	0.26	April 21, 2010
193,800	0.26	October 11, 2010
919,200	0.54	February 1, 2011
96,000	0.89	April 27, 2011
5,409,654	2.01	January 15, 2012
200,000	2.22	June 12, 2012
500,000	2.25	June 20, 2012
50,000	2.48	October 11, 2012
50,000	2.49	October 12, 2012
50,000	2.54	October 23, 2012
75,000	2.70	February 14, 2013
100,000	2.80	February 11, 2013
400,000	1.96	May 5, 2013
60,000	1.25	September 1, 2013
410,000	0.56	November 18, 2013
300,000	0.52	December 1, 2013
200,000	0.39	January 5, 2014
9,043,654		

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three months ended November 30, 2008, PTQ had the following transactions with related parties:

- a) The Company paid consulting fees of \$3,500 (three months period ended October 31, 2007 - \$61,943) to companies controlled by a director, a former director and a former officer.
- b) The Company paid wages and benefits of \$149,801 (three months period ended October 31, 2007 - \$139,191) to companies controlled by a director, a former director and an officer.
- c) The Company paid legal fees of \$103,788 (three months period ended October 31, 2007 - \$53,258) and financing costs of \$10,334 (three months period ended October 31, 2007 - \$35,640) to a law firm controlled by an officer.
- d) The Company paid for services and goods of \$91,749 (three months period ended October 31, 2007 - \$nil) to a company controlled by an officer.

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

SUBSEQUENT EVENTS

Subsequent to November 30, 2008:

- The company issued 500,000 stock options and cancelled 35,000 stock options.
- The Company has been advised that ANAM has not accepted the Company's request for reconsideration that the amount of the financial sanctions purportedly levied against the Company and its present and former affiliates be reduced to nil. The Company has been advised by Panama counsel that there are several grounds on which the validity of the November 13 Resolution can be challenged. The Company is currently assessing the situation to determine what action, if any, should be taken. Consequently, the amount, if any, that may ultimately be payable by the Company cannot be determined

CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses reported during the period. Actual results could differ from these estimates.

Significant estimates used in the preparation of the interim consolidated financial statements include, but are not limited to, recoverability of accounts receivable, investments, estimates of useful life of properties and equipment, the future cost of asset retirement obligations, amount and the likelihood of contingencies, valuation allowance for future income tax assets, accounting for stock-based compensation and warrants.

Mineral Property Costs

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 fair value if the carrying value is not recoverable. 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 all 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

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

Stock-based Compensation

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

CHANGES IN ACCOUNTING POLICY

On June 1, 2008, the Company adopted new accounting standards related to general standards of financial statement presentation, capital disclosure and financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). The new CICA standards are as follows:

Section 1400, General Standards of Financial Statement Presentation

This Section specifies the requirements for assessing an entity's ability to continue as a going concern and disclosing any material uncertainties that cast doubt on its ability to continue as a going concern. The Company's disclosure reflects such assessment.

Section 1535, Capital Disclosures

This Section specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about these objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. Disclosure requirements pertaining to this Section are contained in note 18 of the Interim Unaudited Notes to the Consolidated Financial Statements.

Section 3862, Financial Instruments – Disclosures
Section 3863, Financial Instruments – Presentation

These Sections replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. Disclosure requirements pertaining to this section are contained in note 18 of the Interim Unaudited Notes to the Consolidated Financial Statements.

Convergence with International Financial Reporting Standards (IFRS)

In February 2008, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Canadian GAAP will be converged with IFRS through a combination of two methods: as current joint-convergence projects of the United States' Financial Accounting Standards Board and the International Accounting Standards Board are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the complete changeover to IFRS; and standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the complete changeover to IFRS. Also the United States' Financial Accounting Standards Board and the International Accounting Standards Board have completed a joint-project on business combinations and non-controlling interests. As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as this Canadian convergence initiative is in an early stage as of the date of these consolidated financial statements, it is premature to currently assess the impact of the Canadian initiative on the Company.

RISK AND UNCERTAINTIES

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

The next twelve months or more will see the continuation of the ongoing development of the Molejon gold deposit. This includes planned completion of road access with related bridge crossings where needed, evaluation of the optimal short and long term power supply and access to the potential mine site, completion of the processing mill, exploration of the Company's other concessions, commissioning of the processing mill and commencing commercial production.

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

Whilst the Molejon gold deposit development is underway, costs for required equipment remain under review and may escalate beyond original estimates. This possible cost escalation, along with other as yet unresolved logistical and engineering issues relating to the Molejon development, all part of a standard building, construction and anticipated start up of a new mining operation, may result in significant cost experiences that differ from present day estimates. There is no guarantee the Molejon gold project will, after more development and engineering work is completed, together with required capital equipment purchases, be an economically feasible production opportunity.

Mining Risks and Insurance

A risk analysis has as yet to be completed for the Molejon deposit. While it is not possible to speculate on possible risks associated with an open pit mining operation in Panama, there may be as yet to be identified significant risk factors.

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

The business of gold mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes in the regulatory environment, cave-ins and flooding and gold bullion losses. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Any payments made with regards to such liabilities may have a material adverse effect on PTQ's financial performance and results of operations. PTQ carries insurance to protect itself against certain risks of mining and processing to the extent that is economically feasible but which may not provide adequate coverage in all circumstances.

Gold Price Volatility

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

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

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

Uncertainty of Mineral Resources and grade of deposit

Mineral resources are estimates of the size and grade of deposits based on limited sampling and on certain assumptions and parameters. No assurance can be given that the present inferred resources and related grades will eventually be confirmed either in whole or in part, as measured or indicated resources. Prolonged declines in the market price of gold may render inferred mineral resources containing relatively lower grades of gold mineralization uneconomic to exploit and could materially reduce the PTQ's resources. Should such reductions occur, PTQ could be required to delay or discontinue production plans or the development of new projects, resulting in increased net losses and reduced cash flow. Short-term factors relating to mineral resources, such as the need for orderly development of ore bodies or the processing of new or different grades, may impair the potential economic feasibility of the Molejon gold deposit.

There is a degree of uncertainty attributable to the calculation of mineralization, resources corresponding grades being mined or dedicated to future production. Until reserves or mineralization are actually mined and processed, the quantity of mineralization and resource grades must be considered estimates only. In addition, the quantity of resources and mineralization may vary depending on commodity prices. Any material change in quantity of resources, mineralization, grade or stripping ratio may affect the economic viability of a project. In addition, there can be no assurance that recoveries from laboratory tests will be duplicated in tests under on-site conditions or during production.

Replacement of Mineral Resources

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

Financing of Exploration Programs

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

Government Permits

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

The design of the Company's internal control systems over financial reporting and the effectiveness of its disclosure controls and procedures were reviewed during the period ended November 30, 2008, and determined not to be effective. The audit committee has been provided information on the deficiencies.

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

These material weaknesses are as follows:

- The Company does not have sufficient accounting resources at one of its subsidiaries in order to account for and apply internal control to transactions origination at the subsidiary.
- Lack of detective and preventative controls with regard to oversight of recorded transactions at one of its operating subsidiaries

On September 1, 2008, the Company transitioned to new accounting software that resulted in appropriate system privileges set up for each job function. This allowed the Company to resolve the material weakness relating to the I.T. configuration at one of its subsidiaries.

Management and the board of directors continue to work to mitigate the risk of a material misstatement. Management has identified certain areas where it can improve process controls and intends on incorporating these changes into the control over the financial reporting over the next twelve months. Steps have been taken to mitigate these issues as management has engaged certain specialists in a consulting role to assist on an as required basis.

CAUTIONARY NOTE TO USA READERS

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

Cautionary Note to USA Investors Regarding Mineral Resources

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

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

ADDITIONAL INFORMATION

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