Background

This management discussion and analysis ("MD&A") of financial position and results of operation is prepared as of December 23, 2010 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the audited financial statements for the year ended April 30, 2010 and the unaudited financial statements for the six months ended October 31, 2010. All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Company Overview

Avrupa Minerals Ltd. (formerly Everclear Capital Ltd.) (the "Company") was a capital pool company ("CPC") under the TSX Venture Exchange (the "Exchange") Policy 2.4. The Company's stock was listed and began trading on the TSX Venture Exchange on September 2, 2008 under the symbol "EVA.P". As a CPC, the Company was required to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and to complete its Qualifying Transaction ("QT") by September 2, 2010, which is 24 months from listing on the Exchange. On July 13, 2010, the Company received the final approval from the Exchange for its QT and its common shares resumed trading under its current name and trading symbol "AVU.V" as of July 14, 2010.

Highlights

Qualifying Transaction

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 Portugese company ("MAEPA"), and Innomatik Exploration Kosovo LLC, a private Kosovo company ("Innomatik"). The Company acquired the following shares from Metallica: (a) 90% of the issued and outstanding shares in MAEPA ("MAEPA Shares") and (b) 92.5% of the issued and outstanding shares of Innomatik ("Innomatik Shares").

Pursuant to the share purchase agreement, the Company acquired 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 an amount of up to $150,000 (the "Loan") as an advance on the Purchase Price. The Loan would be due on September 30, 2010, and would accrue interest at LIBOR plus 400 basis points per month, compounded monthly and payable on maturity. In addition, the Loan would be convertible, at any time prior to maturity, into common shares of Metallica at a rate of NOK 0.10 per common share, and would be 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, on June 22, 2010, the Company closed a private placement for gross proceeds of $4 million and the gross proceeds were released to the Company upon the completion of the QT. See "Outstanding Share Data" section.

About MAEPA

In Portugal, MAEPA controls approximately 1,260 km² of mineral rights in three exploration licenses in the northern Iberian Pyrite Belt (IPB), northwest of Lundin Mining Corporation's giant Neves Corvo copper-zinc mine. A fourth license, totaling approximately 135 km², will be issued during Q4 2010 or early Q1 2011.

The northernmost property, Marateca, which has been only partially explored, has three drill-ready targets having mineralized rocks similar to the mineralized rock units at Neves Corvo. The drill targets are well-documented geologically, and are supported by coincident geochemical and geophysical anomalies. An additional six early stage targets on the property deserve further follow-up work.

The Alvalade license and the adjacent Canal Caveira license, which will be issued to MAEPA during Q4 2010, cover two historic Cu-Zn-Fe massive sulfide mines including the Lousal Mine complex (total 50 million metric tonnes massive sulfide material and estimated +6 million metric tonnes mined since 1900 @ 0.7% Cu, 1.4% Zn, 0.8% Pb, and locally up to 1 g/t Au, and 20 g/t Ag). Recent MAEPA compilation work has identified 25 moderate to high priority targets on the property. There is historic exploration drilling on the property. The Caveira Mine, on the Canal Caveira exploration license, was operated from the 1930's to the 1970's, and reportedly produced up to 100,000 metric tonnes per year with grades in the order of 2-6% Cu, 3-6% Zn, 1-2% Pb, 0.5-1 g/t Au, and < 50 g/t Ag. The property has not been systematically explored.

Historic resource and production estimates have been provided by the Geological Survey of Portugal (LNEG). These estimates are not compliant with National Instrument 43-101 or CIM resource definitions. The Company has not completed sufficient work to validate the estimates, and they should not be relied upon.

MAEPA controls the Covas tungsten (WO_3) deposit in NW Portugal. The license totals 23.65 km². A non-NI 43-101 compliant historical resource estimate for the Covas deposit, compiled by Union Carbide in 1980, stands at approximately 1 million metric tonnes at 0.8% WO_3, based on drilling of approximately 27,000 meters in 329 holes, mostly during the 1970's by Union Carbide and others. The known deposits, a ring of skarns encircling a multiple-intrusive complex, were mined predominantly from 1951 to 1974. A total of 366,000 metric tonnes at 0.61% WO_3 was extracted during that time. The ring of skarn deposits has not been fully systematically explored, and the central intrusive complex, which offers an interesting bulk-tonnage target, has historically only been explored in cursory fashion.

See qualifying statement above for NI 43-101 compliance information concerning the Covas resource estimate.

About Innomatik

In Kosovo, Innomatik has two drill-ready Ag-Pb-Zn prospects located adjacent to mines that have been in operation intermittently for well over a thousand years.

Innomatik is actively exploring in the prolific Vardar Trend on the Glavej license, and the Kamenica license. Total area covered by the two licenses, after recent renewal and required size reduction, is approximately 53 km². Drill-ready targets on the Glavej license lie in the same geological setting and within five kilometers of the Stan Trg Mine, operated by Trepça Mines. In over a thousand years of operation Stan Trg has produced an estimated 25 million metric tonnes at +10% Pb-Zn and 80 g/t Ag. At Kamenica, drill-ready targets lie on the same structure and within three kilometers of the Artana Mine (Novo Brdo), also operated by Trepça Mines. The Artana Mine has produced an estimated 18 million metric tonnes at +10% Pb-Zn, 140 g/t Ag, and 1 g/t Au in over a thousand years of operations.

Historic production estimates were compiled by Trepça Mines UN-appointed senior management during United Nations administration of the company in 2004-08, and are believed to be reliable.

All of the historical resource and production estimates discussed above are included as part of the historical record for the project. This estimate has not been prepared according to the standards of NI 43-101; a qualified person has not done sufficient work on these estimates to classify them as current resources and the reliability of the estimates is unknown. Avrupa does not consider the historical estimate as a current resource and the historical estimate should not be relied upon.

Exploration Activities

Portugal

a) Marateca

Drilling has started at the Marateca Cu-Zn project in the northernmost extension of the Iberian Pyrite Belt (IPB) in Portugal. Three holes total are planned for three separate targets in an exposed window of the same package of

Paleozoic volcano-sedimentary rocks that hosts the giant Neves-Corvo massive sulfide deposit, located 115 km to the southeast in the IPB and presently being mined by Lundin Mining Company. Two of the targets, the São Martinho and Volta anomalies, are classic volcanogenic massive sulfide (VMS) targets based on interpretation of gravity, reflection seismic, and IP-Resistivity geophysical data. The third target, at the Serrinha anomaly, is based more on the surface presence of exhalitive-style mineralization and alteration, anomalous soil geochemistry (Cu, Pb, Zn, Ag, As, Sb, Ba, Mn, Hg), and a broad subsurface IP chargeability anomaly that may indicate the possibility of stockwork or VMS feeder-zone mineralization. See the November 29, 2010 news release for more details.

b) Alvalade

The Company holds two contiguous licenses, Alvalade and Ferreira do Alentejo, located 50-60 km south of Marateca in the northern Portuguese Pyrite Belt and has been granted a third (also contiguous) license, Canal Caveira, although the contract for this one has not yet been signed by the government of Portugal. The Caveira and Alvalade licenses cover a number of known deposits and formerly-working mines, including the Caveira Mine and Lousal Mine, respectively. The Company is currently working on compilation and re-interpretation of historic geophysical, geological, and geochemical data for the Lousal-Caveira district and will be able to greatly upgrade their understanding of the district over the next 3-6 months. The Company continues to generate new high quality drilling targets in the district and will look to potentially advancing these targets by joint venture-style partnerships with other companies. See the November 29, 2010 news release for more details.

c) Covas

The Company commenced fieldwork to upgrade the Covas tungsten project in northern Portugal, near the border town of Caminha. The work plan consists of collecting and geochemically analyzing 250-300 soil samples located in a 3.5 x 2.0 kilometer grid covering the project area.

The Covas project consists of a ring of wolframite- and scheelite-bearing skarn deposits surrounding an uplifted complex of multiple granitic intrusive bodies covered by metamorphosed sedimentary rocks. Known high grade skarn mineralization is located in a specific limey stratigraphic horizon that surrounds the intrusion complex, known as the Covas Dome. The source of tungsten skarn mineralization is probably related to emplacement of one or more of the intrusive bodies. Two intersecting, regional structural features, one trending north-northwest and one trending northwest, control the emplacement of the intrusions, and thus, along with favorable host rocks, the location of skarn mineralization. See the October 5, 2010 news release for more details.

The Company is actively seeking a mining partner to help further the program and fully develop the potential of the property.

Kosovo

The Company renewed the Glavej and Kamenica exploration licenses for a two-year period under Kosovo's new mining law.

a) Glavej License

The Company's team has generated two potential base metal massive sulfide drill targets on the Glavej license at Pogledalo and Spate. Anomalous lead and zinc in soil geochemistry extends for over 800 meters of strike length at Pogledalo, and is partially coincident with ground geophysical anomalies, and the presence of an outcropping gossan zone. The target area appears to be open along strike in both directions. At Spate, there is evidence of an old exploration tunnel, and locals report that massive sulfide mineralization is present in the old workings. The Company intends to drill the Pogledalo anomaly in the 2nd quarter of 2011. It is also making plans to access the Spate workings. The object of the 2011 exploration program is to upgrade the target areas to possible joint venture stage.

b) Kamenica License

The Company's exploration team has generated three initial geochemical/geophysical/ geological target areas at Kamenica, two of which have old exploration tunnels or shafts with reported massive sulfide mineralization. Location of the old workings coincides with electromagnetic anomalies, in addition to geochemical anomalies. Avrupa is continuing to upgrade the targets at the Grbes, Metovic, and Ajdarovic targets through more detailed mapping and sampling, and plans to undertake initial drilling in the 2nd quarter of 2011. The goal of the drilling at the three targets, as at Glavej, is to upgrade the anomalies to potential joint venture stage.

Mr. Paul W. Kuhn, M.Sc., Licensed Professional Geologist, Washington, USA, acts as a Qualified Person under National Instrument 43-101. Mr. Kuhn has reviewed the technical contents of this MD&A.

Selected Financial Information

	Year Ended April 30, 2010	**Year Ended April 30, 2009**	**From incorporation on January 23, 2008 to April 30, 2008**
Total revenues	$ -	$ -	$ -
General and administrative expenses	29,564	82,744	10,449
Loss for the period	(27,526)	(73,815)	(10,449)
Loss per share	(0.01)	(0.03)	(0.01)
Total assets	454,105	387,929	129,551
Total long-term financial liabilities	-	-	-
Cash dividends declared – per share	N/A	N/A	N/A

Summary of Quarterly Results

The following table sets forth selected unaudited financial information prepared by management of the Company.

Three Months Ended	October 31 2010	July 31 2010	April 30 2010	January 31 2010
Total Revenues	$ -	$ -	$ -	$ -
Loss before Other Items	$ 388,525	$ 399,009	$ 14,930	$ 3,173
Net Loss and comprehensive loss	$ 325,567	$ 386,758	$ 14,317	$ 2,707
Loss per share	$ 0.02	$ 0.05	$ 0.00	$ 0.00

Three Months Ended	October 31 2009	July 31 2009	April 30 2009	January 31 2009
Total Revenues	$ -	$ -	$ -	$ -
Loss before Other Items	$ 6,631	$ 4,830	$ 15,193	$ 4,394
Net Loss and comprehensive loss	$ 6,157	$ 4,345	$ 14,771	$ 2,016
Loss per share	$ 0.00	$ 0.00	$ 0.00	$ 0.00

Results of Operations

Three months ended October 31, 2010 and October 31, 2009

During the three months ended October 31, 2010, the Company reported a loss of $325,567 ($0.02 loss per share) (2009 - $6,157 ($0.00 loss per share)).

Excluding the non-cash depreciation of $2,346 (2009 - $nil), the Company's general and administrative expenses amounted to $253,836 during the three months ended October 31, 2010 (2009 - $6,631). The significant increase in the general and administrative expenses was a result of: a) the Company completing its QT and thus, became an operating company with its own employees and consultants; and b) the Company incorporating its majority-owned subsidiaries' (MAEPA and Innomatik) operations from the date of acquisition on July 9, 2010. As a result, all costs increased compared to the same period last year.

During the three months ended October 31, 2010, the Company expensed exploration costs of $35,837 on Covas, $15,975 on Marateca, $6,635 on Alvalade and $1,235 on other projects in Portugal (2009 - $nil). The Company also expensed exploration costs of $25,543 on Glavej, $25,048 on Kemenica and $22,070 on other projects in Kosovo (2009 - $nil).

Six months ended October 31, 2010 and October 31, 2009

During the six months ended October 31, 2010, the Company reported a loss of $712,325 ($0.06 loss per share) (2009 - $10,502 ($0.00 loss per share)).

Excluding the non-cash share-based payments of $212,410 (2009 - $nil) and depreciation of $3,107(2009 - $nil), the Company's general and administrative expenses amounted to $377,979 during the six months ended October 31, 2010 (2009 - $11,461). The significant increase in the general and administrative expenses was a result of two factors: a) the Company completing its QT, resulting in increased level of activities in all its offices in Canada, Portugal and Kosovo; and b) the Company incorporating its majority-owned subsidiaries' (MAEPA and Innomatik) operations from the date of acquisition on July 9, 2010. As a result, all costs increased compared to the same period last year.

During the six months ended October 31, 2010, the Company expensed exploration costs of $78,825 on Covas, $18,776 on Marateca, $11,854 on Alvalade and $4,569 on other projects in Portugal (2009 - $nil). The Company also expensed exploration costs of $25,543 on Glavej, $25,048 on Kemenica and $29,423 on other projects in Kosovo (2009 - $nil).

The Company completed an impairment analysis as at October 31, 2010 and concluded that no impairment charge was required because:

- the Company capitalized only its acquisition costs of MAEPA and Innomatik;
- there have been no significant changes in the legal factors or climate that affects the value of the properties in Portugal and Kosovo;
- all properties in Portugal and Kosovo remain in good standing; and
- the Company intends to continue its exploration and development plans on its properties.

Cash Flows, Liquidity and Capital Resources

As at October 31, 2010, the Company's working capital was $2,956,937 (April 30, 2010 - $353,322). With respect to working capital, $3,055,305 was held in cash and cash equivalents (April 30, 2010 - $150,916). The increase in cash and cash equivalents of $2,904,389 was due to the completion of the financing in relation to the QT in June 2010 and the private placement in October 2010 as well as the agent exercising its options, totaling $4,520,000 (see "Outstanding Share Data" section). The cash was used to pay for the purchase price of MAEPA and

Innomatik, totaling $912,890, along with share issue costs of $249,553 and operations during the period of $538,506.

As of the date of this MD&A, the Company has no outstanding commitments. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. The Company has sufficient working capital at this time to meet its ongoing financial obligations.

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company's current treasury as well as the recent strategic developments with the Company will allow its effort throughout 2011. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at October 31, 2010, the Company's share capital was $3,874,511 (April 30, 2010 - $418,545) representing 1,300,000 seed common shares and 14,528,571 common shares from the IPO and the private placements.

On June 22, 2010, the Company closed a private placement related to of its QT for gross proceeds of $4 million and the gross proceeds were released to the Company upon the completion of the QT. The Company 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 upon the closing of the QT. 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. 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.

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 are subject to a four-month hold period expiring on February 25, 2011. A total of $31,500 cash finder's fee has been paid and 78,750 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 $0.40 for a period of 18 months.

During the six months ended October 31, 2010, the agent for the Company's initial public offering also exercised its 100,000 options at $0.20.

On December 6, 2010, 275,000 common shares were issued to Peter Merkel at a price of $0.4327 to settle the working capital loan and the interests thereto owing to him in the amount of €88,385.

The 1,300,000 seed common shares are placed in escrow and will be released from escrow on a time basis, as to 10% upon the completion of a QT and an additional 15% every six months thereafter over a period of three years.

The Company has established a stock option plan for its directors, officers, and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. During the period ended October 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	October 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
Option exercisable		220,000	890,000	-	-	1,110,000
Weighted average exercise price		$0.20	$0.35	-	-	$0.32

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

Expiry date	Exercise price	April 30, 2010	Issued	Exercised	Expired	October 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 continuity of finder's options for the period ended October 31, 2010 is as follows:

Expiry date	Exercise price	April 30, 2010	Issued	Exercised	Expired	October 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

If the remaining options, warrants, finder's options, including the warrants associated with the finder's options, were exercised, the Company's available cash would increase by $3,924,734.

As of the date of this MD&A, there were 16,103,571 common shares issued and outstanding and 24,458,945 common shares outstanding on a diluted basis.

Related Party Transactions

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 six months ended October 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	$72,036	$Nil	$Nil	$Nil	$83,532	$155,568
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 six months ended October 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	Six months ended October 31		As at October 31, 2010	As at April 30, 2010
		2010	2009		
Amounts due to:					
Pacific Opportunity Capital Ltd. [(a)]	Rent and accounting services	$110,344	$3,750	$12,040	$525
Paul W. Kuhn	Consulting	$72,036	$Nil	$12,308	$Nil
Peter Merkel [(b)]		$Nil	$Nil	$107,958	$Nil
Paul L. Nelles [(b)]	Salaries and share-based payment	$54,204	$Nil	$Nil	$Nil
Michael Diehl [(b)]	Salaries and share-based payment	$35,398	$Nil	$Nil	$Nil
TOTAL:				$132,306	$525
Amounts due from:					
Nil					

(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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Risks and Uncertainties

The Company is engaged in the exploration for mineral deposits. These activities involve significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

Inherent risks within the mining industry

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

Prices for metals

Metals prices are subject to volatile price fluctuations and have a direct impact on the commercial viability of the Company's exploration properties. Price volatility results from a variety of factors, including global consumption and demand for metals, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future metal sales. The Company closely monitors metal prices to determine the appropriate course of action to be taken by the Company.

Foreign currency risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while foreign operations are predominately conducted in Euros and US dollars. Fluctuations in the exchange rates between the Canadian dollar, Euros and US dollar may impact the Company's financial condition.

Risks Associated with Foreign Operations

The Company's investments in foreign countries such as Portugal and Kosovo carry certain risks associated with different political, business, social and economic environments. The Company is currently evaluating various commodities in Portugal and Kosovo, but will undertake new investments only when it is satisfied that the risks and uncertainties of operating in different cultural, economic and political environments are manageable and reasonable relative to the expected benefits.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance and regulatory characteristics of property rights in certain foreign countries.

Future government, political, legal or regulatory changes in the foreign jurisdictions in which the Company currently operates or plans to operate could affect many aspects of the Company's business, including title to properties and assets, environmental protection requirements, labor relations, taxation, currency convertibility, repatriation of profits or capital, the ability to import necessary materials or services, or the ability to export produced materials.

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 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 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 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 October 31, 2010.

Financial Instruments and Other Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payables 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 Canadian financial institutions. The Company does not have any asset-backed commercial paper in its cash and cash equivalents. The Company's receivables consist of goods and services tax due from the federal government of Canada.

b) Liquidity risk

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

As at October 31, 2010, the Company had a cash and cash equivalent balance of $3,055,305 (April 30, 2010 - $150,916) to settle down current liabilities of $264,390 (April 30, 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 $27,000 based on the deposits as of October 31, 2010.

d) Commodity price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings 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	$ 3,055,305	$ -	$ -	$ 3,055,305
	$ 3,055,305	$ -	$ -	$ 3,055,305

Future accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the October 31, 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.

Internal Controls Over Financial Reporting

Changes in Internal Control over Financial Reporting ("ICFR")

No changes occurred in the current period of the Company's ICFR that have materially affected, or are reasonable likely to materially affect, the Company's ICFR.

Forward Looking Statements

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by the use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- Impairment of long-lived assets;
- The Company's assumptions and estimates used in its Technical Report filed on July 5, 2010, as well as the potential resource estimates and interpretations from that Technical Report;
- The progress, potential and uncertainties of the Company's mineral properties in Portugal and Kosovo; and
- Expectations regarding the ability to raise capital and to continue its exploration and development plans on its properties.