



AVRUPA MINERALS LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2016, 2015 AND 2014

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, 2016 and December 31, 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, 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, 2016 and December 31, 2015 and its financial performance and its cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 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.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
April 26, 2017

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

	Note	2016	2015
Assets			
Current assets			
Cash		\$ 518,196	\$ 161,926
Restricted cash	5	4,175	-
Investments - available for sale		84,862	-
Prepaid expenses and advances		61,792	127,442
Due from optionees	5	1	200,349
Due from related party	8	4,742	-
VAT receivables		43,176	343,898
Other receivables		19,438	-
		<u>736,382</u>	<u>833,615</u>
Non-current assets			
Property deposits	6	218,202	269,771
Exploration and evaluation assets	5	1,479,204	1,479,204
Equipment	4	48,137	70,960
		<u>1,745,543</u>	<u>1,819,935</u>
Total assets		\$ 2,481,925	\$ 2,653,550
Liabilities			
Current liabilities			
Funds held for optionees	5	\$ 4,175	\$ -
Accounts payable and accrued liabilities		55,863	531,163
Accounts payable owed by optionee		119,811	200,349
Due to related parties	8	72,107	91,541
		<u>251,956</u>	<u>823,053</u>
Equity			
Share capital	7	7,994,373	6,172,356
Reserves	7	5,591,348	5,141,772
Deficit		(11,355,752)	(9,483,631)
		<u>2,229,969</u>	<u>1,830,497</u>
Total equity and liabilities		\$ 2,481,925	\$ 2,653,550

Events after the reporting period (Note 15)

These consolidated financial statements are authorized for issue by the Board of Directors on April 26, 2017. 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	2016	2015	2014
Mineral exploration expenses				
Mineral exploration expenses	5	\$ 1,157,878	\$ 3,395,193	\$ 4,754,648
Reimbursements from optionees	5	(581,875)	(2,654,670)	(4,266,870)
		<u>(576,003)</u>	<u>(740,523)</u>	<u>(487,778)</u>
General administrative expenses				
Bank charges		13,136	10,577	11,553
Consulting		266,573	143,100	107,675
Depreciation		5,176	5,765	5,901
Insurance		-	4,600	18,577
Investor relations		191,544	163,278	175,574
Listing and filing fees		12,035	10,087	10,197
Office and administrative fees		44,867	21,777	41,990
Professional fees		202,484	180,836	258,688
Rent		7,308	25,729	17,441
Salaries		-	161	30,543
Share-based payment		270,698	192,043	29,141
Telephone		37	-	1,208
Transfer agent fees		8,432	6,335	7,138
Travel		61,023	52,130	57,618
		<u>(1,083,313)</u>	<u>(816,418)</u>	<u>(773,244)</u>
Other items				
Foreign exchange gain/(loss)		20,536	4,256	7,181
Interest income		3,056	2,508	8,956
Other income		2,308	1,247	222
Write down of due from optionee		(238,705)	-	-
Property investigation cost		-	-	(6,293)
		<u>(212,805)</u>	<u>8,011</u>	<u>10,066</u>
Net loss for the year		<u>(1,872,121)</u>	<u>(1,548,930)</u>	<u>(1,250,956)</u>
Exchange difference arising on the translation of foreign subsidiaries		(28,208)	5,593	(14,805)
Comprehensive loss for the year		\$ (1,900,329)	\$ (1,543,337)	\$ (1,265,761)
Basic and diluted loss per share	9	\$ (0.03)	\$ (0.03)	\$ (0.03)

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

	Share capital		Reserves						
	Number of shares	Amount	Warrants	Finder's options	Equity-settled employee benefits	Exchange	Subtotal	Deficit	Total equity
Balance as at December 31, 2013	38,543,571	\$ 4,647,712	\$ 3,278,495	\$ 195,230	\$ 575,936	\$ 30,522	\$ 4,080,183	\$ (6,683,745)	\$ 2,044,150
Share issues:									
Shares issued for private placement	4,400,000	612,371	487,629	-	-	-	487,629	-	1,100,000
Share issue costs	-	-101,805	-	34,534	-	-	34,534	-	(67,271)
Shares issued for property license fees	515,560	128,890	-	-	-	-	-	-	128,890
Shares issued for warrants exercised	946,666	222,431	(80,431)	-	-	-	(80,431)	-	142,000
Shares issued for options exercised	150,000	28,030	-	-	(13,030)	-	(13,030)	-	15,000
Revaluation of extended warrants	-	95,931	(95,931)	-	-	-	(95,931)	-	-
Share-based payment	-	-	-	-	29,141	-	29,141	-	29,141
Comprehensive loss	-	-	-	-	-	(14,805)	(14,805)	(1,250,956)	(1,265,761)
Balance as at December 31, 2014	44,555,797	5,633,560	3,589,762	229,764	592,047	15,717	4,427,290	(7,934,701)	2,126,149
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

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

	Note	2016	2015	2014
Cash flows from operating activities				
Net loss for the year	\$	(1,872,121)	\$ (1,548,930)	\$ (1,250,956)
Items not involving cash:				
Depreciation		5,176	5,765	5,901
Write down of due from optionee		238,705	-	-
Mineral exploration expenses		(179,800)	15,669	143,348
Share-based payment		270,698	192,043	29,141
Changes in non-cash working capital items:				
VAT receivables		300,722	(299,447)	58,602
Due from optionees		68,577	(4,494)	(195,855)
Property deposits		51,569	(130,093)	79,414
Prepaid expenses and advances		65,650	113,160	(56,029)
Other receivables		(19,438)	-	-
Accounts payable and accrued liabilities		(475,300)	(25,418)	365,730
Accounts payable owed by optionee		(80,538)	-	-
Due from/to related parties		(24,176)	38,240	36,834
Funds held for optionees		4,175	(299,305)	(341,199)
Exchange difference arising on the translation of foreign subsidiaries		(24,802)	1,598	(14,558)
Net cash (used in) operating activities		(1,670,903)	(1,941,212)	(1,139,627)
Cash flows from investing activities				
Net proceeds from investments - available for sale		2,245	-	-
Purchase of equipment		-	(13,741)	(68,523)
Net cash provided by (used in) investing activities		2,245	(13,741)	(68,523)
Cash flows from financing activities				
Proceeds from issuance of common shares		2,105,950	1,092,000	1,257,000
Share issue costs		(76,847)	(36,358)	(67,271)
Net cash provided by financing activities		2,029,103	1,055,642	1,189,729
Change in cash for the year		360,445	(899,311)	(18,421)
Cash, beginning of the year		161,926	1,061,237	1,079,658
Cash, end of the year	\$	522,371	\$ 161,926	\$ 1,061,237
Cash comprised of:				
Cash	\$	518,196	\$ 161,926	\$ 761,932
Restricted Cash		4,175	-	299,305
	\$	522,371	\$ 161,926	\$ 1,061,237
Supplementary information:				
Interest received	\$	3,056	\$ 2,508	\$ 8,956
Shares issued for property license fees	\$	-	\$ -	\$ 128,890

Supplemental disclosure with respect to cash flows (Note 11)

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, 2016.

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	25%	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 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 the optionee and funds held for optionees, all of which are recognized at amortized cost.

At December 31, 2016, 2015 and 2014, 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, 2016 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 (effective January 1, 2017) Financial Instruments
- IFRS 10 (effective January 1, 2017) Consolidated Financial Statements
- IAS 28 (effective January 1, 2017) Investments in Associates and Joint Ventures

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

	Furniture and other equipment			Vehicles	Other assets	Total		
Cost								
As at January 1, 2015	\$	109,249	\$	168,919	\$	20,056	\$	298,224
Additions during the year		10,588		2,194		959		13,741
Exchange adjustment		7,712		11,925		1,416		21,053
As at December 31, 2015		127,549		183,038		22,431		333,018
Exchange adjustment		(7,299)		(10,474)		(1,284)		(19,057)
As at December 31, 2016	\$	120,250	\$	172,564	\$	21,147	\$	313,961
Accumulated depreciation								
As at January 1, 2015	\$	61,523	\$	147,750	\$	14,293	\$	223,566
Depreciation for the year		15,534		4,426		1,474		21,434
Exchange adjustment		5,267		10,694		1,097		17,058
As at December 31, 2015		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
Net book value								
As at January 1, 2015	\$	47,726	\$	21,169	\$	5,763	\$	74,658
As at December 31, 2015	\$	45,225	\$	20,168	\$	5,567	\$	70,960
As at December 31, 2016	\$	30,210	\$	14,593	\$	3,334	\$	48,137

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5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

	Portugal					Kosovo		Germany	Others	Total
	Alvalade	Covas	Alvito	Callinan Generative	Others	Slivovo	Others			
Exploration and evaluation assets										
Acquisition costs										
As of January 1, 2016	\$ 167,920	\$ 71,289	\$ -	\$ -	\$ 1,096,840	\$ 143,155	\$ -	\$ -	\$ -	\$ 1,479,204
Additions during the period	-	-	-	-	-	-	-	-	-	-
As of December 31, 2016	\$ 167,920	\$ 71,289	\$ -	\$ -	\$ 1,096,840	\$ 143,155	\$ -	\$ -	\$ -	\$ 1,479,204
Mineral exploration expenses for the year ended December 31, 2016										
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
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
Cumulative mineral exploration expenses since acquisition										
Assaying	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 297,975	\$ 31,826	\$ 10,846	\$ -	\$ 340,647
Concession fees and taxes	220,976	197,339	83,479	55	335,604	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	91,032	2,106,776	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	758	24,567	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	5,068	154,107	80,149	16,510	5,255	42,161	546,764
Rent	361,662	40,278	56,291	3,187	227,579	28,694	48,333	-	14,658	780,682
Report	-	-	-	-	-	24,232	-	-	-	24,232
Site costs	158,653	57,103	24,707	3,054	85,669	185,074	189,975	-	7,473	711,708
Travel	223,653	56,288	31,492	14,469	87,435	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)	(150,000)	(83,125)	(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

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

	Portugal					Kosovo		Germany	Others	Total
	Alvalade	Covas	Alvito	Callinan Generative	Others	Slivovo	Others			
Exploration and evaluation assets										
Acquisition costs										
As of January 1, 2015	\$ 167,920	\$ 71,289	\$ -	\$ -	\$ 1,096,840	\$ 143,155	\$ -	\$ -	\$ -	\$ 1,479,204
Additions during the year	-	-	-	-	-	-	-	-	-	-
As of December 31, 2015	\$ 167,920	\$ 71,289	\$ -	\$ -	\$ 1,096,840	\$ 143,155	\$ -	\$ -	\$ -	\$ 1,479,204
Mineral exploration expenses for the year ended December 31, 2015										
Assaying	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,353	\$ 23,677	\$ -	\$ -	\$ 217,030
Concession fees and taxes	401	30,155	25,867	-	51,626	3,243	3,050	-	-	114,342
Depreciation	-	-	380	-	15,289	-	-	-	-	15,669
Drilling	-	-	-	-	-	979,472	-	-	-	979,472
Geological salaries and consulting	210,191	123,252	164,588	-	297,094	82,945	-	5,295	-	883,365
Geology work	-	-	-	976	-	501,665	-	-	44,070	546,711
Insurance	1,326	-	1,400	-	11,981	9,413	207	-	-	24,327
Legal and accounting	-	-	113	-	145	33,263	-	-	-	33,521
Office and administrative fees	19,183	1,368	9,984	366	57,098	58,115	2,902	-	21,352	170,368
Rent	53,433	8,511	20,740	-	58,010	12,319	-	-	9,240	162,253
Site costs	9,834	999	9,942	-	19,726	90,194	-	-	5,307	136,002
Travel	16,546	1,302	9,834	-	9,896	48,740	2,541	-	7,103	95,962
Trenching and road work	-	-	-	-	-	16,171	-	-	-	16,171
Reimbursements from optionee	(276,301)	(214,093)	(202,102)	(1,342)	-	(1,960,832)	-	-	-	(2,654,670)
	\$ 34,613	\$ (48,506)	\$ 40,746	\$ -	\$ 520,865	\$ 68,061	\$ 32,377	\$ 5,295	\$ 87,072	\$ 740,523
Cumulative mineral exploration expenses since acquisition										
Assaying	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,605	\$ 31,793	\$ 10,846	\$ -	\$ 343,244
Concession fees and taxes	132,598	185,242	61,288	55	263,623	9,998	194,420	4	-	847,228
Depreciation	-	-	5,515	-	39,833	-	-	-	-	45,348
Drilling	-	-	-	-	-	1,259,397	-	-	-	1,259,397
Geological salaries and consulting	5,770,784	1,949,183	482,147	91,032	1,892,085	119,120	509,379	12,359	-	10,826,089
Geology work	-	-	-	32,377	-	897,471	402,515	193,998	44,070	1,570,431
Insurance	18,167	10,457	3,408	758	20,746	14,604	14,790	-	-	82,930
Legal and accounting	296	-	142	-	389	58,158	-	-	-	58,985
Office and administrative fees	187,589	22,543	24,102	5,068	129,277	73,450	19,082	5,255	21,352	487,718
Rent	331,498	31,480	48,403	3,187	189,504	27,969	44,992	-	9,240	686,273
Site costs	105,191	56,678	22,604	3,054	72,063	185,074	189,975	-	5,307	639,946
Travel	222,442	54,274	30,179	14,469	72,245	59,479	11,798	-	7,103	471,989
Trenching and road work	-	-	-	-	-	34,339	-	-	-	34,339
Reimbursements from optionee	(6,849,494)	(2,243,535)	(414,767)	(150,000)	(83,125)	(2,880,487)	-	-	-	(12,621,408)
	\$ (80,929)	\$ 66,322	\$ 263,021	\$ -	\$ 2,596,640	\$ 159,177	\$ 1,418,744	\$ 222,462	\$ 87,072	\$ 4,732,509

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Portugal

The Company, through its 100% holding in MAEPA, holds six 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
- Santa Margarida do Sado
- 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 in the Alvalade property in August 2015 and is entitled to further earn-in of the property. The current agreement provides Colt with the following rights and obligations:

- To earn a further 2.5% of the JV (for an aggregate total of 62.5%), Colt must fund US\$1.75 million by December 31, 2016 (Option 3 part 1 – amended on September 16, 2016) [not met].
- To earn a further 2.5% of the JV (for an aggregate total of 65%), Colt must fund US\$1.75 million by December 31, 2016 (Option 3 part 2) [not met].
- To earn a further 2.5% of the JV (for an aggregate total of 67.5%), Colt must fund US\$1.75 million by December 31, 2017 (Option 4 part 1).
- To earn a further 2.5% of the JV (for an aggregate total of 70%), Colt must fund US\$1.75 million by December 31, 2018 (Option 4 part 2).
- To earn a further 5% of the JV (for an aggregate total of 75%), Colt must fund US\$25 million in exploration by December 31, 2022 with an option to partially earn in 1% for every US\$5 million spent (Option 5).
- If Option 5 expenditures are not sufficient to fund a Feasibility Study, Colt will fund 100% of additional exploration but will be reimbursed for the Company's proportionate share (being 25% of Work Programs and Budgets) following the commencement of commercial production (Feasibility Study Phase).
- To earn a further 5% of the JV (for an aggregate total of 80%), Colt must have completed a Feasibility Study, funded 100% of all work programs during this phase and make a Development Decision within one year of the date of delivery of the Feasibility Study (Option 6).
- Colt will carry the Company through to production, and the Company will repay Colt its own share from proceeds, dividends, and sales generated by the actual production from any mine within the project area.

For the year ended December 31, 2016, Colt had forwarded a total of \$250,519 (€170,422) and issued 2,425,500 common shares to the Company at a deemed value of \$0.08 per share (\$194,040) for the Alvalade property. The Company incurred an additional amount of \$131,772 (€93,000) which is to be reimbursed by Colt. The Company has written the amount down to \$1. As of December 31, 2016, Colt had not met the Option 3 parts 1 and 2 expenditures requirements. Subsequently the Company announced that Colt is in default under the terms of the JV agreement and the Company is working on a route to consolidation of the program as well as discussing the alternatives for securing the repayment of the amount owing of \$131,772.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Portugal (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 and is currently being negotiated.]
- 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. [Subsequently not completed and is currently being negotiated.]

Since inception of the agreement and to December 31, 2016, Blackheath had forwarded a total of \$2,314,892 (€1,677,262) for the Covas property. The Company held \$4,175 (€2,947) on behalf of Blackheath to be spent on the Covas property, which is recorded as restricted cash.

Alvito:

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

Subsequently, the Company signed an earn-in option agreement with Australia-based OZ Exploration Pty. Ltd. ("OZE") (see Note 15).

Kosovo

The Company, through its 100% holding in Innomatik, holds two exploration licenses in Kosovo:

- Slivovo
- Metovit

The Slivovo license was issued during 2012 and the Metovit license was issued in 2015. Both licenses carry certain work commitments and a 5% NSR payable to the government of Kosovo.

Slivovo:

Byrne-cut International Limited ("Byrne-cut") has earned a 75% interest in the Slivovo property after spending €2,000,000. Byrne-cut can earn a further 10% by completing a Preliminary Feasibility Study ("PFS") (for a total interest of 85%) by April 10, 2017 (completed subsequent to year-end – see Note 15). Byrne-cut and the Company set up a joint venture entity known as Peshter Mining J.S.C. ("Peshter Mining") to reflect the 75:25 ownership and transferred the license into Peshter Mining with Byrne-cut now 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, 2016, Byrne-cut had forwarded a total of \$2,834,986 (€2,000,000) for the Slivovo property. In addition, Byrne-cut spent over €1,480,000 as of December 31, 2016 in Peshter Mining towards completing the PFS.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

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, 2016, the Company had spent \$222,462 (€172,748) on the Oelsnitz property.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Restricted cash & Funds held for optionees		
Covas - Blackheath	\$ 4,175	\$ -
	<u>\$ 4,175</u>	<u>\$ -</u>
Due from optionees		
Alvalade - Colt	\$ 1	\$ 61,295
Covas - Blackheath	-	93,553
Byrne-cut - Slivovo	-	45,501
	<u>\$ 1</u>	<u>\$ 200,349</u>

6. PROPERTY DEPOSITS

As of December 31, 2016, the Company had a total of \$218,202 (€154,000) (2015: \$269,771 (€179,500)) 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, 2016, 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, 2014, the Company issued common shares pursuant to the exercise of 150,000 stock options for cash proceeds of \$15,000 and the exercise of 946,666 warrants for cash proceeds of \$142,000.
- ii. On August 22, 2014, the Company completed a non-brokered private placement issuing 4,400,000 units at a price of \$0.25 per unit for gross proceeds of \$1,100,000. Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.40 for a period of 36 months. The warrants were ascribed a value of \$487,629.

A total of \$27,250 cash finder's fee was paid and 152,600 finder's options were issued as part of the financing. In addition, another \$40,021 was included in share issue costs. Each finder's option can be converted into a unit with the same term as the financing at a price of \$0.25 for a period of 36 months. The finder's options were ascribed a value of \$34,534. Insiders participated in the offering for a total of 735,000 units.

7. CAPITAL AND RESERVES *(Continued)*

(b) Share issuances: *(Continued)*

- iii. On December 17, 2014, a total of 515,560 common shares of the Company at a fair value of \$128,890 were issued to make the payment of two Kosovo licenses. The agreed-upon payment equivalent to €50,000 in cash or shares per license.
- iv. On July 14, 2015, the Company completed a non-brokered private placement issuing 10,920,000 units at a price of \$0.10 per unit for gross proceeds of \$1,092,000. Each unit consists of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.15 for a period of 36 months. The warrants were ascribed a value of \$478,517.

468,000 finder's options were issued as part of the financing. Each finder's option can be converted into a share with the same term as the financing at a price of \$0.10 for a period of 36 months. The finder's options were ascribed a value of \$38,329. In addition, \$36,358 was included in share issue costs.

- v. 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.
- vi. 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.

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7. CAPITAL AND RESERVES (Continued)

(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.

Stock option 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

*Subsequently expired unexercised.

As of December 31, 2016, the weighted average contractual remaining life is 2.88 years (December 31, 2015 – 3.21 years; December 31, 2014 – 2.62 years).

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)

Stock options transactions and the number of stock options for the year ended December 31, 2014 are summarized as follows:

Expiry date	Exercise price	December 31, 2013	Granted	Exercised	Expired/ cancelled	December 31, 2014
July 8, 2015	\$0.35	820,000	-	-	(50,000)	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	775,000	-	-	(20,000)	755,000
October 16, 2018	\$0.10	1,550,000	-	(150,000)	-	1,400,000
March 3, 2019	\$0.165	-	200,000	-	-	200,000
Options outstanding		3,255,000	200,000	(150,000)	(70,000)	3,235,000
Options exercisable		3,255,000	200,000	(150,000)	(70,000)	3,235,000
Weighted average exercise price		\$0.22	\$0.165	\$0.10	\$0.34	\$0.22

The weighted average assumptions used to estimate the fair value of options for the years ended December 31, 2016, 2015 and 2014 were:

	2016	2015	2014
Risk-free interest rate	1.17%	1.45%	1.60%
Expected life	4.53 years	4.89 years	5 years
Expected volatility	144.68%	149.53%	138.42%
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, 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 ⁽¹⁾	\$0.25	152,600	-	-	-	152,600
July 14, 2018	\$0.10	468,000	-	(369,000)	-	99,000
July 4, 2019 ⁽²⁾	\$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

⁽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.

⁽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, 2016, the weighted average contractual remaining life is 1.93 years (December 31, 2015 – 2.01 years; December 31, 2014 – 1.27 years).

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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
Outstanding		846,900	468,000	-	(545,500)	769,400
Weighted average exercise price		\$0.16	\$0.10	\$Nil	\$0.15	\$0.13

The continuity of finder's options for the year ended December 31, 2014 is as follows:

Expiry date	Exercise price	December 31, 2013	Issued	Exercised	Expired	December 31, 2014
March 28, 2014	\$0.30	183,913	-	-	(183,913)	-
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
Outstanding		878,213	152,600	-	(183,913)	846,900
Weighted average exercise price		\$0.17	\$0.25	\$Nil	\$0.30	\$0.16

The weighted average assumptions used to estimate the fair value of finder's options for the years ended December 31, 2016, 2015 and 2014 were:

	2016	2015	2014
Risk-free interest rate	0.87%	1.00%	1.11%
Expected life	3 years	3 years	3 years
Expected volatility	144.75%	153.46%	158.03%
Expected dividend yield	Nil	Nil	Nil

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7. CAPITAL AND RESERVES (Continued)

(e) Warrants:

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 ⁽¹⁾	(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
Outstanding		35,863,334	13,631,000	(4,573,000)	(4,064,334)	40,857,000
Weighted average exercise price		\$0.23	\$0.15	\$0.15	\$0.15	\$0.22

*Subsequently expired unexercised.

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

As of December 31, 2016, the weighted average contractual life is 1.48 years (December 31, 2015 – 1.68 years; December 31, 2014 – 1.67 years).

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
Outstanding		24,943,334	10,920,000	-	-	35,863,334
Weighted average exercise price		\$0.27	\$0.15	\$Nil	\$Nil	\$0.23

The continuity of warrants for the year ended December 31, 2014 is as follows:

Expiry date	Exercise price	December 31, 2013	Issued	Exercised	Expired	December 31, 2014
October 4, 2015	\$0.25	7,990,000	-	-	-	7,990,000
September 24, 2016	\$0.15	6,000,000	-	(280,000)	-	5,720,000
October 15, 2016	\$0.15	3,500,000	-	(666,666)	-	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
Outstanding		21,490,000	4,400,000	(946,666)	-	24,943,334
Weighted average exercise price		\$0.23	\$0.40	\$0.15	\$Nil	\$0.27

The weighted average assumptions used to estimate the fair value of warrants for the year ended December 31, 2016, 2015 and 2014 were:

	2016	2015	2014
Risk-free interest rate	0.87%	0.95%	1.10%
Expected life	2.98 years	2.58 years	2.04 years
Expected volatility	144.62%	148.02%	166.35%
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, 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

For the year ended December 31, 2014

	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	\$242,106	\$Nil	\$Nil	\$Nil	\$67,487	\$Nil	\$309,593
Winnie Wong, Chief Financial Officer	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil

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

Related party liabilities

	Services	Years ended			As at December 31, 2016	As at December 31, 2015
		December 31, 2016	December 31, 2015	December 31, 2014		
Amounts due to:						
Pacific Opportunity Capital Ltd. ^(a)	Rent, management and accounting services	\$ 236,975	\$ 254,775	\$ 253,350	\$ 16,406	\$ 11,288
Paul W. Kuhn	Consulting and housing allowance and share-based payment	\$ 349,813	\$ 333,037	\$ 309,593	\$ 6,446	\$ 13,076
Paul L. Nelles ^(b)	Salaries and share-based payment	\$ 35,387	\$ 100,526	\$ 74,351	\$ Nil	\$ Nil
Michael Diehl ^(b)	Salaries and share-based payment	\$ Nil	\$ 47,213	\$ 143,088	\$ Nil	\$ Nil
Mineralia ^(c)	Consulting	\$ 239,882	\$ 254,598	\$ 258,770	\$ 16,469	\$ 67,177
B&B Renting and Consulting Lda. ^(d)	Rent	\$ 26,293	\$ Nil	\$ Nil	\$ 32,786	\$ Nil
Adriano Barros ^(c)	Share-based payment	\$ 11,389	\$ 4,550	\$ Nil	\$ Nil	\$ Nil
TOTAL:		\$ 899,739	\$ 994,699	\$ 1,039,152	\$ 72,107	\$ 91,541
Amounts due from:						
Peshter Mining J.S.C ^(e)	Office, equipment, vehicles, insurance and consulting	\$ Nil	\$ Nil	\$ Nil	\$ 4,742	\$ Nil

- (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 75% by Byrncut and 25% Innomatik (subsequently 85% and 15% respectively, see Note 15).

9. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of \$1,872,121 (2015 – \$1,548,930; 2014 – \$1,250,956) and a weighted average number of common shares outstanding of 63,766,095 (2015 – 49,641,824; 2014 – 40,494,835).

Diluted loss per share did not include the effect of 6,055,000 share purchase options, 662,850 finder's options and 40,857,000 warrants outstanding at year end (2015 – 4,680,000 share purchase options, 769,400 finder's options and 35,863,334 warrants; 2014 – 3,235,000 share purchase options, 846,900 finder's options and 24,943,334 warrants) as they are anti-dilutive.

10. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, restricted cash, investments - available for sale, VAT receivables, due from optionees, property deposits, funds held for optionees, accounts payables and accrued liabilities, accounts payable owed by optionee and due to related parties approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest risk, 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 and certain governments for VAT.

(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, 2016, the Company had cash of \$518,196 (December 31, 2015 - \$161,926), VAT receivables of \$43,176 (December 31, 2015 - \$343,898), investments of \$84,862 (December 31, 2015 - \$Nil), other receivables of \$19,438 (December 31, 2015 - \$Nil) and due from optionees of \$1 (December 31, 2015 - \$200,349) to settle current liabilities, net of funds held for optionees and accounts payable owed by optionee, of \$127,970 (December 31, 2015 - \$622,704).

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 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.

10. FINANCIAL INSTRUMENTS *(Continued)*

(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 \$130,200 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 \$11,200.

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 as at December 31, 2016 and December 31, 2015.

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

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 161,926	\$ -	\$ -	\$ 161,926
	\$ 161,926	\$ -	\$ -	\$ 161,926

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The non-cash transactions during the years ended December 31, 2016, 2015 and 2014 were as follows:

- \$14,240 (2015 - \$15,669; 2014 - \$14,458) in mineral exploration expenses was related to depreciation;
- \$Nil (2015 - \$Nil; 2014 - \$128,890) in mineral exploration expenses related to the fair value of common shares issued to make payments for property license fees;
- \$194,040 (2015 - \$Nil; 2014 - \$Nil) in reimbursements from optionees related to the fair value of common shares issued by Colt (see Note 5);
- \$437,900 (2015 - \$Nil; 2014 - \$93,461) was reclassified from equity reserves to share capital pursuant to the exercise of warrants, stock options and finder's options;
- \$Nil (2015 - \$Nil; 2014 - \$95,931) was reclassified from equity reserves to share capital pursuant to the revaluation of extended warrants;
- \$47,540 (2015 - \$38,239; 2014 - \$34,534) in share issue costs related to the issue of finder's options pursuant to the private placement financing completed.

12. 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.

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13. INCOME TAX

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

	2016	2015	2014
Net loss	\$ (1,872,121)	\$ (1,548,930)	\$ (1,250,956)
Expected income tax recovery	\$ (486,751)	\$ (402,722)	\$ (325,249)
Effect of foreign tax rate	39,191	348,770	266,345
Non-deductible items	71,150	50,201	7,727
Deductible items	(19,631)	(15,635)	(26,721)
Unrecognized benefit of non-capital losses	396,041	19,386	77,898
	\$ -	\$ -	\$ -

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

	2016	2015
Deferred income tax assets		
Non-capital loss carryforwards	\$ 1,124,301	\$ 914,525
Share issue costs	30,815	30,466
	1,155,116	944,991
Valuation allowance	(1,115,116)	(944,991)
Net deferred income tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$4,324,500 in Canada (2015 - \$3,517,500). These losses, if not utilized, will expire through to 2036. 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	807,000
		\$ 4,439,500

14. 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, 2016		December 31, 2015	
Non-current assets				
Portugal	\$	1,586,395	\$	1,654,511
Kosovo		159,148		165,424
	\$	1,745,543	\$	1,819,935
	Years ended			
	December 31, 2016		December 31, 2015	
Mineral exploration expenses				
Portugal	\$	1,110,817	\$	1,241,556
Kosovo		(22,016)		2,061,270
Germany		-		5,295
Others		69,077		87,072
	\$	1,157,878	\$	3,395,193

15. EVENTS AFTER THE REPORTING PERIOD

- (a) On February 6, 2017, the Company announced that the Slivovo Gold Project Study was reviewed both internally and by an independent mining engineer and formally accepted by the Company. This triggered a change in the ownership levels of Peshter Mining, the operator of the Slivovo Gold Project. Innomatik now holds 15% of Peshter Mining, while Byrncut holds 85%. The Company has decided not to participate in funding of this program. The Company's portion of the Slivovo Project will therefore be diluted as funds are spent by Byrncut.
- (b) On April 10, 2017, the Company announced that it has 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. Avrupa and OZM signed the Option Agreement on April 5, 2017 under the following terms:
- For OZE to earn a 51% interest in year 1: Fund AUS\$1,000,000 in exploration expenditures;
 - 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;
 - The Company will be the operator during the first earn-in stage with active technical support and oversight from OZE's experienced IOCG team.
- (c) On April 20, 2017, the Company completed a private placement of \$225,000 by issuing 2,500,000 common shares at \$0.09 per common share:
- (d) On April 26, 2017, the Company granted a total of 1,310,000 stock options at an exercise price of \$0.10 per share for a period of five years to its directors, officers and consultants: