AVRUPA MINERALS LTD.

CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2011

(UNAUDITED)

AVRUPA MINERALS LTD.

Contents

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

		September 30, 2011		December 31, 2010
		(Unaudited)		(Audited)
Assets				
Non-current assets				
Property, plant and equipment (Note 4)	$	24,369	$	16,179
Exploration and evaluation assets (Note 5)		876,507		876,507
		900,876		892,686
Current assets				
Other assets		2,007		1,912
Due from related party (Note 7)		6,287		-
Other receivables		-		320,000
Receivables		168,526		104,506
Prepaid expenses and advances		130,869		104,728
Cash and cash equivalents		1,369,983		2,674,521
		1,677,672		3,205,667
Total assets	$	2,578,548	$	4,098,353
Equity				
Share capital (Note 6)	$	3,976,261	$	3,976,261
Reserves (Note 6)		1,080,899		1,061,503
Deficit		(2,901,305)		(1,154,887)
		2,155,855		3,882,877
Non-controlling interest		(130,081)		29,646
		2,025,774		3,912,523
Liabilities				
Current liabilities				
Other liabilities		-		70,058
Due to / from related parties (Note 7)		15,948		41,092
Accounts payable and accrued liabilities		536,826		74,680
		552,774		185,830
Total equity and liabilities	$	2,578,548	$	4,098,353

These consolidated financial statements are authorized for issue by the Board of Directors on November 23, 2011. They are signed on the Company's behalf by:

/s/Paul W. Kuhn
Director

/s/Mark T. Brown
Director

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Presented in Canadian Dollars)
(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2011	October 31, 2010	September 30, 2011	October 31, 2010
Mineral exploration expenses (Note 5)				
Mineral exploration expenses	$ 733,723	$ 132,343	$ 1,522,216	$ 194,038
Recovery from optionee	-	-	(178,271)	-
	(733,723)	(132,343)	(1,343,945)	(194,038)
General administrative expenses				
Accounting and legal	37,790	59,014	100,173	90,683
Bank charges	3,510	2,455	8,634	25,308
Consulting	19,801	8,265	54,795	37,150
Depreciation	1,933	2,346	7,162	3,107
Insurance	5,053	311	9,871	311
Investor relations	17,746	18,004	55,078	21,500
Licenses, fees and taxes	185	(1,824)	461	613
Listing and filing fees	-	1,243	7,995	12,404
Office and administrative fees	21,509	28,562	38,401	35,413
Rent	8,396	12,970	50,506	18,127
Salaries	(8,556)	94,548	148,899	107,885
Share-based payment	-	-	-	212,410
Telephone	3,738	2,236	8,258	2,654
Transfer agent fees	1,344	3,409	6,194	12,629
Travel	21,181	24,643	83,194	28,232
	(133,630)	(256,182)	(579,621)	(608,426)
Other items				
Foreign exchange (loss)	(242)	-	(70)	-
Interest income	4,908	7,273	18,213	11,851
Other income	69	13	2,616	261
Gain on write-off of loans	-	31,826		31,826
Property investigation cost	45,455	-	(9,625)	-
Loss before tax	(817,163)	(349,413)	(1,912,432)	(758,526)
Income tax	-	-	-	-
Loss after tax	(817,163)	(349,413)	(1,912,432)	(758,526)
Non-controlling interest for the period	(64,085)	(23,846)	(166,014)	(31,884)
Net loss and comprehensive loss for the period	$ (753,078)	$ (325,567)	$ (1,746,418)	$ (726,642)
Basic and diluted loss per share (Note 8)	$ (0.05)	$ (0.02)	$ (0.11)	$ (0.08)

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Presented in Canadian Dollars)

	Share capital		Reserves						
	Number of shares	Amount	Warrants	Finder's options	Equity settled employee benefits	Exchange	Deficit	Non-controlling interest	Total equity
Balance as at April 30, 2010 (Audited)	3,050,000	$ 418,545	$ -	$ 6,993	$39,574	$ -	$ (111,790)	$ -	$ 353,322
Share issues:									
Shares issued for private placements	12,678,571	3,754,415	745,585	-	-	-	-	-	4,500,000
Shares issued for debt settlement (Note 6c)	275,000	101,750	-	-	-	-	-	-	101,750
Exercise of agent's options	100,000	31,636	-	(11,636)	-	-	-	-	20,000
Share issue costs	-	(330,085)	-	80,532	-	-	-	-	(249,553)
Share-based payment	-	-	-	-	212,410	-	-	-	212,410
Exchange difference arising on the translation of foreign subsidiaries	-	-	-	-	-	(11,955)	-	-	(11,955)
Non-controlling interest at acquisition	-	-	-	-	-	-	-	59,289	59,289
Net loss and comprehensive loss	-	-	-	-	-	-	(1,043,097)	(29,643)	(1,072,740)
Balance as at December 31, 2010 (Audited)	16,103,571	3,976,261	745,585	75,889	251,984	-11,955	-1,154,887	29,646	3,912,523
Non-controlling interest retaining position (Note 7)	-	-	-	-	-	-	-	6,287	6,287
Exchange difference arising on the translation of foreign subsidiaries	-	-	-	-	-	19,396	-	-	19,396
Net loss and comprehensive loss	-	-	-	-	-	-	-1,746,418	-166,014	-1,912,432
Balance as at September 30, 2011 (Unaudited)	**16,103,571**	**$ 3,976,261**	**$ 745,585**	**$ 75,889**	**$ 251,984**	**$ 7,441**	**$ (2,901,305)**	**$ (130,081)**	**$ 2,025,774**

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Presented in Canadian Dollars)
(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2011	October 31, 2010	September 30, 2011	October 31, 2010
Cash flows from operating activities				
Loss after tax for the period	$ (817,163)	$ (349,413)	$ (1,912,432)	$ (758,526)
Items not involving cash:				
Depreciation	1,933	2,346	7,162	3,107
Share-based payment	-		-	212,410
Changes in non-cash working capital items:				-
Receivables	(24,480)	(10,450)	(64,020)	(51,921)
Other receivables	-	-	320,000	-
Prepaid expenses and advances	(21,818)	(40,771)	(26,141)	(40,204)
Other assets	5	19,114	(95)	18,126
Accounts payable and accrued liabilities	270,654	10,132	462,147	(4,662)
Due to / from related parties	(6,913)	27,746	(25,144)	132,306
Other liabilities	-	(99,074)	(70,058)	(683)
Net cash (used in) operating activities	(597,782)	(440,370)	(1,308,581)	(490,047)
Cash flows from investing activities				
Purchase of property, plant and equipment	34	(640)	(14,102)	(1,333)
Exploration and evaluation assets	-	(123,736)	-	(239,649)
Cash acquired from business combination	-	-	-	157,270
Cash paid in business combination	-	-	-	(912,890)
Net cash (used in) investing activities	34	(124,376)	(14,102)	(996,602)
Cash flows from financing activities				
Proceeds from issuance of common shares	-	500,000	-	4,500,000
Proceeds from exercise of agent's options	-	20,000	-	20,000
Share issue costs	-	(63,250)	-	(249,553)
Deferred transaction and financing costs	-	-	-	(115,923)
Net cash provided by financing activities	-	456,750	-	4,154,524
Exchange difference arising on the translation of foreign subsidiaries	(2,280)	18,874	18,145	19,050
Change in cash and cash equivalents for the period	(600,028)	(89,122)	(1,304,538)	2,686,925
Cash and cash equivalents, beginning of the period	1,970,011	3,144,427	2,674,521	368,380
Cash and cash equivalents, end of the period	$ 1,369,983	$ 3,055,305	$ 1,369,983	$ 3,055,305
Interest paid	$ -	$ -	$ -	$ -
Interest received	$ 4,908	$ 7,273	$ 18,213	$ 11,851
Taxes paid	$ -	$ -	$ -	$ -
Taxes received	$ -	$ -	$ -	$ -
Transaction costs accrued	$ -	$ -	$ -	$ 35,000

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Avrupa Minerals Ltd. (formerly Everclear Capital Ltd.) (the "Company") was incorporated on January 23, 2008 under the Business Corporations Act of British Columbia and its registered office is Suite 2610 – 1066 West Hastings Street, Vancouver, BC, Canada, V6E 3X1. The Company became a "Capital Pool Company" as defined in the Exchange's Listing Policy 2.4 and its common shares began trading on the Exchange on September 2, 2008.

As a Capital Pool Company, the principal business of the Company was to identify and evaluate opportunities for the acquisition of an interest in an asset or business and, once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder approval and acceptance for filing by the Exchange. Until the completion of such a Qualifying Transaction ("QT"), as defined under Exchange Listing Policy 2.4, the Company would not carry on any business other than the identification and evaluation of assets or businesses in this connection. On July 7, 2010, the Company changed its name and on July 13, 2010, the Company received the final approval from the Exchange for its QT (Note 3) and its common shares resumed trading under its current name and trading symbol "AVU.V".

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has no source of operating revenues and its capacity to operate as a going concern in the near-term will likely depend on its ability to continue raising equity financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the condensed consolidated interim statement of financial position. The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and use of judgment and estimates

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation and use of judgment and estimates *(Continued)*

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant areas requiring the use of estimates, include the determination of share-based payments and carrying value of exploration and evaluation assets. Actual results may differ from these estimates.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for the period ending September 30, 2011.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(b) Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries as follows:

	% of ownership	Jurisdiction	Nature of operations
MAEPA Empreendimentos Mineiros e Participacoes Lda	90%	Portugal	Exploration
Innomatik Exploration Kosovo LLC	92.5%	Kosovo	Exploration
Avrupa Holdings Ltd.	100%	Barbados	Holding
Avrupa Portugal Holdings Ltd.	100%	Barbados	Holding
Avrupa Kosovo Holdings Ltd.	100%	Barbados	Holding

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

(c) Business combinations

Business combinations that occurred after May 1, 2008 were accounted for in accordance with IFRS 3, *Business Combinations* ("IFRS 3") and IAS 27, *Consolidated and Separate Financial Statements*.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combinations *(Continued)*

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

(d) Foreign currencies

The functional and presentation currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of the exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company has determined that the functional currency of its majority-owned subsidiaries is the Euros and that the functional currency of its wholly-owned subsidiaries is the US dollar. Exchange differences arising from the translation of the subsidiaries' functional currencies into the Company's presentation currency are taken directly to the exchange reserve.

(e) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

(f) Exploration and evaluation assets and expenditure

Exploration and evaluation expenditure include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditure is expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Exploration and evaluation assets and expenditure *(Continued)*

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(g) Property, plant and equipment

Property, plant and equipment (“PPE”) are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the condensed consolidated interim statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Capital leases

The Company had PPE under lease contracts recorded as tangible fixed assets by the financial method and under this method, the cost of the fixed assets, accumulated depreciation and the corresponding liability determined in accordance with the contractual financial plan. In addition, interest included in the lease installments and depreciation of the fixed assets is recognized in the consolidated statement of comprehensive loss to which they apply. All responsibilities were fully ended during 2010.

(i) Share-based payment transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(j) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

(k) Significant accounting judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Significant accounting judgments and estimates *(Continued)*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the condensed consolidated interim statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

<u>Critical judgments</u>

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid for. The functional currency of its majority-owned subsidiaries is the Euros and that the functional currency of its wholly-owned subsidiaries is the US dollar as management considered the currencies which mainly influence the cost of providing goods and services in those subsidiaries. The Company chooses to report in Canadian dollar as the presentation currency.

<u>Estimates</u>

- the recoverability of amounts receivable and prepayments which are included in the condensed consolidated interim statements of financial position;
- the useful lives of depreciable assets at each reporting date;
- the carrying amount of an asset or cash-generating unit comparing with the recoverable amount to assess the impairment loss, if any; and
- the inputs used in accounting for share purchase option expense in the condensed consolidated interim statements of comprehensive loss.

(l) Provisions

Provisions are recognized in the condensed consolidated interim statement of financial position when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Financial instruments

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the condensed consolidated interim statements of comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the condensed consolidated interim statements of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the condensed consolidated interim statements of comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the condensed consolidated interim statements of financial position at fair value with changes in fair value recognized in the condensed consolidated interim statements of comprehensive loss.

Other financial liabilities - This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of equipment and intangible assets (excluding goodwill)

Equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

(o) Asset retirement obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the consolidated statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted that are expected to apply when temporary difference are expected to settle.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2011 reporting period. The following standards are assessed not to have any impact on the Company's condensed consolidated interim financial statements:

- IAS 24, Related Party Disclosure: effective for accounting periods commencing on or after January 1, 2011;
- IFRS 9, Financial Instruments: effective for accounting periods commencing on or after January 1, 2013; and
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments: effective for accounting periods commencing on or after July 1, 2010.

(Presented in Canadian Dollars)

3. BUSINESS COMBINATION

The Company signed a final share purchase agreement on June 23, 2010 with Metallica Mining ASA ("Metallica"), a private Norwegian company, to acquire the controlling interest in MAEPA Empreendimentos Mineiros e Participacoes Lda., a private Portugese company ("MAEPA"), and Innomatik Exploration Kosovo LLC, a private Kosovo company ("Innomatik"). The Company acquired the following shares from Metallica: (a) 90% of the issued and outstanding shares in MAEPA ("MAEPA Shares") and (b) 92.5% of the issued and outstanding shares of Innomatik ("Innomatik Shares").

This acquisition was considered to be the Company's QT as the Exchange provided its approval on July 13, 2010. In connection with this QT, the Company also completed a private placement (See Note 6b) and advanced to Metallica $150,000 (the "Loan") as an advance on the Purchase Price. With the completion of the acquisitions of MAEPA and Innomatik on July 13, 2010, the loan was repaid.

As part of the share purchase agreement, the Company agreed to acquire the MAEPA Shares and Innomatik Shares from Metallica for $912,890 in cash. Metallica also paid to the Company $320,000 in accordance with the sale of the Repparfjord copper property in Norway, a property held under the acquired companies, to a third party. The receipt of the Repparfjord funds brought the final purchase price down to $592,890 (the "Purchase Price").

Since the shareholders of MAEPA and Innomatik do not control the Company after the transaction and the private placement, the transaction was accounted for on the consolidated statement of financial position as an asset purchase with the Company identified as the acquiring entity.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed as of the date of the acquisitions of MAEPA and Innomatik based on an allocation of the $592,890 in net cash consideration paid by the Company:

	MAEPA	Innomatik	Total
Cash	$ 155,867	$ 1,403	$ 157,270
Current assets other than cash	46,340	44,753	91,093
Property, plant and equipment	4,733	21,557	26,290
Exploration and evaluation asset	485,419	90,034	575,453
Total assets acquired	692,359	157,747	850,106
Total liabilities assumed	(40,180)	(157,747)	(197,927)
Net assets	652,179	-	652,179
Less: non-controlling interest	(59,289)	-	(59,289)
Net assets acquired	$ 592,890	$ -	$ 592,890

The Company has allocated all its acquisition costs to MAEPA as the Marateca property in MAEPA has a NI43-101 compliant geological report completed.

(Presented in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture and other equipment	Vehicles	Other assets	Total
Cost				
As at April 30, 2010	$ -	$ -	$ -	$ -
Additions during the period	15,015	134,761	1,203	150,979
As at December 31, 2010	15,015	134,761	1,203	150,979
Additions during the period	14,102	-	-	14,102
Exchange adjustment	1,031	11,558	92	12,681
As at September 30, 2011	$ 30,148	$ 146,319	$ 1,295	$ 177,762
Accumulated depreciation				
As at April 30, 2010	$ -	$ -	$ -	$ -
Additions during the period	10,323	123,453	1,024	134,800
As at December 31, 2010	10,323	123,453	1,024	134,800
Additions during the period	3,596	3,417	149	7,162
Exchange adjustment	745	10,614	72	11,431
As at September 30, 2011	$ 14,664	$ 137,484	$ 1,245	$ 153,393
Net book value				
As at April 30, 2010	$ -	$ -	$ -	$ -
As at December 31, 2010	$ 4,692	$ 11,308	$ 179	$ 16,179
As at September 30, 2011	$ 15,484	$ 8,835	$ 50	$ 24,369

(Presented in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

	Portugal				Kosovo					Other	Total
	Marateca	**Alvalade**	**Covas**	**Others**	**Glavej**	**Kamenica**	**Bajgora**	**Selac**	**Others**		
Exploration and evaluation assets											
As of December 31, 2010	$ 876,507	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 876,507
Additions during the period	-	-	-	-	-	-	-	-	-	-	-
As of September 30, 2011	$ 876,507	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 876,507
Mineral exploration expenses for the nine months ended September 30, 2011											
Assaying	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Concession fees and taxes	11,727	10,717	41,588	52	149	144	2,929	2,903	2,408	-	72,617
Geology work	-	-	-	-	11,371	29,944	44,582	24,131	14,082	31,967	156,077
Insurance	-	-	-	-	270	1,462	2,535	1,222	631	-	6,120
Legal and accounting	-	-	-	-	-	-	-	-	-	-	-
Office and administrative fees	6,596	8,747	2,114	1,230	591	1,028	1,309	1,251	568	683	24,117
Rent	5,501	-	282	-	602	3,259	5,650	2,724	1,406	-	19,424
Salaries	576,932	270,100	65,484	58,628	5,479	29,681	51,461	24,811	12,809	-	1,095,385
Site costs	13,770	12,131	3,368	848	1,039	38,744	15,717	4,689	2,322	-	92,628
Travel	21,619	21,734	6,427	4,837	-	-	-	1,231	-	-	55,848
Recovery from optionee	-	-	(178,271)	-	-	-	-	-	-	-	(178,271)
	$ 636,145	$ 323,429	$ (59,008)	$ 65,595	$ 19,501	$ 104,262	$ 124,183	$ 62,962	$ 34,226	$ 32,650	$ 1,343,945
Cumulative mineral exploration expenses since acquisition											
Assaying	$ -	$ -	$ -	$ -	$ 3,292	$ 3,569	$ 438	$ -	$ 817	$ -	$ 8,116
Concession fees and taxes	9,543	10,717	65,457	52	3,538	3,861	4,290	4,263	3,932	-	105,653
Geology work	-	-	-	-	28,571	45,668	55,129	24,131	33,159	31,967	218,625
Insurance	-	-	-	-	1,082	2,274	2,535	1,222	631	-	7,744
Legal and accounting	-	296	-	-	-	-	-	-	-	-	296
Office and administrative fees	7,805	10,154	3,179	1,306	887	1,751	2,779	1,251	2,150	683	31,945
Rent	5,501	-	282	-	602	3,259	5,650	2,724	1,406	-	19,424
Salaries	673,780	330,445	144,166	58,628	47,723	71,925	57,785	24,811	19,132	-	1,428,395
Site costs	19,370	13,938	6,662	848	2,348	59,654	16,251	4,689	3,084	-	126,844
Travel	24,234	24,867	9,016	5,212	-	-	-	1,231	-	-	64,560
Recovery from optionee	-	-	(178,271)	-	-	-	-	-	-	-	(178,271)
	$ 740,233	$ 390,417	$ 50,491	$ 66,046	$ 88,043	$ 191,961	$ 144,857	$ 64,322	$ 64,311	$ 32,650	$ 1,833,331

(Presented in Canadian Dollars)

5. **EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES** *(Continued)*

	Portugal				Kosovo					Total
	Marateca	Alvalade	Covas	Others	Glavej	Kamenica	Rezhanc	Bajgora	Others	
Exploration and evaluation assets										
As of April 30, 2010	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions during the period	876,507	-	-	-	-	-	-	-	-	876,507
As of December 31, 2010	$ 876,507	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 876,507
Mineral exploration expenses										
Mineral exploration expenses for the eight months ended December 31, 2010										
Assaying	$ -	$ -	$ -	$ -	$ 3,292	$ 3,569	$ 817	$ 438	$ -	$ 8,116
Concession fees and taxes	(2,184)	-	23,869	-	3,389	3,717	1,524	1,361	1,360	33,036
Geology work	-	-	-	-	17,200	15,724	19,077	10,547	-	62,548
Insurance	-	-	-	-	812	812	-	-	-	1,624
Legal and accounting	-	296	-	-	-	-	-	-	-	296
Office and administrative fees	1,209	1,407	1,065	76	296	723	1,582	1,470	-	7,828
Salaries	96,848	60,345	78,682	-	42,244	42,244	6,323	6,324	-	333,010
Site costs	5,600	1,807	3,294	-	1,309	20,910	762	534	-	34,216
Travel	2,615	3,133	2,589	375	-	-	-	-	-	8,712
	$ 104,088	$ 66,988	$ 109,499	$ 451	$ 68,542	$ 87,699	$ 30,085	$ 20,674	$ 1,360	$ 489,386
Cumulative mineral exploration expenses since acquisition										
Assaying	$ -	$ -	$ -	$ -	$ 3,292	$ 3,569	$ 817	$ 438	$ -	$ 8,116
Concession fees and taxes	(2,184)	-	23,869	-	3,389	3,717	1,524	1,361	1,360	33,036
Geology work	-	-	-	-	17,200	15,724	19,077	10,547	-	62,548
Insurance	-	-	-	-	812	812	-	-	-	1,624
Legal and accounting	-	296	-	-	-	-	-	-	-	296
Office and administrative fees	1,209	1,407	1,065	76	296	723	1,582	1,470	-	7,828
Salaries	96,848	60,345	78,682	-	42,244	42,244	6,323	6,324	-	333,010
Site costs	5,600	1,807	3,294	-	1,309	20,910	762	534	-	34,216
Travel	2,615	3,133	2,589	375	-	-	-	-	-	8,712
	$ 104,088	$ 66,988	$ 109,499	$ 451	$ 68,542	$ 87,699	$ 30,085	$ 20,674	$ 1,360	$ 489,386

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES *(Continued)*

The Company, through its 90% holding in MAEPA, holds five exploration licenses in Portugal, spread from the north to the south in the country. All the licenses have been issued to MAEPA and have been fully approved by the government of Portugal. :

- Marateca (398.10 km^2)
- Alvalade (720.19 km^2)
- Covas (23.65 km^2)
- Ferreira Do Alentejo (143.363 km^2)
- Canal Caveira (135.228 km^2)

Licenses have varying work commitments, as approved by the government of Portugal, and all licenses carry a 3% NSR, payable to the government of Portugal.

During the business combination with MAEPA (Note 3), the Company allocated all its acquisition costs to Marateca as the Company has an NI 43-101 compliant geological report done on the Marateca project in Portugal.

Covas:
On May 18, 2011, the Company signed an agreement to option out the Covas Tungsten Project to Blackheath Resources Inc. (“Blackheath”). Under the terms of the agreement, Blackheath has the option to earn a 51% interest in the project by spending €300,000 in exploration on the project before March 20, 2013, of which €150,000 is a firm commitment and must be spent by March 20, 2012. Blackheath can then earn an additional 19% by spending an additional €700,000 for a total interest of 70% for total expenditures of €1,000,000, by March 20, 2014. Blackheath can also earn another 15% for a total interest of 85% by completing a pre-feasibility study (as defined by NI 43-101 regulations) on the property by March 20, 2016.

During the nine months ended September 30, 2011, Blackheath completed the €150,000 exploration commitment by incurring €26,127 directly, reimbursing €64,687 for MAEPA’s exploration expenses and advancing €59,186 to the Company for future exploration work.

Alvalade / Canal Caveira / Ferreira do Alentejo:
On June 3, 2011, the Company signed a Memorandum of Understanding (“MOU”) with Antofagasta Minerals S.A. (“AMSA”) to undertake exploration for copper-zinc massive sulfide deposits on the Alvalade project The MOU cover three Avrupa licenses: Alvalade, Canal Caveira, and Ferriera do Alentejo. AMSA has committed US$300,000 over a 6-month period to complete an initial study of the project. Upon completion of the initial study and positive due diligence, the Company will grant to AMSA the option to acquire an undivided 51% of the project, which can be exercised by AMSA funding or incurring expenditures of an additional US$4 million over three years. After exercise of the first option, AMSA will be granted a further option to acquire an additional 24% interest in the project, for an aggregate 75% undivided interest, by completing and delivering a Feasibility Study on the project to the Company within five years. The Company will operate the joint venture through the first option period.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES *(Continued)*

The Company, through its 92.5% holding in Innomatik, holds four exploration licenses in Kosovo:

- Glavej, north central Kosovo (8.15 km^2)
- Kamenica, central Kosovo (44.89 km^2)
- Bajgora, northern Kosovo (76.5 km^2)
- Selac, northern Kosovo (36.9 km^2)

The Glavej and Kamenica licenses were originally issued to Innomatik for two years, but have now been renewed for three years, as required by Kosovo law. Upon renewal, the licenses were reduced in size by 50%. The present, post-renewal size is listed above. The Bajgora and Selac licenses were newly issued during Q1 2011 for three years. All licenses carry a work commitment, and there is a 2% NSR, payable to the government of Kosovo, attached to each of the licenses.

6. CAPITAL AND RESERVES

(a) Authorized:

At September 30, 2011, the authorized share capital comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Private Placements

(i) On June 22, 2010, the Company closed a private placement related to the completion of its QT for gross proceeds of $4 million. The Company had issued 11,428,571 subscription receipts (“Receipts”) at $0.35 per receipt. Each receipt was converted into a unit at the completion of the QT, which consists of a common share and one half of a transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.50 for a period of 18 months. The securities issued under the private placement were subject to a four-month hold period which expired on October 22, 2010. The warrants were being ascribed a value of $606,539.

A total of $183,859 cash finder’s fee was paid and 525,310 finder’s options were issued as part of the financing. In addition, another $30,944 was included in the share issue costs. Each finder’s option can be converted into a unit with the same terms as the financing at $0.35 for a period of 18 months. The finder’s options were ascribed a value of $55,614.

6. CAPITAL AND RESERVES *(Continued)*

(b) Private Placements *(Continued)*

(ii) On October 25, 2010, the Company closed a private placement issuing 1,250,000 units at a price of $0.40 per unit for gross proceeds of $500,000. Each unit consists of one common share and one-half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.55 for a period of 18 months. The securities issued under the private placement were subject to a four-month hold period expired on February 25, 2011. The warrants were being ascribed a value of $139,046.

A total of $31,500 cash finder's fee was paid and 78,750 finder's options were issued as part of the financing. In addition, another $3,250 was included in the share issue costs. Each finder's option can be converted into a unit with the same terms as the financing at $0.40 for a period of 18 months. The finder's options were being ascribed a value of $20,275.

(c) Shares for debt settlement

On December 6, 2010, 275,000 common shares were issued to Peter Merkel, a non-controlling shareholder of Innomatik, at a fair value of $0.37 price ($101,750) to settle the working capital loan and the interests thereto owing to him in the amount of €88,385 ($118,383), resulting in a gain on settlement of debt of $16,633.

(d) Escrow shares

1,300,000 seed shares were placed in escrow in accordance with the escrow agreement dated July 28, 2008. 10% of the escrowed common shares were released on July 13, 2010, upon the completion of the QT. As at September 30, 2011, there were 780,000 common shares of the Company held in escrow. 195,000 escrow shares will be released on January 13, 2012.

(e) Share Purchase Option Compensation Plan

The Company has established a stock option plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(e) Share Purchase Option Compensation Plan *(Continued)*

Stock option transactions and the number of stock options are summarized as follows:

Expiry date	Exercise price	December 31, 2010	Granted	Exercised	Expired/ cancelled	September 30, 2011
August 28, 2013	$ 0.20	220,000	-	-	-	220,000
July 8, 2015	$ 0.35	880,000	-	-	-	880,000
July 15, 2015	$ 0.35	10,000	-	-	-	10,000
Options outstanding		1,110,000	-	-	-	1,110,000
Options exercisable		1,110,000	-	-	-	1,110,000
Weighted average exercise price		$0.32	$Nil	$Nil	$Nil	$0.32

The weighted average assumptions used to estimate the fair value of options for the nine months ended September 30, 2011 and October 31, 2010 were:

	Nine Months Ended September 30, 2011	Nine Months Ended October 31, 2010
Risk-free interest rate	Nil	2.10%
Expected life	Nil	4 years
Expected volatility	Nil	85.59%
Expected dividend yield	Nil	0%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

(f) Finder's Options

The Company issued 525,310 finder's options on July 8, 2010 and 78,750 finder's options on October 27, 2010 upon the closing of its private placements (Note 6b).

On August 24, 2010, 100,000 finder's options related to the Company's initial public offering ("IPO") were exercised.

The continuity of finder's options for the nine months ended September 30, 2011 is as follows:

Expiry date	Exercise price	December 31, 2010	Issued	Exercised	Expired	September 30, 2011
January 8, 2012	$0.35	525,310	-	-	-	525,310
April 27, 2012	$0.40	78,750	-	-	-	78,750
Outstanding		604,060	-	-	-	604,060
Weighted average exercise price		$0.36	$Nil	$Nil	$Nil	$0.36

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(f) Finder's Options *(Continued)*

The weighted average assumptions used to estimate the fair value of finder's options for the nine months ended September 30, 2011 and October 31, 2010 were:

	Nine Months Ended September 30, 2011	Nine Months Ended October 31, 2010
Risk-free interest rate	Nil	1.5%
Expected life	Nil	1.5 years
Expected volatility	Nil	85.59%
Expected dividend yield	Nil	0%

(g) Warrants

The continuity of warrants for the nine months ended September 30, 2011 is as follows:

Expiry date	Exercise price	December 31, 2010	Issued	Exercised	Expired	September 30, 2011
January 8, 2012	$0.50	5,714,284	-	-	-	5,714,284
April 27, 2012	$0.55	625,000	-	-	-	625,000
Outstanding		6,339,284	-	-	-	6,339,284
Weighted average exercise price		$0.50	$Nil	$Nil	$Nil	$0.50

The weighted average assumptions used to estimate the fair value of warrants for the nine months ended September 30, 2011 and October 31, 2010 were:

	Nine Months Ended September 30, 2011	Nine Months Ended October 31, 2010
Risk-free interest rate	Nil	1.69%
Expected life	Nil	1.5 years
Expected volatility	Nil	85.59%
Expected dividend yield	Nil	0%

7. RELATED PARTY TRANSACTIONS AND BALANCES

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the nine months ended September 30, 2011

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Other expenses	Share-based payments	Total
Paul W. Kuhn Chief Executive Officer, Director	$160,636	$Nil	$Nil	$Nil	$50,034	$Nil	$210,670
Winnie Wong, Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil

(Presented in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

For the nine months ended October 31, 2010

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Other expenses	Share-based payments	Total
Paul W. Kuhn Chief Executive Officer, Director	$72,036	$Nil	$Nil	$Nil	$Nil	$83,532	$155,568
Mark T. Brown, Former Chief Executive Officer, Director	$Nil	$Nil	$Nil	$Nil	$Nil	$11,933	$11,933
Winnie Wong, Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$11,933	$11,933
Gregory E. McKelvey, Director	$Nil	$Nil	$Nil	$Nil	$Nil	$11,933	$11,933
Donald E. Ranta, Director	$Nil	$Nil	$Nil	$Nil	$Nil	$11,933	$11,933

Related party assets / liabilities

		Nine Months Ended			
	Services	September30 2011	October 31 2010	As at September 30, 2011	As at December 31, 2010
Amounts due to:					
Pacific Opportunity Capital Ltd. (a)	Rent, management and accounting services	$73,885	$111,844	$7,560	$11,531
Paul W. Kuhn	Consulting, housing allowance and school payment	$210,670	$72,036	$8,388	$12,142
Paul L. Nelles (b)	Salaries	$68,455	$54,204	$Nil	$Nil
Michael Diehl (b)	Salaries	$101,882	$35,398	$Nil	$Nil
Mineralia (c)	Consulting	$133,503	$Nil	$Nil	$17,419
TOTAL:				$15,948	$41,092
Amounts due from:					
Adriano Barros	Retaining 10% interest in MAEPA	$Nil	$Nil	$6,287	$Nil

(a) Pacific Opportunity Capital Ltd., a company controlled by a director of the Company.
(b) Paul L. Nelles and Michael Diehl are non-controlling shareholders of Innomatik.
(c) Mineralia, a private company partially owned by Adriano Barros, a non-controlling shareholder and general manager of MAEPA.

8. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the nine months ended September 30, 2011 was based on the loss attributable to common shareholders of $1,746,418 (nine months ended October 31, 2010 – $726,642) and a weighted average number of common shares outstanding of 16,103,571 (nine months ended October 31, 2010 – 8,633,228).

Diluted loss per share did not include the effect of 1,110,000 (nine months ended October 31, 2010 – 1,110,000) share purchase options, 604,060 (nine months ended October 31, 2010 – 604,060) finder's options and 6,339,284 warrants (nine months ended October 31, 2010 – 6,339,284) as they are anti-dilutive.

9. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, receivables, accounts payables and accrued liabilities, other liabilities and due to related parties approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest risk and commodity price risk.

(a) Credit risk

The Company's cash and cash equivalents are held in financial institutions in Canada, Portugal, Kosovo and Barbados. The Company does not have any asset-backed commercial paper in its cash and cash equivalents. The Company's receivable consists primarily of goods and services tax due from the federal government of Canada and the value-added taxes in Portugal and Kosovo.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

As at September 30, 2011, the Company had a cash and cash equivalent balance of $1,369,983 (December 31, 2010 - $2,674,521) to settle down current liabilities of $552,774 (December 31, 2010 - $185,830).

Accounts payable and accrued liabilities are due within the current operating period.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash and cash equivalents is limited because they are generally held to maturity. A 1% change in the interest rate, with other variables unchanged, would affect the Company by an annualized amount of interest equal to approximately $9,100 based on the deposits as of September 30, 2011.

9. FINANCIAL INSTRUMENTS *(Continued)*

(d) Commodity price risk

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to finance due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(e) Currency risk

The Company's property interests in Portugal and Kosovo make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks. A one cent change of the Canadian dollar would affect the Company's estimated one-year exploration expenditures by $10,000 based on a $1 million program.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 1,369,983	$ -	$ -	$ 1,369,983
	$ 1,369,983	$ -	$ -	$ 1,369,983

10. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, warrants, finder's options and share purchase options as capital (see Note 6). The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents held.

(Presented in Canadian Dollars)

10. MANAGEMENT OF CAPITAL RISK *(Continued)*

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry out its exploration and operations in the near term.

11. SEGMENTED FINANCIAL INFORMATION

The Company operate in one industry segment, being the acquisition and exploration of mineral properties. Geographic information is as follows:

	September 30, 2011	December 31, 2010
Non-current assets		
Portugal	$ 885,391	$ 877,195
Kosovo	15,485	15,491
	$ 900,876	$ 892,686

	Nine months ended	
	September 30, 2011	**October 31, 2010**
Mineral exploration expenses		
Portugal	$ 1,144,432	$ 114,024
Kosovo	345,134	80,014
Germany	32,650	-
	$ 1,522,216	$ 194,038

12. COMMITMENTS

As of September 30, 2011, the Company had a total of €120,638 ($160,605) cash pledged for its exploration licenses in Portugal.