



AVRUPA MINERALS LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE EIGHT MONTHS ENDED
DECEMBER 31, 2010

AVRUPA MINERALS LTD.

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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, 2010 and April 30, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the eight-month period ended December 31, 2010 and for the year ended April 30, 2010, 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, 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

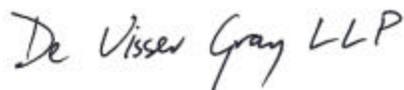
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 in our audits 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, 2010 and April 30, 2010 and their financial performance and their cash flows for the eight month period ended December 31, 2010 and for the year ended April 30, 2010 in accordance with International Financial Reporting Standards.



**Chartered Accountants
Vancouver, BC
April 29, 2011**

AVRUPA MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2010	April 30, 2010
ASSETS		
Non-current assets		
Property, plant and equipment (Note 4)	\$ 16,179	\$ -
Exploration and evaluation assets (Note 5)	876,507	-
	<u>892,686</u>	<u>-</u>
Current assets		
Convertible loan (Note 3)	-	150,000
Deferred transaction and financing costs	-	150,923
Other assets	1,912	-
Other receivables (Notes 3 & 14)	320,000	-
Receivables	104,506	2,266
Prepaid expenses and advances	104,728	-
Cash and cash equivalents	2,674,521	150,916
	<u>3,205,667</u>	<u>454,105</u>
TOTAL ASSETS	\$ 4,098,353	\$ 454,105
LIABILITIES AND SHAREHOLDERS' EQUITY		
EQUITY		
Share capital (Note 6)	\$ 3,976,261	\$ 418,545
Reserves (Note 6)	1,061,503	46,567
Deficit	(1,154,887)	(111,790)
	<u>3,882,877</u>	<u>353,322</u>
Non-controlling interest	29,646	-
	<u>3,912,523</u>	<u>353,322</u>
LIABILITIES		
Current liabilities		
Other liabilities	70,058	-
Due to related parties (Note 7)	41,092	525
Accounts payable and accrued liabilities	74,680	100,258
	<u>185,830</u>	<u>100,783</u>
TOTAL EQUITY AND LIABILITIES	\$ 4,098,353	\$ 454,105

Subsequent event (Note 14)

These consolidated financial statements are authorized for issue by the Board of Directors on April 28, 2011. 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

	Eight months ended December 31, 2010	Year ended April 30, 2010
MINERAL EXPLORATION EXPENSES (Note 5)		
Mineral exploration expenses	\$ 489,386	\$ -
GENERAL ADMINISTRATIVE EXPENSES		
Accounting and legal	123,653	5,493
Bank charges	22,691	337
Consulting	53,034	-
Depreciation	11,544	-
Director fees	3,847	-
Insurance	5,544	-
Investor relations	23,880	1,140
Licenses, fees and taxes	8,253	-
Listing and filing fees	8,499	7,995
Office and administrative fees	18,274	865
Rent	42,894	6,000
Salaries	104,460	-
Share-based payment (Note 6e)	212,410	-
Telephone	3,864	-
Transfer agent fees	12,389	7,734
Travel	46,650	-
	<u>(701,886)</u>	<u>(29,564)</u>
OTHER ITEMS		
Foreign exchange gain	140	-
Interest income	16,468	2,038
Other income	10,963	-
Gain on shares issued for debt settlement (Note 6c)	16,633	-
Gain on write-off of loans	89,917	-
Property investigation cost	(14,111)	-
	<u>(1,071,262)</u>	<u>(27,526)</u>
LOSS BEFORE TAX	(1,071,262)	(27,526)
Income tax (Note 11)	(1,478)	-
LOSS AFTER TAX	(1,072,740)	(27,526)
Non-controlling interest for the period	29,643	-
Net loss and comprehensive loss for the period	\$ (1,043,097)	\$ (27,526)
Basic and diluted loss per share (Note 8)	\$ (0.08)	\$ (0.01)

AVRUPA MINERALS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital		Reserves				Deficit	Non-controlling interest	Total equity
	Number of shares	Amount	Warrants	Finder's options	Equity settled employee benefits	Exchange			
Balance as at April 30, 2009	3,050,000	\$ 418,545	\$ -	\$ 6,993	\$ 39,574	\$ -	\$ (84,264)	\$ -	\$ 380,848
Net loss and comprehensive loss	-	-	-	-	-	-	(27,526)	-	(27,526)
Balance as at April 30, 2010	3,050,000	418,545	-	6,993	39,574	-	(111,790)	-	353,322
Share issues:									
Shares issued for private placements	12,678,571	3,754,415	745,585	-	-	-	-	-	4,500,000
Shares issued for debt settlement (Note 6c)	275,000	101,750	-	-	-	-	-	-	101,750
Exercise of agent's options	100,000	31,636	-	(11,636)	-	-	-	-	20,000
Share issue costs	-	(330,085)	-	80,532	-	-	-	-	(249,553)
Share-based payment	-	-	-	-	212,410	-	-	-	212,410
Exchange difference arising on the translation of foreign subsidiaries	-	-	-	-	-	(11,955)	-	-	(11,955)
Non-controlling interest at acquisition	-	-	-	-	-	-	-	59,289	59,289
Net loss and comprehensive loss	-	-	-	-	-	-	(1,043,097)	(29,643)	(1,072,740)
Balance as at December 31, 2010	16,103,571	\$ 3,976,261	\$ 745,585	\$ 75,889	\$ 251,984	\$ (11,955)	\$ (1,154,887)	\$ 29,646	\$ 3,912,523

AVRUPA MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Eight months ended December 31, 2010	Year ended April 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss after tax for the period	\$ (1,072,740)	\$ (27,526)
Items not involving cash:		
Depreciation	11,544	-
Share-based payment	212,410	-
Gain on shares issued for debt settlement	(16,633)	-
Gain on write-off of loans	(89,917)	-
Changes in non-cash working capital items:		
Receivables	(74,170)	1,031
Prepaid expenses and advances	(61,875)	-
Other assets	18,258	-
Accounts payable and accrued liabilities	(82,612)	58,702
Due to related parties	248,867	-
Other liabilities	30,687	-
Net cash provided by (used in) operating activities	<u>(876,181)</u>	<u>32,207</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Convertible loan	150,000	(150,000)
Purchase of property, plant and equipment	(1,433)	-
Exploration and evaluation assets	(244,000)	-
Cash acquired from business combination	157,270	-
Cash paid in business combination	(912,890)	-
Net cash used in investing activities	<u>(851,053)</u>	<u>(150,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	4,500,000	-
Proceeds from exercise of agent's options	20,000	-
Share issue costs	(249,553)	-
Deferred transaction and financing costs	-	(115,923)
Net cash provided by (used in) financing activities	<u>4,270,447</u>	<u>(115,923)</u>
Exchange difference arising on the translation of foreign subsidiaries	<u>(19,608)</u>	<u>-</u>
Change in cash and cash equivalents for the period	2,523,605	(233,716)
Cash and cash equivalents, beginning of the period	<u>150,916</u>	<u>384,632</u>
Cash and cash equivalents, end of the period	\$ 2,674,521	\$ 150,916
Interest paid	\$ -	\$ -
Interest received	\$ 16,468	\$ 1,819
Taxes paid	\$ -	\$ -
Taxes received	\$ -	\$ -
Shares issued for debt settlement	\$ 101,750	\$ -
Transaction costs accrued	\$ -	\$ 35,000

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 period ended December 31, 2010.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

These 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 period ending December 31, 2010.

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	90%	Portugal	Exploration
Innomatik Exploration Kosovo LLC	92.5%	Kosovo	Exploration
Avrupa Holdings Ltd.	100%	Barbados	Holding
Avrupa Portugal Holdings Ltd.	100%	Barbados	Holding
Avrupa Kosovo Holdings Ltd.	100%	Barbados	Holding

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

(d) Business combinations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combinations *(Continued)*

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

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

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

(e) Foreign currencies

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

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

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

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

(i) Capital leases

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

(k) 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.

(l) 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:

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) 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.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) Income taxes

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2010 reporting period. The following standards are assessed not to have any impact on the Company's consolidated financial statements:

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

3. BUSINESS COMBINATION

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

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

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

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

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3. BUSINESS COMBINATION *(Continued)*

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture and other equipment	Vehicles	Leasehold improvements	Total
Cost				
As at May 1, 2009	\$ -	\$ -	\$ -	\$ -
Additions during the year	-	-	-	-
As at April 30, 2010	-	-	-	-
Additions during the period	15,015	134,761	1,203	150,979
As at December 31, 2010	\$ 15,015	\$ 134,761	\$ 1,203	\$ 150,979
Accumulated depreciation				
As at May 1, 2009	\$ -	\$ -	\$ -	\$ -
Additions during the year	-	-	-	-
As at April 30, 2010	-	-	-	-
Additions during the period	10,323	123,453	1,024	134,800
As at December 31, 2010	\$ 10,323	\$ 123,453	\$ 1,024	\$ 134,800
Net book value				
As at May 1, 2009	\$ -	\$ -	\$ -	\$ -
As at April 30, 2010	\$ -	\$ -	\$ -	\$ -
As at December 31, 2010	\$ 4,692	\$ 11,308	\$ 179	\$ 16,179

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5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

	Portugal				Kosovo					Total
	Marateca	Alvalade	Covas	Others	Glavej	Kamenica	Rezhanc	Bajgora	Others	
Exploration and evaluation assets										
As of May 1, 2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the year	-	-	-	-	-	-	-	-	-	-
As of April 30, 2010	-	-	-	-	-	-	-	-	-	-
Additions during the period	876,507	-	-	-	-	-	-	-	-	876,507
As of December 31, 2010	\$ 876,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 876,507
Mineral exploration expenses for the eight months ended Decmeber 31, 2010										
Assaying	\$ -	\$ -	\$ -	\$ -	\$ 3,292	\$ 3,569	\$ 817	\$ 438	\$ -	\$ 8,116
Concession fees and taxes	(2,184)	-	23,869	-	3,389	3,717	1,524	1,361	1,360	33,036
Geology work	-	-	-	-	17,200	15,724	19,077	10,547	-	62,548
Insurance	-	-	-	-	812	812	-	-	-	1,624
Legal and accounting	-	296	-	-	-	-	-	-	-	296
Office and administrative fees	1,209	1,407	1,065	76	296	723	1,582	1,470	-	7,828
Salaries	96,848	60,345	78,682	-	42,244	42,244	6,323	6,324	-	333,010
Site costs	5,600	1,807	3,294	-	1,309	20,910	762	534	-	34,216
Travel	2,615	3,133	2,589	375	-	-	-	-	-	8,712
	\$ 104,088	\$ 66,988	\$ 109,499	\$ 451	\$ 68,542	\$ 87,699	\$ 30,085	\$ 20,674	\$ 1,360	\$ 489,386
Cumulative mineral exploration expenses since acquisition										
Assaying	\$ -	\$ -	\$ -	\$ -	\$ 3,292	\$ 3,569	\$ 817	\$ 438	\$ -	\$ 8,116
Concession fees and taxes	(2,184)	-	23,869	-	3,389	3,717	1,524	1,361	1,360	33,036
Geology work	-	-	-	-	17,200	15,724	19,077	10,547	-	62,548
Insurance	-	-	-	-	812	812	-	-	-	1,624
Legal and accounting	-	296	-	-	-	-	-	-	-	296
Office and administrative fees	1,209	1,407	1,065	76	296	723	1,582	1,470	-	7,828
Salaries	96,848	60,345	78,682	-	42,244	42,244	6,323	6,324	-	333,010
Site costs	5,600	1,807	3,294	-	1,309	20,910	762	534	-	34,216
Travel	2,615	3,133	2,589	375	-	-	-	-	-	8,712
	\$ 104,088	\$ 66,988	\$ 109,499	\$ 451	\$ 68,542	\$ 87,699	\$ 30,085	\$ 20,674	\$ 1,360	\$ 489,386

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

The Company, through its 90% holding in MAEPA, holds four exploration licenses in Portugal, spread from the north to the south in the country. All the licenses have been issued to MAEPA and have been fully approved by the government of Portugal. In addition, a fifth license is under application, and will be granted to MAEPA later in 2011:

- Marateca (398.10 km²)
- Alvalade (720.19 km²)
- Covas (23.65 km²)
- Ferreira Do Alentejo (143.363 km²)
- Canal Caveira (under application – 135.228 km²)

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

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

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

- Glavej, north central Kosovo (after renewal and required size reduction, 8.15 km²)
- Kamenica, central Kosovo (after renewal and required size reduction, 44.89 km²)
- Bajgora, northern Kosovo (after renewal and required size reduction, 76.5 km²)
- Rezhanc, southern Kosovo

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

6. CAPITAL AND RESERVES

(a) Authorized:

At December 31, 2010, the authorized share capital comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Private Placements

- (i) On June 22, 2010, the Company closed a private placement related to the completion of its QT for gross proceeds of \$4 million. The Company had issued 11,428,571 subscription receipts ("Receipts") at \$0.35 per receipt. Each receipt was converted into a unit at the completion of the QT, which consists of a common share and one half of a transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.50 for a period of 18 months. The securities issued under the private placement were subject to a four-month hold period which expired on October 22, 2010. The warrants were being ascribed a value of \$606,539 (Note 6g).

6. CAPITAL AND RESERVES *(Continued)*

(b) Private Placements *(Continued)*

A total of \$183,859 cash finder's fee was paid and 525,310 finder's options were issued as part of the financing. In addition, another \$30,944 was included in the share issue costs. Each finder's option can be converted into a unit with the same terms as the financing at \$0.35 for a period of 18 months. The finder's options were ascribed a value of \$55,614 (Note 6f).

- (ii) On October 25, 2010, the Company closed a private placement issuing 1,250,000 units at a price of \$0.40 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one-half of one non-transferable warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.55 for a period of 18 months. The securities issued under the private placement were subject to a four-month hold period expired on February 25, 2011. The warrants were being ascribed a value of \$139,046 (Note 6g).

A total of \$31,500 cash finder's fee was paid and 78,750 finder's options were issued as part of the financing. In addition, another \$3,250 was included in the share issue costs. Each finder's option can be converted into a unit with the same terms as the financing at \$0.40 for a period of 18 months. The finder's options were being ascribed a value of \$20,275 (Note 6f).

(c) Shares for debt settlement

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

(d) Escrow shares

1,300,000 seed shares were placed in escrow in accordance with the escrow agreement dated July 28, 2008. 10% of the escrowed common shares were released on July 13, 2010, upon the completion of the QT. As at December 31, 2010, there were 1,170,000 common shares of the Company held in escrow. 195,000 escrow shares were released subsequently on January 13, 2011.

(e) Share Purchase Option Compensation Plan

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

During the period ended December 31, 2010, the Company granted options to acquire up to a total of 890,000 common shares to the directors, officers, employees and consultants of the Company.

6. CAPITAL AND RESERVES (Continued)

(e) Share Purchase Option Compensation Plan (Continued)

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

Expiry date	Exercise price	April 30, 2010	Granted	Exercised	Expired/ cancelled	December 31, 2010
August 28, 2013	\$ 0.20	220,000	-	-	-	220,000
July 8, 2015	\$ 0.35	-	880,000	-	-	880,000
July 15, 2015	\$ 0.35	-	10,000	-	-	10,000
Options outstanding		220,000	890,000	-	-	1,110,000
Options exercisable		220,000	890,000	-	-	1,110,000
Weighted average exercise price		\$0.20	\$0.35	-	-	\$0.32

The weighted average fair value of the 890,000 stock options granted on July 8, 2010 and July 15, 2010 was \$0.24, totalling \$212,410 recorded in share-based payment during the period ended December 31, 2010 (year ended April 30, 2010 - \$Nil). The weighted average assumptions used to estimate the fair value of options for the period ended December 31, 2010 and year ended April 30, 2010 were:

	Eight Months Ended December 31, 2010	Year Ended April 30, 2010
Risk-free interest rate	2.47%	Nil
Expected life	5 years	Nil
Expected volatility	85.59%	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.

(f) Finder's Options

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

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

The continuity of finder's options for the period ended December 31, 2010 is as follows:

Expiry date	Exercise price	April 30, 2010	Issued	Exercised	Expired	December 31, 2010
August 28, 2010	\$0.20	100,000	-	(100,000)	-	-
January 8, 2012	\$0.35	-	525,310	-	-	525,310
April 27, 2012	\$0.40	-	78,750	-	-	78,750
Outstanding		100,000	604,060	(100,000)	-	604,060
Weighted average exercise price		\$0.20	\$0.36	\$0.20	-	\$0.36

6. CAPITAL AND RESERVES (Continued)

(f) Finder's Options (Continued)

The weighted average grant date fair value of the 604,060 finder's options granted during the period was \$0.13, totalling \$75,889 (2010 - \$Nil). In addition, the Company recognized another \$4,643 (2010 - \$Nil) for the vested portion of the finder's options related to the Company's IPO upon the completion of the QT. The weighted average assumptions used to estimate the fair value of finder's options for the eight months ended December 31, 2010 and year ended April 30, 2010 were:

	Eight Months Ended December 31, 2010	Year Ended April 30, 2010
Risk-free interest rate	1.49%	Nil
Expected life	1.5 years	Nil
Expected volatility	89.52%	Nil
Expected dividend yield	0%	Nil

(g) Warrants

The continuity of warrants for the period ended December 31, 2010 is as follows:

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

The weighted average grant date fair value of the 6,339,284 warrants granted during the period ended December 31, 2010 was \$0.12, totalling \$745,585 (2009 - \$Nil). The weighted average assumptions used to estimate the fair value of warrants for the eight months ended December 31, 2010 and year ended April 30, 2010 were:

	Eight Months Ended December 31, 2010	Year Ended April 30, 2010
Risk-free interest rate	1.67%	Nil
Expected life	1.5 years	Nil
Expected volatility	88.56%	Nil
Expected dividend yield	0%	Nil

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:

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7. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

For the eight months ended December 31, 2010

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Other expenses	Share-based payments	Total
Paul W. Kuhn Chief Executive Officer, Director	\$101,535	\$Nil	\$Nil	\$Nil	\$16,744	\$83,532	\$201,811
Mark T. Brown, Former Chief Executive Officer, Director	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$11,933	\$11,933
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$11,933	\$11,933
Gregory E. McKelvey Director	\$10,502	\$Nil	\$Nil	\$Nil	\$Nil	\$11,933	\$22,435
Donald E. Ranta Director	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$11,933	\$11,933

For the year ended April 30, 2010

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Mark T. Brown, Chief Executive Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil

Related party assets / liabilities

	Services	Eight Months Ended December 31, 2010	Year Ended April 30, 2010	As at December 31, 2010	As at April 30, 2010
Amounts due to:					
Pacific Opportunity Capital Ltd. ^(a)	Rent, management and accounting services	\$131,344	\$3,000	\$11,531	\$525
Paul W. Kuhn	Consulting, housing allowance and share-based payment	\$201,811	\$Nil	\$12,142	\$Nil
Peter Merkel ^(b) ^(d)	Loan interest	\$13,820	\$Nil	\$Nil	\$Nil
Paul L. Nelles ^(b)	Salaries and share-based payment	\$69,274	\$Nil	\$Nil	\$Nil
Michael Diehl ^(b)	Salaries and share-based payment	\$51,918	\$Nil	\$Nil	\$Nil
Mineralia ^(c)	Consulting	\$147,877	\$Nil	\$17,419	\$Nil
TOTAL:				\$41,092	\$525
Amounts due from:					
Nil					

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

- (a) Pacific Opportunity Capital Ltd., a company controlled by a director of the Company.
- (b) Peter Merkel, Paul L. Nelles and Michael Diehl are non-controlling shareholders of Innomatik.
- (c) Mineralia, a private company partially owned by Adriano Barros, a non-controlling shareholder and general manager of MAEPA.
- (d) Peter Merkel received 275,000 common shares at a fair value of \$0.37 price (\$101,750) to settle the working capital loan and the interests owing to him in the amount of €88,385 (\$118,383).

8. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the eight months ended December 31, 2010 was based on the loss attributable to common shareholders of \$1,043,097 (year ended April 30, 2010 – \$27,526) and a weighted average number of common shares outstanding of 12,452,915 (year ended April 30, 2010 – 3,050,000).

Diluted loss per share did not include the effect of 1,110,000 (year ended April 30, 2010 – 220,000) share purchase options, 604,060 (year ended April 30, 2010 – 100,000) finder's options and 6,339,284 warrants (year ended April 30, 2010 – Nil) as they are anti-dilutive.

9. FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

(e) 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, 2010, the Company had a cash and cash equivalent balance of \$2,674,521 (April 30, 2010 - \$150,916) to settle down current liabilities of \$185,830 (April 31, 2010 - \$100,783).

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

9. FINANCIAL INSTRUMENTS *(Continued)*

(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 \$23,130 based on the deposits as of December 31, 2010.

(e) Commodity price risk

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

(e) Currency risk

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 2,674,521	\$ -	\$ -	\$ 2,674,521
	\$ 2,674,521	\$ -	\$ -	\$ 2,674,521

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:

	Eight Months Ended December 31, 2010	Year Ended April 30, 2010
Loss before income taxes	\$ (1,071,262)	\$ (27,526)
Expected income tax recovery	\$ (305,310)	\$ (7,845)
Effect of foreign tax rate	47,317	-
Non-deductible items	55,885	-
Deductible items	(14,225)	(3,104)
Unrecognized benefit of non-capital losses	217,811	10,949
	<u>\$ 1,478</u>	<u>\$ -</u>

Income tax expense recorded for the eight months ended December 31, 2010 of \$1,478 (year ended April 30, 2010 – \$Nil) was due to autonomous taxation on specific expenses in MAEPA.

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

	December 31, 2010	April 30, 2010
Future income tax assets		
Non-capital loss carryforwards	\$ 200,467	\$ 23,500
Share issue costs	58,777	8,169
	<u>259,244</u>	<u>31,669</u>
Valuation allowance	(259,244)	(31,669)
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

11. INCOME TAX (Continued)

The Company has available for deduction against future taxable income non-capital losses of approximately \$408,000 in Canada, \$228,000 in Kosovo, \$148,000 in Portugal and \$8,000 in Barbados. These losses, if not utilized, will expire through to 2030. 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
2008	2028	\$ 10,500
2009	2029	45,000
2010	2030	38,500
2010	2030	314,000
		<u>\$ 408,000</u>

12. SEGMENTED FINANCIAL INFORMATION

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

	<u>December 31, 2010</u>	<u>April 30, 2010</u>
Non-current assets		
Portugal	\$ 877,195	\$ -
Kosovo	15,491	-
	<u>\$ 892,686</u>	<u>\$ -</u>
Mineral exploration expenses		
Portugal	281,026	
Kosovo	208,360	
	<u>\$ 489,386</u>	<u>\$ -</u>

13. COMMITMENTS

As of December 31, 2010, the Company had a total of €120,638 (\$160,605) cash pledged for its exploration licenses in Portugal.

14. SUBSEQUENT EVENT

On March 30, 2011, the Company received \$320,000 from Metallica in relation to the sale of the Repparfjord copper property in Norway.