

PETAQUILLA MINERALS LTD.

For Quarter Ended Report – February 28, 2009

Management Discussion and Analysis
Of Results of Operations and Financial Condition

For periods ended February 28, 2009 and January 31, 2008

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 nine months ended February 28, 2009, which have been prepared on the basis of available information up to April 1, 2009. Management's Discussion and Analysis should be read in conjunction with the unaudited consolidated financial statements and related notes for the nine months ended February 28, 2009 and nine months ended January 31, 2008, and with the audited consolidated financial statements and related notes thereto of the Company, as at and for the 13 month 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 nine months ended February 28, 2009, with the nine months ended January 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 vary based on factors and barriers beyond management control.

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 of management, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, taxation policies, competition from other producers, lack of qualified personnel or management, stock market volatility and the inability to access sufficient capital from external or internal sources. 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.

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

Molejon Gold Deposit Project

- All equipment relating to the electrical and mechanical components of the processing facility has been received.
- Emergency tailings pond has been completed.
- Civil work has been completed.
- The first circuit is complete. The second circuit work connection of all equipment and tanks is underway with anticipated completion in the Company's fourth quarter.
- Waste dumps and pre-stripping activities have commenced.
- Road access for the starter pit is complete.
- Construction of the bridge connecting the mine to the plant is now complete.
- All work related to the CIP tanks has been completed. The support structure for the agitation mechanism for the leaching tanks has been completed.
- Construction of mill feed bins is 90% complete.
- The general warehouse, ADR and refinery have been completed.
- Metallurgy lab equipment is now on site and the structure is complete.
- Earth movement for tailings pond #2 is 90% complete.
- Approval of the environmental impact study has been received.

Senior secured notes financing

- The second and third tranche financing of the senior secured notes has been completed 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 \$44,890,576 (US\$ 43,238,852).
- The supplemental tranche financing of the senior secured notes has been completed for gross proceeds of US\$ 20,000,000
- The Company commenced negotiations with lenders related to additional financing (see Subsequent Events section).

Disposal of Petaquilla Copper Ltd common shares

- The Company disposed of its 20,418,565 common shares of Copper to Inmet Mining Corporation at a price of \$2.20 per common share, for proceeds of \$44,921,043.

Environmental Impact Study Approval

On November 26, 2008, the Autoridad Nacional del Ambiente (“ANAM”), the environmental agency of the Government of the Republic of Panama, 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 not applicable to the Molejon operation, and others have already been satisfied by the Company. 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.

During the current period, the Company has been subject to regular inspections confirming its full compliance with the applicable environmental regulations. Petaquilla Gold S.A. has provided additional technical documentation on specific procedures related to the monitoring of the environmental impact on water, soil and air as well as various studies on health and migration of populations within the area of influence of the mine project, fully complying with the conditions defined by ANAM for readiness for commercial production. Accordingly, the Company expects to initiate full production as soon as the technical pre-production testing is completed which is expected to occur at or about the same time as approval from ANAM is obtained.

Several meetings have been held with ANAM personnel and ANAM’s appointed independent ITS Consulting and EnviroLAB Laboratories to establish a routine of regular environmental inspections. The Company has retained SGS Panama Control Services Inc., part of the Swiss group SGS – Société Générale de Surveillance, for the process of certification to the international standards on Environmental Management, ISO 14001 and Safety and Occupational Health, OHSAS 18001.

Mill Commissioning and Production

The Company announced wet commissioning on November 28th, 2008, after initiating a pre-production test program, progressively bringing online some of the critical process equipment. During the current period, 18,000 tons of low grade ore were used to test the “mine to plant” feed circuitry. Such tests met the requirements of a technical covenant related to the senior note financing.

Subsequent pre-production stages will include the completion of phase 1 of the tailings infrastructure and the additional availability of ball mills and crushing plant. Full commissioning is expected to occur in June 2009 upon reaching a stabilized production process of 4,000 ounces per month.

The Company is suspending its guidance provided in its November 3, 2008, press release regarding production targets and costs of production until production levels have stabilized, at which time revised guidance will be provided.

RESULTS OF OPERATIONS – FOR THE NINE MONTHS ENDED FEBRUARY 28, 2009 COMPARED TO THE NINE MONTHS ENDED JANUARY 31, 2008

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 before the end of fiscal 2009.

Other income (expense)

In the nine months ended February 28, 2009, other income decreased by \$21,379,743 to \$(674,945) compared to \$20,704,798 in the nine months ended January 31, 2008. The decrease in other income is largely due to:

- A loss of \$26,712,889 resulting from an increase in the fair value of the senior secured notes due to mark to market accounting, a change in the discount rate on the Notes from 26.65% to 20.58% as at February 28, 2009, and the partial redemption of Notes during the nine months ended February 28, 2009 compared to \$nil for the nine months ended January 31, 2008.
- A dilution gain of \$1,804,750 for the nine months ended February 28, 2009 compared to \$13,124,981 for the nine months ended January 31, 2008 related to the Company's investment in PTC. The dilution gain resulted from the difference between the Company's carrying cost of PTC and the amount paid up for each PTC share issued.
- A foreign exchange loss of \$9,714,026 for the nine months ended February 28, 2009 compared to a foreign exchange gain of \$1,762,135 for the nine months ended January 31, 2008. This primarily resulted from the significant decrease in the Canadian dollar impacting the majority of the Company's liabilities which are denominated in United States dollars coupled with a significant increase in U.S. denominated liabilities (senior secured notes).
- A one time transfer of intellectual property for proceeds of \$4,587,320 during the nine months ended January 31, 2008 compared to \$nil for the nine months ended February 28, 2009.

These decreases in other income were partially offset by:

- An equity loss of \$1,901,051 for the nine months ended February 28, 2009 compared to \$3,810,029 for the nine months ended January 31, 2008 related to the Company's investment in PTC. The equity loss reflects the Company's portion of the losses that are attributed to its percentage ownership in PTC.
- A gain on sale of Petaquilla Copper Ltd. shares of \$35,564,723 for the nine months ended February 28, 2009 compared to \$4,697,182 for the nine months ended January 31, 2008.

Expenses

Expenses for the nine months ended February 28, 2009, increased by \$346,139 to \$13,403,926 compared to \$13,057,787 for the nine months ended January 31, 2008. The increase in expenses is primarily due to:

- An increase in debt issuance costs of \$4,419,474. During the nine months ended February 28, 2009, the Company incurred debt issuance costs of \$4,419,474 compared to \$nil for the nine months ended January 31, 2008 as a result of the issuance of the second, third and supplemental tranche of the senior secured notes financing. No notes were issued during the comparative period.
- An increase in wages and benefits of \$1,359,388. During the nine months ended February 28, 2009, the Company incurred \$2,847,599 in wages and benefits compared to \$1,488,211 for the nine months ended January 31, 2008 due to an increase in senior management and office staff.
- An increase in accounting and legal costs of \$929,081. During the nine months ended February 28, 2009 the Company incurred \$1,642,951 in accounting and legal costs compared to \$713,870 for the nine months ended January 31, 2008 due to higher audit fees relating to the Company's year end audit as well as legal costs incurred in relation to the issues surrounding environmental permitting.
- An increase in exploration costs of \$175,322. During the nine months ended February 28, 2009, the Company incurred \$175,322 in exploration costs compared to \$nil for the nine months ended January 31, 2008 due to the commencement of an exploration program for the Oro del Norte property near the Caribbean coast.
- An increase in travel costs of \$123,867. During the nine months ended February 28, 2009, the Company incurred \$934,789 in travel costs compared to \$810,922 for the nine months ended January 31, 2008 due to financing activities and senior management and directors' meetings in Panama.

The increases in expenses were partially offset by:

- A decrease of \$4,971,119 in stock-based compensation. Stock-based compensation, a non-cash expense, is \$113,837 for the nine months ended February 30, 2008 compared to \$5,084,956 for the nine months ended January 31, 2008. This decrease is due to a lower number of options vesting during the period as well as a reversal of stock-based compensation expense recorded in prior periods due to the cancellation of certain stock options in the current period.
- A decrease of \$931,733 in office administration. During the nine months ended February 28, 2009, the Company incurred \$1,255,872 in office administration compared to \$2,187,605 for the nine months ended January 31, 2008. The decrease is due to the sharing of administrative costs with Petaquilla Copper Ltd. during the first two quarters.
- A decrease of \$404,816 in consulting fees. During the nine months ended February 28, 2009, the Company incurred \$326,990 in consulting fees compared to \$731,806 for the nine months ended January 31, 2008. The decrease is due to fewer consultants being utilized during the period as the Company's efforts were focused on completion of the processing mill.

- A decrease of \$504,291 in amortization. During the nine months ended February 28, 2009 the Company recorded \$283,096 in amortization compared to \$787,387 for the nine months ended January 31, 2008 due to certain operating assets being sold in the second quarter of fiscal 2008 to PTC.

Net loss and comprehensive loss for the nine months ended February 28, 2009 was \$14,078,871 or \$0.15 per basic and diluted share compared to net income and comprehensive income of \$7,647,011 or earnings of \$0.08 per basic and diluted share for the nine months ended January 31, 2008.

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 \$6,698,715 from continuing operating activities in the nine months ended February 28, 2009. Operating activities for the nine-month period ended January 31, 2008 resulted in a cash outflow of \$5,483,758.

Financing Activities

Proceeds from issuance of senior secured notes were \$49,581,000 for the nine months ended February 28, 2009 compared to \$nil in the nine-month period ended January 31, 2008. Redemption of senior secured notes was \$44,920,843 in the nine months ended February 28, 2009 compared to \$nil in the nine-month period ended January 31, 2008. For the nine months ended February 28, 2009, advances from Petaquilla Copper Ltd. of \$nil compared to \$9,861,742 for the nine-month period ended January 31, 2008. During the nine months ended February 28, 2009, the issuance of capital stock resulted in net proceeds of \$40,995 compared to \$13,164,784 for the nine month period ended January 31, 2008. Prepaid interest on the senior secured notes was \$7,437,150 compared to \$nil in the nine month period ended January 31, 2008. Repayment of the bank overdraft was \$2,087,820 during the nine months ended February 28, 2009 compared to \$nil in the nine-month period ended January 31, 2008. Debt issuance costs for the nine months ended February 28, 2009 were \$4,419,474 compared to \$nil in the nine month period ended January 31, 2008. Net repayments of capital leases and long term debt were \$2,152,329 for the nine months ended February 28, 2009 compared to proceeds of \$7,956,630 in the comparable period of the prior year. Share issuance costs of \$nil were incurred during the nine months ended February 28, 2009 compared to \$676,438 for the nine month period ended January 31, 2008.

Investing Activities

During the nine months ended February 28, 2009, the Company received \$44,920,843 from the sale of Petaquilla Copper Ltd shares compared to \$nil in the nine months ended January 31, 2008.

Mineral Property Development

Molejon Gold Deposit

The Company spent \$28,880,203 on mineral property costs during the nine months ended February 28, 2009 compared to \$15,756,089 during the nine months ended January 31, 2008. Cash expenditure is solely related to completion of the processing mill and the mine.

During the nine months ended February 28, 2009, \$1,802,448 was spent on mining equipment, milling equipment, computer software and office equipment, compared to \$15,745,389 during the nine months ended January 31, 2008, reflecting the change towards the gold pre-production phase of the project in the current period.

During the nine months ended January 31, 2008, the Company received an advance payment of \$4,387,705 for electric generation, rental of a drill machine and aggregate for construction to be provided to PTC over a period of three years compared to \$nil for the nine months ended February 28, 2009.

During the nine months ended January 31, 2008, the Company received \$4,587,320 for the transfer of intellectual property compared to \$nil for the nine months ended February 28, 2009.

During the nine months ended February 28, 2009, the Company paid \$1,436,358 for deposits on equipment and construction material compared to \$nil for the nine months ended January 31, 2008.

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED FEBRUARY 28, 2009 COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 2008

Other income (expense)

During the three months ended February 28, 2009, other income decreased by \$23,417,770 to \$ (10,443,102) compared to \$12,974,668 for the three months ended January 31, 2008. The decrease in other income is due to:

- A loss of \$8,562,202 resulting from an increase in the fair value of the senior secured notes due to mark to market accounting as well as a change in the discount rate on the Notes from 26.65% to 20.58% as at February 28, 2009 compared to \$nil for the three months ended January 31, 2008.
- A gain of \$4,697,182 on the transfer of PTC shares back to PTC as settlement of the amount owing to PTC for the three months ended January 31, 2008 compared to \$nil for the three months ended February 28, 2009.
- A gain on dilution of the equity investment in PTC of \$4,654,852 for the three months ended January 31, 2008 compared to \$nil for the three months ended February 28, 2009 as shares in PTC were sold in the second quarter of 2009. The dilution gain resulted from the difference between the Company's carrying cost of PTC and the amount paid up for each PTC share issued.
- A one time transfer of intellectual property for proceeds of \$4,587,320 during the three months ended January 31, 2008 compared to \$nil for the three months ended February 28, 2009.

- A foreign exchange loss of \$ 1,952,027 for the three months ended February 28, 2009 compared to a foreign exchange gain of \$396,748 for the three months ended January 31, 2008. This primarily resulted from a significant decrease in the Canadian dollar affecting the valuation of the Company's liabilities which are predominantly denominated in United States dollars coupled with a significant increase in U.S. denominated liabilities (senior secured notes).

The above decreases were partially offset by:

- An equity loss of \$nil for the three months ended February 28, 2009 compared to \$1,244,830 for the three months ended January 31, 2008 related to the Company's investment in PTC. The equity loss reflects the Company's portion of the losses that are attributed to its percentage ownership in PTC.
- A decrease in asset usage fees of \$241,048. During the three months ended February 28, 2009, asset usage fees were \$697 compared to \$241,745 for the nine month period ended January 31, 2008.

Expenses

Expenses for the three months ended February 28, 2009, increased by \$829,168 to \$3,667,308 compared with \$2,838,140 for the three months ended January 31, 2008. The increase in expenses is primarily due to:

- An increase in wages and benefits of \$815,372. During the three months ended February 28 2009, the Company incurred \$1,300,909 in wages and benefits compared to \$485,537 for the three months ended January 31, 2008 due to an increase in senior management and office staff.
- An increase in accounting and legal costs of \$593,390. During the three months ended February 28, 2009, the Company incurred \$750,122 in accounting and legal costs compared to \$156,732 for the three months ended January 31, 2008 due to higher audit fees relating to the Company's year end audit as well as legal costs incurred in relation to the issues surrounding environmental permitting.
- An increase in office administration of \$351,287. During the three months ended February 28, 2009, the Company incurred \$734,199 in office administration compared to \$382,912 for the three months ended January 31, 2008. The increase is due to an increase in property and liability insurance related to the commissioning of the mill and startup of operations and an increase in administrative activities related to the startup of operations.
- An increase in exploration costs of \$175,322. During the nine months ended February 28, 2009, the Company incurred \$175,322 in exploration costs compared to \$nil for the nine months ended January 31, 2008 due to the commencement of an exploration program for the Oro del Norte property near the Caribbean coast.
- An increase in investor relations and shareholder information of \$173,575. During the three months ended February 28, 2009, the Company incurred \$516,706 in investor relations and shareholder information compared to \$343,131 for the three months ended January 31, 2008 due to increase activity in the current period.

The above increases were offset by the following:

- A reduction in stock-based compensation expense of \$1,416,812. During the three months ended February 28, 2009, the Company recorded a recovery of stock-based compensation of \$636,549 compared to stock-based compensation expense of \$780,263 for the three months ended January 31, 2008. The recovery was related to the cancellation of certain options during the current period which had been expensed in prior periods as well as a decrease in the number of options vesting during the current period.

Net loss and comprehensive loss for the three months ended February 28, 2009 was \$14,110,410 or \$0.15 per basic and diluted share compared to a net income and comprehensive income of \$10,136,528 or earnings of \$0.11 per basic share and \$0.10 per diluted share for the three months ended January 31, 2008.

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 \$2,757,923 from continuing operating activities for the three months ended February 28, 2009. Operating activities for the three-month period ended January 31, 2008 resulted in cash outflows of \$2,115,110.

Financing Activities

During the three months ended February 28, 2009, the issuance of capital stock resulted in net proceeds of \$nil compared to \$3,584,570 for the three-month period ended January 31, 2008. Total repayments of capital leases and long term debt totaled \$819,053 compared to proceeds of \$434,850 for the comparable period of the prior year. Share issuance costs of \$nil were incurred during the three months ended February 28, 2009 compared to \$422,745 for the three-month period ended January 31, 2008. Advances from Petaquilla Copper Ltd. of \$nil for the three months ended February 28, 2009 compared to \$187,715 for the three-month period ended January 31, 2008.

Mineral Property Development Agreements

Molejon Gold Deposit

The Company spent \$9,673,485 on mineral property costs during the three months ended February 28, 2009 compared to \$2,346,309 during the three months ended January 31, 2008. Cash expenditure is solely related to completion of the processing mill and the mine.

During the three months ended February 28, 2009, \$571,927 was spent on milling equipment, computer software and office equipment, compared to \$7,025,349 during the three months ended January 31, 2008, reflecting the change towards the gold pre-production phase of the project in the current period.

During the three months ended January 31, 2008, the Company received \$4,587,320 for the transfer of intellectual property compared to \$nil for the three months ended February 28, 2009.

Balance Sheet

At February 28, 2009, the Company had total assets of \$131,043,701 compared with \$107,482,486 at May 31, 2008. This increase is primarily a result of proceeds received from senior secured notes, as well as equipment purchases and mineral property expenditures during the period. The working capital deficiency at February 28, 2009 of \$7,705,927 increased from a working capital deficiency of \$3,692,913 at May 31, 2008.

SUMMARY OF QUARTERLY RESULTS (\$)

	2009 Feb 28 Q3	2008 Nov 30 Q2	2008 Aug 31 Q1	2008 May 31 (4 months)
Net income (loss) from continuing operations	(14,110,410)	11,998,037	(11,966,498)	(11,991,311)
Net income (loss)	(14,110,410)	11,998,037	(11,966,498)	(11,991,311)
Earnings (loss) per share – basic	(0.15)	0.12	(0.13)	(0.13)
Earnings (loss) per share – diluted ⁽¹⁾	(0.15)	0.12	(0.13)	(0.13)
	2008 Jan 31 Q3	2007 Oct 31 Q2	2007 Jul 31 Q1	2007 Apr 30 Q5
Net loss from continuing operations	10,136,528	3,434,611	(5,924,128)	(11,370,015)
Net income (loss)	10,136,528	3,434,611	(5,924,128)	(11,370,015)
Earnings (loss) per share – basic	0.11	0.04	(0.06)	(0.14)
Earnings (loss) per share – diluted ⁽¹⁾	0.10	0.04	(0.06)	(0.14)

(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 April 30, 2007, July 31, 2007, May 31, 2008, August 31, 2008 and February 28, 2009. 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 producing mineral properties and has not derived any revenues from the sale of gold or other byproducts since its inception.

As at February 28, 2009, the Company had a working capital deficiency of \$7,705,927 (May 31, 2008 – working capital deficiency of \$3,692,913).

On March 30, 2009, the Company closed a Convertible Senior Secured Notes financing of up to US\$ 40,000,000 (“Convertible Notes”). The Convertible Notes are convertible at a price of \$2.25 per share. The Convertible Notes will bear interest at an annual rate of fifteen percent (15%), of which the first twelve months shall be prepaid in full at the time of issuance of the Convertible Notes. The Convertible

Notes will mature two years from date of issuance at 110% of the principal amount. The Company is required to make semi-annual repayments on the senior secured notes commencing on September 15, 2009 and on the Convertible Notes commencing September 15, 2010 ranging from \$nil to \$8,000,000 depending upon the average price of gold. The Company has the right to redeem the Convertible Notes at any time at 110% of the principal amount plus any accrued or unpaid interest on the Convertible Notes. If the Convertible Notes are redeemed within one year of issuance, all prepaid interest is forfeited. Holders of the previously issued Series 1, Series B and Series C notes were offered to exchange amounts due upon maturity of their existing notes and participate pro-rata in the Convertible Notes offering up to a maximum of US\$ 24,187,083. The remaining proceeds of the private placement will be used for the continued commissioning of the Molejon Gold Project located in Panama and for working capital purposes.

The Company is not yet in production and may not achieve commercial production in the near term. If PTQ is unable to generate positive cash flow from production activities the Company may have to raise additional funds to continue 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.

The Company deposited \$31,703 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 \$508,920 (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 \$254,460 (US\$ 200,000) as a guarantee. Also, the Company posted a term deposit for \$50,892 (US\$ 40,000) for a performance bond with the Ministry of Commerce and Trade in Panama

Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at present or in the foreseeable future. As previously noted, 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	\$ 66,240	\$ 66,240	Nil	Nil
Capital expenditure commitment	\$600,733	Nil	Nil	Nil
Equipment lease	\$2,859,488	\$2,660,359	Nil	Nil
Senior secured notes	Nil	\$77,197,210	Nil	Nil
Operating credit line facility	\$8,112,011	Nil	Nil	Nil
Long-term debt	\$338,221	Nil	Nil	Nil
Asset retirement obligation	Nil	Nil	Nil	\$7,920,068

CONTINGENCIES

- On November 13, 2008, ANAM issued a Resolution purporting to fine the Company and its present and former affiliates US\$1,000,000 for alleged violations of environmental laws that took place on the main Petaquilla Copper Concession in 2005 and an additional US\$934,695 for damages. On November 26, 2008, ANAM by Resolution approved the Company's Environmental Impact Study ("EIS") Category III for the Molejon Gold Project. The Resolution sets out a number of conditions to be satisfied before the Company can attain full commercial production. Based on the approval of the EIS and other issues, the Company filed for reconsideration with ANAM to have the fines reduced to nil. The outcome of the reconsideration and the amount, if any, that may ultimately be payable by the Company cannot be determined. Should the Company be unsuccessful in having the fines reduced to nil, the Company intends to pursue other legal means available to it to have these fines reduced to nil.

In January 2009, the Company was 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. (See Subsequent Events section).

- On January 28, 2009, Pro-Con Industries, Inc. filed a claim in the Central District of California against Petaquilla Minerals Ltd. and Petaquilla Minerals, S.A. for breach of written contract, breach of oral contract, fraud, intentional interference with economic relationship and negligent interference with economic relationship. The claim seeks damages in excess of US \$3,250,000 in addition to punitive damages and attorney fees.

The Company's legal counsel is unable to provide an opinion as to either party's chances of success as the discovery process has not yet commenced.

CAPITAL STOCK

At February 28, 2009, the Company had unlimited authorized common shares without par value and unlimited authorized preference shares without par value. The Board of Directors will assign the rights and privileges to each series of preference shares upon issue.

As at February 28, 2009, an aggregate of 96,040,121 common shares were issued and outstanding of which 44,200 were repurchased. As of April 1, 2009, 96,040,121 common shares were issued and outstanding with 44,200 common shares being held as treasury stock.

	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	-	-	80,806	-
Senior secured notes finders warrants cost	-	(217,587)	-	217,587
Senior secured notes warrants	-	-	-	717,059
Balance as at February 28, 2009	96,040,121	\$105,865,153	\$ 16,303,162	\$ 13,911,643

PTQ had the following warrants outstanding as at April 1, 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
12,812,280	\$2.30	May 21, 2013
3,972,800	\$2.30	June 4, 2013
7,051,720	\$2.30	July 8, 2013
35,659,235		

The following summarizes information about the stock options outstanding as at April 1, 2009:

Number of Shares Outstanding	Exercise Price	Expiry Date
30,000	0.26	April 25, 2010
193,800	0.26	July 11, 2010
919,200	0.54	February 1, 2011
96,000	0.89	April 27, 2011
4,826,853	2.01	January 15, 2012
200,000	2.22	June 12, 2012
500,000	2.25	June 20, 2012
50,000	2.49	July 12, 2012
50,000	2.54	July 23, 2012
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
100,000	0.39	March 1, 2014
<u>8,435,853</u>		

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the nine months ended February 28, 2009, PTQ had the following transactions with related parties:

- a) The Company paid legal fees of \$200,928 (nine months ended January 31, 2008 - \$53,258), financing costs of \$120,664 (nine months ended January 31, 2008 - \$nil) and share issue costs of \$nil (nine months ended January 31, 2008 - \$163,635) to a law firm controlled by an officer.
- b) The Company paid consulting fees of \$3,500 (nine months ended January 31, 2008 - \$61,943) to companies controlled by a director, a former director and a former officer.
- c) The Company paid wages and benefits of \$174,235 (nine months ended January 31, 2008 - \$139,191) to companies controlled by a director, a former director and an officer.
- d) The Company paid for goods and services of \$91,749 (nine months ended January 31, 2008 - 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 February 28, 2009:

- On March 10, 2009, the Supreme Court of the Republic of Panama issued a statement regarding a fine that ANAM had sought to enforce upon the Company. By way of Resolution N° AG-0975-2008 of November 13, 2008 (the “Resolution”), ANAM had levied a fine of US\$ 1,934,695 upon the Company for the alleged violation of certain regulations that fall under its mandate. In its decision, the Supreme Court suspended the imposition of ANAM’s fine until the matter of the Company’s appeal is resolved. (See Contingencies Section).
- On March 30, 2009, the Company closed a Convertible Senior Secured Notes financing of up to US\$ 40,000,000 (“Convertible Notes”). The Convertible Notes are convertible at a price of \$2.25 per share. The Convertible Notes will bear interest at an annual rate of fifteen percent (15%), of which the first twelve months shall be prepaid in full at the time of issuance of the Convertible Notes. The Convertible Notes will mature two years from date of issuance at 110% of the principal amount. The Company is required to make semi-annual repayments on the previously issued senior secured notes commencing on September 15, 2009 and on the Convertible Notes commencing September 15, 2010 ranging from \$nil to \$8,000,000 depending upon the average price of gold. The Company has the right to redeem the Convertible Notes at any time at 110% of the principal amount plus any accrued or unpaid interest on the Convertible Notes. If the Convertible Notes are redeemed within one year of issuance, all prepaid interest is forfeited. Holders of the previously issued Series 1, Series B and Series C notes were offered to exchange amounts due upon maturity of their existing notes and participate pro-rata in the Convertible Notes offering up to a maximum of US\$ 24,187,083. The remaining proceeds of the private placement will be used for the continued commissioning of the Molejon Gold Project located in Panama and for working capital purposes. Holders of the Series 1 notes representing 11,984 notes (US\$ 11,983,812) have agreed not to exercise their put right until June 1, 2010. In addition, the Company has agreed to reduce the exercise price of 23,836,800 warrants from \$2.30 per share to \$0.65 per share. Under the revised terms of the warrants, if the common shares of the Company trade at a weighted average trading price of \$1.00 or more per share for 30 consecutive trading days, the holders of the warrants must exercise the warrants within 30 days.
- The company issued 100,000 stock options and cancelled 37,500 stock options.

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. Compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period.

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.

CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

During the period, the Company adopted the following accounting policy:

Inventory

Finished goods, work-in-process, and stockpiled ore are valued at the lower of average production cost and net realizable value. Production cost includes the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mineral properties. Materials and supplies inventory is valued at net realizable value. Net realizable value is determined based on current replacement cost.

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.

Accounting Policies to be Implemented Effective January 1, 2011

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations (“Section 1582”), 1601 – Consolidated Financial Statements (“Section 1601”) and 1602 – Non-controlling Interests (“Section 1602”) which replaces CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements.

Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted.

Section 1601, together with Section 1602, establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning June 1, 2010. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

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 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 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 sequential 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 and corresponding resource 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 resources 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.

Political Risks

The Company's operations are currently conducted in Panama and, as such, PTQ's operations are exposed to political risks and uncertainties. These risks and uncertainties include but are not limited to expropriation; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Company's operations or future profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on PTQ's operations or profitability.

Environmental Protestors

There are currently no producing mines in Panama and various independent environmental groups or individuals would like to prevent the operation of mining in Panama. The Company's operations could be significantly disrupted or suspended by activities such as protests or blockades that may be undertaken by such groups or individuals.

Permits to Commence Commercial Production

ANAM has set out certain conditions to be met before the Company can place the Molejon Property into commercial production as a mine. The Company has yet to satisfy all of these conditions, and discussions are underway with ANAM to arrive at a consensus on the final conditions to be met. The Company's position is that *Ley Petaquilla* takes precedence over the resolutions of ANAM, and that the Company is in

compliance with *Ley Petaquilla*. The Supreme Court has issued an order suspending the implementation of a fine levied in 2008 against the Company by ANAM. There is no guarantee that ANAM will not purport to levy further fines against the Company, claiming breaches of the environmental statutes and policies of Panama, in the event that the Company proceeds to commercial production without having satisfied conditions set out by ANAM. The Company intends to strictly comply with *Ley Petaquilla*, including the environmental provision thereof, and will vigorously oppose any such action by ANAM.

Procurement of Labour and Materials

The mining industry has been impacted by increased demand for critical resources such as input commodities, mining equipment, milling equipment and skilled labour. These shortages have caused unanticipated cost increases and delays in delivery times, thereby impacting capital expenditures and mine and mill completion. These conditions may reoccur in the future and may have an effect on future costs of production and the achievement of production targets.

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 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 February 28 2009, 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 originating 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 to be 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 controls over 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 corporation 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 greater uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred resource 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