# AVRUPA MINERALS LTD.

# CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE YEARS ENDED

# DECEMBER 31, 2018, 2017 AND 2016

# AVRUPA MINERALS LTD.

## Contents

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Shareholders and the Board of Directors of Avrupa Minerals Ltd.,**

**Opinion on the Consolidated Financial Statements**
We have audited the accompanying consolidated financial statements of Avrupa Minerals Ltd. ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2018, December 31, 2017 and December 31, 2016, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017 and its financial performance and its cash flows for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Material Uncertainty Related to Going Concern**
Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that there are material uncertainties that cast significant doubt about the going concern assumption. 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 casts significant doubt about the Company's ability to continue as a going concern.

**Basis for Opinion**
**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these 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 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 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) ("PCAOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement, whether due to fraud or error. In the completion of our audit procedures, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Those standards also require that we comply with ethical requirements. We are a public accounting firm registered with the PCAOB and are required to be independent of the Company in accordance with U.S. Federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and to fulfill our other ethical responsibilities in accordance with these requirements.

An audit includes performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

De Visser Gray LLP

**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, Canada
April 30, 2019

We have served as the Company's auditor since 2008.

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

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | $ 106,288 | $ 182,794 |
| Restricted cash | 5 | - | 167,910 |
| Prepaid expenses and advances | | 66,008 | 41,974 |
| Due from optionees | 5 | 43,223 | 28,557 |
| VAT receivables | | 22,308 | 36,666 |
| Other receivables | | 123,837 | 30,559 |
| | | 361,664 | 488,460 |
| **Non-current assets** | | | |
| Property deposits | 6 | 134,272 | 177,613 |
| Exploration and evaluation assets | 5 | 1,407,915 | 1,407,915 |
| Equipment | 4 | 34,107 | 56,117 |
| | | 1,576,294 | 1,641,645 |
| **Total assets** | | $ 1,937,958 | $ 2,130,105 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Funds held for optionees | 5 | $ - | $ 167,910 |
| Accounts payable and accrued liabilities | | 628,867 | 138,845 |
| Accounts payable owed by optionees | | 43,223 | 88,687 |
| Due to related parties | 8 | 130,652 | 59,523 |
| Current portion of long-term loan | 9 | 7,031 | 6,393 |
| | | 809,773 | 461,358 |
| **Non-current liabilities** | | | |
| Long-term loan | 9 | 18,096 | 24,058 |
| | | 18,096 | 24,058 |
| **Equity** | | | |
| Share capital | 7 | 9,582,406 | 8,786,896 |
| Reserves | 7 | 6,675,064 | 6,119,842 |
| Deficit | | (15,147,381) | (13,262,049) |
| | | 1,110,089 | 1,644,689 |
| **Total equity and liabilities** | | $ 1,937,958 | $ 2,130,105 |

These consolidated financial statements are authorized for issue by the Board of Directors on April 30, 2019. 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 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| **Mineral exploration expenses** | | | | |
| Mineral exploration expenses | 5 | $ 2,276,286 | $ 1,742,813 | $ 1,157,878 |
| Reimbursements from optionees | 5 | (1,189,652) | (780,195) | (581,875) |
| | | (1,086,634) | (962,618) | (576,003) |
| **General administrative expenses** | | | | |
| Bank charges | | 4,661 | 3,875 | 13,136 |
| Consulting | | 143,332 | 124,520 | 266,573 |
| Depreciation | | - | 2,589 | 5,176 |
| Investor relations | | 132,189 | 292,430 | 191,544 |
| Listing and filing fees | | 8,791 | 10,485 | 12,035 |
| Office and administrative fees | | 28,686 | 29,070 | 44,867 |
| Professional fees | | 231,065 | 203,662 | 202,484 |
| Rent | | 9,000 | 9,000 | 7,308 |
| Share-based payment | | 141,124 | 110,564 | 270,698 |
| Telephone | | - | 37 | 37 |
| Transfer agent fees | | 9,670 | 10,581 | 8,432 |
| Travel | | 46,928 | 66,882 | 61,023 |
| | | (755,446) | (863,695) | (1,083,313) |
| **Other items** | | | | |
| Foreign exchange gain/(loss) | | (485) | (11,494) | 20,536 |
| Interest income | | 1,181 | 2,068 | 3,056 |
| (Loss) on disposal of equipment | | - | (2,105) | - |
| Other income | | 6,014 | 2,837 | 2,308 |
| Write-down of due from optionee | | - | (1) | (238,705) |
| Write-down of exploration and evaluation assets | | - | (71,289) | - |
| Write-down of property deposits | 6 | (49,962) | - | - |
| | | (43,252) | (79,984) | (212,805) |
| **Net loss for the year** | | (1,885,332) | (1,906,297) | (1,872,121) |
| **Exchange difference arising on the translation of foreign subsidiaries** | | (16,548) | 26,776 | (28,208) |
| **Comprehensive loss for the year** | | $ (1,901,880) | $ (1,879,521) | $ (1,900,329) |
| **Basic and diluted loss per share** | 10 | $ (0.02) | $ (0.02) | $ (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, 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 placement | 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) |
| Balance as at December 31, 2017 | 86,918,797 | 8,786,896 | 4,674,092 | 277,893 | 1,147,979 | 19,878 | 6,119,842 | (13,262,049) | 1,644,689 |
| Share issues: | | | | | | | | | |
| Shares issued for private placement | 21,515,000 | 851,354 | 430,646 | - | - | - | 430,646 | - | 1,282,000 |
| Share issue costs | - | (55,844) | - | - | - | - | - | - | (55,844) |
| Share-based payment | - | - | - | - | 141,124 | - | 141,124 | - | 141,124 |
| Comprehensive loss | - | - | - | - | - | (16,548) | (16,548) | (1,885,332) | (1,901,880) |
| **Balance as at December 31, 2018** | **108,433,797** | **$ 9,582,406** | **$ 5,104,738** | **$ 277,893** | **$ 1,289,103** | **$ 3,330** | **$ 6,675,064** | **$ (15,147,381)** | **$ 1,110,089** |

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

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net loss for the year | | $ (1,885,332) | $ (1,906,297) | $ (1,872,121) |
| Items not involving cash: | | | | |
| Depreciation | | - | 2,589 | 5,176 |
| Loss on disposal of equipment | | - | 2,105 | - |
| Mineral exploration expenses | | 23,796 | 21,520 | (179,800) |
| Share-based payment | | 141,124 | 110,564 | 270,698 |
| Write-down of due from optionee | | - | 1 | 238,705 |
| Write-down of exploration and evaluation assets | | - | 71,289 | - |
| Write-down of property deposits | | 49,962 | - | - |
| Changes in non-cash working capital items: | | | | |
| VAT receivables | | 14,358 | 6,510 | 300,722 |
| Due from optionees | | (14,666) | (28,557) | 68,577 |
| Prepaid expenses and advances | | (24,034) | 19,818 | 65,650 |
| Other receivables | | (93,278) | (11,121) | (19,438) |
| Accounts payable and accrued liabilities | | 486,711 | 82,982 | (475,300) |
| Accounts payable owed by optionees | | (45,464) | (31,124) | (80,538) |
| Due from/to related parties | | 39,129 | (7,842) | (24,176) |
| Funds held for optionees | | (167,910) | 163,735 | 4,175 |
| Exchange difference arising on the translation of foreign subsidiaries | | (23,469) | 24,496 | (24,802) |
| Net cash (used in) operating activities | | (1,499,073) | (1,479,332) | (1,722,472) |
| **Cash flows from investing activities** | | | | |
| 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 |
| Purchase of equipment | | (6,810) | (13,630) | - |
| Net cash provided by (used in) investing activities | | (6,810) | 123,988 | 53,814 |
| **Cash flows from financing activities** | | | | |
| Proceeds from issuance of common shares | | 1,282,000 | 1,242,000 | 2,105,950 |
| Share issue costs | | (20,533) | (58,323) | (76,847) |
| Net cash provided by financing activities | | 1,261,467 | 1,183,677 | 2,029,103 |
| **Change in cash for the year** | | (244,416) | (171,667) | 360,445 |
| **Cash, beginning of the year** | | 350,704 | 522,371 | 161,926 |
| **Cash, end of the year** | | $ 106,288 | $ 350,704 | $ 522,371 |
| **Cash comprised of:** | | | | |
| Cash | | $ 106,288 | $ 182,794 | $ 518,196 |
| Restricted Cash | | - | 167,910 | 4,175 |
| | | $ 106,288 | $ 350,704 | $ 522,371 |
| **Supplementary information:** | | | | |
| Interest received | | $ 1,181 | $ 2,068 | $ 3,056 |

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, 2018.

## 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 | 10.29% | Kosovo | Exploration |
| Avrupa Holdings Inc. (1) | 100% | Barbados | Holding |
| Avrupa Portugal Holdings Inc. (1) | 100% | Barbados | Holding |
| Avrupa Kosovo Holdings Inc. (1) | 100% | Barbados | Holding |

(1) The companies are in the process of being wound up.

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.

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.

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

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.

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.

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

d) Foreign currencies *(Continued)*

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.

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.

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

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:

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.

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

j) Financial instruments

*Adoption of IFRS 9 – Financial Instruments*

On January 1, 2018, the Company adopted IFRS 9 in accordance with the transitional provisions of the standard. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. The change did not impact the carrying value of any of the Company's financial assets on the transition date.

The following financial assets are classified as subsequently measured at amortized cost under both IAS 39 and IFRS 9 - cash, restricted cash, due from optionees, certain other receivables and property deposits.

The following financial liabilities are classified as subsequently measured at amortized cost under both IAS 39 and IFRS 9 – funds held for optionees, accounts payable and accrued liabilities, accounts payable owed by optionees, due to related parties and long-term loan.

The classification of financial assets is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Transaction costs with respect to financial instruments classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments.

The Company's financial assets are classified into one of the following two measurement categories:

Financial assets held within a business model for the purpose of collecting contractual cash flows ("held to collect") that represent solely payments of principal and interest ("SPPI") are measured at amortized cost. Financial assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sold prior to maturity and the contractual cash flows represent solely payments of principal and interest are measured at FVPL.

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.

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

k) Income taxes *(Continued)*

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.

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, 2018 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 16 Leases (effective January 1, 2019)

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.

(Presented in Canadian Dollars)

## 4. EQUIPMENT

| | Furniture and other equipment | Vehicles | Other assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| As at January 1, 2017 | $ 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 |
| Additions during the year | 178 | - | - | 178 |
| Disposal during the year | - | (34,581) | - | (34,581) |
| Exchange adjustment | 4,459 | 4,006 | 837 | 9,302 |
| As at December 31, 2018 | $ 124,266 | $ 76,919 | $ 23,302 | $ 224,487 |
| | | | | |
| **Accumulated depreciation** | | | | |
| As at January 1, 2017 | $ 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 |
| Depreciation for the year | 12,305 | 10,291 | 1,200 | 23,796 |
| Depreciation for the year related to disposals | - | (34,581) | - | (34,581) |
| Exchange adjustment | 3,900 | 3,021 | 773 | 7,694 |
| As at December 31, 2018 | $ 114,132 | $ 54,171 | $ 22,077 | $ 190,380 |
| | | | | |
| **Net book value** | | | | |
| As at January 1, 2017 | $ 30,210 | $ 14,593 | $ 3,334 | $ 48,137 |
| As at December 31, 2017 | $ 21,702 | $ 32,054 | $ 2,361 | $ 56,117 |
| As at December 31, 2018 | $ 10,134 | $ 22,748 | $ 1,225 | $ 34,107 |

(Presented in Canadian Dollars)

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

| | Portugal | | | | Kosovo | | Germany | Others | |
|---|---|---|---|---|---|---|---|---|---|
| | **Alvito** | **Alvalade** | **Covas** | **Others** | **Slivovo** | **Others** | | | **Total** |
| **Exploration and evaluation assets** | | | | | | | | | |
| **Acquisition costs** | | | | | | | | | |
| **As of January 1, 2018** | $ - | $ 167,920 | $ - | $ 1,096,840 | $ 143,155 | $ - | $ - | $ - | $ 1,407,915 |
| Addition during the period | - | - | - | - | - | - | - | - | - |
| **As of December 31, 2018** | $ - | $ 167,920 | $ - | $ 1,096,840 | $ 143,155 | $ - | $ - | $ - | $ 1,407,915 |
| **Mineral exploration expenses for the year ended December 31, 2018** | | | | | | | | | |
| Concession fees and taxes | $ 30,425 | $ 46,595 | $ - | $ 861 | $ - | $ 1,622 | $ - | $ - | $ 79,503 |
| Depreciation | - | 10,058 | - | 13,738 | - | - | - | - | 23,796 |
| Drilling | 472,513 | 485,935 | - | - | - | - | - | - | 958,448 |
| Geological salaries and consulting | 459,193 | 182,622 | 4,930 | 113,737 | - | 70,432 | - | - | 830,914 |
| Geology work | - | - | - | - | - | - | - | 15,592 | 15,592 |
| Insurance | 1,240 | 1,811 | - | 2,279 | - | - | - | - | 5,330 |
| Legal and accounting | - | 226 | - | 239 | - | 215 | - | - | 680 |
| Office and administrative fees | 5,400 | 35,292 | 839 | 22,755 | - | 1,676 | - | 4,313 | 70,275 |
| Rent | 66,513 | 62,112 | 3,107 | 51,433 | - | 14,125 | - | 138 | 197,428 |
| Site costs | 25,777 | 17,587 | 550 | 16,419 | - | 697 | - | - | 61,030 |
| Travel | 18,418 | 5,981 | 3,472 | 3,823 | - | 1,041 | - | 555 | 33,290 |
| Reimbursements from optionee | (1,079,479) | (32,371) | (12,898) | (64,904) | - | - | - | - | (1,189,652) |
| | $ - | $ 815,848 | $ - | $ 160,380 | $ - | $ 89,808 | $ - | $ 20,598 | $ 1,086,634 |
| **Cumulative mineral exploration expenses since acquisition** | | | | | | | | | |
| Assaying | $ - | $ - | $ - | $ - | $ 297,975 | $ 65,936 | $ 10,846 | $ - | $ 374,757 |
| Concession fees and taxes | 132,478 | 311,861 | 197,339 | 348,359 | 9,998 | 203,411 | 4 | - | 1,203,450 |
| Depreciation | 5,515 | 10,058 | - | 89,331 | - | - | - | - | 104,904 |
| Drilling | 472,513 | 485,935 | - | - | 1,180,217 | - | - | - | 2,138,665 |
| Geological salaries and consulting | 1,565,418 | 6,387,427 | 2,094,650 | 2,589,743 | 119,801 | 678,023 | 12,359 | - | 13,447,421 |
| Geology work | - | - | - | 32,377 | 891,582 | 402,515 | 223,619 | 140,906 | 1,690,999 |
| Insurance | 5,561 | 20,418 | 10,550 | 32,694 | 14,604 | 14,790 | - | - | 98,617 |
| Legal and accounting | 158 | 522 | 130 | 937 | 58,158 | 13,715 | - | - | 73,620 |
| Office and administrative fees | 37,320 | 235,465 | 26,160 | 207,454 | 80,149 | 100,368 | 5,255 | 63,191 | 755,362 |
| Rent | 179,602 | 492,391 | 52,175 | 343,609 | 28,694 | 81,364 | - | 20,560 | 1,198,395 |
| Report | - | - | - | - | 24,232 | - | - | - | 24,232 |
| Site costs | 70,295 | 178,714 | 58,205 | 113,990 | 185,074 | 194,297 | - | 8,865 | 809,440 |
| Travel | 75,516 | 231,701 | 60,210 | 111,419 | 60,107 | 22,414 | - | 15,326 | 576,693 |
| Trenching and road work | - | - | - | - | 34,339 | - | - | - | 34,339 |
| Reimbursements from optionee | (2,149,344) | (7,402,160) | (2,433,097) | (308,385) | (2,834,986) | (45,158) | - | - | (15,173,130) |
| | $ 395,032 | $ 952,332 | $ 66,322 | $ 3,561,528 | $ 149,944 | $ 1,731,675 | $ 252,083 | $ 248,848 | $ 7,357,764 |

(Presented in Canadian Dollars)

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

| | Portugal | | | | Kosovo | | Germany | Others | |
|---|---|---|---|---|---|---|---|---|---|
| | **Alvalade** | **Covas** | **Alvito** | **Others** | **Slivovo** | **Others** | | | **Total** |
| **Exploration and evaluation assets** | | | | | | | | | |
| **Acquisition costs** | | | | | | | | | |
| **As of January 1, 2017** | $ 167,920 | $ 71,289 | $ - | $ 1,096,840 | $ 143,155 | $ - | $ - | $ - | $ 1,479,204 |
| Write-down of property during the year | - | (71,289) | - | - | - | - | - | - | (71,289) |
| **As of December 31, 2017** | $ 167,920 | $ - | $ - | $ 1,096,840 | $ 143,155 | $ - | $ - | $ - | $ 1,407,915 |
| **Mineral exploration expenses for the year ended December 31, 2017** | | | | | | | | | |
| 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 |
| **Cumulative mineral exploration expenses since acquisition** | | | | | | | | | |
| 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 |

## 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 four 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:

- Alvito
- Alvalade
- Marateca
- Mertola
- Covas (dropped in 2018)

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

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 - spent);
- 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.

On October 5, 2018, OZE terminated the agreement.

Since inception of the agreement and to December 31, 2018, OZE had forwarded a total of $1,725,209 (€1,130,000) for the Alvito property. The Company incurred an additional amount of $9,368 (€6,000) as of December 31, 2018 which was subsequently reimbursed by OZE.

Alvalade:

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, allowing it a right to negotiate the acquisition of an interest in the Alavade 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. Such amount was received in December 2017 and was used to offset the expenditures incurred in fiscal 2018.

**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, 2018, Blackheath had forwarded a total of $2,399,242 (€1,733,612) for the Covas property. The Company incurred an additional amount of $33,855 (€21,684) as of December 31, 2018 which will be reimbursed by Blackheath.

In March 2018, Blackheath terminated the agreement and the Company wrote off $71,289 as of December 31, 2017 and has let the Covas license lapse.

Others including Marateca and Mertola:

On December 7, 2017, the Company signed an exclusivity agreement with the Funding Partner and On March 5, 2018, the Company signed a non-binding letter of intent (the "LOI") with the Funding Partner. See Note 5 under "Alvalade".

The LOI sets out the general terms and conditions that are proposed to be included in a definitive agreement (the "DA"). Until the DA is signed and each party has obtained the required approvals, there are no legally binding obligations on either party. Given that the Funding Partner has not moved forward on the proposed transactions, management considers the LOI to have lapsed.

**Kosovo**

The Company, through its 100% holding in Innomatik, held 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. This license expired on June 10, 2018 and the Company is currently in the process of renewing it. There are no acquisition costs associated with this license.

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, 2018, Byrnecut spent over €3,883,421 in Peshter Mining, diluting the Company's interest in Peshter Mining to 10.29%.

(Presented in Canadian Dollars)

## 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, 2018, the Company had spent $252,083 (€192,576) on the Oelsnitz property.

| | | December 31, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| **Restricted cash & Funds held for optionees** | | | | |
| Alvito - OZE | $ | - | $ | 70,635 |
| Alvalade, Marateca and Mertola - Funding Partner | | - | | 97,275 |
| | $ | - | $ | 167,910 |
| **Due from optionees** | | | | |
| Covas - Blackheath | $ | 33,855 | $ | 28,557 |
| Alvito - OZE | | 9,368 | | - |
| | $ | 43,223 | $ | 28,557 |

## 6. PROPERTY DEPOSITS

As of December 31, 2018, the Company had a total of $134,272 (€86,000) (December 31, 2017: $177,613 (€118,000)) 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.

During the year ended December 31, 2018, the Company determined that the required work obligations for the Covas, Marateca, Mertola and two minor properties either had not, or would not, be completed. Accordingly, $167,059 (€107,000), in cash pledged for these exploration licenses was written off. In addition, the property deposit of $117,097 (€75,000)pledged by the former optionee of the Alvalade property was assigned to the Company. As a result of these transactions, property deposits were written down by a net amount of $49,962 (€32,000).

## 7. CAPITAL AND RESERVES

(a) Authorized:

At December 31, 2018, 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.

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

(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 were 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 were paid.

v. On March 26, 2018, the Company completed a non-brokered private placement by issuing 6,875,000 units ("Unit") at a price of $0.08 per Unit for gross proceeds of $550,000. 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. The warrants were ascribed a value of $172,137.

In connection with the financing, a total of $19,019 share issue costs were paid.

vi. On November 9, 2018, the Company closed the first tranche of a non-brokered private placement by issuing 10,000,000 units ("Unit") at a price of $0.05 per Unit for gross proceeds of $500,000, and on December 17, 2018 closed the second tranche of $232,000 by issuing 4,640,000 units at a price of $0.05 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 at a price of $0.10 until November 9, 2021 for the first tranche and until December 17, 2021 for the second tranche. The warrants were ascribed a value of $179,897 and $78,612 respectively. If however the closing price of the Company's shares are $0.20 or greater for a period of 20 consecutive trading days, the warrants will expire on the earlier of the 30th day after such notice is given and the original expiry date.

In connection with the financing, a total of $36,825 share issue costs were paid.

(Presented in Canadian Dollars)

## 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, 2018 are summarized as follows:

| Expiry date | Exercise price | December 31, 2017 | Granted | Exercised | Expired/ cancelled | December 31, 2018 |
|---|---|---|---|---|---|---|
| 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 |
| March 14, 2023 | $0.10 | - | 1,800,000 | - | - | 1,800,000 |
| March 26, 2023 | $0.10 | - | 40,000 | - | - | 40,000 |
| Options outstanding | | 6,245,000 | 1,840,000 | - | (1,145,000) | 6,940,000 |
| Options exercisable | | 6,245,000 | 1,840,000 | - | (1,145,000) | 6,940,000 |
| Weighted average exercise price | | $0.12 | $0.10 | $Nil | $0.10 | $0.12 |

* Subsequently expired unexercised.

As of December 31, 2018, the weighted average contractual remaining life is 2.81 years (December 31, 2017 – 2.85 years).

Stock options 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 |

(Presented in Canadian Dollars)

## 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, 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 |

The weighted average assumptions used to estimate the fair value of options for the years ended December 31, 2018, 2017 and 2016 were:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Risk-free interest rate | 1.25% | 1.21% | 1.71% |
| Expected life | 5 years | 5 years | 4.53 years |
| Expected volatility | 130.43% | 141.88% | 144.86% |
| 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, 2018 is as follows:

| Expiry date | Exercise price | December 31, 2017 | Issued | Exercised | Expired | December 31, 2018 |
|---|---|---|---|---|---|---|
| July 14, 2018 | $0.10 | 99,000 | - | - | (99,000) | - |
| July 4, 2019[(1)] | $0.10 | 411,250 | - | - | - | 411,250 |
| Outstanding | | 510,250 | - | - | (99,000) | 411,250 |
| Weighted average exercise price | | $0.10 | $Nil | $Nil | $0.10 | $0.10 |

[(1)] 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, 2018, the weighted average contractual remaining life is 0.51 years (December 31, 2017 – 1.32 years).

(Presented in Canadian Dollars)

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

(d) Finder's Options: *(Continued)*

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 | $0.25 | 152,600 | - | - | (152,600) | - |
| July 14, 2018 | $0.10 | 99,000 | - | - | - | 99,000 |
| July 4, 2019 | $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 |

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 |

The weighted average assumptions used to estimate the fair value of finder's options for the years ended December 31, 2018, 2017 and 2016 were:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Risk-free interest rate | Nil | Nil | 0.87% |
| Expected life | Nil | Nil | 3 years |
| Expected volatility | Nil | Nil | 144.75% |
| Expected dividend yield | Nil | Nil | Nil |

(e) Warrants:

The continuity of warrants for the year ended December 31, 2018 is as follows:

| Expiry date | Exercise price | December 31, 2017 | Issued | Exercised | Expired | December 31, 2018 |
|---|---|---|---|---|---|---|
| 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 |
| March 26, 2020 | $0.12 | - | 6,875,000 | - | - | 6,875,000 |
| November 9, 2021 (1) | $0.10 | - | 10,000,000 | - | - | 10,000,000 |
| December 17, 2021 (1) | $0.10 | - | 4,640,000 | - | - | 4,640,000 |
| Outstanding | | 34,637,000 | 21,515,000 | - | (10,920,000) | 45,232,000 |
| Weighted average exercise price | | $0.15 | $0.11 | $Nil | $0.15 | $0.13 |

(1) These warrants have a forced exercise price. If the closing price of the Company's shares is $0.20 or greater for a period of 20 consecutive trading days, the warrants will expire on the earlier of the 30th day after such notice is given and the original expiry date.

As of December 31, 2018, the weighted average contractual life is 1.62 years (December 31, 2017 – 1.50 years).

(Presented in Canadian Dollars)

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

(e) Warrants: *(Continued)*

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 |
| Outstanding | | 40,857,000 | 10,170,000 | - | (16,390,000) | 34,637,000 |
| Weighted average exercise price | | $0.22 | $0.15 | $Nil | $0.33 | $0.15 |

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 [(2)] | (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 |

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

The weighted average assumptions used to estimate the fair value of warrants for the years ended December 31, 2018, 2017 and 2016 were:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Risk-free interest rate | 1.14% | 0.71% | 0.87% |
| Expected life | 2.68 years | 3 years | 2.98 years |
| Expected volatility | 108.87% | 116.49% | 144.62% |
| Expected dividend yield | Nil | Nil | Nil |

(Presented in Canadian Dollars)

## 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, 2018

| | 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 | $253,968 | $Nil | $Nil | $Nil | $61,430 | $11,505 | $326,903 |
| Winnie Wong, Chief Financial Officer | $Nil | $Nil | $Nil | $Nil | $Nil | $9,588 | $9,588 |

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 |

(Presented in Canadian Dollars)

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

Related party liabilities

| | | Years ended | | | | |
|---|---|---|---|---|---|---|
| | Services | December 31, 2018 | December 31, 2017 | December 31, 2016 | As at December 31, 2018 | As at December 31, 2017 |
| Amounts due to: | | | | | | |
| Pacific Opportunity Capital Ltd. [(a)] | Rent, management and accounting services | $ 228,455 | $ 218,690 | $ 236,975 | $ 62,754 | $ 21,134 |
| Paul W. Kuhn | Consulting and housing allowance and share-based payment | $ 326,903 | $ 335,970 | $ 349,813 | $ 33,523 | $ 16,776 |
| Paul L. Nelles [(b)] | Salaries and share-based payment | $ 27,620 | $ 23,320 | $ 35,387 | $ Nil | $ Nil |
| Mineralia [(c)] | Consulting | $ 157,536 | $ 198,089 | $ 239,882 | $ 34,375 | $ 17,496 |
| B&B Renting and Consulting Lda. [(d)] | Rent | $ Nil | $ 42,026 | $ 26,293 | $ Nil | $ 4,117 |
| Adriano Barros [(c)] | Share-based payment | $ 5,369 | $ 16,880 | $ 11,389 | $ Nil | $ Nil |
| TOTAL: | | $ 745,883 | $ 834,975 | $ 899,739 | $ 130,652 | $ 59,523 |

(a) Pacific Opportunity Capital Ltd., a company controlled by a director of the Company.
(b) Paul L. Nelles is a director 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.

## 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 totalling $27,911 (€17,877) as of December 31, 2018, including interest calculated at 5.635%, and maturing on April 5, 2022.

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Long-term loan | $ 25,127 | € 16,094 | $ 30,451 | € 20,230 |
| Less: current portion of long-term loan | 7,031 | 4,503 | 6,393 | 4,248 |
| | $ 18,096 | € 11,591 | $ 24,058 | € 15,982 |
| Payment schedule of long-term loan | | | | |
| Year 1 | $ 8,373 | € 5,363 | $ 8,072 | € 5,363 |
| Year 2 | 8,373 | 5,363 | 8,072 | 5,363 |
| Year 3 | 8,373 | 5,363 | 8,072 | 5,363 |
| Year 4 | 2,791 | 1,788 | 8,072 | 5,363 |
| Year 5 | - | - | 2,524 | 1,675 |
| | $ 27,911 | € 17,877 | $ 34,812 | € 23,127 |
| Less: imputed interest | 2,596 | 1,663 | 4,126 | 2,741 |
| Other fees | 188 | 120 | 235 | 156 |
| | $ 25,127 | € 16,094 | $ 30,451 | € 20,230 |

## 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, 2018 was based on the loss attributable to common shareholders of $1,885,332 (2017 – $1,906,297; 2016 - $1,872,121) and a weighted average number of common shares outstanding of 93,795,401 (2017 – 80,787,810; 2016 – 63,766,095).

Diluted loss per share did not include the effect of 6,940,000 share purchase options, 411,250 finder's options and 45,232,000 warrants outstanding at year end (2017 – 6,245,000 share purchase options, 510,250 finder's options and 34,637,000 warrants; 2016 – 6,055,000 share purchase options, 662,850 finder's options and 40,857,000 warrants) as they are anti-dilutive.

## 11. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, restricted cash, other receivables, due from optionees, 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 and property deposits are held by Portuguese regulatory authorities. Amounts are receivable from optionees.

(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, 2018, the Company had cash of $106,288 (December 31, 2017 - $182,794), VAT receivables of $22,308 (December 31, 2017 - $36,666) and other receivables of $123,837 (December 31, 2017 - $30,559) to settle current liabilities, net of funds held for optionees and accounts payable owed by optionees, of $766,550 (December 31, 2017 - $204,761).

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.

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

(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 liabilities of $439,300 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 $21,000.

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, 2018 and 2017.

| **As at December 31, 2018** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Assets: | | | | |
| Cash | $ 106,288 | $ - | $ - | $ 106,288 |
| Restricted cash | - | - | - | - |
| | $ 106,288 | $ - | $ - | $ 106,288 |

| **As at December 31, 2017** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Assets: | | | | |
| Cash | $ 182,794 | $ - | $ - | $ 182,794 |
| Restricted cash | 167,910 | - | - | 167,910 |
| | $ 350,704 | $ - | $ - | $ 350,704 |

As at December 31, 2018, the carrying value of financial assets classified as subsequently measured at amortized cost totalled $319,399 (December 31, 2017 - $587,433). See Note 3 j).

## 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The non-cash transactions during the years ended December 31, 2018, 2017 and 2016 were as follows:

- $23,796 (2017 - $21,520; 2016 - $14,240) in mineral exploration expenses was related to depreciation;
- $Nil (2017 - $40,490; 2016 - $Nil) in equipment was purchased and financed with a long term loan. See Note 9.
- $Nil (2017 - $Nil; 2016 - $194,040) in reimbursements from optionees related to the fair value of common shares issued by a former joint venture partner;
- $Nil (2017 - $Nil; 2016 - $437,900) was reclassified from equity reserves to share capital pursuant to the exercise of warrants, stock options and finder's options;
- $Nil (2017 - $Nil; 2016 - $47,540) in share issue costs related to the issue of finder's options pursuant to the private placement financing completed.
- As at December 31, 2018, a total of $3,311 (2017 - $Nil; 2016 - $Nil) in share issue costs were included in accounts payable and accrued liabilities and $32,000 (2017 - $Nil; 2016 - $Nil) were included in due to related parties.

## 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.

(Presented in Canadian Dollars)

## 14. INCOME TAX

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net loss | $ (1,885,332) | $ (1,906,297) | $ (1,872,121) |
| Expected income tax recovery | $ (509,040) | $ (495,637) | $ (486,751) |
| Effect of foreign tax rate | 145,825 | 110,748 | 39,191 |
| Non-deductible items | 38,513 | 76,169 | 71,150 |
| Deductible items | (15,911) | (14,580) | (19,631) |
| Unrecognized benefit of non-capital losses | 340,613 | 323,301 | 396,041 |
| | $ - | $ - | $ - |

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

| | 2018 | 2017 |
|---|---|---|
| Deferred income tax assets | | |
| Non-capital loss carryforwards | $ 1,660,778 | $ 1,484,054 |
| Share issue costs | 31,773 | 32,606 |
| | 1,692,551 | 1,516,660 |
| Valuation allowance | (1,692,551) | (1,516,660) |
| Net deferred income tax assets | $ - | $ - |

The Company has available for deduction against future taxable income non-capital losses of approximately $6,150,500 in Canada (2017 - $5,496,500). These losses, if not utilized, will expire through to 2038. 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 | 854,000 |
| 2018 | 2038 | 657,000 |
| | | $ 6,150,500 |

(Presented in Canadian Dollars)

## 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, 2018 | December 31, 2017 |
|---|---|---|
| Non-current assets | | |
| Portugal | $ 1,433,139 | $ 1,498,490 |
| Kosovo | 143,155 | 143,155 |
| | $ 1,576,294 | $ 1,641,645 |

| | Years ended | |
|---|---|---|
| | December 31, 2018 | December 31, 2017 |
| Mineral exploration expenses | | |
| Portugal | $ 2,165,880 | $ 1,405,528 |
| Kosovo | 89,808 | 235,563 |
| Germany | - | 29,621 |
| Others | 20,598 | 72,101 |
| | $ 2,276,286 | $ 1,742,813 |

## 16. EVENTS AFTER THE REPORTING PERIOD

On January 7, 2019, Company granted a total of 183,000 stock options at an exercise price of $0.05 per share for a period of five years to a director and its consultants.

On February 25, 2019, the Company completed the third tranche of a non-brokered private placement by issuing 2,000,000 units at a price of $0.05 per unit for gross proceeds of $100,000. 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 $0.10. If however the closing price of the Company's share are $0.20 or greater for a period of 20 consecutive trading days, the warrants will expire on the earlier of the 30th day after such notice is given and the original expiry date.