AVRUPA MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2012 and 2011

AVRUPA MINERALS LTD.

Contents

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Avrupa Minerals Ltd.,

We have audited the accompanying consolidated financial statements of Avrupa Minerals Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Avrupa Minerals Ltd. and its subsidiaries as at December 31, 2012 and December 31, 2011 and their financial performance and their cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has no current source of revenue, has incurred losses from inception and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED ACCOUNTANTS
Vancouver, Canada
April 19, 2013

AVRUPA MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31
(Presented in Canadian Dollars)

	Note	December 31, 2012	December 31, 2011
Assets			
Non-current assets			
Property, plant and equipment	4	$ 24,572	$ 19,479
Exploration and evaluation assets	5	1,336,049	876,507
		1,360,621	895,986
Current assets			
Other assets		1,884	1,895
Due from related party	7	-	5,937
Bank guarantees	13	223,662	158,316
Receivables		219,793	119,724
Prepaid expenses and advances		138,579	120,695
Restricted cash	5	290,975	-
Cash and cash equivalents		750,240	478,817
		1,625,133	885,384
Total assets		$ 2,985,754	$ 1,781,370
Equity			
Share capital	6	$ 4,512,522	$ 3,866,547
Reserves	6	3,084,186	1,179,864
Deficit		(4,801,147)	(3,272,093)
		2,795,561	1,774,318
Non-controlling interest		(84,427)	(182,414)
		2,711,134	1,591,904
Liabilities			
Current liabilities			
Due to related parties	7	25,177	16,643
Accounts payable and accrued liabilities		249,443	172,823
		274,620	189,466
Total equity and liabilities		$ 2,985,754	$ 1,781,370

Event after the reporting period (Note 14)

These consolidated financial statements are authorized for issue by the Board of Directors on April 19, 2013. They are signed on the Company's behalf by:

/s/Paul W. Kuhn
Director

/s/Mark T. Brown
Director

AVRUPA MINERALS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(Presented in Canadian Dollars)

	Note		2012		2011
Mineral exploration expenses					
Mineral exploration expenses	5	$	3,215,951	$	1,933,620
Advances from optionees	5		(2,848,348)		(454,023)
			(367,603)		(1,479,597)
General administrative expenses					
Accounting and legal			180,868		161,192
Bank charges			9,900		11,254
Consulting			76,416		67,058
Depreciation			26,902		10,852
Insurance			17,057		12,352
Investor relations			169,254		79,118
Licenses, fees and taxes			18,639		1,163
Listing and filing fees			16,631		8,745
Office and administrative fees			54,598		51,317
Rent			63,613		67,234
Salaries			342,319		276,181
Share-based payment			189,310		-
Telephone			11,456		11,537
Transfer agent fees			8,710		7,474
Travel			77,953		104,106
			(1,263,626)		(869,583)
Other items					
Foreign exchange gain			4,798		533
Interest income			11,828		20,572
Other income			377		2,565
Property investigation cost			(7,920)		(9,693)
			9,083		13,977
Net loss before non-controlling interest for the year			(1,622,146)		(2,335,203)
Non-controlling interest for the year			93,092		217,997
Net loss for the year			(1,529,054)		(2,117,206)
Exchange difference arising on the translation of foreign subsidiaries			(7,053)		8,647
Comprehensive loss for the year		$	(1,536,107)	$	(2,108,559)
Basic and diluted loss per share	8	$	(0.07)	$	(0.13)

AVRUPA MINERALS LTD.
CONSOLIDATED 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 December 31, 2010	16,103,571	$ 3,976,261	$ 745,585	$ 75,889	$ 251,984	$ (11,955)	$ (1,154,887)	$ 29,646	$ 3,912,523
Revaluation of extended warrants	-	(109,714)	109,714	-	-	-	-	-	-
Non-controlling interest retaining position	-	-	-	-	-	-	-	5,937	5,937
Non-controlling interest for the year	-	-	-	-	-	-	-	(217,997)	(217,997)
Comprehensive loss	-	-	-	-	-	8,647	(2,117,206)	-	(2,108,559)
Balance as at December 31, 2011	16,103,571	3,866,547	855,299	75,889	251,984	(3,308)	(3,272,093)	(182,414)	1,591,904
Share issues:									
Shares issued for private placement	11,990,000	826,144	1,572,356	-	-	-	-	-	2,398,500
Share issue costs	-	(261,482)	-	106,022	-	-	-	-	(155,460)
Revaluation of extended warrants	-	(43,687)	43,687	-	-	-	-	-	-
Share-based payment	-	-	-	-	189,310	-	-	-	189,310
Acquisition of non-controlling interest	500,000	125,000	-	-	-	-	-	191,079	316,079
Non-controlling interest for the year	-	-	-	-	-	-	-	(93,092)	(93,092)
Comprehensive loss	-	-	-	-	-	(7,053)	(1,529,054)	-	(1,536,107)
Balance as at December 31, 2012	**28,593,571**	**$ 4,512,522**	**$ 2,471,342**	**$ 181,911**	**$ 441,294**	**$ (10,361)**	**$ (4,801,147)**	**$ (84,427)**	**$ 2,711,134**

AVRUPA MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Presented in Canadian Dollars)

		2012		2011
Cash flows from operating activities				
Loss after tax for the year	$	(1,622,146)	$	(2,335,203)
Items not involving cash:				
Depreciation		26,902		10,852
Share-based payment		189,310		-
Changes in non-cash working capital items:				
Receivables		(100,069)		(15,217)
Bank guarantees		(65,346)		(158,316)
Prepaid expenses and advances		(17,884)		(15,967)
Other assets		11		17
Accounts payable and accrued liabilities		76,620		98,143
Due to / from related parties		14,471		(24,449)
Other liabilities		-		(70,058)
Exchange difference arising on the translation of foreign subsidiaries		156		7,811
Net cash (used in) operating activities		(1,497,975)		(2,502,387)
Cash flows from investing activities				
Other receivables		-		320,000
Purchase of property, plant and equipment		(32,667)		(13,317)
Acquisition of non-controlling interest		(150,000)		-
Net cash provided by (used in) investing activities		(182,667)		306,683
Cash flows from financing activities				
Proceeds from issuance of common shares		2,398,500		-
Share issue costs		(155,460)		-
Net cash provided by financing activities		2,243,040		-
Change in cash and cash equivalents for the year		562,398		(2,195,704)
Cash and cash equivalents, beginning of the year		478,817		2,674,521
Cash and cash equivalents, end of the year	$	1,041,215	$	478,817
Cash and Cash equivalents comprised of:				
Cash	$	750,240	$	478,817
Restricted Cash		290,975		-
	$	1,041,215	$	478,817
Supplementary information:				
Interest received	$	11,828	$	20,572
Shares issued for acquisition of non-controlling interest	$	125,000	$	-

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Avrupa Minerals 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 changed its name on July 7, 2010 and began trading under the symbol "AVU" on the TSX Venture Exchange (the "Exchange") on July 14, 2010. On September 20, 2012, the Company listed in Europe on the Frankfurt Stock Exchange under the trading symbol "8AM". The Company is primarily engaged in the acquisition and exploration of mineral properties in Europe.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are material uncertainties that cast significant doubt about the appropriateness of the going concern assumption.

If the Company is to advance or develop its mineral properties further, it will be necessary to obtain additional 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. Failure to raise sufficient funds would result in the Company's inability to make future required property payments, which would result in the loss of those property options.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting standards ("IFRS") as issued by the International Accounting Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are effective as at December 31, 2012.

(Presented in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance 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") effective for the Company's reporting year ended December 31, 2012.

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

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

The preparations of these consolidated financial 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 consolidated 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 year ending December 31, 2012.

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

(c) Basis of consolidation

The consolidated 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	100%	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 consolidated financial statements.

(d) Asset Acquisitions

Asset Acquisitions 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*.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Asset Acquisitions *(Continued)*

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.

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.

(e) Foreign currencies

The Company assess functional currency on an entity by entity basis based on the related fact pattern; however, the presentation currency used in these consolidated financial statements is determined at management's discretion.

The currency of the parent company, and the presentation currency applicable to these financial statements, 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.

(f) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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.

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.

(h) 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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated 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:

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Critical judgments

- 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.

Estimates

- the recoverability of amounts receivable and prepayments which are included in the consolidated statements of financial position;
- the carrying amount of an asset or cash-generating unit comparing with the recoverable amount to assess the impairment loss, if any;
- the estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of comprehensive loss;
- the estimated values of the exploration and evaluation assets which are recorded in the consolidated statements of financial position;
- the inputs used in accounting for share purchase option expense in the consolidated statements of comprehensive loss;
- the provision for income taxes which is included in the consolidated statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statements of financial position at December 31, 2012;
- the assessment of indications of impairment of each mineral property and related determination of the net realized value and write-down of those properties where applicable.

(l) Provisions

Provisions are recognized in the consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments

Financial assets

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 consolidated statements of comprehensive loss.

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 consolidated 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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

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 consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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; nor 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2012 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issue but are not yet effective:

- IFRS 9 (Amended 2010) Financial Instruments (effective January 1, 2015)
- IFRS 10 (Issued 2011) Consolidated Financial Statements (effective January 2013)
- IFRS 11 (Issued 2011) Joint Arrangements (effective January 2013)
- IFRS 12 (Issued 2011) Disclosure of Interest in Other Entities (effective January 2013)
- IFRS 13 (Issued 2011) Fair value Measurement (effective January 2013)
- IAS 1 (Amended 2011) Presentation of Financial Statements (effective July 1, 2012)
- IAS 19 (Amended 2011) Employee Benefits (effective January 1, 2013)
- IAS 27 (Reissued 2011) Separate Financial Statements (effective January 1, 2013)
- IAS 28 (Reissued 2011) Investments in Associates and Joint Ventures (effective January 1, 2013)

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

(Presented in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture and other equipment	Vehicles	Other assets	Total
Cost				
As at January 1, 2011	$ 15,015	$ 134,761	$ 1,203	$ 150,979
Additions during the year	13,317	-	-	13,317
Exchange adjustment	137	3,410	20	3,567
As at December 31, 2011	28,469	138,171	1,223	167,863
Additions during the year	18,053	-	14,614	32,667
Exchange adjustment	(161)	(785)	(7)	(953)
As at December 31, 2012	$ 46,361	$ 137,386	$ 15,830	$ 199,577
Accumulated depreciation				
As at January 1, 2011	$ 10,323	$ 123,453	$ 1,024	$ 134,800
Depreciation for the year	6,094	4,559	199	10,852
Exchange adjustment	(176)	2,908	-	2,732
As at December 31, 2011	16,241	130,920	1,223	148,384
Depreciation for the year	15,383	4,257	7,262	26,902
Exchange adjustment	229	(655)	145	(281)
As at December 31, 2012	$ 31,853	$ 134,522	$ 8,630	$ 175,005
Net book value				
As at January 1, 2011	$ 4,692	$ 11,308	$ 179	$ 16,179
As at December 31, 2011	$ 12,228	$ 7,251	$ -	$ 19,479
As at December 31, 2012	$ 14,508	$ 2,864	$ 7,200	$ 24,572

(Presented in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

	Portugal				Kosovo				Germany	Total
	Marateca	Alvalade	Covas	Others	Glavej	Kamenica	Selac	Others		
Exploration and evaluation assets										
Acquisition costs										
As of January 1, 2012	$ 876,507	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 876,507
Additions during the year	220,333	167,920	71,289	-	-	-	-	-	-	459,542
As of December 31, 2012	$ 1,096,840	$ 167,920	$ 71,289	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,336,049
Mineral exploration expenses for the year ended December 31, 2012										
Concession fees and taxes	$ 40,985	$ 42,821	$ 29,235	$ 33,580	$ 3,266	$ 5,654	$ 1,799	$ 9,336	$ 4	$ 166,680
Geology work	-	-	-	-	14,440	31,153	21,011	51,935	167,243	285,782
Insurance	-	2,170	122	-	257	771	257	2,225	-	5,802
Office and administrative fees	1,460	48,379	4,117	2,197	13	428	457	4,326	4,572	65,949
Rent	514	79,923	3,238	-	609	3,869	3,994	8,522	-	100,669
Salaries	46,908	1,741,431	364,854	108,256	6,522	35,394	29,594	96,933	7,064	2,436,956
Site costs	1,535	31,470	9,235	1,596	637	2,947	2,035	36,174	-	85,629
Travel	1,913	53,018	10,238	3,315	-	-	-	-	-	68,484
Advances from optionee	-	(2,477,322)	(371,026)	-	-	-	-	-	-	(2,848,348)
	$ 93,315	$ (478,110)	$ 50,013	$ 148,944	$ 25,744	$ 80,216	$ 59,147	$ 209,451	$ 178,883	$ 367,603
Cumulative mineral exploration expenses since acquisition										
Assaying	$ -	$ -	$ -	$ -	$ 3,292	$ 3,569	$ -	$ 1,255	$ -	$ 8,116
Concession fees and taxes	52,837	55,983	118,808	35,079	8,730	11,442	7,990	26,094	4	316,967
Geology work	-	-	-	-	51,979	97,002	55,192	161,787	199,210	565,170
Insurance	-	2,170	122	-	1,438	3,585	1,931	6,181	-	15,427
Legal and accounting	-	296	-	-	-	-	-	-	-	296
Office and administrative fees	9,870	60,217	7,583	3,505	493	4,675	3,266	9,517	5,255	104,381
Rent	7,257	79,923	3,520	-	1,447	8,415	7,794	17,537	-	125,893
Salaries	774,956	2,138,659	512,600	178,440	56,517	119,692	64,749	193,571	7,064	4,046,248
Site costs	22,167	51,866	16,334	2,517	27,121	118,462	9,913	54,831	-	303,211
Travel	29,566	92,568	19,812	9,083	-	-	2,219	-	-	153,248
Advances from optionee	-	(2,753,074)	(549,297)	-	-	-	-	-	-	(3,302,371)
	$ 896,653	$ (271,392)	$ 129,482	$ 228,624	$ 151,017	$ 366,842	$ 153,054	$ 470,773	$ 211,533	$ 2,336,586

(Presented in Canadian Dollars)

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

	Portugal				Kosovo				Germany	Total
	Marateca	Alvalade	Covas	Others	Glavej	Kamenica	Selac	Others		
Exploration and evaluation assets										
Acquisition costs as of January 1, 2011	$ 876,507	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 876,507
Additions during the period	-	-	-	-	-	-	-	-	-	-
As at December 31, 2011	$ 876,507	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 876,507
Mineral exploration expenses for the year ended December, 2011										
Assaying	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Concession fees and taxes	14,036	13,162	65,704	1,499	2,075	2,071	4,831	13,873	-	117,251
Geology work	-	-	-	-	20,339	50,125	34,181	80,228	31,967	216,840
Insurance	-	-	-	-	369	2,002	1,674	3,956	-	8,001
Legal and accounting	-	-	-	-	-	-	-	-	-	-
Office and administrative fees	7,201	10,431	2,401	1,232	184	3,524	2,809	2,139	683	30,604
Rent	6,743	-	282	-	838	4,546	3,800	9,015	-	25,224
Salaries	631,200	336,883	69,064	70,184	7,751	42,054	35,155	83,991	-	1,276,282
Site costs	15,032	18,589	3,805	921	25,175	94,605	7,878	17,361	-	183,366
Travel	25,038	36,417	6,985	5,393	-	-	2,219	-	-	76,052
Advances from optionee	-	(275,752)	(178,271)	-	-	-	-	-	-	(454,023)
	$ 699,250	$ 139,730	$ (30,030)	$ 79,229	$ 56,731	$ 198,927	$ 92,547	$ 210,563	$ 32,650	$ 1,479,597
Cumulative mineral exploration expenses since acquisition										
Assaying	$ -	$ -	$ -	$ -	$ 3,292	$ 3,569	$ -	$ 1,255	$ -	$ 8,116
Concession fees and taxes	11,852	13,162	89,573	1,499	5,464	5,788	6,191	16,758	-	150,287
Geology work	-	-	-	-	37,539	65,849	34,181	109,852	31,967	279,388
Insurance	-	-	-	-	1,181	2,814	1,674	3,956	-	9,625
Legal and accounting	-	296	-	-	-	-	-	-	-	296
Office and administrative fees	8,410	11,838	3,466	1,308	480	4,247	2,809	5,191	683	38,432
Rent	6,743	-	282	-	838	4,546	3,800	9,015	-	25,224
Salaries	728,048	397,228	147,746	70,184	49,995	84,298	35,155	96,638	-	1,609,292
Site costs	20,632	20,396	7,099	921	26,484	115,515	7,878	18,657	-	217,582
Travel	27,653	39,550	9,574	5,768	-	-	2,219	-	-	84,764
Advances from optionee	-	(275,752)	(178,271)	-	-	-	-	-	-	(454,023)
	$ 803,338	$ 206,718	$ 79,469	$ 79,680	$ 125,273	$ 286,626	$ 93,907	$ 261,322	$ 32,650	$ 1,968,983

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

Portugal

The Company, through its 100% holding in MAEPA, holds ten exploration licenses in Portugal, spread from the north to the south in the country. The licenses have been issued to MAEPA by the government of Portugal, and are as follows:

- Marateca (license was granted but not signed)
- Alvalade / Canal Caveira / Ferreira do Alentejo (3 licenses)
- Covas
- Arga
- Alvito
- Arcas
- Candedo
- Sabroso
- Sines

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.

Marateca:

In April 2012, the Company purchased the remaining 10% interest in MAEPA and allocated $220,333 to the Marateca property. Refer to note 6(b)(ii).

Alvalade / Canal Caveira / Ferreira do Alentejo:

On June 3, 2011, the Company signed a Memorandum of Understanding ("MOU") with Antofagasta Minerals S.A. ("Antofagasta") to undertake exploration on the Alvalade project The MOU covers three exploration licenses: Alvalade, Canal Caveira, and Ferriera do Alentejo. Antofagasta completed a US$300,000 initial study of the project. Upon successful completion of the initial study, on December 22, 2011, the Company entered into the Alvalade Joint Venture agreement with Antofagasta whereas the Company granted to Antofagasta the option to acquire an undivided 51% interest in the project, which can be exercised by Antofagasta funding or incurring expenditures of an additional US$4 million over three years. After exercise of the first option, Antofagasta 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 operates the joint venture through the first option period.

As of December 31, 2012, Antofagasta had forwarded a total of $2,753,074 (US$2,775,000) for the Alvalade property, including the US$300,000 for the initial study of the project. The Company held €199,804 ($262,103) on behalf of Antofagasta to be spent on the Alvalade project, which is recorded as restricted cash.

In April 2012, the Company purchased the remaining 10% interest in MAEPA and allocated $167,920 to the Alvalade property. Refer to note 6(b)(ii).

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

Portugal ***(Continued)***

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 (spent) in exploration on the project before March 20, 2013, of which €150,000 (spent) 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 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.

As of December 31, 2012, Blackheath had forwarded a total $549,297 (€437,327) for the Covas property. The Company held $28,872 (€22,009) on behalf of Blackheath to be spent on the Covas property, which is recorded as restricted cash.

In April 2012, the Company purchased the remaining 10% interest in MAEPA and allocated $71,289 to the Covas property. Refer to note 6(b)(ii).

Kosovo

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

- Glavej
- Kamenica
- Selac
- Koritnik
- Slivovo

The Glavej and Kamenica licenses have been renewed for a third time in 2012. The Selac license was issued during 2011 for three years and the Koritnik and Slivovo licenses were issued during 2012, respectively. All licenses carry a work commitment, and there are a 4.5% and 5% NSRs, payable to the government of Kosovo, attached to each of the Koritnik and Slivovo licenses, respectively.

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

Germany

On January 23, 2012, the Company announced the signing of a Memorandum of Understanding ("MOU") with Beak Consultants GmbH ("Beak") to explore for gold deposits in the Erzgebirge mining district near Oelsnitz in the Free State of Saxony in eastern Germany. The Company must spend €140,000 on exploration to gain an 85% interest in the Oelsnitz Exploration License, which was issued to Beak on January 12, 2012. There is no royalty attached to the license. Once the Company has earned into the project, the two companies will form a joint venture to explore for gold on the property. As of December 31, 2012, the Company had spent $211,533 (€165,609) on the Oelsnitz property. The Company has completed its 85% earn-in and is working with Beak to set up the joint-venture entity.

6. CAPITAL AND RESERVES

(a) Authorized:

At December 31, 2012, 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) Share issuances:

i. On March 28, 2012, the Company closed a private placement issuing 4,000,000 units at a price of 0.30 per unit for gross proceeds of $1.2 million. Each unit consists of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.50 for a period of 24 months. The warrants were being ascribed a value of $587,130.

A total of $55,174 cash finder's fee was paid and 183,913 finder's options were issued as part of the financing. In addition, another $33,295 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 $0.30 for a period of 24 months. The finder's options were ascribed a value of $32,484. Insiders participated in the offering for a total of 303,667 units.

ii. On April 30, 2012, a total of 500,000 common shares of the Company at a fair value of $125,000 were issued to the non-controlling interest owner ("NCI owner") along with a cash payment of $150,000 for purchasing the remaining 10% interest in MAEPA. The common shares of the Company issued to NCI owner will have trading restrictions such that 25% of the shares will be free trading after 6 months, another 25% of the shares after 12 months, another 25% of the shares after 18 months, and the final 25% of the shares after 24 months. The purchase of the 10% interest in MAEPA results in the Company owning 100% of MAEPA. The net purchase price of $203,237 was allocated to three properties in MAEPA (Note 5).

iii. On October 4, 2012, the Company completed a non-brokered private placement issuing 7,990,000 units at a price of $0.15 per unit for gross proceeds of $1,198,500. Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of $0.25 for a period of 36 months. The warrants were being ascribed a value of $985,226.

A total of $40,913 cash finder's fee was paid and 545,500 finder's options were issued as part of the financing. In addition, another $26,078 was included in the share issue cost. Each finder's option can be converted into a unit with the same term as the financing at a price of $0.25 for a period of 36 months. The finder's options were ascribed a value of $73,538. Insiders participated in the offering for a total of 3,185,000 units.

(c) 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 December 31, 2012, there were 390,000 common shares of the Company held in escrow. 195,000 escrow shares will be released on January 13, 2013.

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(d) 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.

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

Expiry date	Exercise price	December 31, 2011	Granted	Exercised	Expired/ cancelled	December 31, 2012
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)	-
January 27, 2017	$0.35	-	100,000	-	-	100,000
April 10, 2017	$0.30	-	800,000	-	-	800,000
Options outstanding		1,110,000	900,000	-	(10,000)	2,000,000
Options exercisable		1,110,000	900,000	-	(10,000)	2,000,000
Weighted average exercise price		$0.32	$0.31	$Nil	$0.35	$0.31

As of December 31, 2012, the weighted average contractual remaining life is 3.09 years (December 31, 2011 – 3.29 years).

The weighted average share price during the period of exercises was $nil (2011 - $nil).

The weighted average assumptions used to estimate the fair value of options for the years ended December 31, 2012 and 2011 were:

	2012	2011
Risk-free interest rate	1.35%	Nil
Expected life	5 years	Nil
Expected volatility	118.28%	Nil
Expected dividend yield	0%	Nil

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.

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(e) Finder's Options

The Company issued 183,913 finder's options on March 28, 2012 and 545,500 finder's options on October 4, 2012 upon the closing of its private placements (Notes 6b(i) and 6b(iii)).

The continuity of finder's options for the year ended December 31, 2012 is as follows:

Expiry date	Exercise price	December 31, 2011	Issued	Exercised	Expired	December 31, 2012
January 8, 2012	$0.35	525,310	-	-	(525,310)	-
April 27, 2012	$0.40	78,750	-	-	(78,750)	-
March 28, 2014	$0.30	-	183,913	-	-	183,913
October 3, 2015	$0.15	-	545,500	-	-	545,500
Outstanding		604,060	729,413	-	(604,060)	729,413
Weighted average exercise price		$0.36	$0.19	$Nil	$0.36	$0.19

As of December 31, 2012, the weighted average contractual remaining life is 2.37 year (December 31, 2011 – 0.07 years).

The weighted average share price during the period of exercises was $nil (2011 - $nil).

The weighted average assumptions used to estimate the fair value of finder's options for the years ended December 31, 2012 and 2011 were:

	2012	2011
Risk-free interest rate	1.16%	Nil
Expected life	2.5 years	Nil
Expected volatility	126.94%	Nil
Expected dividend yield	Nil	Nil

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(f) Warrants

The continuity of warrants for the year ended December 31, 2012 is as follows:

Expiry date	Exercise price	December 31, 2011	Issued	Exercised	Expired	December 31, 2012
January 8, 2013	$0.50	5,714,284	-	-	-	5,714,284
April 27, 2013[1]	$0.55	625,000	-	-	-	625,000
March 28, 2014	$0.50	-	4,000,000	-	-	4,000,000
October 3, 2015	$0.25	-	7,990,000	-	-	7,990,000
Outstanding		6,339,284	11,990,000	-	-	18,329,284
Weighted average exercise price		$0.50	$0.33	$Nil	$Nil	$0.39

[1] The Company extended the expiry date of 625,000 outstanding common share purchase warrants by an additional 12 months to April 27, 2013. The warrants were issued in October 2010, by way of private placement. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.55. The fair value of these extended warrants using the Black-Scholes pricing model assumes an average risk free rate of 87.93%, no dividend yield, average expected life of 1 years and an average expected price volatility of 1.24%. As a result, $43,687 was reallocated from the share capital to fair value of warrants.

Subsequent to December 31, 2012, 5,714,284 warrants expired.

As of December 31, 2012, the weighted average contractual life is 1.49 year (December 31, 2011 – 0.95 years).

The weighted average share price during the period of exercises was $nil (2011 - $nil).

The weighted average assumptions used to estimate the fair value of warrants for the years ended December 31, 2012 and 2011 were:

	2012	2011
Risk-free interest rate	1.25%	0.87%
Expected life	2 years	1.07
Expected volatility	86.31%	83.33%
Expected dividend yield	0%	0%

(Presented in Canadian Dollars)

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 year ended December 31, 2012

	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	$219,175	$Nil	$Nil	$Nil	$59,110	$32,255	$310,540
Winnie Wong, Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$5,133	$5,133

For the year ended December 31, 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	$232,418	$Nil	$Nil	$Nil	$62,864	$Nil	$295,282
Winnie Wong, Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil

(Presented in Canadian Dollars)

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

Related party assets / liabilities

		The Year Ended			
	Services	December 31, 2012	December 31, 2011	As at December 31, 2012	As at December 31, 2011
Amounts due to:					
Pacific Opportunity Capital Ltd. (a)	Rent, management and accounting services	$ 208,598	$ 106,615	$ 12,488	$ 8,657
Paul W. Kuhn	Consulting, housing allowance, and share-based payment	$ 310,540	$ 295,282	$ 12,689	$ 7,986
Paul L. Nelles (b)	Salaries and share-based payment	$ 88,366	$ 91,333	$Nil	$Nil
Michael Diehl (b)	Salaries and share-based payment	$ 95,505	$ 144,658	$Nil	$Nil
Mineralia (c)	Consulting	$ 215,501	$ 219,532	$Nil	$Nil
TOTAL:				$ 25,177	$ 16,643
Amounts due from:					
Adriano Barros		$Nil	$Nil	$Nil	$5,937

(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, the 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 year ended December 31, 2012 was based on the loss attributable to common shareholders of $1,529,054 (2011 – $2,117,206) and a weighted average number of common shares outstanding of 21,424,937 (2011 – 16,103,571).

Diluted loss per share did not include the effect of 2,000,000 (2011 – 1,110,000) share purchase options, 729,413 (2011 – 604,060) finder's options and 18,329,284 (2011 – 6,339,284) warrants 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 from/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 December 31, 2012, the Company had a cash and cash equivalent balance of $750,240 (December 31, 2011 - $478,817) to settle down current liabilities of $274,620 (December 31, 2011 - $189,466).

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 $10,000 based on the deposits as of December 31, 2012.

(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.

9. FINANCIAL INSTRUMENTS *(Continued)*

(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	$	750,240	$	-	$	-	$	750,240
Restricted cash	$	290,975	$	-	$	-	$	290,975
	$	1,041,215	$	-	$	-	$	1,041,215

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.

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.

(Presented in Canadian Dollars)

11. INCOME TAX

A reconciliation of income taxes at statutory rates is as follows:

	2012	2011
Net loss	$ (1,622,146)	$ (2,335,203)
Expected income tax recovery	$ (405,536)	$ (618,829)
Effect of foreign tax rate	15,894	98,069
Non-deductible items	47,440	194
Deductible items	(22,974)	(16,113)
Unrecognized benefit of non-capital losses	365,176	536,679
	$ -	$ -

The significant components of the Company's future income tax assets are as follows:

	2012	2011
Deferred income tax assets		
Non-capital loss carryforwards	$ 497,063	$ 700,122
Share issue costs	58,770	42,879
	555,833	743,001
Valuation allowance	(555,833)	(743,001)
Net future income tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital income of approximately $1,580,000 in Canada, non-capital losses of approximately $1,157,000 in Kosovo, $5,069,000 in Portugal and $67,000 in Barbados. These losses, if not utilized, will expire through to 2032. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these consolidated financial statements and have been offset by a valuation allowance. The following table shows the non-capital losses in Canada:

Year of Origin	**Year of Expiry**	**Non-capital losses/Income**
2008	2028	$ 10,500
2009	2029	45,000
2010	2030	38,500
2010	2030	325,000
2011	2031	51,400
2012	2032	(2,050,400)
		$ (1,580,000)

(Presented in Canadian Dollars)

12. SEGMENTED FINANCIAL INFORMATION

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

		December 31, 2012		December 31, 2011
Non-current assets				
Portugal	$	1,354,368	$	883,030
Kosovo		6,253		12,956
	$	1,360,621	$	895,986

		Year ended December 31, 2012		Year ended December 31, 2011
Mineral exploration expenses				
Portugal	$	2,662,510	$	1,342,202
Kosovo		374,558		558,768
Germany		178,883		32,650
	$	3,215,951	$	1,933,620

13. BANK GUARANTEES

As of December 31, 2012, the Company had a total of €170,500 ($223,662) (2011: €120,000 ($158,316)) of cash pledged for its exploration licenses in Portugal. The advances to the Portuguese regulatory authorities are refundable to the Company, subject to completion of the work obligations described in the exploration license applications.

14. EVENT AFTER THE REPORTING PERIOD

On January 8, 2013, 5,714,284 warrants to acquire common shares at $0.50 per share expired unexercised.