



AVRUPA MINERALS LTD.
CONDENSED FINANCIAL STATEMENTS
THREE MONTHES ENDED
JULY 31, 2010
(UNAUDITED)

AVRUPA MINERALS LTD.

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**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

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

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

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

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	July 31, 2010 (Unaudited)	April 30, 2010 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment (Note 4)	\$ 26,222	\$ -
Exploration and evaluation assets (Note 5)	1,228,507	-
	<u>1,254,729</u>	<u>-</u>
Current assets		
Convertible loan (Note 3)	-	150,000
Deferred transaction and financing costs	-	150,923
Other assets	21,158	-
Receivables	69,672	2,266
Prepaid expenses and advances	43,085	-
Cash and cash equivalents	3,144,427	150,916
	<u>3,278,342</u>	<u>454,105</u>
TOTAL ASSETS	<u>\$ 4,533,071</u>	<u>\$ 454,105</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
EQUITY		
Share capital (Note 6)	\$ 3,536,946	\$ 418,545
Reserves (Note 6)	933,600	46,567
Deficit	(498,548)	(111,790)
	<u>3,971,998</u>	<u>353,322</u>
Non-controlling interest	83,251	-
	<u>4,055,249</u>	<u>353,322</u>
LIABILITIES		
Current liabilities		
Other liabilities	137,762	-
Due to related parties	196,664	525
Accounts payable and accrued liabilities	143,396	100,258
	<u>477,822</u>	<u>100,783</u>
TOTAL EQUITY AND LIABILITIES	<u>\$ 4,533,071</u>	<u>\$ 454,105</u>

These financial statements are authorized for issue by the Board of Directors on September 28, 2010.
They are signed on the Company's behalf by:

/s/Paul W. Kuhn
Director

/s/Mark T. Brown
Director

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
THREE MONTHS ENDED JULY 31
(UNAUDITED)

	2010	2009
MINERAL PROPERTY EXPENSES (Note 5)		
Exploration costs	\$ 61,695	\$ -
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and legal	26,276	(792)
Bank charges	22,625	40
Consulting	28,885	-
Depreciation	761	-
Investor relations	2,356	-
Licenses, fees and taxes	2,437	-
Listing and filing fees	6,161	2,495
Office and administrative fees	6,738	47
Rent	3,657	1,500
Salaries	13,337	-
Share-based payment (Note 6d)	212,410	-
Telephone	418	-
Transfer agent fees	7,664	1,540
Travel	3,589	-
	<u>(337,314)</u>	<u>(4,830)</u>
OTHER ITEMS		
Interest income	3,965	485
Other income	248	-
	<u>(394,796)</u>	<u>(4,345)</u>
LOSS BEFORE TAX	(394,796)	(4,345)
Income tax	-	-
	<u>(8,038)</u>	<u>-</u>
Non-controlling interest for the period	(8,038)	-
Net loss and comprehensive loss for the period	\$ (386,758)	\$ (4,345)
Basic and diluted loss per share	\$ (0.05)	\$ (0.00)

AVRUPA MINERALS LTD.
(Formerly Everclear Capital Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Share capital		Reserves					Non-controlling interest	Total equity
	Number of shares	Amount	Warrants	Finder's options	Equity settled employee benefits	Exchange reserve	Deficit		
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 placement	11,428,571	4,000,000	-	-	-	-	-	-	4,000,000
Warrants		(606,539)	606,539	-	-	-	-	-	-
Share issue costs	-	(275,060)	-	60,257	-	-	-	-	(214,803)
Share-based payment	-	-	-	-	212,410	-	-	-	212,410
Exchange difference arising on the translation of foreign subsidiaries	-	-	-	-	-	7,827	-	-	7,827
Non-controlling interest at acquisition	-	-	-	-	-	-	-	91,289	91,289
Net loss and comprehensive loss	-	-	-	-	-	-	(386,758)	(8,038)	(394,796)
Balance as at July 31, 2010 (Unaudited)	14,478,571	\$ 3,536,946	\$ 606,539	\$ 67,250	\$ 251,984	\$ 7,827	\$ (498,548)	\$ 83,251	\$ 4,055,249

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED JULY 31
(UNAUDITED)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	\$ (394,796)	\$ (4,345)
Items not involving cash:		
Depreciation	761	-
Share-based payment	212,410	-
Changes in non-cash working capital items:		
Receivables	(39,336)	2,779
Prepaid expenses and advances	(233)	-
Other assets	(988)	-
Accounts payable and accrued liabilities	(78,905)	567
Due to related parties	104,560	-
Other liabilities	98,391	-
Net cash used in operating activities	(98,136)	(999)
CASH FLOWS FROM INVESTING ACTIVITIES		
Convertible loan	150,000	-
Purchase of property, plant and equipment	(693)	-
Exploration and evaluation assets	(115,913)	-
Cash acquired from business combination	157,270	-
Cash paid in business combination	(912,890)	-
Net cash used in investing activities	(722,226)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	4,000,000	-
Share issue costs	(186,303)	-
Net cash provided by financing activities	3,813,697	-
Exchange difference arising on the translation of foreign subsidiaries	176	-
Changes in cash and cash equivalents for the period	2,993,511	(999)
Cash and cash equivalents, beginning of the period	150,916	384,632
Cash and cash equivalents, end of the period	\$ 3,144,427	\$ 383,633
Interest paid	\$ -	\$ -
Interest received	\$ 3,965	\$ 485
Taxes paid	\$ -	\$ -
Taxes received	\$ -	\$ -

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 changed its name on July 7, 2010. 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 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” as of July 14, 2010.

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 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) Basis of preparation

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

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

AVRUPA MINERALS LTD.
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 THREE MONTHS ENDED JULY 31, 2010
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The preparation of consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements 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 July 31, 2010.

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

(b) Basis of consolidation

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

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

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

(c) Business combinations

Business combinations that occurred after May 1, 2008 were accounted for in accordance with IFRS 3, *Business Combinations* ("IFRS 3") or 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.

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

combination, the excess is recognized immediately in profit or loss.

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

(d) Foreign currencies

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

Transactions in currencies other than the functional currency are recorded at the rates of the exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date when 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 in Euros and the functional currency of its wholly-owned subsidiaries is in US dollars. Exchange differences arising from the translation of the subsidiaries' functional currencies into the Company's presentation currency are taken directly to the exchange reserve.

(e) Cash and cash equivalents

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

(f) Exploration and evaluation

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

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

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

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

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

of the respective areas of interest.

(g) Property, plant and equipment

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

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

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

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

(h) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Revenue is recognized as interest accrues (using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(i) Share-based payment transactions

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

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

AVRUPA MINERALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(j) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(k) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 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 statement of financial position;
- the inputs used in accounting for share purchase option expense in the statement of comprehensive loss; and
- the provision for income taxes which is included in the statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the statement of financial position at April 30, 2010;

(l) 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 balance sheet at fair value with changes in fair value recognized in the income statement.

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 income statement.

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 income statement.

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

Financial liabilities

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

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

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.

(m) 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.

(n) 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.

(o) 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; 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 at the balance sheet date.

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.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the April 30, 2010 reporting period. The following standards are assessed not to have any impact on the Company's 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 letter of intent on March 22, 2010 and the 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").

Pursuant to the share purchase agreement, the Company agreed to acquire the MAEPA Shares and Innomatik Shares from Metallica for \$912,890 in cash (the "Purchase Price").

In connection with the QT, the Company advanced to Metallica \$150,000 (the "Loan") as an advance on the Purchase Price. The Loan will be due on September 30, 2010, and will accrue interest at LIBOR plus 400 basis points per month, compounded monthly and payable on maturity. In addition, the Loan will be convertible, at any time prior to maturity, into common shares of Metallica at a rate of NOK 0.10 per common share, and is secured by a pledge of the MAEPA Shares. With the completion of the acquisitions of MAEPA and Innomatik on July 13, 2010, the loan has been repaid by reducing the Purchase Price.

In connection with the QT, the Company completed a private placement for gross proceeds of \$4 million (Note 6b).

On July 13, 2010, the Exchange approved QT along with the private placement. Subsequently, the statement of financial position would assume the Company acquiring 90% interest in MAEPA and 92.5% interest in Innomatik by paying \$912,890 in cash free of any related party liabilities.

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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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(UNAUDITED)

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 \$912,890 in 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	837,419	90,034	927,453
Total assets acquired	1,044,359	157,747	1,202,106
Total liabilities assumed	(40,180)	(157,747)	(197,927)
Net assets	1,004,179	-	1,004,179
Less: non-controlling interest	(91,289)	-	(91,289)
Net assets acquired	\$ 912,890	\$ -	\$ 912,890

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	14,555	134,761	923	150,239
As at July 31, 2010	\$ 14,555	\$ 134,761	\$ 923	\$ 150,239
Accumulated depreciation				
As at May 1, 2009	\$ -	\$ -	\$ -	\$ -
Additions during the year	-	-	-	-
As at April 30, 2010	-	-	-	-
Additions during the period	7,590	115,765	662	124,017
As at July 31, 2010	\$ 7,590	\$ 115,765	\$ 662	\$ 124,017
Net book value				
As at May 1, 2009	\$ -	\$ -	\$ -	\$ -
As at April 30, 2010	\$ -	\$ -	\$ -	\$ -
As at July 31, 2010	\$ 6,965	\$ 18,996	\$ 261	\$ 26,222

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5. EXPLORATION AND EVALUATION ASSETS AND MINERAL PROPERTY EXPENSES

	Portugal				Kosovo	Total
	Marateca	Alvalade	Covas	Others		
Exploration and evaluation assets						
As of May 1, 2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the year	-	-	-	-	-	-
As of April 30, 2010	-	-	-	-	-	-
Additions during the period	1,228,507	-	-	-	-	1,228,507
As of July 31, 2010	\$ 1,228,507	\$ -	\$ -	\$ -	\$ -	\$ 1,228,507
Mineral property expenses for the three months ended July 31, 2010						
Concession fees and taxes	\$ 80	\$ -	\$ 40,089	\$ -	\$ -	\$ 40,169
Legal and accounting	-	290	-	-	-	290
Salaries	-	2,146	-	-	7,353	9,499
Site costs	2,721	2,772	2,053	3,334	-	10,880
Travel	-	11	846	-	-	857
	\$ 2,801	\$ 5,219	\$ 42,988	\$ 3,334	\$ 7,353	\$ 61,695
Cumulative mineral property expenses since acquisition						
Concession fees and taxes	\$ 80	\$ -	\$ 40,089	\$ -	\$ -	\$ 40,169
Legal and accounting	-	290	-	-	-	290
Salaries	-	2,146	-	-	7,353	9,499
Site costs	2,721	2,772	2,053	3,334	-	10,880
Travel	-	11	846	-	-	857
	\$ 2,801	\$ 5,219	\$ 42,988	\$ 3,334	\$ 7,353	\$ 61,695

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 2010:

- 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, 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 two 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)

Both 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. Both 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 April 30, 2010, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Private Placement

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 (the "Unit"), 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 are subject to a four month hold period expiring on October 22, 2010. The warrants were being ascribed a value of \$606,539 (Note 6f).

A total of \$183,859 cash finder's fee has been paid and 525,310 finder's options (the "Finder's Options") have been issued as part of the financing. 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 being ascribed a value of \$60,257 (Note 6e). In addition, another \$30,944 was included in the share issue costs.

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(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 July 31, 2010, there were 1,170,000 common shares of the Company held in escrow.

(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.

During the period ended July 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.

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

Expiry date	Exercise price	April 30 2010	Granted	Exercised	Expired/ cancelled	July 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	-	-	-	1,110,000
Option exercisable		220,000	-	-	-	1,110,000
Weighted average exercise price		\$0.20	-	-	-	\$0.32

The weighted average grant date fair value of the 890,000 stock options granted on July 8, 2010 and July 15, 2010 was \$0.24, totalling \$212,410 in share-based payment recorded during the three months ended July 31, 2010 (2009 - \$nil). The weighted average assumptions used to estimate the fair value of options for the periods ended July 31, 2010 and 2009 were:

	Three months ended July 31	
	2010	2009
Risk-free interest rate	2.10%	Nil
Expected life	4 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.

(e) Finder's Options

The Company issued 525,310 Finder's options on July 8, 2010 upon the closing of its private placement (Note 6b).

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

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Expiry date	Exercise price	April 30, 2010	Issued	Exercised	Expired	July 31, 2010
August 28, 2010	\$ 0.20	100,000	-	-	-	100,000
January 8, 2012	\$0.35	-	525,310	-	-	525,310
Outstanding		100,000	525,310			625,310
Weighted average exercise price		\$0.20	\$0.35	-	-	\$0.33

Subsequently to July 31, 2010, 100,000 Finder's options related to the Company's IPO were exercised.

The weighted average grant date fair value of the 525,310 Finder's options granted on July 8, 2010 was \$0.24, totalling \$55,614 (2009 - \$nil). In addition, the Company recognized another \$4,643 (2009 - \$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 periods ended July 31, 2010 and 2009 were:

	Three months ended July 31	
	2010	2009
Risk-free interest rate	1.50%	Nil
Expected life	1.5 years	Nil
Expected volatility	85.59%	Nil
Expected dividend yield	0%	Nil

(f) Warrants

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

Expiry date	Exercise price	April 30, 2010	Issued	Exercised	Expired	July 31, 2010
January 8, 2012	\$ 0.50	-	5,714,284	-	-	5,714,284
Outstanding		-	5,714,284	-	-	5,714,284
Weighted average exercise price		\$Nil	\$0.50	-	-	\$0.50

The weighted average grant date fair value of the 5,714,284 warrants granted on July 8, 2010 was \$0.24, totalling \$606,539 (2009 - \$nil). The weighted average assumptions used to estimate the fair value of warrants for the periods ended July 31, 2010 and 2009 were:

	Three months ended July 31	
	2010	2009
Risk-free interest rate	1.69%	Nil
Expected life	1.5 years	Nil
Expected volatility	85.59%	Nil
Expected dividend yield	0%	Nil

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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 three months ended July 31, 2010

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Paul W. Kuhn Chief Executive Officer, Director	\$28,885	\$Nil	\$Nil	\$Nil	\$83,532	\$112,417
Mark T. Brown, Former Chief Executive Officer, Director	\$Nil	\$Nil	\$Nil	\$Nil	\$11,933	\$11,933
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$11,933	\$11,933
Gregory E. McKelvey Director	\$Nil	\$Nil	\$Nil	\$Nil	\$11,933	\$11,933
Donald E. Ranta Director	\$Nil	\$Nil	\$Nil	\$Nil	\$11,933	\$11,933

For the three months ended July 31, 2009

	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	Three months ended July 31		As at July 31, 2010	As at April 30, 2010
		2010	2009		
Amounts due to:					
Pacific Opportunity Capital Ltd. (a)	Rent and accounting services	\$80,594	\$1,500	\$89,074	\$525
Paul W. Kuhn	Consulting	\$28,885	\$Nil	\$3,030	\$Nil
Peter Merkel (b)		\$Nil	\$Nil	\$104,560	\$Nil
TOTAL:				\$196,664	\$525
Amounts due from:					
Nil					

(a) Pacific Opportunity Capital Ltd., a company controlled by the former Chief Executive Officer of the Company.

(b) Peter Merkel is a non-controlling shareholder of Innomatik.

8. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended July 31, 2010 was based on the loss attributable to common shareholders of \$386,758 (2009 – \$4,345) and a weighted average number of common shares outstanding of 8,018,944 (2009 – 3,050,000).

Diluted loss per share did not include the effect of 1,110,000 (2009 – 320,000) share purchase options, 625,310 (2009 – Nil) Finder's options and 5,714,284 warrants (2009 – 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.

(c) 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 July 31, 2010, the Company had a cash and cash equivalent balance of \$3,144,427 (April 30, 2010 - \$150,916) to settle down current liabilities of \$477,822 (April 31, 2010 - \$100,783).

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash and cash equivalents is limited because they are generally held to maturity. A 1% change in the interest rate, with other variables unchanged, would affect the Company by an annualized amount of interest equal to approximately \$27,315 based on the deposits as of July 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

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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	\$ 3,144,427	\$ -	\$ -	\$ 3,144,427
	\$ 3,144,427	\$ -	\$ -	\$ 3,144,427

10. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, warrants, Finder's options and stock 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.

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11. SEGMENTED FINANCIAL INFORMATION

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

	July 31, 2010	April 30, 2010
	(Unaudited)	(Audited)
Non-current assets		
Portugal	\$ 1,233,172	\$ -
Kosovo	21,557	-
	<u>\$ 1,254,729</u>	<u>\$ -</u>
Mineral property expenses		
Portugal	54,342	
Kosovo	7,353	
	<u>\$ 61,695</u>	<u>\$ -</u>