



**AVRUPA MINERALS LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2017, 2016 AND 2015**

# **AVRUPA MINERALS LTD.**

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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Avrupa Minerals Ltd.,

We have audited the accompanying consolidated financial statements of Avrupa Minerals Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Avrupa Minerals Ltd. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has no current source of revenue, has incurred losses from inception and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, Canada

April 24, 2018

AVRUPA MINERALS LTD.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT DECEMBER 31  
(Presented in Canadian Dollars)

	Note	2017	2016
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 182,794	\$ 518,196
Restricted cash	5	167,910	4,175
Investments - available for sale		-	84,862
Prepaid expenses and advances		41,974	61,792
Due from optionee	5	28,557	1
Due from related party	8	-	4,742
VAT receivables		36,666	43,176
Other receivables		30,559	19,438
		<u>488,460</u>	<u>736,382</u>
<b>Non-current assets</b>			
Property deposits	6	177,613	218,202
Exploration and evaluation assets	5	1,407,915	1,479,204
Equipment	4	56,117	48,137
		<u>1,641,645</u>	<u>1,745,543</u>
<b>Total assets</b>		<b>\$ 2,130,105</b>	<b>\$ 2,481,925</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Funds held for optionees	5	\$ 167,910	\$ 4,175
Accounts payable and accrued liabilities		138,845	55,863
Accounts payable owed by optionees		88,687	119,811
Due to related parties	8	59,523	72,107
Current portion of long-term loan	9	6,393	-
		<u>461,358</u>	<u>251,956</u>
<b>Non-current liabilities</b>			
Long-term loan	9	24,058	-
		<u>24,058</u>	<u>-</u>
<b>Equity</b>			
Share capital	7	8,786,896	7,994,373
Reserves	7	6,119,842	5,591,348
Deficit		(13,262,049)	(11,355,752)
		<u>1,644,689</u>	<u>2,229,969</u>
<b>Total equity and liabilities</b>		<b>\$ 2,130,105</b>	<b>\$ 2,481,925</b>

These consolidated financial statements are authorized for issue by the Board of Directors on April 24, 2018. They are signed on the Company's behalf by:

/s/Paul W. Kuhn  
Director

/s/Mark T. Brown  
Director

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

	Note	2017	2016	2015
<b>Mineral exploration expenses</b>				
Mineral exploration expenses	5	\$ 1,742,813	\$ 1,157,878	\$ 3,395,193
Reimbursements from optionees	5	(780,195)	(581,875)	(2,654,670)
		<u>(962,618)</u>	<u>(576,003)</u>	<u>(740,523)</u>
<b>General administrative expenses</b>				
Bank charges		3,875	13,136	10,577
Consulting		124,520	266,573	143,100
Depreciation		2,589	5,176	5,765
Insurance		-	-	4,600
Investor relations		292,430	191,544	163,278
Listing and filing fees		10,485	12,035	10,087
Office and administrative fees		29,070	44,867	21,777
Professional fees		203,662	202,484	180,836
Rent		9,000	7,308	25,729
Salaries		-	-	161
Share-based payment		110,564	270,698	192,043
Telephone		37	37	-
Transfer agent fees		10,581	8,432	6,335
Travel		66,882	61,023	52,130
		<u>(863,695)</u>	<u>(1,083,313)</u>	<u>(816,418)</u>
<b>Other items</b>				
Foreign exchange (loss)		(11,494)	20,536	4,256
Interest income		2,068	3,056	2,508
Other income		2,837	2,308	1,247
Write down of due from optionee		(1)	(238,705)	-
(Loss) on disposal of equipment		(2,105)	-	-
Write-down of exploration and evaluation assets		(71,289)	-	-
		<u>(79,984)</u>	<u>(212,805)</u>	<u>8,011</u>
<b>Net loss for the year</b>		<u>(1,906,297)</u>	<u>(1,872,121)</u>	<u>(1,548,930)</u>
<b>Exchange difference arising on the translation of foreign subsidiaries</b>		26,776	(28,208)	5,593
<b>Comprehensive loss for the year</b>		\$ (1,879,521)	\$ (1,900,329)	\$ (1,543,337)
<b>Basic and diluted loss per share</b>	10	\$ (0.02)	\$ (0.03)	\$ (0.03)

AVRUPA MINERALS LTD.  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Presented in Canadian Dollars)

	Share capital		Reserves						Deficit	Total equity
	Number of shares	Amount	Warrants	Finder's options	Equity-settled employee benefits	Exchange	Subtotal			
<b>Balance as at December 31, 2014</b>	<b>44,555,797</b>	<b>\$ 5,633,560</b>	<b>\$ 3,589,762</b>	<b>\$ 229,764</b>	<b>\$ 592,047</b>	<b>\$ 15,717</b>	<b>\$ 4,427,290</b>	<b>\$ (7,934,701)</b>	<b>\$ 2,126,149</b>	
Share issues:										
Shares issued for private placement	10,920,000	613,483	478,517	-	-	-	478,517	-	1,092,000	
Share issue costs	-	(74,687)	-	38,329	-	-	38,329	-	(36,358)	
Share-based payment	-	-	-	-	192,043	-	192,043	-	192,043	
Comprehensive loss	-	-	-	-	-	5,593	5,593	(1,548,930)	(1,543,337)	
Balance as at December 31, 2015	55,475,797	6,172,356	4,068,279	268,093	784,090	21,310	5,141,772	(9,483,631)	1,830,497	
Share issues:										
Shares issued for private placement	13,547,000	758,632	596,068	-	-	-	596,068	-	1,354,700	
Share issue costs	-	(124,387)	-	47,540	-	-	47,540	-	(76,847)	
Shares issued for warrants exercised	4,573,000	1,068,737	(382,787)	-	-	-	(382,787)	-	685,950	
Shares issued for options exercised	200,000	37,373	-	-	(17,373)	-	(17,373)	-	20,000	
Shares issued for finder's options exercised	453,000	81,662	1,378	(37,740)	-	-	(36,362)	-	45,300	
Share-based payment	-	-	-	-	270,698	-	270,698	-	270,698	
Comprehensive loss	-	-	-	-	-	(28,208)	(28,208)	(1,872,121)	(1,900,329)	
Balance as at December 31, 2016	74,248,797	7,994,373	4,282,938	277,893	1,037,415	(6,898)	5,591,348	(11,355,752)	2,229,969	
Share issues:										
Shares issued for private placements	12,670,000	850,846	391,154	-	-	-	391,154	-	1,242,000	
Share issue costs	-	(58,323)	-	-	-	-	-	-	(58,323)	
Share-based payment	-	-	-	-	110,564	-	110,564	-	110,564	
Comprehensive loss	-	-	-	-	-	26,776	26,776	(1,906,297)	(1,879,521)	
<b>Balance as at December 31, 2017</b>	<b>86,918,797</b>	<b>\$ 8,786,896</b>	<b>\$ 4,674,092</b>	<b>\$ 277,893</b>	<b>\$ 1,147,979</b>	<b>\$ 19,878</b>	<b>\$ 6,119,842</b>	<b>\$ (13,262,049)</b>	<b>\$ 1,644,689</b>	

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

	Note	2017	2016	2015
<b>Cash flows from operating activities</b>				
Net loss for the year		\$ (1,906,297)	\$ (1,872,121)	\$ (1,548,930)
Items not involving cash:				
Depreciation		2,589	5,176	5,765
Loss on disposal of equipment		2,105	-	-
Mineral exploration expenses		21,520	(179,800)	15,669
Share-based payment		110,564	270,698	192,043
Write down of due from optionee		1	238,705	-
Write-down of exploration and evaluation assets		71,289	-	-
Changes in non-cash working capital items:				
VAT receivables		6,510	300,722	(299,447)
Due from optionee		(28,557)	68,577	(4,494)
Prepaid expenses and advances		19,818	65,650	113,160
Other receivables		(11,121)	(19,438)	-
Accounts payable and accrued liabilities		82,982	(475,300)	(25,418)
Accounts payable owed by optionees		(31,124)	(80,538)	-
Due from/to related parties		(7,842)	(24,176)	38,240
Funds held for optionees		163,735	4,175	(299,305)
Exchange difference arising on the translation of foreign subsidiaries		24,496	(24,802)	1,598
Net cash (used in) operating activities		<u>(1,479,332)</u>	<u>(1,722,472)</u>	<u>(1,811,119)</u>
<b>Cash flows from investing activities</b>				
Net proceeds from investments - available for sale		84,862	2,245	-
Net proceeds from sale of equipment		12,167	-	-
Property deposits		40,589	51,569	(130,093)
Purchase of equipment		(13,630)	-	(13,741)
Net cash provided by (used in) investing activities		<u>123,988</u>	<u>53,814</u>	<u>(143,834)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of common shares		1,242,000	2,105,950	1,092,000
Share issue costs		(58,323)	(76,847)	(36,358)
Net cash provided by financing activities		<u>1,183,677</u>	<u>2,029,103</u>	<u>1,055,642</u>
<b>Change in cash for the year</b>		<u>(171,667)</u>	<u>360,445</u>	<u>(899,311)</u>
<b>Cash, beginning of the year</b>		<u>522,371</u>	<u>161,926</u>	<u>1,061,237</u>
<b>Cash, end of the year</b>		<u>\$ 350,704</u>	<u>\$ 522,371</u>	<u>\$ 161,926</u>
<b>Cash comprised of:</b>				
Cash		\$ 182,794	\$ 518,196	\$ 161,926
Restricted Cash		167,910	4,175	-
		<u>\$ 350,704</u>	<u>\$ 522,371</u>	<u>\$ 161,926</u>
<b>Supplementary information:</b>				
Interest received		\$ 2,068	\$ 3,056	\$ 2,508

Supplemental disclosure with respect to cash flows (Note 12)

## 1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Avrupa Minerals Ltd. (the “Company”) was incorporated on January 23, 2008 under the Business Corporations Act of British Columbia and its registered office is Suite 2610 – 1066 West Hastings Street, Vancouver, BC, Canada, V6E 3X1. The Company changed its name on July 7, 2010 and began trading under the symbol “AVU” on the TSX Venture Exchange (the “Exchange”) on July 14, 2010. On September 20, 2012, the Company listed in Europe on the Frankfurt Stock Exchange under the trading symbol “8AM”. The Company is primarily engaged in the acquisition and exploration of mineral properties in Europe.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are material uncertainties that cast significant doubt about the appropriateness of the going concern assumption.

If the Company is to advance or develop its mineral properties further, it will be necessary to obtain additional financing and while it has been successful in the past, there can be no assurance that it will be able to do so in the future. Failure to raise sufficient funds would result in the Company’s inability to make future required property payments, which would result in the loss of those property options.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

## 2. BASIS OF PREPARATION

### a) Statement of compliance

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

### b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are effective as at December 31, 2017.



### 3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

	% of ownership	Jurisdiction	Nature of operations
MAEPA Empreendimentos Mineiros e Participacoes Lda	100%	Portugal	Exploration
Innomatik Exploration Kosovo LLC	100%	Kosovo	Exploration
Peshter Mining J.S.C	11.06%	Kosovo	Exploration
Avrupa Holdings Inc.	100%	Barbados	Holding
Avrupa Portugal Holdings Inc.	100%	Barbados	Holding
Avrupa Kosovo Holdings Inc.	100%	Barbados	Holding

All subsidiaries are entities that are controlled, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All of the intra-group balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated in full. For subsidiaries that the Company controls, but does not own 100% of, the net assets and net profit attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated statements of financial position and consolidated statements of comprehensive loss.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### b) Interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which the Company has rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which the Company has rights to only the net assets of the arrangement.

Joint ventures are accounted for in accordance with the policy "Investments in Associates and Joint Ventures." Joint operations are accounted for by recognizing the Company's share of the assets, liabilities, revenue, expenses and cash flows of the joint operation in the consolidated financial statements.

#### c) Investments in Associates and Joint Ventures

Investments over which the Company exercises significant influence and which it does not control or jointly control are associates. Investments in associates are accounted for using the equity method, except when classified as held for sale. Investments in joint ventures as determined in accordance with the policy "Interests in Joint Arrangements" are also accounted for using the equity method.

The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Company's proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate's or joint venture's net assets.

The Company's proportionate share of the associate's or joint venture's profit or loss and other comprehensive income or loss is based on its most recent financial statements. Adjustments are made to align any inconsistencies between the Company's accounting policies and the associate's or joint venture's policies before applying the equity method. Adjustments are also made to account for depreciable assets based on their fair values at the acquisition date of the investment and for any impairment losses recognized by the associate or joint venture.

If the Company's share of the associate's or joint venture's losses equals or exceeds the investment in the associate or joint venture, recognition of further losses is discontinued. After the Company's interest is reduced to zero, additional losses will be provided for and a liability recognized only to the extent that the Company has incurred legal or constructive obligations to provide additional funding or make payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

At each statement of financial position date, management considers whether there is objective evidence of impairment in associates and joint ventures. If there is such evidence, management determines if there is a need to record an impairment in relation to the associate or joint venture.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### d) Foreign currencies

The Company assesses functional currency on an entity by entity basis based on the related fact pattern; however, the presentation currency used in these consolidated financial statements is determined at management's discretion.

The currency of the parent company, and the presentation currency applicable to these consolidated financial statements, is the Canadian dollar.

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

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

#### e) Exploration and evaluation assets and expenditures

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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

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

f) Share-based payment transactions

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

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

g) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

h) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### h) Significant accounting judgments and estimates *(Continued)*

##### Critical judgments

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid. The functional currency of its wholly-owned subsidiaries in Europe is the Euro and subsidiaries in Barbados is the US Dollar as management considered the currencies which mainly influence the cost of providing goods and services in those subsidiaries. The Company chooses to report in Canadian dollar as the presentation currency;
- The assessment of indications of impairment of each mineral property and related determination of the net realized value and write-down of those properties where applicable; and
- The determination that the Company will continue as a going concern for the next year.

#### i) Provisions

Provisions are recognized in the consolidated statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### j) Financial instruments

##### Financial assets

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

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statements of comprehensive loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### j) Financial instruments *(Continued)*

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statements of comprehensive loss.

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

#### Financial liabilities

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

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

*Other financial liabilities* - This category includes due to related parties, accounts payable and accrued liabilities, accounts payable owed by optionees, funds held for optionees and long-term loan all of which are recognized at amortized cost.

At December 31, 2017, 2016 and 2015, the Company did not have any derivative financial assets or liabilities.

#### k) Income taxes

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

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

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted that are expected to apply when temporary differences are expected to settle.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

k) Income taxes *(Continued)*

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.

l) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2017 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- IFRS 9 (Amended 2010) Financial Instruments (effective January 1, 2018)

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

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**4. EQUIPMENT**

	<b>Furniture and other equipment      Vehicles      Other assets      Total</b>			
<b>Cost</b>				
As at January 1, 2016	\$ 127,549	\$ 183,038	\$ 22,431	\$ 333,018
Additions during the year	-	-	-	-
Exchange adjustment	(7,299)	(10,474)	(1,284)	(19,057)
As at December 31, 2016	120,250	172,564	21,147	313,961
Additions during the year	3,591	40,490	-	44,081
Disposal during the year	(11,706)	(116,314)	-	(128,020)
Exchange adjustment	7,494	10,754	1,318	19,566
As at December 31, 2017	\$ 119,629	\$ 107,494	\$ 22,465	\$ 249,588
<b>Accumulated depreciation</b>				
As at January 1, 2016	\$ 82,324	\$ 162,870	\$ 16,864	\$ 262,058
Depreciation for the year	12,860	4,575	1,981	19,416
Exchange adjustment	(5,144)	(9,474)	(1,032)	(15,650)
As at December 31, 2016	90,040	157,971	17,813	265,824
Depreciation for the year	13,608	9,352	1,149	24,109
Depreciation for the year related to disposals	(11,706)	(101,985)	-	(113,691)
Exchange adjustment	5,985	10,102	1,142	17,229
As at December 31, 2017	\$ 97,927	\$ 75,440	\$ 20,104	\$ 193,471
<b>Net book value</b>				
As at January 1, 2016	\$ 45,225	\$ 20,168	\$ 5,567	\$ 70,960
As at December 31, 2016	\$ 30,210	\$ 14,593	\$ 3,334	\$ 48,137
As at December 31, 2017	\$ 21,702	\$ 32,054	\$ 2,361	\$ 56,117



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**5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES**

	Portugal				Kosovo		Germany	Others	Total
	Alvalade	Covas	Alvito	Others	Slivovo	Others			
<b>Exploration and evaluation assets</b>									
<b>Acquisition costs</b>									
<b>As of January 1, 2017</b>	\$ 167,920	\$ 71,289	\$ -	\$ 1,096,840	\$ 143,155	\$ -	\$ -	\$ -	\$ 1,479,204
Write-down of property during the year	-	(71,289)	-	-	-	-	-	-	(71,289)
<b>As of December 31, 2017</b>	\$ 167,920	\$ -	\$ -	\$ 1,096,840	\$ 143,155	\$ -	\$ -	\$ -	\$ 1,407,915
<b>Mineral exploration expenses for the year ended December 31, 2017</b>									
Assaying	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,110	\$ -	\$ -	\$ 34,110
Concession fees and taxes	44,290	-	18,574	11,839	-	3,088	-	-	77,791
Depreciation	-	-	-	21,520	-	-	-	-	21,520
Geological salaries and consulting	98,544	98,520	527,082	278,198	-	73,176	-	-	1,075,520
Geology work	-	-	-	-	-	-	29,621	42,664	72,285
Insurance	347	-	814	5,090	-	-	-	-	6,251
Legal and accounting	-	-	16	155	-	13,500	-	-	13,671
Office and administrative fees	6,333	1,170	6,397	25,524	-	82,182	-	16,717	138,323
Rent	68,617	8,790	56,798	61,410	-	18,906	-	5,764	220,285
Site costs	2,474	552	19,811	8,848	-	3,625	-	1,392	36,702
Travel	2,067	450	25,606	5,692	-	6,976	-	5,564	46,355
Reimbursements from optionee	(5,259)	(109,482)	(655,098)	(10,356)	-	-	-	-	(780,195)
	\$ 217,413	\$ -	\$ -	\$ 407,920	\$ -	\$ 235,563	\$ 29,621	\$ 72,101	\$ 962,618
<b>Cumulative mineral exploration expenses since acquisition</b>									
Assaying	\$ -	\$ -	\$ -	\$ -	\$ 297,975	\$ 65,936	\$ 10,846	\$ -	\$ 374,757
Concession fees and taxes	265,266	197,339	102,053	347,498	9,998	201,789	4	-	1,123,947
Depreciation	-	-	5,515	75,593	-	-	-	-	81,108
Drilling	-	-	-	-	1,180,217	-	-	-	1,180,217
Geological salaries and consulting	6,204,805	2,089,720	1,106,225	2,476,006	119,801	607,591	12,359	-	12,616,507
Geology work	-	-	-	32,377	891,582	402,515	223,619	125,314	1,675,407
Insurance	18,607	10,550	4,321	30,415	14,604	14,790	-	-	93,287
Legal and accounting	296	130	158	698	58,158	13,500	-	-	72,940
Office and administrative fees	200,173	25,321	31,920	184,699	80,149	98,692	5,255	58,878	685,087
Rent	430,279	49,068	113,089	292,176	28,694	67,239	-	20,422	1,000,967
Report	-	-	-	-	24,232	-	-	-	24,232
Site costs	161,127	57,655	44,518	97,571	185,074	193,600	-	8,865	748,410
Travel	225,720	56,738	57,098	107,596	60,107	21,373	-	14,771	543,403
Trenching and road work	-	-	-	-	34,339	-	-	-	34,339
Reimbursements from optionee	(7,369,789)	(2,420,199)	(1,069,865)	(243,481)	(2,834,986)	(45,158)	-	-	(13,983,478)
	\$ 136,484	\$ 66,322	\$ 395,032	\$ 3,401,148	\$ 149,944	\$ 1,641,867	\$ 252,083	\$ 228,250	\$ 6,271,130

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

	Portugal				Kosovo		Germany	Others	Total
	Alvalade	Covas	Alvito	Others	Slivovo	Others			
<b>Exploration and evaluation assets</b>									
<b>Acquisition costs</b>									
<b>As of January 1, 2016</b>	\$ 167,920	\$ 71,289	\$ -	\$ 1,096,840	\$ 143,155	\$ -	\$ -	\$ -	\$ 1,479,204
Additions during the year	-	-	-	-	-	-	-	-	-
<b>As of December 31, 2016</b>	\$ 167,920	\$ 71,289	\$ -	\$ 1,096,840	\$ 143,155	\$ -	\$ -	\$ -	\$ 1,479,204
<b>Mineral exploration expenses for the year ended December 31, 2016</b>									
Assaying	\$ -	\$ -	\$ -	\$ -	\$ (2,630)	\$ 33	\$ -	\$ -	\$ (2,597)
Concession fees and taxes	88,378	12,097	22,191	71,981	-	4,281	-	-	198,928
Depreciation	-	-	-	14,240	-	-	-	-	14,240
Drilling	-	-	-	-	(79,180)	-	-	-	(79,180)
Geological salaries and consulting	335,477	42,017	96,996	214,691	681	25,036	-	-	714,898
Geology work	-	-	-	-	(5,889)	-	-	38,580	32,691
Insurance	93	93	99	3,821	-	-	-	-	4,106
Legal and accounting	-	130	-	154	-	-	-	-	284
Office and administrative fees	6,251	1,608	1,421	24,830	6,699	(2,572)	-	20,809	59,046
Rent	30,164	8,798	7,888	38,075	725	3,341	-	5,418	94,409
Report	-	-	-	-	24,232	-	-	-	24,232
Site costs	53,462	425	2,103	13,606	-	-	-	2,166	71,762
Travel	1,211	2,014	1,313	15,190	628	2,599	-	2,104	25,059
Trenching and road work	-	-	-	-	-	-	-	-	-
Reimbursements from optionee	(515,036)	(67,182)	-	-	45,501	(45,158)	-	-	(581,875)
	\$ -	\$ -	\$ 132,011	\$ 396,588	\$ (9,233)	\$ (12,440)	\$ -	\$ 69,077	\$ 576,003
<b>Cumulative mineral exploration expenses since acquisition</b>									
Assaying	\$ -	\$ -	\$ -	\$ -	\$ 297,975	\$ 31,826	\$ 10,846	\$ -	\$ 340,647
Concession fees and taxes	220,976	197,339	83,479	335,659	9,998	198,701	4	-	1,046,156
Depreciation	-	-	5,515	54,073	-	-	-	-	59,588
Drilling	-	-	-	-	1,180,217	-	-	-	1,180,217
Geological salaries and consulting	6,106,261	1,991,200	579,143	2,197,808	119,801	534,415	12,359	-	11,540,987
Geology work	-	-	-	32,377	891,582	402,515	193,998	82,650	1,603,122
Insurance	18,260	10,550	3,507	25,325	14,604	14,790	-	-	87,036
Legal and accounting	296	130	142	543	58,158	-	-	-	59,269
Office and administrative fees	193,840	24,151	25,523	159,175	80,149	16,510	5,255	42,161	546,764
Rent	361,662	40,278	56,291	230,766	28,694	48,333	-	14,658	780,682
Report	-	-	-	-	24,232	-	-	-	24,232
Site costs	158,653	57,103	24,707	88,723	185,074	189,975	-	7,473	711,708
Travel	223,653	56,288	31,492	101,904	60,107	14,397	-	9,207	497,048
Trenching and road work	-	-	-	-	34,339	-	-	-	34,339
Reimbursements from optionee	(7,364,530)	(2,310,717)	(414,767)	(233,125)	(2,834,986)	(45,158)	-	-	(13,203,283)
	\$ (80,929)	\$ 66,322	\$ 395,032	\$ 2,993,228	\$ 149,944	\$ 1,406,304	\$ 222,462	\$ 156,149	\$ 5,308,512

## 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

### Portugal

The Company, through its 100% holding in MAEPA Empreendimentos Mineiros e Participacoes Lda (“MAEPA”), holds five exploration licenses in Portugal, spread from the north to the south in the country. The licenses have been issued to MAEPA by the government of Portugal, and relate to the following named properties:

- Alvalade
- Covas
- Alvito
- Marateca
- Mertola

Licenses have varying required work commitments and carry a 3% Net Smelter Return (“NSR”) payable to the government of Portugal.

### Alvalade:

Colt Resources Inc. (“Colt”) purchased Antofagasta Minerals S.A. (“Antofagasta”)’s 60% joint venture (“JV”) interest with Avrupa in the Alvalade property in August 2015 and was entitled to further earn-in of the property subject to certain payments to Antofagasta. Colt did not meet the payment requirements with Antofagasta and also failed to meet expenditure requirements under the JV arrangement with the Company. As of December 31, 2016, the Company wrote down the amount owing from Colt to \$1 and as of June 30, 2017, the Company wrote off \$1.

In June 2017, the Company recovered 100% ownership of the Alvalade project by forgiving certain debts, assuming a deposit on the project and making future payments to its initial partner upon meeting certain milestones.

On December 7, 2017, the Company signed an exclusivity agreement with a subsidiary of an international mining company (the “Funding Partner”), allowing the Funding Partner a right to negotiate the acquisition of an interest in the Alvalade property, the Marateca property and the Mertola property for non-refundable payments of €25,000 in respect of each property for a total of €75,000. Should a transaction be reached on these properties, these exclusivity payments shall be applied as a credit in favour of the Funding Partner.

As of December 31, 2017, the Company held \$97,275 (€64,626) on behalf of the Funding Partner to be spent on the three properties, which is recorded as restricted cash.

Subsequent to December 31, 2017, the Company and the Funding Partner signed a non-binding Letter of Intent (“LOI”). See Note 16(a).

## 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

### Covas:

Blackheath Resources Inc. (“Blackheath”) has earned a 75% interest in the Covas property by spending a cumulative €1,320,000 and per the May 7, 2014 amended Joint Venture agreement, Blackheath can earn further interests, as noted below:

- To earn a further 5% of the JV (for an aggregate total of 80%), Blackheath must fund €498,000 on exploration by March 20, 2016. [Not completed.]
- To earn a further 5% of the JV (for an aggregate total of 85%), Blackheath must fund €833,000 on exploration by March 20, 2017. [Not completed.]

Since inception of the agreement and to December 31, 2017, Blackheath had forwarded a total of \$2,391,642 (€1,728,680) for the Covas property. The Company incurred an additional amount of \$28,557 (€18,972) as of December 31, 2017 which will be reimbursed by Blackheath.

Subsequently, Blackheath terminated the agreement. The Company dropped the Covas property and wrote off \$71,289.

### Alvito:

Callinan Royalties Corporation (“Callinan”) (now Altius Minerals Corporation) has a 1.5% NSR royalty on the Alvito property.

On April 5, 2017, the Company signed an earn-in option agreement with Australia-based OZ Exploration Pty. Ltd. (“OZE”), a wholly-owned subsidiary of OZ Minerals Limited (“OZM”), to explore on the Alvito iron oxide, copper-gold (“IOCG”) project located in southern Portugal. The agreement allows for OZE to earn up to a total 75% interest in the project by spending AUS \$4,000,000 over approximately 2½ years under the following terms:

- For OZE to earn a 51% interest in year 1: Fund AUS\$1,000,000 in exploration expenditures (subsequently amended to OZE must spend a minimum of AUS\$1,000,000 on or before July 5, 2018);
- For OZE to earn a further 24% interest (total of 75% interest) by September 30, 2019: Fund a further AUS\$3,000,000 in exploration expenditures; and
- The Company will be the operator during the first earn-in stage with active technical support and oversight from OZE’s experienced IOCG team.

Since inception of the agreement and to December 31, 2017, OZE had forwarded a total of \$725,733 (€485,000) for the Alvito property. The Company held \$70,635 (€46,927) on behalf of OZE to be spent on the Alvito property, which is recorded as restricted cash.

### Others including Marateca and Mertola:

On December 7, 2017, the Company signed an exclusivity agreement with the Funding Partner. See Note 5 under “Alvalade” and Note 16(a).

## 5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

### Kosovo

The Company, through its 100% holding in Innomatik, holds one exploration license in Kosovo:

- Metovit

The Metovit license was issued in 2015 and carries certain work commitments and a 5% NSR payable to the government of Kosovo.

### Slivovo license:

Byrnecut International Limited (“Byrnecut”) has earned an 85% interest in the Slivovo property after forwarding \$2,834,986 (€2,000,000) for the Slivovo property to the Company and completing a Preliminary Feasibility Study (“PFS”) by April 10, 2017. Byrnecut and the Company had set up a joint venture entity known as Peshter Mining J.S.C. (“Peshter Mining”) to reflect the 85:15 ownership and transferred the Slivovo license into Peshter Mining with Byrnecut being the operator. If a party’s interest in Peshter Mining has been diluted to 10% or less, the diluted party’s interest in Peshter Mining will be converted into a 2% Net Smelter Return.

As of December 31, 2017, Byrnecut spent over €3,350,000 in Peshter Mining, diluting the Company’s interest in Peshter Mining to 11.06%.

### Germany

The Company has earned an 85% interest in the Oelsnitz property under its agreement with Beak Consultants GmbH (“Beak”) by spending €140,000. There is no royalty attached to the property. The Company is working with Beak to set up a joint-venture entity. As of December 31, 2017, the Company had spent \$252,083 (€192,576) on the Oelsnitz property.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Restricted cash &amp; Funds held for optionees</b>		
Covas - Blackheath	\$ -	\$ 4,175
Alvito - OZE	70,635	-
Alvalade, Marateca and Mertola - Funding Partner	97,275	-
	<u>\$ 167,910</u>	<u>\$ 4,175</u>
<b>Due from optionee</b>		
Alvalade - Colt	\$ -	\$ 1
Covas - Blackheath	28,557	-
	<u>\$ 28,557</u>	<u>\$ 1</u>

## 6. PROPERTY DEPOSITS

As of December 31, 2017, the Company had a total of \$177,613 (€118,000) (December 31, 2016: \$218,202 (€154,000)) of cash pledged for its exploration licenses in Portugal. The advances to the Portuguese regulatory authorities are refundable to the Company, subject to completion of the work obligations described in the exploration license applications.

## 7. CAPITAL AND RESERVES

(a) Authorized:

At December 31, 2017, the authorized share capital was comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Share issuances:

- i. During the year ended December 31, 2016, the Company issued common shares pursuant to the exercise of 4,573,000 warrants for cash proceeds of \$685,950, the exercise of 200,000 stock options for cash proceeds of \$20,000 and the exercise of 453,000 finder's options for cash proceeds of \$45,300.
- ii. On July 4, 2016, the Company completed a non-brokered private placement by issuing 13,547,000 units ("Unit") at a price of \$0.10 per Unit for gross proceeds of \$1,354,700. Each Unit consists of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share for a 3-year period at a price of \$0.15. The warrants were ascribed a value of \$596,068.

In connection with the financing, the Company paid \$16,125 as a cash finder's fee and issued 411,250 finder's options, each of which is exercisable into one Unit at a price of \$0.10 for a period of 36 months. Each Unit consists of one common share and one non-transferable warrant exercisable for a 3-year period at a price of \$0.15. The finder's options were ascribed a value of \$47,540. In addition, \$60,722 was included in share issue costs.

- iii. On April 20, 2017, the Company completed a non-brokered private placement by issuing 2,500,000 common shares at a price of \$0.09 per share for gross proceeds of \$225,000. In connection with the financing, a total of \$11,975 share issue costs was paid.
- iv. On July 12, 2017, the Company completed a non-brokered private placement by issuing 10,170,000 units ("Unit") at a price of \$0.10 per Unit for gross proceeds of \$1,017,000. Each Unit consists of one common share and one non-transferrable warrant. Each warrant entitles the holder to purchase one additional common share for a 3-year period at a price of \$0.15. The warrants were ascribed a value of \$391,154.

In connection with the financing, a total of \$46,348 share issue costs was paid.

(c) 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.

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**7. CAPITAL AND RESERVES** (Continued)

(c) Share Purchase Option Compensation Plan: (Continued)

Stock option transactions and the number of stock options for the year ended December 31, 2017 are summarized as follows:

Expiry date	Exercise price	December 31, 2016	Granted	Exercised	Expired/ cancelled	December 31, 2017
January 27, 2017	\$0.30	100,000	-	-	(100,000)	-
April 10, 2017	\$0.30	720,000	-	-	(720,000)	-
July 15, 2017	\$0.10	300,000	-	-	(300,000)	-
October 16, 2018	\$0.10	1,145,000	-	-	-	1,145,000
March 3, 2019	\$0.165	200,000	-	-	-	200,000
July 15, 2020	\$0.10	2,015,000	-	-	-	2,015,000
September 26, 2021	\$0.18	1,575,000	-	-	-	1,575,000
April 26, 2022	\$0.10	-	1,310,000	-	-	1,310,000
Options outstanding		6,055,000	1,310,000	-	(1,120,000)	6,245,000
Options exercisable		6,055,000	1,310,000	-	(1,120,000)	6,245,000
Weighted average exercise price		\$0.15	\$0.10	\$Nil	\$0.25	\$0.12

As of December 31, 2017, the weighted average contractual remaining life is 2.85 years (December 31, 2016 – 2.88 years).

Stock options transactions and the number of stock options for the year ended December 31, 2016 are summarized as follows:

Expiry date	Exercise price	December 31, 2015	Granted	Exercised	Expired/ cancelled	December 31, 2016
January 27, 2017	\$0.30	100,000	-	-	-	100,000
April 10, 2017	\$0.30	720,000	-	-	-	720,000
July 15, 2017	\$0.10	300,000	-	-	-	300,000
October 16, 2018	\$0.10	1,345,000	-	(200,000)	-	1,145,000
March 3, 2019	\$0.165	200,000	-	-	-	200,000
July 15, 2020	\$0.10	2,015,000	-	-	-	2,015,000
September 26, 2021	\$0.18	-	1,575,000	-	-	1,575,000
Options outstanding		4,680,000	1,575,000	(200,000)	-	6,055,000
Options exercisable		4,455,000	1,575,000	(200,000)	-	6,055,000
Weighted average exercise price		\$0.14	\$0.18	\$0.10	\$Nil	\$0.15

Stock options transactions and the number of stock options for the year ended December 31, 2015 are summarized as follows:

Expiry date	Exercise price	December 31, 2014	Granted	Exercised	Expired/ cancelled	December 31, 2015
July 8, 2015	\$0.35	770,000	-	-	(770,000)	-
July 15, 2015	\$0.35	10,000	-	-	(10,000)	-
January 27, 2017	\$0.30	100,000	-	-	-	100,000
April 10, 2017	\$0.30	755,000	-	-	(35,000)	720,000
July 15, 2017	\$0.10	-	300,000	-	-	300,000
October 16, 2018	\$0.10	1,400,000	-	-	(55,000)	1,345,000
March 3, 2019	\$0.165	200,000	-	-	-	200,000
July 15, 2020	\$0.10	-	2,015,000	-	-	2,015,000
Options outstanding		3,235,000	2,315,000	-	(870,000)	4,680,000
Options exercisable		3,235,000	2,090,000	-	(870,000)	4,455,000
Weighted average exercise price		\$0.22	\$0.10	\$Nil	\$0.33	\$0.14

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**7. CAPITAL AND RESERVES** (Continued)

(c) Share Purchase Option Compensation Plan: (Continued)

The weighted average assumptions used to estimate the fair value of options for the years ended December 31, 2017, 2016 and 2015 were:

	2017	2016	2015
Risk-free interest rate	1.21%	1.71%	1.45%
Expected life	5 years	4.53 years	4.89 years
Expected volatility	141.88%	144.86%	149.53%
Expected dividend yield	Nil	Nil	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

(d) Finder's Options:

The continuity of finder's options for the year ended December 31, 2017 is as follows:

Expiry date	Exercise price	December 31, 2016	Issued	Exercised	Expired	December 31, 2017
August 22, 2017 <sup>(1)</sup>	\$0.25	152,600	-	-	(152,600)	-
July 14, 2018	\$0.10	99,000	-	-	-	99,000
July 4, 2019 <sup>(2)</sup>	\$0.10	411,250	-	-	-	411,250
Outstanding		662,850	-	-	(152,600)	510,250
Weighted average exercise price		\$0.13	\$Nil	\$Nil	\$0.25	\$0.10

(1) The finder's options are exercisable into units, with each unit consisting of one common share and one warrant exercisable until August 22, 2017 at \$0.40. These finder's options expired unexercised.

(2) The finder's options are exercisable into units, with each unit consisting of one common share and one warrant exercisable until July 4, 2019 at \$0.15.

As of December 31, 2017, the weighted average contractual remaining life is 1.32 years (December 31, 2016 – 1.93 years).

The continuity of finder's options for the year ended December 31, 2016 is as follows:

Expiry date	Exercise price	December 31, 2015	Issued	Exercised	Expired	December 31, 2016
September 24, 2016	\$0.10	148,800	-	(84,000)	(64,800)	-
August 22, 2017	\$0.25	152,600	-	-	-	152,600
July 14, 2018	\$0.10	468,000	-	(369,000)	-	99,000
July 4, 2019	\$0.10	-	411,250	-	-	411,250
Outstanding		769,400	411,250	(453,000)	(64,800)	662,850
Weighted average exercise price		\$0.13	\$0.10	\$0.10	\$0.10	\$0.13



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**7. CAPITAL AND RESERVES** (Continued)

(d) Finder's Options: (Continued)

The continuity of finder's options for the year ended December 31, 2015 is as follows:

Expiry date	Exercise price	December 31, 2014	Issued	Exercised	Expired	December 31, 2015
October 4, 2015	\$0.15	545,500	-	-	(545,500)	-
September 24, 2016	\$0.10	148,800	-	-	-	148,800
August 22, 2017	\$0.25	152,600	-	-	-	152,600
July 14, 2018	\$0.10	-	468,000	-	-	468,000
<b>Outstanding</b>		<b>846,900</b>	<b>468,000</b>	<b>-</b>	<b>(545,500)</b>	<b>769,400</b>
Weighted average exercise price		\$0.16	\$0.10	\$Nil	\$0.15	\$0.13

The weighted average assumptions used to estimate the fair value of finder's options for the years ended December 31, 2017, 2016 and 2015 were:

	2017	2016	2015
Risk-free interest rate	Nil	0.87%	1.00%
Expected life	Nil	3 years	3 years
Expected volatility	Nil	144.75%	153.46%
Expected dividend yield	Nil	Nil	Nil

(e) Warrants:

The continuity of warrants for the year ended December 31, 2017 is as follows:

Expiry date	Exercise price	December 31, 2016	Issued	Exercised	Expired	December 31, 2017
March 28, 2017	\$0.40	4,000,000	-	-	(4,000,000)	-
August 22, 2017	\$0.40	4,400,000	-	-	(4,400,000)	-
October 4, 2017	\$0.25	7,990,000	-	-	(7,990,000)	-
July 14, 2018	\$0.15	10,920,000	-	-	-	10,920,000
July 4, 2019	\$0.15	13,547,000	-	-	-	13,547,000
July 12, 2020	\$0.15	-	10,170,000	-	-	10,170,000
<b>Outstanding</b>		<b>40,857,000</b>	<b>10,170,000</b>	<b>-</b>	<b>(16,390,000)</b>	<b>34,637,000</b>
Weighted average exercise price		\$0.22	\$0.15	\$Nil	\$0.33	\$0.15

As of December 31, 2017, the weighted average contractual life is 1.50 years (December 31, 2016 – 1.48 years).

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**7. CAPITAL AND RESERVES** (Continued)

(e) Warrants: (Continued)

The continuity of warrants for the year ended December 31, 2016 is as follows:

Expiry date	Exercise price	December 31, 2015	Issued	Exercised	Expired	December 31, 2016
September 24, 2016	\$0.15	5,720,000	84,000 <sup>(1)</sup>	(4,354,000)	(1,450,000)	-
October 15, 2016	\$0.15	2,833,334	-	(219,000)	(2,614,334)	-
March 28, 2017	\$0.40	4,000,000	-	-	-	4,000,000
August 22, 2017	\$0.40	4,400,000	-	-	-	4,400,000
October 4, 2017	\$0.25	7,990,000	-	-	-	7,990,000
July 14, 2018	\$0.15	10,920,000	-	-	-	10,920,000
July 4, 2019	\$0.15	-	13,547,000	-	-	13,547,000
<b>Outstanding</b>		<b>35,863,334</b>	<b>13,631,000</b>	<b>(4,573,000)</b>	<b>(4,064,334)</b>	<b>40,857,000</b>
Weighted average exercise price		\$0.23	\$0.15	\$0.15	\$0.15	\$0.22

<sup>(1)</sup> The warrants were issued as a result of 84,000 finder's options being exercised.

The continuity of warrants for the year ended December 31, 2015 is as follows:

Expiry date	Exercise price	December 31, 2014	Issued	Exercised	Expired	December 31, 2015
September 24, 2016	\$0.15	5,720,000	-	-	-	5,720,000
October 15, 2016	\$0.15	2,833,334	-	-	-	2,833,334
March 28, 2017	\$0.40	4,000,000	-	-	-	4,000,000
August 22, 2017	\$0.40	4,400,000	-	-	-	4,400,000
October 4, 2017	\$0.25	7,990,000	-	-	-	7,990,000
July 14, 2018	\$0.15	-	10,920,000	-	-	10,920,000
<b>Outstanding</b>		<b>24,943,334</b>	<b>10,920,000</b>	<b>-</b>	<b>-</b>	<b>35,863,334</b>
Weighted average exercise price		\$0.27	\$0.15	\$Nil	\$Nil	\$0.23

The weighted average assumptions used to estimate the fair value of warrants for the years ended December 31, 2017, 2016 and 2015 were:

	2017	2016	2015
Risk-free interest rate	0.71%	0.87%	0.95%
Expected life	3 years	2.98 years	2.58 years
Expected volatility	116.49%	144.62%	148.02%
Expected dividend yield	Nil	Nil	Nil

## 8. RELATED PARTY TRANSACTIONS AND BALANCES

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

For the year ended December 31, 2017

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Other expenses	Share-based payments	Total
Paul W. Kuhn Chief Executive Officer, Director	\$265,828	\$Nil	\$Nil	\$Nil	\$53,262	\$16,880	\$335,970
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$12,660	\$12,660

For the year ended December 31, 2016

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Other expenses	Share-based payments	Total
Paul W. Kuhn Chief Executive Officer, Director	\$265,571	\$Nil	\$Nil	\$Nil	\$67,972	\$16,270	\$349,813
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$16,270	\$16,270

For the year ended December 31, 2015

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Other expenses	Share-based payments	Total
Paul W. Kuhn Chief Executive Officer, Director	\$235,936	\$Nil	\$Nil	\$Nil	\$65,251	\$31,850	\$333,037
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$20,475	\$20,475

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

Related party liabilities

	Services	Years ended			As at December 31, 2017	As at December 31, 2016
		December 31, 2017	December 31, 2016	December 31, 2015		
Amounts due to:						
Pacific Opportunity Capital Ltd. <sup>(a)</sup>	Rent, management and accounting services	\$ 218,690	\$ 236,975	\$ 254,775	\$ 21,134	\$ 16,406
Paul W. Kuhn	Consulting and housing allowance and share-based payment	\$ 335,970	\$ 349,813	\$ 333,037	\$ 16,776	\$ 6,446
Paul L. Nelles <sup>(b)</sup>	Salaries and share-based payment	\$ 23,320	\$ 35,387	\$ 100,526	\$ Nil	\$ Nil
Michael Diehl <sup>(b)</sup>	Salaries and share-based payment	\$ Nil	\$ Nil	\$ 47,213	\$ Nil	\$ Nil
Mineralia <sup>(c)</sup>	Consulting	\$ 198,089	\$ 239,882	\$ 254,598	\$ 17,496	\$ 16,469
B&B Renting and Consulting Lda. <sup>(d)</sup>	Rent	\$ 42,026	\$ 26,293	\$ Nil	\$ 4,117	\$ 32,786
Adriano Barros <sup>(c)</sup>	Share-based payment	\$ 16,880	\$ 11,389	\$ 4,550	\$ Nil	\$ Nil
<b>TOTAL:</b>		<b>\$ 834,975</b>	<b>\$ 899,739</b>	<b>\$ 994,699</b>	<b>\$ 59,523</b>	<b>\$ 72,107</b>
Amounts due from:						
Peshter Mining J.S.C <sup>(e)</sup>	Office, equipment, vehicles, insurance and consulting	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ 4,742

(a) Pacific Opportunity Capital Ltd., a company controlled by a director of the Company.

(b) Paul L. Nelles is a director of Innomatik while Michael Diehl was the former exploration manager of Innomatik. In February 2015, Mr. Diehl ceased to be the exploration manager of Innomatik.

(c) Mineralia, a private company partially owned by Adriano Barros, the general manager of MAEPA.

(d) B&B Renting and Consulting Lda., a private company partially owned by Adriano Barros, the general manager of MAEPA.

(e) Peshter Mining J.S.C is a joint venture entity owned by Byrncut and Innomatik.

## 9. LONG-TERM LOAN

In March 2017, the Company entered into a long-term loan to purchase a used vehicle. The long-term loan is repayable in monthly payments totaling \$34,812 (€23,128) as of December 31, 2017, including interest calculated at 5.635%, and maturing on April 5, 2022.

	December 31, 2017		December 31, 2016	
Long-term loan	\$ 30,451	€ 20,230	\$ -	€ -
Less: current portion of long-term loan	6,393	4,248	-	-
	<u>\$ 24,058</u>	<u>€ 15,982</u>	<u>\$ -</u>	<u>€ -</u>
Payment schedule of long-term loan				
Year 1	\$ 8,072	€ 5,363	\$ -	€ -
Year 2	8,072	5,363	-	-
Year 3	8,072	5,363	-	-
Year 4	8,072	5,363	-	-
Year 5	2,524	1,676	-	-
	<u>\$ 34,812</u>	<u>€ 23,128</u>	<u>\$ -</u>	<u>€ -</u>
Less: imputed interest	4,126	2,741	-	-
Other fees	235	156	-	-
	<u>\$ 30,451</u>	<u>€ 20,231</u>	<u>\$ -</u>	<u>€ -</u>

## 10. LOSS PER SHARE

### *Basic and diluted loss per share*

The calculation of basic and diluted loss per share for the year ended December 31, 2017 was based on the loss attributable to common shareholders of \$1,906,297 (2016 – \$1,872,121; 2015 – \$1,548,930) and a weighted average number of common shares outstanding of 80,787,810 (2016 – 63,766,095; 2015 – 49,641,824).

Diluted loss per share did not include the effect of 6,245,000 share purchase options, 510,250 finder's options and 34,637,000 warrants outstanding at year end (2016 – 6,055,000 share purchase options, 662,850 finder's options and 40,857,000 warrants; 2015 – 4,680,000 share purchase options, 769,400 finder's options and 35,863,334 warrants) as they are anti-dilutive.

## 11. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, restricted cash, investments - available for sale, other receivables, due from optionee, property deposits, funds held for optionees, accounts payables and accrued liabilities, accounts payable owed by optionees, due to related parties and loans and other borrowings 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, commodity price risk and currency risk.

### (a) Credit risk

The Company's cash is held in financial institutions in Canada, Portugal, Kosovo and Barbados. Amounts are receivable from optionees.

## 11. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

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

As at December 31, 2017, the Company had cash of \$182,794 (December 31, 2016 - \$518,196), VAT receivables of \$36,666 (December 31, 2016 - \$43,176), investments of \$Nil (December 31, 2016 - \$84,862) and other receivables of \$30,559 (December 31, 2016 - \$19,438) to settle current liabilities, net of funds held for optionees and accounts payable owed by optionees, of \$204,761 (December 31, 2016 - \$127,970).

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

(c) Interest rate risk

Interest rate risk is not material as the Company does not have any significant financial assets or liabilities subject to fluctuation in interest rates.

(d) Equity market price risk

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

(e) Currency risk

The Company's property interests in Portugal and Kosovo make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has net monetary assets of \$67,400 dominated in US dollars and Euros. A 1% change in the absolute rate of exchange in US dollars and Euros would affect its net loss by \$18,300.

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).

**11. FINANCIAL INSTRUMENTS** *(Continued)*

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as at December 31, 2017 and 2016.

<b>As at December 31, 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets:				
Cash	\$ 182,794	\$ -	\$ -	182,794
Restricted cash	167,910	-	-	167,910
	\$ 350,704	\$ -	\$ -	350,704

  

<b>As at December 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets:				
Cash	\$ 518,196	\$ -	\$ -	518,196
Restricted cash	4,175	-	-	4,175
Investments – available for sale	84,862	-	-	84,862
	\$ 607,233	\$ -	\$ -	607,233

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The non-cash transactions during the years ended December 31, 2017, 2016 and 2015 were as follows:

- \$21,520 (2016 - \$14,240; 2015 - \$15,669) in mineral exploration expenses was related to depreciation;
- \$40,490 (2016 - \$Nil; 2015 - \$Nil) in equipment was purchased and financed with a long term loan. See Note 9.
- \$Nil (2016 - \$194,040; 2015 - \$Nil) in reimbursements from optionees related to the fair value of common shares issued by Colt;
- \$Nil (2016 - \$437,900; 2015 - \$ Nil) was reclassified from equity reserves to share capital pursuant to the exercise of warrants, stock options and finder's options;
- \$Nil (2016 - \$47,540; 2015 - \$38,239) in share issue costs related to the issue of finder's options pursuant to the private placement financing completed.

### 13. MANAGEMENT OF CAPITAL RISK

The Company manages its cash, common shares, warrants, finder's options and share purchase options as capital (see Note 7). 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.

### 14. INCOME TAX

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

	2017	2016	2015
Net loss	\$ (1,906,297)	\$ (1,872,121)	\$ (1,548,930)
Expected income tax recovery	\$ (495,637)	\$ (486,751)	\$ (402,722)
Effect of foreign tax rate	110,748	39,191	348,770
Non-deductible items	76,169	71,150	50,201
Deductible items	(14,580)	(19,631)	(15,635)
Unrecognized benefit of non-capital losses	323,301	396,041	19,386
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2017	2016
Deferred income tax assets		
Non-capital loss carryforwards	\$ 1,484,054	\$ 1,124,301
Share issue costs	32,606	30,815
	<u>1,516,660</u>	<u>1,155,116</u>
Valuation allowance	(1,516,660)	(1,115,116)
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>



**14. INCOME TAX (Continued)**

The Company has available for deduction against future taxable income non-capital losses of approximately \$5,496,500 in Canada (2016 - \$4,324,500). These losses, if not utilized, will expire through to 2037. Tax benefits which may arise as a result of these non-capital losses have not been recognized in these consolidated financial statements and have been offset by a valuation allowance. The following table shows the non-capital losses in Canada:

Year of Origin	Year of Expiry	Non-capital losses/(Income)
2008	2028	\$ 10,500
2009	2029	45,000
2010	2030	38,500
2010	2030	325,000
2011	2031	51,500
2012	2032	798,000
2013	2033	606,000
2014	2034	921,000
2015	2035	837,000
2016	2036	1,007,000
2017	2037	857,000
		<u>\$ 5,496,500</u>

**15. SEGMENTED FINANCIAL INFORMATION**

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

	December 31, 2017	December 31, 2016
Non-current assets		
Portugal	\$ 1,498,490	\$ 1,586,395
Kosovo	143,155	159,148
	<u>\$ 1,641,645</u>	<u>\$ 1,745,543</u>
	Years ended	
	December 31, 2017	December 31, 2016
Mineral exploration expenses		
Portugal	\$ 1,405,528	\$ 1,110,817
Kosovo	235,563	(22,016)
Germany	29,621	-
Others	72,101	69,077
	<u>\$ 1,742,813</u>	<u>\$ 1,157,878</u>

## 16. EVENTS AFTER THE REPORTING PERIOD

- (a) On March 5, 2018, the Company signed a non-binding Letter of Intent (“LOI”) with a subsidiary of an international mining company (the “Funding Partner”) to option out three exploration projects located in the Pyrite Belt of south Portugal. The Funding Partner will provide a first stage earn-in amount of €13 million (approximately \$20.3 million) for exploration programs over the next three years to acquire a 51% interest in the projects. The partners are currently finalizing a definitive agreement for each of the licenses.

The LOI includes the following earn-in terms:

- **Alvalade**
    - For 51% of the license, spend €10 million over the next 3 years (including 30,000 meters of drilling); and
    - For an additional 24%, for a total of 75%, produce a feasibility study on any one particular project within the license area by the end of the pre-exploitation license period, or by the end of 2023, whichever is earliest.
  - **Marateca**
    - For 51% of the license, spend €2 million over the next 2 years, including 10,000 meters of drilling;
    - For an additional 9%, for a total of 60%, spend €4 million over the following 2 years, including a minimum of 10,000 meters of drilling; and
    - For a further 10%, for a total of 70%, produce a pre-feasibility study on any one particular project within the license area by the end of 2023.
  - **Mertola**
    - For 51% of the license, spend €1 million by the end of the exploration license period in 2019, including at least 2,000 meters of drilling;
    - For an additional 9%, for a total of 60%, spend €2 million within two years of the start of the pre-exploitation license, including a minimum of 6,000 meters of drilling; and
    - For a further 10%, for a total of 70%, produce a pre-feasibility study, within three years of the 60% earn-in, or by the end of the pre-exploitation license period, on any one particular project within the license area.
- (b) On March 14, 2018, the Company granted a total of 1,800,000 stock options at an exercise price of \$0.10 per share for a period of five years to its directors, officers, employees and consultants.
- (c) On March 26, 2018, the Company completed a private placement of \$550,000 by issuing 6,875,000 units (“Unit”) at a price of \$0.08 per Unit. Each Unit consists of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share for a 2 year period at a price of \$0.12.
- (d) On March 26, 2018, the Company granted 40,000 stock options at an exercise price of \$0.10 per share for a period of five years to its consultant.