AVRUPA MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2013 and 2012

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, 2013 and December 31, 2012 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2013 and December 31, 2012, 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 and the standards of the Public Company Accounting Oversight Board (United States). 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, 2013 and December 31, 2012 and their financial performance and their cash flows for the years ended December 31, 2013 and December 31, 2012 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 28, 2014

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

	Note		2013		2012
Assets					
Non-current assets					
Property, plant and equipment	4	$	26,741	$	24,572
Exploration and evaluation assets	5		1,479,204		1,336,049
			1,505,945		1,360,621
Current assets					
Other assets			-		1,884
Bank guarantees	13		219,092		223,662
Receivables			103,053		219,793
Prepaid expenses and advances			184,573		138,579
Restricted cash	5		640,504		290,975
Cash			439,154		750,240
			1,586,376		1,625,133
Total assets		$	3,092,321	$	2,985,754
Equity					
Share capital	6	$	4,647,712	$	4,512,522
Reserves	6		4,080,183		3,084,186
Deficit			(6,683,745)		(4,801,147)
			2,044,150		2,795,561
Non-controlling interest			-		(84,427)
			2,044,150		2,711,134
Liabilities					
Current liabilities					
Due to related parties	7		16,467		25,177
Accounts payable and accrued liabilities			391,200		249,443
Funds held for optionees	5		640,504		-
			1,048,171		274,620
Total equity and liabilities		$	3,092,321	$	2,985,754

These consolidated financial statements are authorized for issue by the Board of Directors on April 28, 2014. 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		2013		2012
Mineral exploration expenses					
Mineral exploration expenses	5	$	3,565,119	$	3,215,951
Advances from optionees	5		(2,397,497)		(2,848,348)
			(1,167,622)		(367,603)
General administrative expenses					
Bank charges			5,750		9,900
Consulting			98,080		76,416
Depreciation			4,808		26,902
Insurance			9,614		17,057
Investor relations			168,775		169,254
Licenses, fees and taxes			-		18,639
Listing and filing fees			9,771		16,631
Office and administrative fees			23,768		54,598
Professional fees			220,640		180,868
Rent			13,523		63,613
Salaries			122		342,319
Share-based payment			134,642		189,310
Telephone			2,396		11,456
Transfer agent fees			7,644		8,710
Travel			29,228		77,953
			(728,761)		(1,263,626)
Other items					
Foreign exchange gain/(loss)			(1,188)		4,798
Interest income			3,141		11,828
Other income			-		377
Property investigation cost			(168)		(7,920)
			1,785		9,083
Loss before non-controlling interest for the year			(1,894,598)		(1,622,146)
Non-controlling interest for the year			12,000		93,092
Net loss for the year			(1,882,598)		(1,529,054)
Exchange difference arising on the translation of foreign subsidiaries			40,883		(7,053)
Comprehensive loss for the year		$	(1,841,715)	$	(1,536,107)
Basic and diluted loss per share	8	$	(0.06)	$	(0.07)

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, 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 placements	11,990,000	826,144	1,572,356	-	-	-	-	-	2,398,500
Share issue costs	-	(261,482)	-	106,022	-	-	-	-	(155,460)
Share-based payment	-	-	-	-	189,310	-	-	-	189,310
Revaluation of extended warrants	-	(43,687)	43,687	-	-	-	-	-	-
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
Share issues:									
Shares issued for private placements	9,500,000	142,847	807,153	-	-	-	-	-	950,000
Share issue costs	-	(54,907)	-	13,319	-	-	-	-	(41,588)
Share-based payment	-	-	-	-	134,642	-	-	-	134,642
Acquisition of non-controlling interest	450,000	47,250	-	-	-	-	-	96,427	143,677
Non-controlling interest for the year	-	-	-	-	-	-	-	(12,000)	(12,000)
Comprehensive loss	-	-	-	-	-	40,883	(1,882,598)	-	(1,841,715)
Balance as at December 31, 2013	**38,543,571**	**$ 4,647,712**	**$ 3,278,495**	**$ 195,230**	**$ 575,936**	**$ 30,522**	**$ (6,683,745)**	**$ -**	**$ 2,044,150**

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

	2013	2012
Cash flows from operating activities		
Loss before non-controlling interest for the year	$ (1,894,598)	$ (1,622,146)
Items not involving cash:		
Depreciation	20,029	26,902
Share-based payment	134,642	189,310
Changes in non-cash working capital items:		
Receivables	116,740	(100,069)
Bank guarantees	223,662	(65,346)
Prepaid expenses and advances	(45,994)	(17,884)
Other assets	1,884	11
Accounts payable and accrued liabilities	141,757	76,620
Due to related parties	(227,802)	14,471
Funds held for optionees	640,504	-
Exchange difference arising on the translation of foreign subsidiaries	39,953	156
Net cash (used in) operating activities	(849,223)	(1,497,975)
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,746)	(32,667)
Acquisition of non-controlling interest	-	(150,000)
Net cash (used in) investing activities	(20,746)	(182,667)
Cash flows from financing activities		
Proceeds from issuance of common shares	950,000	2,398,500
Share issue costs	(41,588)	(155,460)
Net cash provided by financing activities	908,412	2,243,040
Change in cash for the year	38,443	562,398
Cash, beginning of the year	1,041,215	478,817
Cash, end of the year	$ 1,079,658	$ 1,041,215
Cash comprised of:		
Cash	$ 439,154	$ 750,240
Restricted Cash	640,504	290,975
	$ 1,079,658	$ 1,041,215
Supplementary information:		
Interest received	$ 3,141	$ 11,828
Shares issued for acquisition of non-controlling interest	$ 47,250	$ 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, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) 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	100%	Kosovo	Exploration
Avrupa Holdings Inc.	100%	Barbados	Holding
Avrupa Portugal Holdings Inc.	100%	Barbados	Holding
Avrupa Kosovo Holdings Inc.	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.

(b) Asset Acquisitions

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 acquiree, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currencies

The Company assess functional currency of 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 wholly-owned subsidiaries in Europe is the Euro and that the functional currency of its wholly-owned subsidiaries in Barbados 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.

(d) 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.

(e) Exploration and evaluation assets and expenditures

Exploration and evaluation expenditures 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 expenditures are 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 comprehensive loss.

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 they are 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Exploration and evaluation assets and expenditures *(Continued)*

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.

(f) 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 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.

(g) 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 statement of 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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.

(i) 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. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these 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, if the revision affects only that period, or in the period of the revision and further periods if 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:

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 wholly-owned subsidiaries in Europe is the Euro and that the functional currency of its wholly-owned subsidiaries in Barbados 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; and
- 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; and
- The determination that the Company will continue as a going concern for the next year.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

(k) 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 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, excluding commodity taxes receivable, 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)*

(k) 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 due to related parties, accounts payables and accrued liabilities and funds held for optionees, all of which are recognized at amortized cost.

At December 31, 2013 and 2012, the Company did not have any derivative financial assets or liabilities.

(l) 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)*

(m) 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 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 profit or loss as extraction progresses.

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

(n) 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 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 differences 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)*

(o) Application of new and revised accounting standards effective January 1, 2013

The Company has evaluated the following new and revised IFRS standards and has determined there to be no material impact on the consolidated financial statements upon adoption:

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 28 - Investments in Associates and Joint Ventures

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2013 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 (mandatory adoption date has not yet been finalized)
- IAS 32 (Amended 2011) Financial Instruments: Presentation (effective January 1, 2014)

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, 2012	$ 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
Additions during the year	18,183	-	2,563	20,746
Exchange adjustment	5,431	16,096	1,856	23,383
As at December 31, 2013	$ 69,975	$ 153,482	$ 20,249	$ 243,706
Accumulated depreciation				
As at January 1, 2012	$ 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
Depreciation for the year	13,577	2,986	3,466	20,029
Exchange adjustment	4,699	15,974	1,258	21,931
As at December 31, 2013	$ 50,129	$ 153,482	$ 13,354	$ 216,965
Net book value				
As at January 1, 2012	$ 12,228	$ 7,251	$ -	$ 19,479
As at December 31, 2012	$ 14,508	$ 2,864	$ 7,200	$ 24,572
As at December 31, 2013	$ 19,846	$ -	$ 6,895	$ 26,741

(Presented in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

	Portugal							Kosovo					Germany	
	Marateca	**Alvalade**	**Covas**	**Arga**	**Alvito**	**Callinan Generative**	**Others**	**Glavej**	**Kamenica**	**Selac**	**Slivovo**	**Others**		**Total**
Exploration and evaluation assets														
Acquisition costs														
As of January 1, 2013	$ 1,096,840	$ 167,920	$ 71,289	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$1,336,049
Additions during the year	-	-	-	-	-	-	-	-	-	-	143,155	-	-	143,155
As of December 31, 2013	$ 1,096,840	$ 167,920	$ 71,289	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 143,155	$ -	$ -	$1,479,204
Mineral exploration expenses for the year ended December 31, 2013														
Concession fees and taxes	$ 14,831	$ 38,929	$ 10,330	$ 12,992	$ 18,007	$ -	$ 39,975	$ 69,773	$ 69,773	$ -	$ 164	$ -	$ -	$ 274,774
Depreciation	2,064	-	-	1,041	2,028	-	10,088	-	-	-	-	-	-	15,221
Geological salaries and consulting	35,054	1,433,774	622,373	100,404	82,803	5,534	370,269	9,446	37,834	11,126	17,390	21,896	-	2,747,903
Geology work	-	-	-	-	-	-	-	811	811	541	2,705	40,655	(5,212)	40,311
Insurance	810	3,625	2,159	408	795	-	3,956	397	725	55	496	657	-	14,083
Legal and accounting	15	-	-	-	-	-	72	-	-	-	-	-	-	87
Office and administrative fees	4,242	43,207	9,420	2,314	4,684	102	22,824	-	283	-	82	141	-	87,299
Rent	19,281	98,256	8,182	4,748	8,521	-	42,380	752	4,528	752	1,879	5,660	-	194,939
Site costs	1,878	20,602	22,967	1,661	3,070	142	13,874	85	5,346	241	7,730	2,811	-	80,407
Travel	2,271	58,225	20,250	5,126	5,979	68	11,665	-	2,482	194	191	3,644	-	110,095
Advances from optionee	-	(1,540,768)	(710,776)	(82,826)	(29,373)	(33,754)	-	-	-	-	-	-	-	(2,397,497)
	$ 80,446	$ 155,850	$ (15,095)	$ 45,868	$ 96,514	$ (27,908)	$ 515,103	$ 81,264	$ 121,782	$ 12,909	$ 30,637	$ 75,464	$ (5,212)	$1,167,622
Cumulative mineral exploration expenses since acquisition														
Assaying	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,292	$ 3,569	$ -	$ -	$ 1,255	$ -	$ 8,116
Concession fees and taxes	67,668	94,912	129,138	22,863	30,287	-	52,903	78,503	81,215	7,990	4,506	21,752	4	591,741
Depreciation	2,064	-	-	1,041	2,028	-	10,088	-	-	-	-	-	-	15,221
Geological salaries and consulting	810,010	3,572,433	1,134,973	112,677	122,315	5,534	496,924	65,963	157,526	75,875	29,539	203,318	7,064	6,794,151
Geology work	-	-	-	-	-	-	-	52,790	97,813	55,733	13,007	192,140	193,998	605,481
Insurance	810	5,795	2,281	408	795	-	3,956	1,835	4,310	1,986	1,158	6,176	-	29,510
Legal and accounting	15	296	-	-	-	-	72	-	-	-	-	-	-	383
Office and administrative fees	14,112	103,424	17,003	2,852	5,607	102	24,868	493	4,958	3,266	2,319	7,421	5,255	191,680
Rent	26,538	178,179	11,702	4,748	8,521	-	42,380	2,199	12,943	8,546	3,772	21,304	-	320,832
Site costs	24,045	72,468	39,301	1,817	4,274	142	15,031	27,206	123,808	10,154	36,624	28,748	-	383,618
Travel	31,837	150,793	40,062	5,126	8,822	68	17,905	-	2,482	2,413	191	3,644	-	263,343
Advances from optionee	-	(4,293,842)	(1,260,073)	(82,826)	(29,373)	(33,754)	-	-	-	-	-	-	-	(5,699,868)
	$ 977,099	$ (115,542)	$ 114,387	$ 68,706	$ 153,276	$ (27,908)	$ 664,127	$ 232,281	$ 488,624	$ 165,963	$ 91,116	$ 485,758	$206,321	$3,504,208

(Presented in Canadian Dollars)

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

	Portugal						Kosovo					Germany	
	Marateca	Alvalade	Covas	Arga	Alvito	Others	Glavej	Kamenica	Selac	Slivovo	Others		Total
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	$ 9,871	$ 12,280	$ 11,429	$ 3,266	$ 5,654	$ 1,799	$ 2,691	$ 6,645	$ 4	$ 166,680
Geological salaries and consulting	46,908	1,741,431	364,854	11,585	39,512	57,159	6,522	35,394	29,594	12,149	84,784	7,064	2,436,956
Geology work	-	-	-	-	-	-	14,440	31,153	21,011	10,302	41,633	167,243	285,782
Insurance	-	2,170	122	-	-	-	257	771	257	662	1,563	-	5,802
Office and administrative fees	1,460	48,379	4,117	538	743	916	13	428	457	2,237	2,089	4,572	65,949
Rent	514	79,923	3,238	-	-	-	609	3,869	3,994	1,893	6,629	-	100,669
Site costs	1,535	31,470	9,235	156	1,204	237	637	2,947	2,035	28,893	7,280	-	85,629
Travel	1,913	53,018	10,238	-	2,843	472	-	-	-	-	-	-	68,484
Advances from optionee	-	(2,477,322)	(371,026)	-	-	-	-	-	-	-	-	-	(2,848,348)
	$ 93,315	$ (478,110)	$ 50,013	$ 22,150	$ 56,582	$ 70,213	$ 25,744	$ 80,216	$ 59,147	$ 58,827	$ 150,623	$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	9,871	12,280	12,927	8,730	11,442	7,990	4,342	21,752	4	316,966
Geological salaries and consulting	774,956	2,138,659	512,600	11,973	39,512	126,955	56,517	119,692	64,749	12,149	181,422	7,064	4,046,248
Geology work	-	-	-	-	-	-	51,979	97,002	55,192	10,302	151,485	199,210	565,170
Insurance	-	2,170	122	-	-	-	1,438	3,585	1,931	662	5,519	-	15,427
Legal and accounting	-	296	-	-	-	-	-	-	-	-	-	-	296
Office and administrative fees	9,870	60,217	7,583	728	923	1,854	493	4,675	3,266	2,237	7,280	5,255	104,381
Rent	7,257	79,923	3,520	-	-	-	1,447	8,415	7,794	1,893	15,644	-	125,893
Site costs	22,167	51,866	16,334	156	1,204	1,158	27,121	118,462	9,913	28,894	25,937	-	303,212
Travel	29,566	92,568	19,812	-	2,843	6,240	-	-	2,219	-	-	-	153,248
Advances from optionee	-	(2,753,074)	(549,297)	-	-	-	-	-	-	-	-	-	(3,302,371)
	$ 896,653	$ (271,392)	$ 129,482	$ 22,728	$ 56,762	$ 149,134	$ 151,017	$ 366,842	$ 153,054	$ 60,479	$ 410,294	$211,533	$2,336,586

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

Portugal

The Company, through its 100% holding in MAEPA, holds nine 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
- Alvalade
- 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% Net Smelter Return ("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:

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. 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 whereby 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 (spent by February 2014). On February 25, 2014, the two parties signed an amended Joint Venture Agreement ("JV") which allows for more interim funding by Antofagasta, an expanded time frame in which to get a feasibility study decision, and a means for the Company to be carried to production, if there is a production decision to be made for the project. The amended agreement carries the following terms (in summary):

- After due diligence, exploration funding of US$300,000 (completed).
- Antofagasta must spend US$4 million on exploration to earn-in to 51% of the joint venture (Option 1 completed).
- To earn further 9% of the JV (for an aggregate total of 60%), Antofagasta must fund US$2 million exploration by December 31, 2015 (Option 2 underway).
- To earn a further 5% of the JV (for an aggregate total of 65%), Antofagasta must prepare, fund, and deliver a Preliminary Economic Assessment on a project within the JV area by December 31, 2017 (Option 3).
- To earn a further 10% of the JV (for an aggregate total of 75%), Antofagasta must prepare, fund, and deliver a Feasibility Study on a project within the JV area by December 31, 2022 (Option 4).
- And to earn a further 5% of the JV (for an aggregate total of 80%), Antofagasta must fund 100% of all work programs during this phase and make a Development Decision within one year of the Option 4 exercise date (Option 5).

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

Portugal *(Continued)*

Alvalade *(Continued):*

- Antofagasta will carry the Company through to production, and the Company will repay Antofagasta from proceeds, dividends, and sales generated by the actual production from any mine within the project area.

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).

As of December 31, 2013, Antofagasta had forwarded a total of $4,600,539 (US$4,564,000) for the Alvalade property, including the US$300,000 for the initial study of the project. The Company held $306,697 (€209,278) on behalf of Antofagasta to be spent on the Alvalade project, which was recorded as restricted cash. In addition, Antofagasta paid directly to its own consultants seconded to the project an amount of US$109,700 which contributes further to Antofagasta's funding to the project.

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 (spent) 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.

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).

As of December 31, 2013, Blackheath had forwarded a total $1,356,708 (€1,019,190) for the Covas property. The Company held $96,635 (€65,940) on behalf of Blackheath to be spent on the Covas property, which is recorded as restricted cash.

Arga:

On May 10, 2013, the Company signed an agreement to option out the Arga Tungsten-Gold Project to Blackheath. Under the terms of the agreement, Blackheath has the option to earn a 51% interest in the project by spending €200,000 in exploration on the project before March 23, 2015, of which €60,000 (spent subsequent to year-end) is a firm commitment and must be spent by March 23, 2014. Blackheath can then earn an additional 19% by spending an additional €800,000 by March 23, 2017. 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 23, 2020.

As of December 31, 2013, Blackheath had forwarded a total $83,125 (€60,000) for the Arga property. The Company held $299 (€204) on behalf of Blackheath to be spent on the Arga property, which is recorded as restricted cash.

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

Portugal *(Continued)*

Alvito:

On November 20, 2013, the Company received $150,000 in funding from Callinan Royalties Corporation ("Callinan") to fund exploration at the Alvito license to better attract potential joint venture partners in exchange for a 1.5% NSR royalty. The project is designated as an "Alliance Property" under the Exploration Alliance Agreement between the Company and Callinan (see Callinan Generative).

As of December 31, 2013, Callinan had forwarded a total $150,000 (€103,609) for the Alvito property. The Company held $120,627 (€82,311) on behalf of Callinan to be spent on the Alvito property, which is recorded as restricted cash.

Callinan Generative:

On October 3, 2013, the Company and Callinan signed a three-year Generative Exploration Alliance Agreement (the "Agreement") which calls for Callinan to fund $150,000 of generative exploration in Portugal during the first year of the Agreement and, at Callinan's option, to fund up to $100,000 in each of the two subsequent years. In return for such funding, the Company will grant Callinan the option to receive a 0.5% NSR royalty on any new projects acquired as a result of the generative exploration work, or, if Callinan funds an additional $150,000 in further exploration on any of the new projects, an option to receive a 1.5% NSR royalty on such projects. If the Company determines that further value can be generated for the new project after spending the additional $150,000, Callinan has the option to contribute subsequent funding with the Company on a joint 50/50 basis, with Callinan's NSR and interest in the new project unchanged.

Callinan also has the option to fund additional exploration on the Company's existing mineral properties, if proposed by the Company, and would earn a 1.5% NSR royalty in return for funding $150,000 in exploration on those projects (the "Alliance Property").

As of December 31, 2013, Callinan had forwarded a total $150,000 (€106,114) for the Callinan Generative exploration project. The Company held $116,246 (€79,322) on behalf of Callinan Generative exploration project to be spent on the generative exploration project, which is recorded as restricted cash.

Kosovo

The Company, through its 100% 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)*

Kosovo *(Continued)*

In August 2013, the Company purchased the remaining 7.5% interest in Innomatik Exploration Kosovo LLC ("Innomatik") and allocated $143,155 to the Slivovo property. Refer to note 6 (b)(iv).

Slivovo:

On April 10, 2014, the Company signed an earn-in and shareholders agreement ("Earn-In Agreement") to option out the Slivovo property to Byrnecut International Limited ("Byrnecut"). Under the Earn-In Agreement, Byrnecut has the option to earn a 51% interest in the Slivovo property by spending €1,000,000 in exploration on the project by April 10, 2015, of which €360,000 is a firm commitment to be spent by October 10, 2014. Byrnecut can then earn a further 24% by spending an additional €1,000,000 for a total interest of 75% with total expenditures of €2,000,000, by April 10, 2016. Byrnecut can further earn an additional 10% by completing a Preliminary Feasibility Study on the Slivovo Project for a total interest of 85% by April 10, 2017.

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, 2013, the Company had spent $206,321 (€161,612) 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, 2013, 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 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 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 $459,542 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 share issue costs. 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.

iv. On August 20, 2013, a total of 450,000 common shares of the Company at a fair value of $47,250 were issued to the non-controlling interest owners ("NCI owners") for purchasing the remaining 7.5% interest in Innomatik in Kosovo. The purchase of the 7.5% interest in Innomatik results in the Company owning 100% of Innomatik. The net purchase price of $143,155 was allocated to the Slivovo property in Innomatik (Note 5).

6. CAPITAL AND RESERVES *(Continued)*

(b) Share issuances: *(Continued)*

v. On September 24, 2013, the Company completed a non-brokered private placement issuing 6,000,000 units at a price of $0.10 per unit for gross proceeds of $600,000. 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 $0.15 for a period of 36 months. The warrants were ascribed a value of $509,793.

A total of $14,880 cash finder's fee was paid and 148,800 finder's options were issued as part of the financing. In addition, another $24,103 was included in share issue costs. Each finder's option can be converted into a unit with the same term as the financing at a price of $0.10 for a period of 36 months. The finder's options were ascribed a value of $13,319. Insiders participated in the offering for a total of 1,570,000 units.

vi. On October 15, 2013, the Company closed a strategic financing with Callinan issuing 3,500,000 units at a price of $0.10 per unit for gross proceeds of $350,000. Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.15 for a period of 36 months. The warrants were being ascribed a value of $297,360.

A total of $2,605 was paid as share issue costs.

(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 Qualifying Transaction. As at December 31, 2013, there were no common shares of the Company held in escrow. The final 195,000 escrow shares were released on July 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 for the year ended December 31, 2013 are summarized as follows:

Expiry date	Exercise price	December 31, 2012	Granted	Exercised	Expired/ cancelled	December 31, 2013
August 28, 2013	$0.20	220,000	-	-	(220,000)	-
July 8, 2015**	$0.35	870,000	-	-	(50,000)	820,000
July 15, 2015	$0.35	10,000	-	-	-	10,000
January 27, 2017	$0.30	100,000	-	-	-	100,000
April 10, 2017**	$0.30	800,000	-	-	(25,000)	775,000
October 16, 2018*	$0.10	-	1,550,000	-	-	1,550,000
Options outstanding		2,000,000	1,550,000	-	(295,000)	3,255,000
Options exercisable		2,000,000	1,550,000	-	(295,000)	3,255,000
Weighted average exercise price		$0.31	$0.10	$Nil	0.23	$0.22

* Subsequently, 150,000 options were exercised at the price of $0.10.
** Subsequently, 70,000 options expired.

Subsequently, the Company granted 200,000 options to a director at an exercise price of $0.165 per share for a period of five years, expiring on March 3, 2019.

As of December 31, 2013, the weighted average contractual remaining life is 3.54 years (2012 – 3.09 years).

Stock option transactions and the number of stock options for the year ended December 31, 2012 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	-	-	(10,000)	870,000
July 15, 2015	$0.35	10,000	-	-		10,000
January 27, 2017	$0.30	-	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	$0.30	$Nil	$0.35	$0.31

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(d) Share Purchase Option Compensation Plan: *(Continued)*

The weighted average assumptions used to estimate the fair value of options for the years ended December 31, 2013 and 2012 were:

	2013	2012
Risk-free interest rate	1.90%	1.35%
Expected life	5 years	5 years
Expected volatility	132.75%	118.28%
Expected dividend yield	Nil	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.

(e) Finder's Options

The continuity of finder's options for the year ended December 31, 2013 is as follows:

Expiry date	Exercise price	December 31, 2012	Issued	Exercised	Expired	December 31, 2013
March 28, 2014*	$0.30	183,913	-	-	-	183,913
October 4, 2015	$0.15	545,500	-	-	-	545,500
September 24, 2016	$0.10	-	148,800	-	-	148,800
Outstanding		729,413	148,800	-	-	878,213
Weighted average exercise price		$0.19	$0.10	$Nil	$Nil	$0.17

*Subsequently, 183,913 finder's options expired.

As of December 31, 2013, the weighted average contractual remaining life is 1.60 years (2012 – 2.37 years).

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 4, 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

The weighted average assumptions used to estimate the fair value of finder's options for the years ended December 31, 2013 and 2012 were:

	2013	2012
Risk-free interest rate	1.42%	1.16%
Expected life	3 years	2.5 years
Expected volatility	148.06%	126.94%
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, 2013 is as follows:

Expiry date	Exercise price	December 31, 2012	Issued	Exercised	Expired	December 31, 2013
January 8, 2013	$0.50	5,714,284	-	-	(5,714,284)	-
April 27, 2013	$0.55	625,000	-	-	(625,000)	-
March 28, 2014*	$0.50	4,000,000	-	-	-	4,000,000
October 4, 2015	$0.25	7,990,000	-	-	-	7,990,000
September 24, 2016**	$0.15	-	6,000,000	-	-	6,000,000
October 15, 2016	$0.15	-	3,500,000	-	-	3,500,000
Outstanding		18,329,284	9,500,000	-	(6,339,284)	21,490,000
Weighted average exercise price		$0.39	$0.15	$Nil	$0.50	$0.25

* Subsequently, the Company extended the expiry date of 4,000,000 outstanding common share purchase warrants to December 15, 2014.
** Subsequently, 280,000 warrants were exercised at the price of $0.15.

As of December 31, 2013, the weighted average contractual life is 1.92 years (2012 – 1.49 years).

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 4, 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 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 year and an expected price volatility of 1.24%. As a result, $43,687 was reallocated from share capital to fair value of warrants.

The weighted average assumptions used to estimate the fair value of warrants for the years ended December 31, 2013 and 2012 were:

	2013	2012
Risk-free interest rate	1.42%	1.25%
Expected life	3 years	2 years
Expected volatility	148.06%	86.31%
Expected dividend yield	Nil	Nil

(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, 2013

	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	$224,717	$Nil	$Nil	$Nil	$62,933	$21,716	$309,366
Winnie Wong, Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$Nil	$21,716	$21,716

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

(Presented in Canadian Dollars)

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

Related party assets / liabilities

		The Year Ended							
	Services		December 31, 2013		December 31, 2012		As at December 31, 2013		As at December 31, 2012
Amounts due to:									
Pacific Opportunity Capital Ltd. [(a)]	Rent, management and accounting services	$	199,600	$	208,598	$	7,613	$	12,488
Paul W. Kuhn	Consulting, housing allowance, and share-based payment	$	309,366	$	310,540	$	8,854	$	12,689
Paul L. Nelles [(b)]	Salaries and share-based payment	$	36,374	$	88,366		$Nil		$Nil
Michael Diehl [(b)]	Salaries and share-based payment	$	39,110	$	95,505		$Nil		$Nil
Mineralia [(c)]	Consulting	$	269,915	$	215,501		$Nil		$Nil
TOTAL:		$	854,365	$	918,510	$	16,467	$	25,177

(a) Pacific Opportunity Capital Ltd., a company controlled by a director of the Company.
(b) Paul L. Nelles and Michael Diehl are director and exploration manager of Innomatik respectively.
(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, 2013 was based on the loss attributable to common shareholders of $1,882,598 (December 31, 2012 – loss of $1,529,054) and a weighted average number of common shares outstanding of 31,070,283 (2012 – 21,424,937).

Diluted loss per share did not include the effect of 3,255,000 share purchase options, 878,213 finder's options and 21,490,000 warrants for the year ended December 31, 2013 (2012 – 2,000,000 share purchase options, 729,413 finder's options and 18,329,284 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, 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

(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, 2013, the Company had cash of $439,154 (2012 - $750,240) to settle current liabilities, net of funds held for optionees, of $407,667 (2012 - $274,620).

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 cash and cash equivalents is limited because they are generally held to maturity.

(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.

(Presented in Canadian Dollars)

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.

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 as at December 31, 2013 and 2012.

As at December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash	$ 439,154	$ -	$ -	$ 439,154
Restricted cash	640,504	-	-	640,504
	$ 1,079,658	$ -	$ -	$ 1,079,658

As at December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash	$ 750,240	$ -	$ -	$ 750,240
Restricted cash	290,975	-	-	290,975
	$ 1,041,215	$ -	$ -	$ 1,041,215

(Presented in Canadian Dollars)

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.

11. INCOME TAX

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

	2013	2012
Net loss	$ (1,894,598)	$ (1,622,146)
Expected income tax recovery	$ (487,859)	$ (405,536)
Effect of foreign tax rate	85,577	15,894
Non-deductible items	34,670	47,440
Deductible items	(25,805)	(22,974)
Unrecognized benefit of non-capital losses	393,417	365,176
	$ -	$ -

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

	2013	2012
Deferred income tax assets		
Non-capital loss carryforwards	$ 493,625	$ 497,063
Share issue costs	45,879	58,770
	539,504	555,833
Valuation allowance	(539,504)	(555,833)
Net deferred income tax assets	$ -	$ -

(Presented in Canadian Dollars)

11. INCOME TAX *(Continued)*

The Company has available for deduction against future taxable income non-capital losses of approximately $1,898,500 in Canada. These losses, if not utilized, will expire through to 2033. 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		51,500
2012	2032		798,000
2013	2033		630,000
		$	1,898,500

12. SEGMENTED FINANCIAL INFORMATION

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

	Years ended December 31			
		2013		2012
Non-current assets				
Portugal	$	1,580,046	$	1,354,368
Kosovo		144,990		6,253
	$	1,725,036	$	1,360,621

	Years ended December 31			
		2013		2012
Mineral exploration expenses				
Portugal	$	3,248,275	$	2,662,510
Kosovo		322,056		374,558
Germany		(5,212)		178,883
	$	3,565,119	$	3,215,951

13. BANK GUARANTEES

As of December 31, 2013, the Company had a total of €149,500 ($219,092) (2012: €170,500 ($223,662)) 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.