AVRUPA MINERALS LTD.

(Formerly Everclear Capital Ltd.)

FINANCIAL STATEMENTS

YEAR ENDED

APRIL 30, 2010

AVRUPA MINERALS LTD.
(Formerly Everclear Capital Ltd.)

Contents

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Avrupa Minerals Ltd.,

We have audited the statements of financial position of Avrupa Minerals Ltd. as at April 30, 2010 and 2009 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

De Visser Gray LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
August 3, 2010

AVRUPA MINERALS LTD.
(Formerly Everclear Capital Ltd.)
STATEMENTS OF FINANCIAL POSITION
AS AT APRIL 30

		2010		2009
				(Note 11)
ASSETS				
Current assets				
Convertible loan (Note 3)	$	150,000	$	-
Receivables		2,266		3,297
Deferred transaction and financing costs		150,923		-
Cash and cash equivalents		150,916		384,632
TOTAL ASSETS	$	454,105	$	387,929
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY				
Share capital (Note 4)	$	418,545	$	418,545
Reserves (Note 4)		46,567		46,567
Deficit		(111,790)		(84,264)
		353,322		380,848
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		100,783		7,081
TOTAL EQUITY AND LIABILITIES	$	454,105	$	387,929

These financial statements are authorized for issue by the Board of Directors on August 3, 2010.
They are signed on the Company's behalf by:

/s/Winnie Wong
Director

/s/Mark T. Brown
Director

AVRUPA MINERALS LTD.
(Formerly Everclear Capital Ltd.)
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED APRIL 30

		2010		2009
				(Note 11)
GENERAL AND ADMINISTRATIVE EXPENSES				
Bank charges	$	337	$	265
Investor relations		1,140		-
Listing and filing fees		7,995		26,088
Office and administrative fees		865		787
Professional fees		5,493		5,123
Rent		6,000		4,000
Share-based payment		-		39,574
Transfer agent fees		7,734		6,907
		(29,564)		(82,744)
OTHER ITEMS				
Foreign exchange gain		-		6,636
Interest income		2,038		2,293
LOSS BEFORE TAX		(27,526)		(73,815)
Income tax		-		-
Net loss and comprehensive loss for the year	$	(27,526)	$	(73,815)
Basic and diluted loss per share	$	(0.01)	$	(0.03)

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

	Share capital		Reserves			
	Number of shares	Amount	Equity settled employee benefits	Warrants	Deficit	Total equity
Balance as at April 30, 2008 (Note 11)	1,300,000*	$ 130,000	$ -	$ -	$ (10,449)	$ 119,551
Share issues:						
Initial public offering ("IPO")	1,000,000	200,000	-	-	-	200,000
Shares issued for private placement	750,000	150,000	-	-	-	150,000
Share issue costs	-	(61,455)	-	-	-	(61,455)
Agent's options	-	-	-	6,993	-	6,993
Share-based payment	-	-	39,574	-	-	39,574
Net loss and comprehensive loss	-	-	-	-	(73,815)	(73,815)
Balance as at April 30, 2009 (Note 11)	3,050,000	418,545	39,574	6,993	(84,264)	380,848
Net loss and comprehensive loss	-	-	-	-	(27,526)	(27,526)
Balance as at April 30, 2010	**3,050,000**	**$ 418,545**	**$ 39,574**	**$ 6,993**	**$ (111,790)**	**$ 353,322**

* These 1,300,000 shares were placed in escrow upon the successful listing of the Company as a Capital Pool Company on the TSX Venture Exchange. The release of these shares from escrow is 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.

AVRUPA MINERALS LTD.
(Formerly Everclear Capital Ltd.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30

		2010		2009
				(Note 11)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss and comprehensive loss for the year	$	(27,526)	$	(73,815)
Item not involving cash:				
Share-based payment		-		39,574
Changes in non-cash working capital items:				
Receivables		1,031		(3,094)
Accounts payable and accrued liabilities		58,702		(2,919)
Deferred costs		-		8,750
Net cash provided by (used in) operating activities		32,207		(31,504)
CASH FLOWS TO INVESTING ACTIVITIES				
Convertible loan		(150,000)		-
Net cash used in investing activities		(150,000)		-
CASH FLOWS FROM (TO) FINANCING ACTIVITIES				
Proceeds from issuance of common shares		-		350,000
Deferred transaction and financing costs		(115,923)		(54,462)
Net cash (used in) provided by financing activities		(115,923)		295,538
Changes in cash and cash equivalents for the year		(233,716)		264,034
Cash and cash equivalents, beginning of the year		384,632		120,598
Cash and cash equivalents, end of the year	$	150,916	$	384,632

Supplemental disclosure				
Interest paid	$	-	$	-
Interest received	$	1,819	$	2,293
Taxes paid	$	-	$	-
Taxes received	$	-	$	-
Transaction costs accrued	$	35,000	$	-

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPEREATIONS

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. Since incorporation, the Company's sole activity has been the preparation of a prospectus to become listed on the TSX Venture Exchange (the "Exchange") as a "Capital Pool Company" as defined in the Exchange's Listing Policy 2.4. The Company's common shares began trading on the Exchange on September 2, 2008.

As a Capital Pool Company, the principal business of the Company is 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 will 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 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 and to ultimately complete a QT.

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 balance sheets. The 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) Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities.

These are the Company's first IFRS annual financial statements to be presented in accordance with IFRS for the year ending April 30, 2010. Previously, the Company prepared its annual financial statements in accordance with GAAP.

(b) Basis of preparation

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

The preparation of 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. Actual results may differ from these estimates.

These 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 early adoption on April 30, 2010, the Company's first annual reporting date.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS balance sheet at May 1, 2008 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 11.

(c) Financial instruments

<u>Financial assets</u>

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

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the 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.

(d) Cash and cash equivalents

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

(e) 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).

(f) 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.

(g) Share-based payment transactions

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

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each 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.

(h) Loss per share

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

(i) 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;

(j) Deferred transaction costs

Costs incurred related directly to the completion of the qualifying transaction, where the transaction is considered an asset acquisition, are deferred and added to the cost of the assets acquired. Costs incurred related directly to the issuance of share capital are deferred and then offset against the proceeds realized on the related share issuance.

(k) 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. 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 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, Metallica has agreed to reduce the Purchase Price by the amount of the loan.

In connection with the QT, the Company completed a private placement for gross proceeds of $4 million (Note 10).

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 would be accounted for on the consolidated statement of financial position subsequent to April 30, 2010 as an asset purchase with the Company identified as the acquiring entity.

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. 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) Initial Public Offering (“IPO”)

The Company signed an agreement with Leede Financial Markets Inc. to act as agent for its IPO. The agent was paid a corporate finance fee of $7,500 and a commission of $15,000 in cash and was issued 100,000 agent’s options with an exercise price of $0.20 per share, expiring on August 28, 2010, and a fair value of $6,993. Another $31,962 was paid for other expenses related to the IPO.

On July 29, 2008, the Company filed a prospectus with the British Columbia and Alberta Securities Commissions in order to offer to the public in British Columbia and Alberta a minimum of 1,000,000 common shares at a price of $0.20 per share for gross proceeds of $200,000. A receipt for this prospectus was obtained from regulatory authorities on July 31, 2008, and on August 28, 2008, the Company closed its IPO and its common shares began trading on the TSX Venture Exchange on September 2, 2008.

(c) Private Placements

On August 28, 2008, the Company completed a non-brokered private placement of 750,000 common shares at $0.20 per share for gross proceeds of $150,000. All of the shares issued pursuant to the private placement were subject to a four-month hold period expiring on December 30, 2008.

(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.

On August 28, 2008, the Company granted options to acquire up to a total of 220,000 common shares to the directors and officers of the Company contemporaneous with closing of its initial public offering ("IPO"), which options are exercisable at $0.20 per share. These options are non-transferable and will expire on the fifth anniversary of their date of issue if unexercised.

The Company also granted 100,000 agent's options on August 28, 2008 upon the closing of its IPO, which options are exercisable at $0.20 per share for a period of 24 months (Note 4b).

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

Expiry date	Exercise price	April 30 2009	Granted	Exercised	Expired/ cancelled	April 30 2010
August 28, 2010	$ 0.20	100,000	-	-	-	100,000
August 28, 2013	$ 0.20	220,000	-	-	-	220,000
Options outstanding		320,000	-	-	-	320,000
Option exercisable		270,000	-	-	-	270,000
Weighted average exercise price		$0.20	-	-	-	$0.20

Subsequent to April 30, 2010, 890,000 stock options were granted to its directors, officers, employees and consultants at a price of $0.35, exercisable for a period of five years.

The weighted average assumptions used to estimate the fair value of options for the years ended April 30, 2010 and 2009 were:

	Year ended April 30	
	2010	2009
Risk-free interest rate	Nil	2.76%
Expected life	Nil	2-5
Expected volatility	Nil	143.84%
Expected dividend yield	Nil	0%

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.

5. RELATED PARTY TRANSACTIONS AND BALANCES

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the year ended 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

For the year ended April 30, 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	$9,894	$9,894
Winnie Wong, Chief Financial Officer	$Nil	$Nil	$Nil	$Nil	$9,894	$9,894

Related party assets / liabilities

	Services	Year ended April 30		As at April 30, 2010	As at April 30, 2009
		2010	2009		
Amounts due to:					
Pacific Opportunity Capital Ltd. [(a)]	Rent	$6,000	$4,000	$525	$Nil
Amounts due from:					
Nil					

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

6. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended April 30, 2010 was based on the loss attributable to common shareholders of $27,526 (2009 – $73,815) and a weighted average number of common shares outstanding of 3,050,000 (2009 – 2,474,658).

Diluted loss per share did not include the effect of 320,000 share purchase options (2009 – 320,000) as they are anti-dilutive.

7. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, receivables, convertible loan 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 a Canadian financial institution. 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.

(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 April 30, 2010, the Company had a cash and cash equivalent balance of $150,916 (2009 - $384,632) to settle down current liabilities of $100,783 (2009 - $7,081).

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 $1,509 based on the deposits as of April 30, 2010.

(d) Commodity price risk

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

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	$ 150,916	$ -	$ -	$ 150,916
Convertible loan	150,000	-	-	150,000
	$ 300,916	$ -	$ -	$ 300,916

8. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares and stock options as capital (see Note 4). The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the identification of a QT 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 plans to complete a QT and maintain operations in the near term.

9. INCOME TAXES

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

	2010	2009
Loss before income taxes	$ (27,526)	$ (73,815)
Expected income tax recovery	$ (7,845)	$ (22,145)
Non-deductible items	-	11,872
Deductible items	(3,104)	(3,268)
Unrecognized benefit of non-capital losses	10,949	13,541
	$ –	$ –

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

	2010	2009
Future income tax assets		
Non-capital loss carryforwards	$ 23,500	$ 14,451
Share issue costs	8,169	11,328
	31,669	25,779
Valuation allowance	(31,669)	(25,779)
Net future income tax assets	$ –	$ –

The Company has available for deduction against future taxable income non-capital losses of approximately $94,000. 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 financial statements and have been offset by a valuation allowance.

10. SUBSEQUENT EVENTS

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, 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 in cash finder's fees has been paid and 525,310 finder's options (the "Finder's Options") have been issued in respect to this financing. Each Finder's Option can be converted into a Unit having the same attributes as the units issued in the financing.

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these financial statements are for the period covered by the Company's first annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied as follows:

- in preparing the financial statements for the year ended April 30, 2010;
- the comparative information for the year ended April 30, 2009;
- the statement of financial position as at April 30, 2009; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, May 1, 2008.

In preparing the opening IFRS statement of financial position and the financial statements for the year ended April 30, 2009, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS are set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements, the Company has elected to apply the following transitional arrangements:

(a) Business combinations

IFRS1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company takes advantage of this election and applies IFRS 3 to business combinations that occurred on or after May 1, 2008. There is no adjustment required to the May 1, 2008's statement of financial position on the transition date.

(b) Share-based payment transactions

IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before May 1, 2008.

(c) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

(d) Reclassification within Equity section

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its "contributed surplus" account and concluded that as at the Transition Date, there was no "Contributed surplus" account. As at April 30, 2009, \$39,574 in the "Contributed surplus" account relates to "Equity settled employee benefit reserve" and \$6,993 relates to "Reserves for warrants". As a result, the Company reclassified in the equity section between "Contributed surplus" and the various reserve accounts totalling \$46,567.

Reconciliation of Assets, Liabilities and Equity

		As at May 1, 2008			As at April 30, 2009		
	Notes	**Canadian GAAP**	**Effect of transition of IFRS**	**IFRS**	**Canadian GAAP**	**Effect of transition of IFRS**	**IFRS**
ASSETS							
Current assets							
Deferred costs		$ 8,750	$ -	$ 8,750	$ -	$ -	$ -
Receivables		203	-	203	3,297	-	3,297
Cash and cash equivalents		120,598	-	120,598	384,632	-	384,632
Total current assets		129,551	-	129,551	387,929	-	387,929
TOTAL ASSETS		$ 129,551	$ -	$ 129,551	$ 387,929	$ -	$ 387,929
EQUITY							
Share capital		$ 130,000	$ -	$ 130,000	$ 418,545	$ -	$ 418,545
Reserves							
Equity settled employee benefits	11d	-	-	-	-	39,574	39,574
Warrants	11d	-	-	-	-	6,993	6,993
Contributed surplus	11d	-	-	-	46,567	(46,567)	-
Deficit		(10,449)	-	(10,449)	(84,264)	-	(84,264)
Total equity		119,551	-	119,551	380,848	-	380,848
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities		10,000	-	10,000	7,081	-	7,081
TOTAL EQUITY AND LIABILITIES		$ 129,551	$ -	$ 129,551	$ 387,929	$ -	$ 387,929

Reconciliation of Loss and Comprehensive Loss

		Year ended April 30, 2009		
	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
GENERAL AND ADMINISTRATIVE EXPENSES				
Bank charges		$ 265	$ -	$ 265
Listing and filing fess		26,088	-	26,088
Office and administrative expenses		787	-	787
Professional fees		5,123	-	5,123
Rent		4,000	-	4,000
Share-based payment		39,574	-	39,574
Transfer agent fees		6,907	-	6,907
Total expenses		(82,744)	-	(82,744)
OTHER ITEMS				
Interest income		2,293	-	2,293
Foreign excahnge gain		6,636	-	6,636
Loss before tax		(73,815)	-	(73,815)
Income tax		-	-	-
Net loss and comprehensive loss for the year		$ (73,815)	$ -	$ (73,815)

Reconciliation of Cash Flows

	Notes	Year ended April 30, 2009 Canadian GAAP	Effect of transition to IFRS	IFRS
Operating activities				
Loss for the period		$ (73,815)	$ -	$ (73,815)
Share-based payment		39,574		39,574
Changes in non-cash working capital				
Receivables		(3,094)	-	(3,094)
Accounts payable and accrued liabilities		(2,919)	-	(2,919)
Deferred costs		8,750	-	8,750
Cash and cash equivalents (used in) operating activities		(31,504)	-	(31,504)
Financing activities				-
Proceeds from issuance of common shares		350,000	-	350,000
Share issue costs		(54,462)	-	(54,462)
Cash and cash equivalents provided by financing activities		295,538	-	295,538
Increase (decrease) in cash and cash equivalents		264,034	-	264,034
Cash and cash equivalents, beginning of year		120,598	-	120,598
Cash and cash equivalents, end of year		$ 384,632	$ -	$ 384,632