



AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2020 AND 2019

(Unaudited)

AVRUPA MINERALS LTD.

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**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

| | Note | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|------|----------------------------------|-----------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$ 28,627 | \$ 58,343 |
| Prepaid expenses and advances | | 21,509 | 31,334 |
| Due from optionees | 5 | 33,792 | 31,622 |
| VAT receivables | | 15,774 | 17,042 |
| Other receivables | | 38,775 | 29,096 |
| | | <u>138,477</u> | <u>167,437</u> |
| Non-current assets | | | |
| Property deposits | 6 | 18,701 | 17,500 |
| Tax deposits | 6 | 41,201 | 41,201 |
| Exploration and evaluation assets | 5 | 167,921 | 167,921 |
| Equipment | 4 | 15,345 | 17,630 |
| | | <u>243,168</u> | <u>244,252</u> |
| Total assets | | \$ 381,645 | \$ 411,689 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 578,404 | 524,028 |
| Accounts payable owed by optionees | | 33,792 | 31,622 |
| Due to related parties | 8 | 628,472 | 568,597 |
| Current portion of long-term loan | 9 | 7,550 | 6,963 |
| | | <u>1,248,218</u> | <u>1,131,210</u> |
| Non-current liabilities | | | |
| Long-term loan | 9 | 8,693 | 9,939 |
| | | <u>8,693</u> | <u>9,939</u> |
| Shareholders' (deficiency) | | | |
| Share capital | 7 | 9,733,139 | 9,733,139 |
| Reserves | 7 | 6,760,027 | 6,782,381 |
| Deficit | | (17,368,432) | (17,244,980) |
| | | <u>(875,266)</u> | <u>(729,460)</u> |
| Total shareholders' (deficiency)/equity and liabilities | | \$ 381,645 | \$ 411,689 |

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 21, 2020. They are signed on the Company's behalf by:

/s/Paul W. Kuhn
Director

/s/Mark T. Brown
Director

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31
(Unaudited, Presented in Canadian Dollars)

| | | Three months ended March 31 | |
|---|------|-----------------------------|--------------|
| | Note | 2020 | 2019 |
| Mineral exploration expenses | | | |
| Mineral exploration expenses | 5 | \$ 15,069 | \$ 382,801 |
| | | (15,069) | (382,801) |
| General administrative expenses | | | |
| Bank charges | | 487 | 541 |
| Consulting fees, wages and benefits | | 46,384 | 18,128 |
| Depreciation | | 3,325 | - |
| Investor relations | | 14,406 | 48,756 |
| Listing and filing fees | | 5,200 | 7,179 |
| Office and administrative fees | | 3,596 | 1,647 |
| Professional fees | 8 | 26,924 | 26,421 |
| Rent | 8 | 2,550 | 2,250 |
| Share-based payment | 8 | - | 9,369 |
| Transfer agent fees | | 1,303 | 1,222 |
| Travel | | 4,226 | 17,658 |
| | | (108,401) | (133,171) |
| Other items | | | |
| Foreign exchange gain (loss) | | 10 | (278) |
| Interest income | | 8 | 91 |
| | | 18 | (187) |
| Net loss for the period | | (123,452) | (516,159) |
| Exchange difference arising on the translation of foreign subsidiaries | | (22,354) | 10,689 |
| Comprehensive loss for the period | | \$ (145,806) | \$ (505,470) |
| Basic and diluted loss per share | 10 | \$ (0.00) | \$ (0.00) |

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY)
(Presented in Canadian Dollars)

| | Note | Share capital | | Reserves | | | | Subtotal | Deficit | Total shareholders' (deficiency) / equity |
|--|------|--------------------|---------------------|---------------------|-------------------|----------------------------------|-----------------|---------------------|------------------------|---|
| | | Number of shares | Amount | Warrants | Finder's options | Equity-settled employee benefits | Exchange | | | |
| Balance as at December 31, 2018 (Audited) | | 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 |
| Share issues: | | | | | | | | | | |
| Shares issued for private placement | | 2,000,000 | 64,767 | 35,233 | - | - | - | 35,233 | - | 100,000 |
| Share issue costs | | - | (25,514) | - | - | - | - | - | - | (25,514) |
| Share-based payment | | - | - | - | - | 9,369 | - | 9,369 | - | 9,369 |
| Comprehensive loss | | - | - | - | - | - | 10,689 | 10,689 | (516,159) | (505,470) |
| Balance as at March 31, 2019 (Unaudited) | | 110,433,797 | 9,621,659 | 5,139,971 | 277,893 | 1,298,472 | 14,019 | 6,730,355 | (15,663,540) | 688,474 |
| Share issues: | | | | | | | | | | |
| Share subscription | | - | - | - | - | - | - | - | - | - |
| Shares issued for private placements | | 3,640,000 | 139,999 | 42,001 | - | - | - | 42,001 | - | 182,000 |
| Share issue costs | 8 | - | (28,519) | - | - | - | - | - | - | (28,519) |
| Share-based payment | | - | - | - | - | - | - | - | - | - |
| Comprehensive loss | | - | - | - | - | - | 10,025 | 10,025 | (1,581,440) | (1,571,415) |
| Balance as at December 31, 2019 (Audited) | | 114,073,797 | 9,733,139 | 5,181,972 | 277,893 | 1,298,472 | 24,044 | 6,782,381 | (17,244,980) | (729,460) |
| Share issues: | | | | | | | | | | |
| Comprehensive loss | | - | - | - | - | - | (22,354) | (22,354) | (123,452) | (145,806) |
| Balance as at March 31, 2020 (Unaudited) | | 114,073,797 | \$ 9,733,139 | \$ 5,181,972 | \$ 277,893 | \$ 1,298,472 | \$ 1,690 | \$ 6,760,027 | \$ (17,368,432) | \$ (875,266) |

AVRUPA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31
(Unaudited, Presented in Canadian Dollars)

| | Three months ended March 31 | |
|--|-----------------------------|--------------|
| | 2020 | 2019 |
| Cash flows from operating activities | | |
| Net loss for the period | \$ (123,452) | \$ (516,159) |
| Items not involving cash: | | |
| Depreciation | 3,325 | - |
| Mineral exploration expenses | - | 3,726 |
| Share-based payment | - | 9,369 |
| Changes in non-cash working capital items: | | |
| VAT receivables | 1,268 | 6,962 |
| Due from optionees | - | 10,693 |
| Prepaid expenses and advances | 9,825 | 41,872 |
| Other receivables | (9,679) | 7,432 |
| Accounts payable and accrued liabilities | 54,376 | 117,795 |
| Accounts payable owed by optionees | 2,170 | (10,693) |
| Due from/to related parties | 59,875 | 122,846 |
| Exchange difference arising on the translation of foreign subsidiaries | (25,605) | 16,270 |
| Net cash (used in) operating activities | (27,897) | (189,887) |
| Cash flows from investing activities | | |
| Purchase of equipment | (1,819) | (1,652) |
| Net cash (used in) investing activities | (1,819) | (1,652) |
| Cash flows from financing activities | | |
| Proceeds from issuance of common shares | - | 100,000 |
| Share issue costs | - | (2,754) |
| Net cash provided by financing activities | - | 97,246 |
| Change in cash for the period | (29,716) | (94,293) |
| Cash, beginning of the period | 58,343 | 106,288 |
| Cash, end of the period | \$ 28,627 | \$ 11,995 |
| Cash comprised of: | | |
| Cash | \$ 28,627 | \$ 11,995 |
| | \$ 28,627 | \$ 11,995 |
| Supplementary information: | | |
| Interest received | \$ 8 | \$ 91 |

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 condensed consolidated interim 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of preparation

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

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

AVRUPA MINERALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Unaudited, Presented in Canadian Dollars)

2. BASIS OF PREPARATION *(Continued)*

b) Basis of preparation *(Continued)*

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended December 31, 2019.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2019. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three-month period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the current fiscal year ending December 31, 2020.

4. EQUIPMENT

| | Furniture and other equipment | | | | Vehicles | Other assets | Total |
|--|--|---------|----|----------|-----------------|---------------------|--------------|
| Cost | | | | | | | |
| As at January 1, 2019 | \$ | 124,266 | \$ | 76,919 | \$ | 23,302 | \$ 224,487 |
| Disposal during the year | | - | | (32,617) | | - | (32,617) |
| Exchange adjustment | | (8,199) | | (5,074) | | (1,537) | (14,810) |
| As at December 31, 2019 | | 116,067 | | 39,228 | | 21,765 | 177,060 |
| Exchange adjustment | | 7,966 | | 2,693 | | 1,494 | 12,153 |
| As at March 31, 2020 | \$ | 124,033 | \$ | 41,921 | \$ | 23,259 | \$ 189,213 |
| Accumulated depreciation | | | | | | | |
| As at January 1, 2019 | \$ | 114,132 | \$ | 54,171 | \$ | 22,077 | \$ 190,380 |
| Depreciation for the year | | 3,337 | | 9,990 | | 1,165 | 14,492 |
| Depreciation for the year related to disposals | | - | | (32,617) | | - | (32,617) |
| Exchange adjustment | | (7,591) | | (3,757) | | (1,477) | (12,825) |
| As at December 31, 2019 | | 109,878 | | 27,787 | | 21,765 | 159,430 |
| Depreciation for the period | | 833 | | 2,492 | | - | 3,325 |
| Exchange adjustment | | 7,584 | | 2,035 | | 1,494 | 11,113 |
| As at March 31, 2020 | \$ | 118,295 | \$ | 32,314 | \$ | 23,259 | \$ 173,868 |
| Net book value | | | | | | | |
| As at January 1, 2019 | \$ | 10,134 | \$ | 22,748 | \$ | 1,225 | \$ 34,107 |
| As at December 31, 2019 | \$ | 6,189 | \$ | 11,441 | \$ | - | \$ 17,630 |
| As at March 31, 2020 | \$ | 5,738 | \$ | 9,607 | \$ | - | \$ 15,345 |

AVRUPA MINERALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Unaudited, Presented in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

| | Portugal | | | Kosovo | | Germany | Others | Total |
|---|-------------|--------------|--------------|-------------|--------------|------------|------------|--------------|
| | Alvito | Alvalade | Others | Slivovo | Others | | | |
| Exploration and evaluation assets | | | | | | | | |
| Acquisition costs | | | | | | | | |
| As of January 1, 2020 | \$ - | \$ 167,920 | \$ - | \$ 1 | \$ - | \$ - | \$ - | \$ 167,921 |
| As of March 31, 2020 | \$ - | \$ 167,920 | \$ - | \$ 1 | \$ - | \$ - | \$ - | \$ 167,921 |
| Mineral exploration expenses for the period ended March 31, 2020 | | | | | | | | |
| Office and administrative fees | \$ - | \$ 549 | \$ - | \$ - | \$ 136 | \$ - | \$ - | \$ 685 |
| Rent | - | 14,048 | - | - | - | - | - | 14,048 |
| Site costs | - | 306 | - | - | - | - | - | 306 |
| Travel | - | 30 | - | - | - | - | - | 30 |
| | \$ - | \$ 14,933 | \$ - | \$ - | \$ 136 | \$ - | \$ - | \$ 15,069 |
| Cumulative mineral exploration expenses since acquisition | | | | | | | | |
| Assaying | \$ - | \$ - | \$ - | \$ 297,975 | \$ 65,936 | \$ 10,846 | \$ - | \$ 374,757 |
| Concession fees and taxes | 147,900 | 361,864 | 545,708 | 9,998 | 206,975 | 4 | - | 1,272,449 |
| Depreciation | 7,191 | 17,178 | 91,531 | - | - | - | - | 115,900 |
| Drilling | 472,513 | 610,197 | - | 1,180,217 | - | - | - | 2,262,927 |
| Geological salaries and consulting | 1,624,824 | 6,508,740 | 4,692,323 | 119,801 | 711,908 | 12,359 | - | 13,669,955 |
| Geology work | - | - | 32,377 | 891,582 | 402,515 | 223,619 | 140,906 | 1,690,999 |
| Insurance | 5,683 | 24,173 | 46,429 | 14,604 | 15,007 | - | - | 105,896 |
| Legal and accounting | 177 | 1,020 | 1,067 | 58,158 | 13,958 | - | - | 74,380 |
| Office and administrative fees | 43,699 | 250,085 | 236,040 | 80,149 | 101,316 | 5,255 | 63,191 | 779,735 |
| Rent | 188,804 | 564,233 | 408,092 | 28,694 | 88,221 | - | 20,560 | 1,298,604 |
| Report | - | - | - | 24,232 | - | - | - | 24,232 |
| Site costs | 71,452 | 192,970 | 172,925 | 185,074 | 194,582 | - | 8,865 | 825,868 |
| Travel | 75,625 | 237,161 | 171,652 | 60,107 | 22,478 | - | 15,326 | 582,349 |
| Trenching and road work | - | - | - | 34,339 | - | - | - | 34,339 |
| Reimbursements from optionee | (2,149,344) | (7,693,840) | (2,741,482) | (2,834,986) | (45,158) | - | - | (15,464,810) |
| | \$ 488,524 | \$ 1,073,781 | \$ 3,656,662 | \$ 149,944 | \$ 1,777,738 | \$ 252,083 | \$ 248,848 | \$ 7,647,580 |

AVRUPA MINERALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Unaudited, Presented in Canadian Dollars)

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

| | Portugal | | | Kosovo | | Germany | Others | Total |
|--|-------------|--------------|--------------|-------------|--------------|------------|------------|--------------|
| | Alvito | Alvalade | Others | Slivovo | Others | | | |
| Exploration and evaluation assets | | | | | | | | |
| Acquisition costs | | | | | | | | |
| As of January 1, 2019 | \$ - | \$ 167,920 | \$ 1,096,840 | \$ 143,155 | \$ - | \$ - | \$ - | \$ 1,407,915 |
| Write-down of property during the year | - | - | (1,096,840) | (143,154) | - | - | - | (1,239,994) |
| As of December 31, 2019 | \$ - | \$ 167,920 | \$ - | \$ 1 | \$ - | \$ - | \$ - | \$ 167,921 |
| Mineral exploration expenses for the year ended December 31, 2019 | | | | | | | | |
| Concession fees and taxes | \$ 15,422 | \$ 50,003 | \$ 10 | \$ - | \$ 3,564 | \$ - | \$ - | \$ 68,999 |
| Depreciation | 1,676 | 7,120 | 2,200 | - | - | - | - | 10,996 |
| Drilling | - | 124,262 | - | - | - | - | - | 124,262 |
| Geological salaries and consulting | 59,406 | 121,313 | 7,930 | - | 33,885 | - | - | 222,534 |
| Insurance | 122 | 3,755 | 3,185 | - | 217 | - | - | 7,279 |
| Legal and accounting | 19 | 498 | - | - | 243 | - | - | 760 |
| Office and administrative fees | 6,379 | 14,071 | 2,426 | - | 812 | - | - | 23,688 |
| Rent | 9,202 | 57,794 | 12,308 | - | 6,857 | - | - | 86,161 |
| Site costs | 1,157 | 13,950 | 730 | - | 285 | - | - | 16,122 |
| Travel | 109 | 5,430 | 23 | - | 64 | - | - | 5,626 |
| Reimbursements from optionee | - | (291,680) | - | - | - | - | - | (291,680) |
| | \$ 93,492 | \$ 106,516 | \$ 28,812 | \$ - | \$ 45,927 | \$ - | \$ - | \$ 274,747 |
| Cumulative mineral exploration expenses since acquisition | | | | | | | | |
| Assaying | \$ - | \$ - | \$ - | \$ 297,975 | \$ 65,936 | \$ 10,846 | \$ - | \$ 374,757 |
| Concession fees and taxes | 147,900 | 361,864 | 545,708 | 9,998 | 206,975 | 4 | - | 1,272,449 |
| Depreciation | 7,191 | 17,178 | 91,531 | - | - | - | - | 115,900 |
| Drilling | 472,513 | 610,197 | - | 1,180,217 | - | - | - | 2,262,927 |
| Geological salaries and consulting | 1,624,824 | 6,508,740 | 4,692,323 | 119,801 | 711,908 | 12,359 | - | 13,669,955 |
| Geology work | - | - | 32,377 | 891,582 | 402,515 | 223,619 | 140,906 | 1,690,999 |
| Insurance | 5,683 | 24,173 | 46,429 | 14,604 | 15,007 | - | - | 105,896 |
| Legal and accounting | 177 | 1,020 | 1,067 | 58,158 | 13,958 | - | - | 74,380 |
| Office and administrative fees | 43,699 | 249,536 | 236,040 | 80,149 | 101,180 | 5,255 | 63,191 | 779,050 |
| Rent | 188,804 | 550,185 | 408,092 | 28,694 | 88,221 | - | 20,560 | 1,284,556 |
| Report | - | - | - | 24,232 | - | - | - | 24,232 |
| Site costs | 71,452 | 192,664 | 172,925 | 185,074 | 194,582 | - | 8,865 | 825,562 |
| Travel | 75,625 | 237,131 | 171,652 | 60,107 | 22,478 | - | 15,326 | 582,319 |
| Trenching and road work | - | - | - | 34,339 | - | - | - | 34,339 |
| Reimbursements from optionee | (2,149,344) | (7,693,840) | (2,741,482) | (2,834,986) | (45,158) | - | - | (15,464,810) |
| | \$ 488,524 | \$ 1,058,848 | \$ 3,656,662 | \$ 149,944 | \$ 1,777,602 | \$ 252,083 | \$ 248,848 | \$ 7,632,511 |

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:

- Alvalade
- Alvito
- Mertola

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

Alvalade:

On November 19, 2019, the Company and MAEPA (collectively the “Company”) and Minas de Aguas Teñidas, S.A. (“MATSA”) and its wholly-owned subsidiary EUL (collectively “MATSA”) entered into an Earn-In Joint Venture Agreement (the “Agreement”) in respect of the Alvalade project. Pursuant to the Agreement, PorMining Lda. (“PorMining”) was incorporated to hold assets and develop mineral rights (both as defined) and EUL can earn up to an 85% interest in PorMining. The earning of this interest, subsequent arrangements that may be entered into to explore the assets and, if warranted, the development of one or more projects are referred to as the “Transaction”. The effective date of the Transaction is the date that PorMining receives the mineral rights in its name from the General Directorate of Energy and Geology of Portugal (“DGEG”). The Transaction is comprised of the following phases:

- Phase I – First Option;
- Phase II – Second Option;
- 51/49 Phase; and
- Phase III – Development and Operation

Phase I – First Option

Phase I commences on the effective date and continues until the first to occur of the first option exercise date and the termination of the first option. During Phase I, MAEPA will grant EUL the sole and exclusive right to hold an undivided 51% interest in PorMining (the first option) for at least three years from the effective date or the issue of the Experimental Exploitation License (the “EEL”) by DGEG to PorMining. EUL’s right to maintain its 51% interest is conditional upon MATSA:

- Paying €400,000 to the Company on or before the effective date (€200,000 (\$291,680) was received);
- Funding or providing the necessary financial instrument to cover the guarantee, which will be returned to MATSA following the release of the guarantee by DGEG; and
- Funding expenditures (the first option expenditures) on the mineral rights in an aggregate amount of €2,400,000 (€1,200,000 within the first 12 months following the effective date and €1,200,000 in the next 24 months) on or before three years from the effective date or the issue of the EEL.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Alvalade: (Continued)

Funding of the first option expenditures is solely at MATSA's discretion and MATSA may elect to terminate the first option at any time by delivering notice (the first option termination notice) to the Company. MATSA may elect to accelerate the funding of the first option expenditures in order to exercise the first option at an earlier date. If there is a shortfall in the first option expenditures, MATSA may elect to pay such amount on or before the end of the three-year period and the first option expenditures will be deemed to have been satisfied.

Upon MATSA completing all of the requirements of the first option, EUL will have unconditionally earned the 51% interest in PorMining. If the first option is terminated, MAEPA will acquire the 51% interest from EUL for a nominal value, the shares will be cancelled and MAEPA will hold a 100% interest in PorMining.

During Phase I, MAEPA will act as the operator of the mineral rights. PorMining will pay MAEPA an operator's fee equal to €100,000 per year, paid monthly, funded by MATSA and which shall form part of the first option expenditures. In all other phases, PorMining will be the operator unless it appoints another person to act as operator. The operator is responsible for developing and submitting work programs to the technical committee or the board of directors for consideration and approval and to implement work programs when approved according to the approved budget. The technical committee is comprised of two representatives from each of EUL and MAEPA and will be in effect until the first option exercise date. Thereafter, the board of directors will make all decisions with respect to the mineral rights.

During Phase I, EUL will fund 100% of all maintenance payments (as defined) and approved work programs.

Failure by DGEG to issue the mineral rights to PorMining within 120 days (amended to 240 days on April 30, 2020) of the date of the Agreement will result in termination of the Agreement. MAEPA would have to refund the advance of €200,000 to MATSA. The Company believes that the license will be granted by July 2020 and the second half of this earn-in fee will then become payable to MAEPA.

Phase II – Second Option

Phase II commences on the first option exercise date and continues until the first to occur of the second option exercise date and the termination of the second option. On the first option exercise date, the Company will grant EUL the sole and exclusive right and option to acquire an additional 34% (for an aggregate 85% interest) in PorMining (the second option). EUL's right to exercise the second option is conditional on MATSA satisfying the second option conditions as follows:

- Preparing, funding and delivering to PorMining a feasibility study on the mineral rights within five years of the issuance of the EEL or, provided that DGEG grants an extension to all or part of the EEL, the time period for when the second option conditions must be shall be extended to a maximum of two additional years, for a total of seven years after the issuance of the original EEL;
- Making proper application for a mining license before the end of the term of the EEL; and
- Making all progress payments to Antofagasta as set out in the Debt Cancellation Agreement dated June 12, 2017 as follows:
 - US\$250,000 within 60 days after the date of a news release announcing a NI 43-101 compliant technical report having been completed and with results as defined;
 - US\$500,000 within 60 days after the date of a news release announcing completion of a feasibility study with results as defined;

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Alvalade: (Continued)

- US\$500,000 on the one-year anniversary of the date of the news release announcing the feasibility study noted above;
- US\$750,000 within 60 days of the commencement of commercial production;
- US\$750,000 on the one-year anniversary of commencement of commercial production;
- US\$750,000 on the second anniversary of commencement of commercial production; and
- US\$750,000 on the third anniversary of commencement of commercial production.

The satisfaction of the second option conditions is solely at MATSA's discretion and MATSA may elect to terminate the second option at any time by delivering notice (the second option termination notice) to the Company. If the second option is terminated, EUL will be entitled to retain its 51% interest in PorMining, plus an additional 1% interest for every €735,294 of expenditures funded during Phase II and the 51/49 Phase will commence.

Upon MATSA satisfying the second option conditions, EUL automatically earns an additional 34% interest in PorMining for an aggregate interest of 85%.

During Phase II, EUL will fund 100% of all maintenance payments and approved work programs.

51/49 Phase

The 51/49 Phase commences on termination of the second option and continues until the deemed conversion of the interest of a party to a royalty. During the 51/49 Phase, PorMining will remain the operator subject to the terms of the Agreement and the shareholders' agreement and the activities of the parties with respect to the mineral rights will be continue to be governed by the shareholder's agreement.

If at any time after the 51/49 Phase has commenced EUL's interest is reduced to below 10% as a result of dilution calculations, its interest will be deemed to be converted to a 1.5% royalty, which royalty shall only be payable up to a maximum total payment of €13,000,000 after which it will no longer be applicable. Upon conversion to the royalty, EUL will have no further rights or interest in respect of the assets under the Agreement or the shareholders' agreement except for the royalty and the termination provisions apply.

If at any time during the 51/49 Phase MAEPA's interest is reduced to 15% as a result of dilution calculations, then its interest will be deemed to be converted to a 15% "carried interest" following which MAEPA will not be required to contribute to any further work programs and will not be subject to any further dilution until such time as a feasibility study has been prepared, at which point Phase III will have been deemed to have commenced and MAEPA will have to sell the option.

During the 51/49 Phase, the parties will fund the maintenance payments and contribute to the costs of any approved work and/or development programs in proportion to their proportionate share.

Phase III – Development and Operation

Phase III commences on the second option exercise date and continues until the deemed conversion of the interest of a party to a royalty. Within 90 days of the commencement of Phase III, the Company will transfer its 15% interest in PorMining to MATSA in consideration for €10,000,000 to be paid as follows:

- €3,000,000 upon a construction decision being made by PorMining and all permits having been received from DGEG;
- €3,000,000 upon commencement of commercial production; and
- €4,000,000 upon the first anniversary of commencement of commercial production.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Alvalade: (Continued)

During Phase III, the parties will contribute their respective pro rata share of all approved work programs and budgets.

If at any time after Phase III has commenced MAEPA's interest is reduced to below 10% as a result of dilution calculations, its interest will be deemed to be converted to a 1.5% royalty as described above for EUL.

On March 27, 2020, MAEPA and EUL entered into a Quota Transfer Agreement pursuant to which MAEPA split its 100% interest in the share capital of PorMining into two quotas, representing 51% and 49% of the company's share capital, and sold the 51% quota to EUL for the nominal value of €510.

On March 27, 2020, the Company, MAEPA, MATSA and EUL entered into the PorMining Lda. Shareholders' Agreement (the "Agreement"). Pursuant to the Agreement:

- PorMining has five directors. From the effective date until the second option exercise date, three will be nominated by EUL and two by MAEPA. Thereafter, four will be nominated by EUL and one will be nominated by MAEPA. Upon the occurrence of the 51/49 Phase and thereafter, EUL is entitled to nominate three directors and MAEPA two directors. In the event of dilution of the interest of EUL or MAEPA, each will be entitled to proportional representation (as described) equal to its then interest;
- In the event that EUL and/or MAEPA wish to sell or transfer their shares in PorMining, PorMining has a right of first refusal to purchase all or a portion of the shares. To the extent that PorMining does not exercise its right of first refusal to all of the shares, each of EUL and/or MAEPA has a right of first refusal; and
- The Agreement will terminate at such time as there is a final decision regarding the dissolution and liquidation of PorMining, the parties mutually agree on the termination of the Agreement or as provided for under the Earn-In Joint Venture Agreement.

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. On October 5, 2018, OZE terminated the agreement and returned 100% ownership to the Company. Since inception of the agreement and to the termination, OZE had forwarded a total of \$1,734,369 (€1,136,000) for the Alvito property.

Others including Marateca, Mertola and Covas:

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 Marateca property and the Mertola property for non-refundable payments of €25,000 each. During fiscal 2019, the Company dropped Marateca property and wrote off \$1,096,840.

During fiscal 2019, the Company had applied to DGEG to drop the Alvito and Mertola licenses and as of March 31, 2020, DGEG had not processed such requests.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Others including Marateca, Mertola and Covas: (Continued)

During fiscal 2018, the Company let the Covas license lapse after Blackheath Resources Inc. (“Blackheath”) terminated the earn-in agreement in March 2018. As part of the termination, the Company incurred an additional amount of \$33,792 (€21,684) as of March 31, 2020 which will be reimbursed by Blackheath.

| | March 31, 2020 | December 31, 2019 |
|---------------------------|-------------------|----------------------|
| Due from optionees | | |
| Covas - Blackheath | \$ 33,792 | \$ 31,622 |
| | <u>\$ 33,792</u> | <u>\$ 31,622</u> |

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. Avrupa’s interest in Peshter Mining had since been diluted to below 10%, resulting in the Company’s interest in Peshter Mining being converted into a 2% Net Smelter Return. As of March 31, 2020, ByrneCut spent over €4.6 million in Peshter Mining.

As of December 31, 2019, the Company wrote down its interest in Slivovo by \$143,154 (2018 - \$nil) to \$1 as the Company continues to negotiate with the Kosovo Mining Bureau as well as ByrneCut in order to extend the life of this license.

Germany

The Company had earned an 85% interest in the Oelsnitz property under its agreement with Beak Consultants GmbH (“Beak”) by spending €140,000. There was no royalty attached to the property. During fiscal 2020, the Company dropped the property. As of March 31, 2020, the Company had spent \$252,083 (€192,576) on the Oelsnitz property.

6. PROPERTY DEPOSITS / TAX DEPOSITS

Property deposits:

As of March 31, 2020, the Company had a total of \$18,701 (€12,000) (December 31, 2019: \$17,500 (€12,000)) 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.

Tax deposits:

In November 2018, MAEPA paid €56,505 (\$88,201) in lieu of bank guarantees of €77,918 (\$121,625) to the Direcção de Finanças de Braga in Portugal. This amount was comprised of €51,920 (\$81,044) in respect of stamp tax and €4,585 (\$7,157) in respect of VAT. The stamp tax portion relates to the interpretation that intercompany advances received by MAEPA are financing loans and, accordingly, are subject to stamp tax. The VAT portion relates to certain invoices for vehicle usage and construction services. As of December 31, 2019, the Company estimates that the judicial review process will take approximately one year for the VAT claim and three to five years for the stamp tax claim and that the likelihood of success for each is 50%. As a result, tax deposits were written down by \$41,200 (€28,252) during the year ended December 31, 2019.

7. CAPITAL AND RESERVES

(a) Authorized:

At March 31, 2020, 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. On February 25, 2019, the Company completed the third tranche of a non-brokered private placement by issuing 2,000,000 units ("Unit") 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. The warrants were ascribed a value of \$35,234. 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 \$29,673 share issue costs were incurred.

- ii. On December 18, 2019, the Company completed a non-brokered private placement by issuing 3,640,000 units ("Unit") at a price of \$0.05 per Unit for gross proceeds of \$182,000. Each Unit consists of one common share and one half of one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.05 until December 18, 2021. The warrants were ascribed a value of \$42,000.

In connection with the financing, a total of \$24,360 share issue costs were incurred.

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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 three months ended March 31, 2020 are summarized as follows:

| Expiry date | Exercise price | December 31, 2019 | Granted | Exercised | Expired/ cancelled | March 31, 2020 |
|---------------------------------|----------------|-------------------|---------|-----------|--------------------|----------------|
| 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 |
| January 07, 2024 | \$0.05 | 183,000 | - | - | - | 183,000 |
| Options outstanding | | 6,923,000 | - | - | - | 6,923,000 |
| Options exercisable | | 6,923,000 | - | - | - | 6,923,000 |
| Weighted average exercise price | | \$0.12 | \$Nil | \$Nil | \$Nil | \$0.12 |

As of March 31, 2020, the weighted average contractual remaining life is 1.70 years (December 31, 2019 – 1.95 years).

Stock option transactions and the number of stock options for the year ended December 31, 2019 are summarized as follows:

| Expiry date | Exercise price | December 31, 2018 | Granted | Exercised | Expired/ cancelled | December 31, 2019 |
|---------------------------------|----------------|-------------------|---------|-----------|--------------------|-------------------|
| 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 |
| January 07, 2024 | \$0.05 | - | 183,000 | - | - | 183,000 |
| Options outstanding | | 6,940,000 | 183,000 | - | (200,000) | 6,923,000 |
| Options exercisable | | 6,940,000 | 183,000 | - | (200,000) | 6,923,000 |
| Weighted average exercise price | | \$0.12 | \$0.05 | \$Nil | \$0.165 | \$0.12 |

The weighted average assumptions used to estimate the fair value of options for the three months ended March 31, 2020 and 2019 were:

| | 2020 | 2019 |
|-------------------------|------|---------|
| Risk-free interest rate | Nil | 1.33% |
| Expected life | Nil | 5 years |
| Expected volatility | Nil | 123.92% |
| Expected dividend yield | Nil | Nil |

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7. CAPITAL AND RESERVES (Continued)

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

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, 2019 is as follows:

| Expiry date | Exercise price | December 31, 2018 | Issued | Exercised | Expired | December 31, 2019 |
|---------------------------------|----------------|-------------------|--------|-----------|-----------|-------------------|
| July 4, 2019 | \$0.10 | 411,250 | - | - | (411,250) | - |
| Outstanding | | 411,250 | - | - | (411,250) | - |
| Weighted average exercise price | | \$0.10 | \$Nil | \$Nil | \$0.10 | \$Nil |

(e) Warrants:

The continuity of warrants for the three months ended March 31, 2020 is as follows:

| Expiry date | Exercise price | December 31, 2019 | Issued | Exercised | Expired | March 31, 2020 |
|----------------------------------|----------------|-------------------|--------|-----------|-------------|----------------|
| March 26, 2020 | \$0.12 | 6,875,000 | - | - | (6,875,000) | - |
| July 12, 2020 | \$0.15 | 10,170,000 | - | - | - | 10,170,000 |
| November 9, 2021 ⁽¹⁾ | \$0.10 | 10,000,000 | - | - | - | 10,000,000 |
| December 17, 2021 ⁽¹⁾ | \$0.10 | 4,640,000 | - | - | - | 4,640,000 |
| December 18, 2021 | \$0.05 | 1,820,000 | - | - | - | 1,820,000 |
| February 25, 2022 ⁽¹⁾ | \$0.10 | 2,000,000 | - | - | - | 2,000,000 |
| Outstanding | | 35,505,000 | - | - | (6,875,000) | 28,630,000 |
| Weighted average exercise price | | \$0.12 | \$Nil | \$Nil | \$0.12 | \$0.11 |

⁽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 March 31, 2020, the weighted average contractual life is 1.18 years (December 31, 2019 – 1.20 years).

The continuity of warrants for the year ended December 31, 2019 is as follows:

| Expiry date | Exercise price | December 31, 2018 | Issued | Exercised | Expired | December 31, 2019 |
|----------------------------------|----------------|-------------------|-----------|-----------|--------------|-------------------|
| July 4, 2019 | \$0.15 | 13,547,000 | - | - | (13,547,000) | - |
| March 26, 2020 | \$0.12 | 6,875,000 | - | - | - | 6,875,000 |
| July 12, 2020 | \$0.15 | 10,170,000 | - | - | - | 10,170,000 |
| November 9, 2021 ⁽¹⁾ | \$0.10 | 10,000,000 | - | - | - | 10,000,000 |
| December 17, 2021 ⁽¹⁾ | \$0.10 | 4,640,000 | - | - | - | 4,640,000 |
| December 18, 2021 | \$0.05 | - | 1,820,000 | - | - | 1,820,000 |
| February 25, 2022 ⁽¹⁾ | \$0.10 | - | 2,000,000 | - | - | 2,000,000 |
| Outstanding | | 45,232,000 | 3,820,000 | - | (13,547,000) | 35,505,000 |
| Weighted average exercise price | | \$0.13 | \$0.08 | \$Nil | \$0.15 | \$0.12 |

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7. CAPITAL AND RESERVES (Continued)

(e) Warrants: (Continued)

The weighted average assumptions used to estimate the fair value of warrants for the three months ended March 31, 2020 and 2019 were:

| | 2020 | 2019 |
|-------------------------|------|---------|
| Risk-free interest rate | Nil | 1.34% |
| Expected life | Nil | 3 years |
| Expected volatility | Nil | 110.33% |
| Expected dividend yield | 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 three months ended March 31, 2020

| | Short-term employee benefits | Post-employment benefits | Other long-term benefits | Termination benefits | Other expenses | Share-based payments | Total |
|---|------------------------------|--------------------------|--------------------------|----------------------|----------------|----------------------|-----------|
| Paul W. Kuhn ^(e) Chief Executive Officer, Director | \$ 37,500 | \$ Nil | \$ Nil | \$ Nil | \$ Nil | \$ Nil | \$ 37,500 |

For the three months ended March 31, 2019

| | Short-term employee benefits | Post-employment benefits | Other long-term benefits | Termination benefits | Other expenses | Share-based payments | Total |
|---|------------------------------|--------------------------|--------------------------|----------------------|----------------|----------------------|-----------|
| Paul W. Kuhn ^(e) Chief Executive Officer, Director | \$ 36,246 | \$ Nil | \$ Nil | \$ Nil | \$ 18,117 | \$ Nil | \$ 54,363 |
| Frank Hogel Director | \$ Nil | \$ Nil | \$ Nil | \$ Nil | \$ Nil | \$ 5,530 | \$ 5,530 |

Related party liabilities

| | Services / Advances | Three months ended | | As at March 31, 2020 | As at December 31, 2019 |
|---|---|--------------------|-------------------|----------------------------|-------------------------------|
| | | March 31, 2020 | March 31, 2019 | | |
| Amounts due to: | | | | | |
| Pacific Opportunity Capital Ltd. ^(a) | Rent, management, accounting, marketing and financing services | \$ 29,985 | \$ 54,313 | \$ 348,734 ^(b) | \$ 319,029 ^(b) |
| Paul W. Kuhn ^(e) | Consulting, salaries, housing allowance and share-based payment | \$ 37,500 | \$ 54,363 | \$ 244,015 | \$ 203,519 |
| Mark T. Brown ^(d) | Short-term loan | \$ Nil | \$ Nil | \$ 20,139 | \$ 16,518 |
| Paul L. Nelles ^(c) | Salaries and share-based payment | \$ Nil | \$ Nil | \$ 15,584 | \$ 14,583 |
| Mineralia ^(f) | Consulting | \$ Nil | \$ Nil | \$ Nil | \$ 14,948 |
| TOTAL: | | \$ 67,485 | \$ 108,676 | \$ 628,472 | \$ 568,597 |

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

- (a) Pacific Opportunity Capital Ltd., a company controlled by a director of the Company.
 (b) Includes a \$51,325 advance that is non-interest bearing without specific terms of repayment.
 (c) Paul L. Nelles is a director of Innomatik.
 (d) Mark T. Brown is a director of the Company. The \$16,000 advance is non-interest bearing without specific terms of repayment.
 (e) On June 1, 2019, the Company entered into a Contract for Services (the "Contract") with a contractor to serve as the Company's president and chief executive officer. The contractor is responsible for providing technical oversight and guidance, establishing corporate goals and objectives and setting and implementing corporate strategies. Pursuant to the Contract:
- The contractor will receive a fee of \$12,500 per month and a rent allowance of €4,000 for the first four months;
 - If the Company is substantially sold or has a change of control (as defined), the contractor will receive a payment equal to two years of fees; and
 - The contract remains effective until terminated in writing by either the Company or the contractor. The Company may terminate the contract at any time without notice or payment in lieu thereof for cause or at any time without cause by providing six months' written notice or by paying the contractor in lieu of notice. The contractor may terminate the contract at any time by providing the Company with three months' written notice.
- (f) Mineralia, a private company partially owned by Adriano Barros, the former 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 \$17,413 (€11,173) as of March 31, 2020, including interest calculated at 5.635%, and maturing on April 5, 2022.

| | March 31, 2020 | | December 31, 2019 | |
|---|------------------|-----------------|-------------------|-----------------|
| Long-term loan | \$ 16,243 | € 10,423 | \$ 16,902 | € 11,590 |
| Less: current portion of long-term loan | 7,550 | 4,845 | 6,963 | 4,774 |
| | <u>\$ 8,693</u> | <u>€ 5,578</u> | <u>\$ 9,939</u> | <u>€ 6,816</u> |
| Payment schedule of long-term loan | | | | |
| Year 1 | \$ 8,358 | € 5,363 | \$ 7,821 | € 5,363 |
| Year 2 | 8,358 | 5,363 | 7,821 | 5,363 |
| Year 3 | 697 | 447 | 2,607 | 1,788 |
| Year 4 | - | - | - | - |
| | <u>17,413</u> | <u>11,173</u> | <u>18,249</u> | <u>12,514</u> |
| Less: imputed interest | 1,052 | 675 | 1,224 | 840 |
| Other fees | 118 | 75 | 123 | 84 |
| | <u>\$ 16,243</u> | <u>€ 10,423</u> | <u>\$ 16,902</u> | <u>€ 11,590</u> |

10. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended March 31, 2020 was based on the loss attributable to common shareholders of \$123,452 (2019 – \$516,159) and a weighted average number of common shares outstanding of 114,073,797 (2019 – 109,189,353).

10. LOSS PER SHARE *(Continued)*

Diluted loss per share did not include the effect of 6,923,000 share purchase options and 28,630,000 warrants outstanding at three months end (2019 – 6,923,000 share purchase options, 411,250 finder's options and 47,232,000 warrants) as they are anti-dilutive.

11. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, other receivables, due from optionees, property deposits, 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 March 31, 2020, the Company had cash of \$28,627 (December 31, 2019 - \$58,343), VAT receivables of \$15,774 (December 31, 2019 - \$17,042) and other receivables of \$38,775 (December 31, 2019 - \$29,096) to settle current liabilities, net of funds held for optionees and accounts payable owed by optionees, of \$1,214,426 (December 31, 2019 - \$1,099,588).

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

(c) Interest rate risk

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

(d) Equity market price risk

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

(e) Currency risk

The Company's property interests in Portugal and Kosovo make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has net monetary liabilities of \$482,200 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 \$300.

11. FINANCIAL INSTRUMENTS *(Continued)*

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 classified as subsequently measured at amortized cost as at March 31, 2020 and December 31, 2019.

| As at March 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|----------------|----------------|----------------|--------------|
| Assets: | | | | |
| Cash | \$ 28,627 | \$ - | \$ - | \$ 28,627 |
| Due from optionees | 33,792 | - | - | 33,792 |
| Other receivables | 38,775 | - | - | 38,775 |
| Property deposits | 18,701 | - | - | 18,701 |
| | \$ 119,895 | \$ - | \$ - | \$ 119,895 |
| | | | | |
| As at December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash | \$ 58,343 | \$ - | \$ - | \$ 58,343 |
| Due from optionees | 31,622 | - | - | 31,622 |
| Other receivables | 29,096 | - | - | 29,096 |
| Property deposits | 17,500 | - | - | 17,500 |
| | \$ 136,561 | \$ - | \$ - | \$ 136,561 |

The financial liabilities are classified as subsequently measured at amortized cost.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The non-cash transactions during the three months ended March 31, 2020 and 2019 were as follows:

- \$Nil (2019 - \$3,726) in mineral exploration expenses was related to depreciation;
- As at March 31, 2020, a total of \$77,800 (2019 - \$55,300) 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.

13. MANAGEMENT OF CAPITAL RISK *(Continued)*

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 or operations in the near term.

14. SEGMENTED FINANCIAL INFORMATION

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

| | <u>March 31, 2020</u> | | <u>December 31, 2019</u> |
|------------------------------|---------------------------|-----------|--------------------------|
| Non-current assets | | | |
| Portugal | \$ 243,167 | \$ | 244,251 |
| Kosovo | 1 | | 1 |
| | <u>\$ 243,168</u> | <u>\$</u> | <u>244,252</u> |
| | | | |
| | <u>Three months ended</u> | | |
| | <u>March 31, 2020</u> | | <u>March 31, 2019</u> |
| Mineral exploration expenses | | | |
| Portugal | \$ 14,933 | \$ | 374,597 |
| Kosovo | 136 | | 8,204 |
| | <u>\$ 15,069</u> | <u>\$</u> | <u>382,801</u> |