Trading Symbol (TSX-V: AVU / FRANKFURT: 8AM)
410-325 Howe Street
Vancouver, British Columbia
Canada V6C 1Z7
Tel: (604) 687-3520
Fax: 1-888-889 4874
www.avrupaminerals.com

AVRUPA MINERALS LTD.
(An Exploration Stage Company)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Avrupa Minerals Ltd. ("Avrupa" or the "Company") and has been prepared based on information known to management as of May 13, 2020. This MD&A is intended to help the reader understand the consolidated financial statements of Avrupa.

The following information should be read in conjunction with the audited consolidated financial statements as at December 31, 2019, 2018 and 2017 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the company for the year ended December 31, 2019. Additional information relating to the Company can be found on SEDAR www.sedar.com.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

The following forward looking statements have been made in this MD&A:

- Impairment of long-lived assets;
- The Company's assumptions and estimates used in its Technical Report filed on July 5, 2010, as well as the potential resource estimates and interpretations from that Technical Report;
- The progress, potential and uncertainties of the Company's mineral properties in Portugal, Kosovo and Germany; and
- Expectations regarding the ability to raise capital and to continue its exploration and development plans on its properties.

ADDITIONAL INFORMATION

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.avrupaminerals.com.

SUMMARY AND OUTLOOK

Avrupa is a growth-oriented exploration and development company focused on discovering economic mineral deposits, using a hybrid prospect generator model (getting other partners to fund our properties to minimize dilution as well as funding our own exploration programs on our top projects), in politically stable and prospective regions of Europe, including Portugal, Kosovo and Germany.

Over the course of 9 years, Avrupa has brought in partners on its exploration projects that have invested over $15 million in exploration in addition to funds spent by Avrupa. That exploration has led to two discoveries – one gold deposit in Kosovo and one area of VMS mineralization in the prolific Iberian pyrite belt famous for copper-zinc deposits in southern Portugal.

While Avrupa has been focused on advancing its exploration projects with funds from partners who can earn an interest in its projects by spending exploration funds thereby reducing dilution for shareholders, the Company has recently completed its own exploration program at the Alvalade property, a 100%-owned, self-funded flagship project.

Avrupa continues to upgrade its precious and base metal targets to JV-ready status in a variety of districts, with the idea of attracting potential partners to project-specific and/or regional exploration programs.

During the year ended December 31, 2019, the Company continued to carefully manage its cash and corporate overhead activities. Detailed Mineral Property information, including 2019 activity, can be found in Section 3.

Management's overall expectations for the Company are positive, due in part to the following factors:

- The Company signed the Earn-In Joint Venture Agreement with MASTA on the Alvalade project.
- On February 25, 2019, the Company closed the final 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.
- The Company completed a non-brokered private placement by issuing 3,640,000 units at a price of $0.05 per share for gross proceeds of $182,000 in December 2019.
- The Company and Byrnecut International Limited ("Byrnecut") have been actively looking for a potential buyer for the joint interest in Peshter Mining J.S.C. where it holds the Slivovo gold deposit in Kosovo.
- The Company is highly experienced in Europe and is negotiating additional ventures on its existing portfolio of properties.

Trading Symbol (TSX-V: AVU / FRANKFURT: 8AM)
410-325 Howe Street
Vancouver, British Columbia
Canada V6C 1Z7
Tel: (604) 687-3520
Fax: 1-888-889 4874
www.avrupaminerals.com

TABLE OF CONTENTS

1. Background 5

2. Overview 5
- 2(a) Company Mission and Focus 5
- 2(b) Qualified Person 5
- 2(c) Description of Metal Markets 5
- 2(d) Use of the terms "Mineral Resources" and "Mineral Reserves" 6
- 2(e) Historical estimates are not NI 43-101 compliant 6

3. Mineral Properties 7
- 3(a) Portugal 8
- *a) Alvalade* 9
- *b) Other properties* 12
- *c) Exploration and prospect generation (countrywide)* 12
- 3(b) Kosovo 13
- *a) Slivovo JV with Byrnecut* 14
- *b) Metovit (formerly Kamenica)* 14
- 3(c) Germany 15
- *Oelsnitz* 15

4. Risks and Uncertainties 18

5. Impairment of Long-lived Assets 19

6. Material Financial and Operations Information 20
- 6(a) Selected Annual Financial Information 20
- 6(b) Summary of Quarterly Results 20
- 6(c) Review of Operations and Financial Results 21
- 6(d) Liquidity and Capital Resources 22
- 6(e) Disclosure of Outstanding Share Data 22
- 6(f) Commitment and Contingency 24
- 6(g) Off-Balance Sheet Arrangements 24
- 6(h) Transactions with Related Parties 24
- 6(i) Financial Instruments 26
- 6(j) Management of Capital Risk 28

7. Subsequent Events 29

8. Policies and Controls 29

9. Information on the Board of Directors and Management 31

1. Background

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia.

On July 13, 2010, the Company acquired (a) 90% of the issued and outstanding shares in MAEPA and (b) 92.5% of the issued and outstanding shares of Innomatik Exploration Kosovo LLC, a private Kosovo company ("Innomatik") and began trading on the TSX Venture Exchange under the symbol "AVU" as of July 14, 2010. In April 2012, the Company acquired the remaining 10% of MAEPA to own 100% interest in MAEPA from its non-controlling interest owner. On August 20, 2013, the Company acquired the remaining 7.5% of Innomatik to own 100% interest in Innomatik from its non-controlling interest owners.

The Company and its subsidiaries' principal activities are to locate, explore and develop the mineral resources properties in Europe.

In September 2012, the Company secured a listing in Europe and began trading on the Frankfurt Stock Exchange under the trading symbol "8AM".

2. Overview

2(a) Company Mission and Focus

The Company is focused on exploring and developing economic mineral projects in Europe as a "hybrid prospect generator" company. The Company plans to explore different stages exploration projects, and to acquire and option out these exploration projects, while keeping a retained interest.

2(b) Qualified Person

Mr. Paul W. Kuhn, M.Sc., a Licensed Professional Geologist and a Registered Member of The Society of Mining Engineers, is a Qualified Person, as defined by National Instrument 43-101. Mr. Kuhn has reviewed the technical contents of this MD& A.

2(c) Description of Metal Markets

Market interest for all metals such as gold and copper is volatile and the Company will monitor its resources relative to its opportunities during the coming fiscal year.

2(d) Use of the terms "Mineral Resources" and "Mineral Reserves"

Any reference in this MD&A to Mineral Resources does not mean Mineral Reserve.

A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

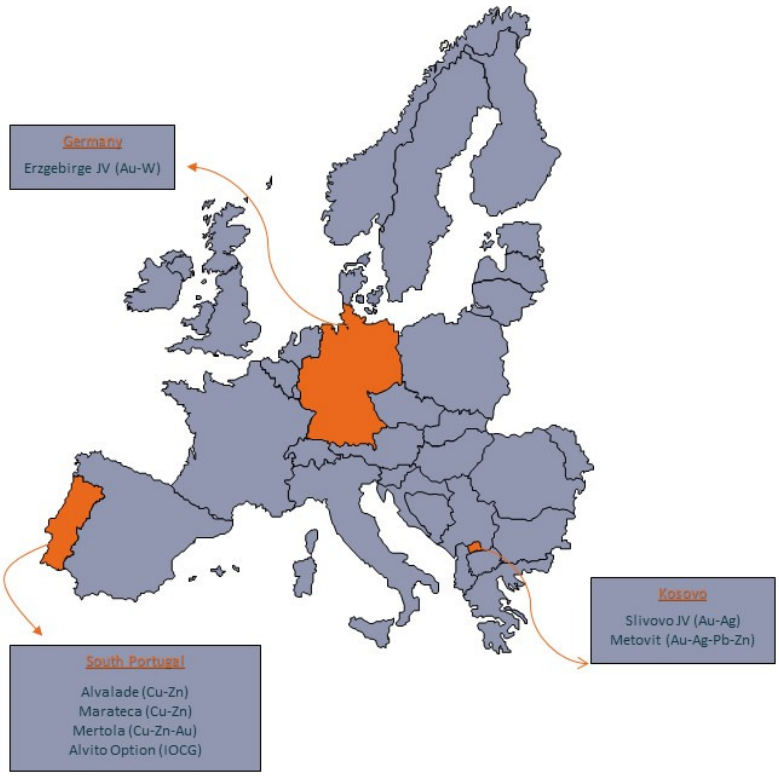
Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

2(e) Historical estimates are not NI 43-101 compliant

The historical estimates contained in this MD&A have not been calculated in accordance with the mineral resources or mineral reserves classifications contained in the CIM Definition Standards on Mineral Resources and Mineral Reserves, as required by National Instrument 43-101 ("NI 43-101"). Accordingly, the Company is not treating these historical estimates as current mineral resources or mineral reserves as defined in NI 43-101, and such historical estimates should not be relied upon. A qualified person has not done sufficient work to date to classify the historical estimates as current mineral resources or mineral reserves.

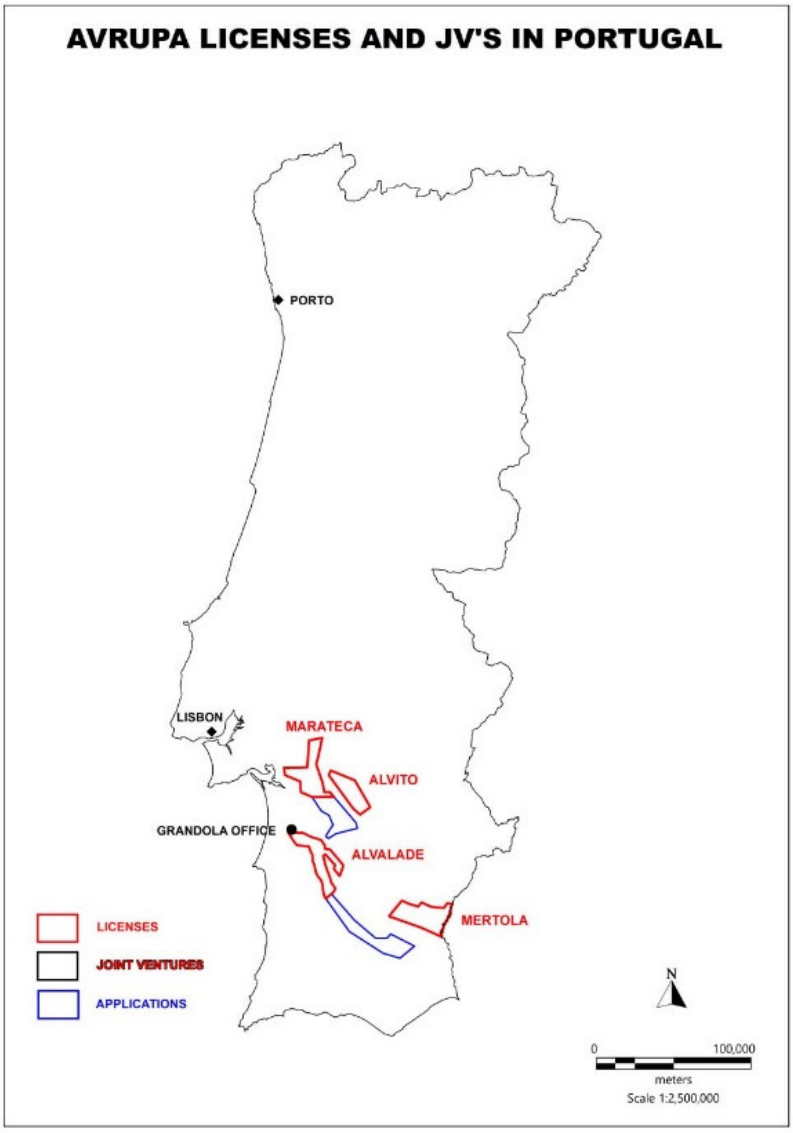
3. Mineral Properties

The following is a brief description of the Mineral Properties owned by the Company. Additional information can be obtained from the Company's website (www.avrupaminerals.com).



3(a) Portugal

The Company through its wholly-owned subsidiary MAEPA Lda., is currently focused in the Portuguese portion of the Iberian Pyrite Belt, a district with over 2,000 years of mining history from at least Roman times.



a) Alvalade

The Alvalade JV Cu-Zn VMS Project is located in the *Iberian Pyrite Belt* which hosts seven active mines in Portugal and Spain. Ongoing work along the Caveira-Lousal-Sesmarias Trend in the Alvalade JV Cu-Zn Project suggests a unique brownfields/development opportunity in a +50 Mt district, which includes two past-producing mines and recent discovery of VMS-style mineralization at Sesmarias and Monte da Bela Vista.

Drilling done by the Company in 2019 demonstrated potential robustness of the massive sulfide mineralization at Sesmarias. Presently, geological parameters of the 10 Lens suggest a mineralized body with dimensions at least 600 meters long x 300 meters wide x 25 meters thick. Drill intercept grades average 0.35 – 0.5% copper and 0.4 - 1 g/t gold in just six holes along the strike length of presently known mineralization. See news releases on February 11, 2019, March 11, 2019 and March 17, 2019.

On November 19, 2019, the Company and MAEPA (collectively the "Company") and Minas de Aguas Teñidas, S.A. ("MATSA") and its wholly-owned subsidiary Emisurmin Unipessoal Ltda. ("EUL") (collectively "MATSA") entered into an Earn-In Joint Venture Agreement (the "Agreement") in respect of the Alvalade project. Pursuant to the Agreement, Pormining was incorporated to hold assets and develop mineral rights (both as defined) and EUL can earn up to an 85% interest in Pormining, Unipessoal Lda. ("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

<u>Phase I – First Option</u>

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 ($291,660) 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.

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.

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 Antofogasta 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;
- 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.

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.

The aim of the first stage of the joint venture is to delineate a deposit at Sesmarias or at any other targets within the Alvalade License with a significant drill program. Some of those other targets include the past-producing Lousal Mine, the Monte da Bela Vista stockwork zone, and at the past-producing Caveira Mine.

b) Other properties

The Company had applied to DGEG to drop the Alvito and Mertola licenses and as of the date of the MD&A, DGEG had not processed such requests. The Company dropped the Marateca license and wrote off $1,096,840 during fiscal 2019.

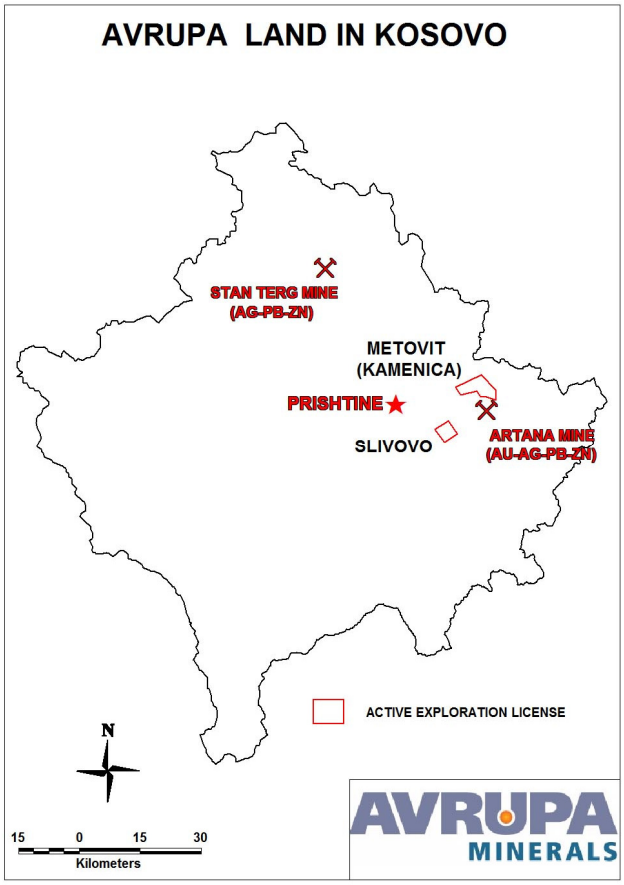
c) Exploration and prospect generation (countrywide)

The Company maintains excellent relations with both the Mining Bureau and the Geological Survey in Portugal. The Company intends to continue to generate high quality metal targets in Portugal, using innovative and aggressive exploration thinking and activities to upgrade the targets to JV-ready status. With a hybrid prospect generator business model, the Company will continue to explore its flagship project while attracting larger, mining-oriented companies to take on the projects for further, higher-risk exploration, and hopefully development into metals' production.

For further information, please refer to the Company's news releases on www.sedar.com or on the Company's website.

3(b) Kosovo

The Company, through its subsidiary Innomatik Exploration Kosovo (Innomatik), has been advancing its prospects in Kosovo towards JV-ready status, and has now successfully attracted a JV partner for its Slivovo project.



The Company's senior Kosovo management has long-term experience with the democratically-elected Kosovo government, with the United Nations and European Union administrators of the pre-independent country, and with the metallogeny and mineral deposits of the region. The Company is currently the most active metals' exploration group in Kosovo. There has been little modern, systematic exploration performed in Kosovo to date, leaving an opportunity for successful prospect and project generation. The Company optioned one exploration license to a partner (**Slivovo**), while continuing to upgrade its other project at the **Metovit** exploration license to JV ready status.

The Company's Kosovo properties have outcropping base metal mineralization and/or significant alteration zones. Most of the targets have not been previously drilled and have old workings of perhaps Roman and certainly Saxon age, to possibly early 20th century age in a number of locales.

a) Slivovo JV with Byrnecut

The Slivovo exploration license is located approximately 15 km southeast of the capital Prishtine. The Company's geologists first discovered an outcropping gossan zone, 200 meters long x 100 meters wide x 75 meters in elevation, near the village of Pester in late 2011.

On April 10, 2014, the Company signed an earn-in and shareholders agreement ("Earn-In Agreement") to option out the Slivovo property to Byrnecut. Under the Earn-In Agreement, Byrnecut has the option to earn a 51% interest in the Slivovo property by spending €1,000,000 in exploration on the project by April 10, 2015 (spent), of which €360,000 is a firm commitment and must be spent by October 10, 2014 (spent). Byrnecut can then earn a further 24% by spending an additional €1,000,000 for a total interest of 75% with total expenditures of €2,000,000, by April 10, 2016 (completed in September 2015). Byrnecut can further earn an additional 10% by completing a Preliminary Feasibility Study on the Slivovo Project for a total interest of 85% by April 10, 2017 (work completed in December 2016; study accepted in February 2017).

Upon the completion of the Slivovo Gold Project Study (the "Study") in early 2017, Byrnecut International Limited ("Byrnecut") earned into an 85% interest in the joint venture entity of Peshter Mining J.S.C. ("Peshter Mining") with Avrupa holding 15%. Avrupa decided not to participate in financing further drill program at Slivovo, allowing Byrnecut to dilute Avrupa's interest in Peshter Mining. Avrupa's interest in Peshter Mining had since been diluted to below 10%, resulting in the Company's interest being converted into a 2% NSR. As of December 31, 2019, 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.

b) Metovit (formerly Kamenica)

The Kamenica license was renewed for two years under the new Mining Law. The size of the license was reduced by 50% to approximately 45 km^2. Targets in the Kamenica license are located 2 to 5 kilometers, along strike, from the historic Artana (Novo Brdo) silver/lead/zinc/gold mine. The Artana Mine has operated intermittently since Saxon times in the 12^{th} to 14^{th} centuries. According to recently-acquired UNMIK (United Nations Mission in Kosovo) information, in modern times the Artana Mine has produced 4-5 million metric tonnes of +10% Pb and Zn, 140 g/t Ag, and 1 g/t Au, over its still-continuing operation. Production information was compiled during UNMIK (United Nations Mission in Kosovo) administration of Trepça Mines after the war in Kosovo. The historic production information for the Artana Mine is non - NI 43-101 – compliant, though Avrupa is of the opinion that the information is accurate with respect to available production records.

On February 14, 2012, the Company announced that it completed an initial round of exploratory drilling in late 2011 on the Kamenica license. Two core holes, totaling 382.6 meters, were completed at two separate targets located about three kilometers apart. The most interesting of the two holes, at the Metovic target, intercepted multiple generations of visible Fe-Zn-Pb sulfide mineralization in pervasive disseminations and stockwork quartz veining, hosted by strongly

altered, calcareous silt and sandstones over the entire 193.3-meter length of the hole. The hole bottomed in altered quartz diorite porphyry and brecciated quartz diorite containing fragments of the porphyry. The widespread anomalous sulfide mineralization and strong alteration may indicate the presence of a possible large porphyry-style system within the Kamenica license.

The second hole, at the Grbes target, encountered pyritic gneisses from close to the surface to 120 meters depth, followed by sooty, pyritic black shales and graphitic schists to the bottom of the hole at 189.3 meters. These strongly altered rock units do not appear at the surface, and are of an older Vardar formation that has been uplifted in this portion of the exploration area. Further work is necessary to assist in targeting for a possible large mineral system.

The Kamenica license has been dropped, but replaced by the fully-overlapping new Metovit application. ICMM has now approved the new license. In February 2016, Byrnecut advanced €31,871 for the Company to meet 2016 legal work commitments and further advance this property. Geological and geochemical review work on the property continued at the end of 2016 and into the first month of 2017. About 700 samples were sent to the lab, and the results have been tabulated, compiled and reviewed. Results of the sampling indicated geochemical anomalism along certain structures crossing the license. However, there were only a few indications of wide zones of potential mineralization. The possibility of further follow-up work is being discussed. The initial period of the Metovit license expired, and Kosovo mining bureau issued an extension that is valid until January 31, 2021.

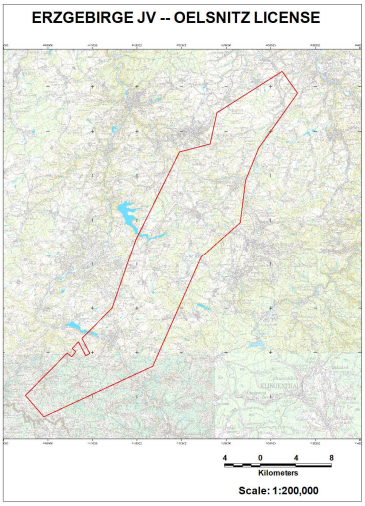
The Company plans to re-start work in Kosovo at the Metovit project and has an application in to the Government of Kosovo for an attractive gold-silver-base metals area that has been unavailable for exploration for over 10 years.

3(c) Germany

Oelsnitz

On January 23, 2012, the Company announced the signing of a Memorandum of Understanding ("MOU") with Beak Consultants GmbH ("Beak") to explore for gold deposits in the Erzgebirge mining district near Oelsnitz in the Free State of Saxony in eastern Germany. The Company must spend €140,000 for exploration purpose to gain 85% of Oelsnitz Exploration License, which was issued to Beak on January 12, 2012. The license covers 307.2 square kilometers and has been issued for gold, silver, tin, tungsten, molybdenum, copper, lead, zinc, tellurium, barite and fluorite. The license is valid until March 31, 2016, and renewable upon proof of continued exploration activities. There is no royalty attached to the license. Renewal until March 31, 2019 has been approved.

The Company earned into 85% of the project (as of December 31, 2019 - $252,083 (€192,576)), and the two companies are setting up a joint venture to further explore for gold on the property. The goal of the Company is to explore for and find gold targets related to the emplacement of large granitic intrusions. Previous work has not, at all, been dedicated to gold exploration in this region, and the Company is probably the first group to do so. The first-pass work completed at the end of 2012 indicated several areas of gold and tin anomalism that need further follow-up. Follow-up of gold and tin anomalism in a number of target areas is now currently underway and the Company is continuing to look for joint venture partnerships at the present time.


ERZGEBIRGE JV -- OELSNITZ LICENSE
4 0 4 8
Kilometers
Scale: 1:200,000

The Company's exploration expenses for the year ended December 31, 2019 and the cumulative exploration expenses since acquisition of MAEPA and Innomatik are:

	Portugal			Kosovo		Germany	Others	
	Alvito	Alvalade	Others	Slivovo	Others			Total
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

4. Risks and Uncertainties

The Company is engaged in the exploration for mineral deposits. These activities involve significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

Inherent risks within the mining industry

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

Prices for metals

Metals prices are subject to volatile price fluctuations and have a direct impact on the commercial viability of the Company's exploration properties. Price volatility results from a variety of factors, including global consumption and demand for metals, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future metal sales. The Company closely monitors metal prices to determine the appropriate course of action to be taken by the Company.

Foreign currency risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while foreign operations are predominately conducted in Euros and US dollars. Fluctuations in the exchange

rates between the Canadian dollar, Euros and US dollar may impact the Company's financial condition.

Risks Associated with Foreign Operations

The Company's investments in foreign countries such as Portugal, Germany and Kosovo carry certain risks associated with different political, business, social and economic environments. The Company is currently evaluating various commodities in Portugal and Kosovo, but will undertake new investments only when it is satisfied that the risks and uncertainties of operating in different cultural, economic and political environments are manageable and reasonable relative to the expected benefits.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance and regulatory characteristics of property rights in certain foreign countries.

Future government, political, legal or regulatory changes in the foreign jurisdictions in which the Company currently operates or plans to operate could affect many aspects of the Company's business, including title to properties and assets, environmental protection requirements, labor relations, taxation, currency convertibility, repatriation of profits or capital, the ability to import necessary materials or services, or the ability to export produced materials.

5. Impairment of Long-lived Assets

The Company completed an impairment analysis as at December 31, 2019 and wrote down the Slivovo property by $143,154 as well as wrote off the Marateca property by $1,096,840. Other than those written down, the Company concluded that no other impairment charge was required because:

- the Company capitalized only its acquisition costs of MAEPA and Innomatik;
- there have been no significant changes in the legal factors or climate that affects the value of the properties in Portugal and Kosovo;
- all properties in Portugal and Kosovo remain in good standing; and
- the Company and its joint-venture partner intend to continue its exploration and development plans on the property.

6. Material Financial and Operations Information

6(a) Selected Annual Financial Information

Selected Annual Information

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total revenues	$ -	$ -	$ -
General and administrative expenses	548,254	755,446	863,695
Loss for the year	2,097,599	1,885,332	1,906,297
Loss per share	(0.02)	(0.02)	(0.02)
Total assets	411,689	1,937,958	2,130,105
Total long-term financial liabilities	9,939	18,096	24,058
Cash dividends declared – per share	N/A	N/A	N/A

6(b) Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

	Three months ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total Revenues	$ -	$ -	$ -	$ -
Loss (gain) before other items	$ (58,266)	$ 126,555	$ 238,740	$ 515,972
Net loss	$ 1,222,817	$ 126,631	$ 231,992	$ 516,159
Loss per share	$ 0.01	$ 0.00	$ 0.00	$ 0.00

	Three months ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total Revenues	$ -	$ -	$ -	$ -
Loss before other Items	$ 938,981	$ 234,392	$ 317,593	$ 351,114
Net Loss	$ 984,534	$ 234,374	$ 315,058	$ 351,366
Loss per share	$ 0.01	$ 0.00	$ 0.00	$ 0.00

6(c) Review of Operations and Financial Results

For three months ended December 31, 2019 and three months ended December 31, 2018

During the three months ended December 31, 2019, the Company reported a loss of $1,222,817 ($0.01 loss per share) (2018 – $984,534 ($0.01 loss per share)).

Excluding the non-cash depreciation of $3,496 (2018 – $Nil), the Company's general and administrative expenses amounted to $206,808 during the three months ended December 31, 2019 (2018 – $203,434), a slight increase of $3,374 as the Company continued to conserve cash. The Company incurred a write-down of exploration and evaluation assets of $1,239,994 (2018 - $ Nil), a write-down of tax deposits of $41,200 (2018 - $Nil) and a write-down of property deposits of $Nil (2018 - $49,962).

During the three months ended December 31, 2019, the Company expensed exploration costs totaling $23,110 including a negative amount of $503 on Alvito, $1,168 on Alvalade, a negative amount of $6,558 on other projects in Portugal (due to adjustments to amounts recorded in previous quarters) and $29,003 on other projects in Kosovo. During the three months ended December 31, 2018, the Company expensed exploration costs totaling $828,561 including $91,172 on Alvito, $679,333 on Alvalade, $1,843 on Covas, $27,320 on other projects in Portugal and $28,893 on other projects in Kosovo.

For the year ended December 31, 2019 and years ended December 31, 2018 and 2017

During the year ended December 31, 2019, the Company reported a loss of $2,097,599 ($0.02 loss per share) (2018 – $1,885,332 ($0.02 loss per share); 2017 - $1,906,297 ($0.02 loss per share)).

Excluding the non-cash depreciation of $3,496 (2018 - $Nil; 2017 - $2,589) and share-based payment of $9,369 (2018 – $141,124; 2017 – $110,564), the Company's general and administrative expenses amounted to $535,389 during the year ended December 31, 2019 (2018 - $614,322; 2017 - $750,542), a decrease of $78,933 from the year ended December 31, 2018 as a result of the decreases in consulting fees (from 2018's $143,332 to 2019's $117,278) and professional fees (from 2018's $231,065 to 2019's $191,238). The Company incurred a write-down of exploration and evaluation assets of $1,239,994 (2018 - $Nil; 2017 - $71,289), a write-down of tax deposits of $41,200 (2018 - $Nil; 2017 - $Nil) and a write-down of property deposits of $Nil (2018 - $49,962; 2017 - $Nil).

During the year ended December 31, 2019, the Company expensed exploration costs totaling $566,427 including $93,492 on Alvito, $398,196 on Alvalade, $28,812 on other projects in Portugal and $45,927 on other projects in Kosovo. During the year ended December 31, 2018, the Company expensed exploration costs totaling $2,276,286 including $1,079,479 on Alvito, $848,219 on Alvalade, $12,898 on Covas, $225,284 on other projects in Portugal, $89,808 on other projects in Kosovo, and $20,598 on others. During the year ended December 31, 2017, the Company expensed exploration costs totaling $1,742,813 including $109,482 on Covas, $222,672 on Alvalade, $655,098 on Alvito, $418,276 on other projects in Portugal, $235,563 on other projects in Kosovo, $29,621 on its project in Germany, and $72,101 on others.

6(d) Liquidity and Capital Resources

As at December 31, 2019, the Company had a deficit working capital of $963,773 (December 31, 2018 – deficit working capital of $536,310). With respect to working capital, $58,343 was held in cash (December 31, 2018 - $106,288). The decrease in cash was mainly due to the general administrative expenses and exploration work expense totaling $435,249 while being offset by net proceeds from issuance of common shares of $270,456 and recovery of property deposit of $116,772.

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 ("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.

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.

As of the date of this MD&A, the Company has no outstanding commitments. The Company has not pledged any of its assets as security for loans other than $17,500 (€12,000) cash pledge for its exploration licenses in Portugal and is not subject to any debt covenants.

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.

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company's current treasury and the future cash flows from warrants, finders' warrants and options, along with the planned developments within the Company as well as with its JV partners will allow its efforts to continue throughout 2020. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

6(e) Disclosure of Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at December 31, 2019, the Company's share capital was

$9,733,139 (December 31, 2018 - $9,582,406) representing 114,073,797 common shares (December 31, 2018 – 108,433,797 common shares).

Stock option transactions and the number of stock options 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 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
February 25, 2022 (1)	$0.10	-	2,000,000	-	-	2,000,000
December 18, 2021	$0.05	-	1,820,000	-	-	1,820,000
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

*Subsequently, these warrants expired unexercised.

(1) These warrants have a forced exercise price. If the closing price of the Company's share 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.

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

If the remaining options, warrants, finder's options, including the warrants associated with the finder's options, were exercised, the Company's available cash would increase by $4,914,650.

As of the date of this MD&A, there were 114,073,797 common shares issued and outstanding and 156,501,797 common shares outstanding on a diluted basis.

6(f) Commitment and Contingency

Property deposits:

As of December 31, 2019, the Company had a total of $17,500 (€12,000) (2018: $134,272 (€86,000)) 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).

Tax deposits:

In November 2018, MAEPA paid €56,505 ($88,201) in lieu of bank guarantees of €77,918 ($121,625) to the Directora 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).

6(g) Off-Balance Sheet Arrangements

None.

6(h) Transactions with Related Parties

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, 2019

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Other expenses	Share-based payments	Total
Paul W. Kuhn [(g)] Chief Executive Officer, Director	$ 163,766	$ Nil	$ Nil	$ Nil	$ 53,482	$ Nil	$ 217,248
Paul L. Nelles [(c)] Director	$ 8,070	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 8,070
Frank Hogel Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 5,530	$ 5,530

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 [g] 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
Paul L. Nelles [c] Director	$ 19,950	$ Nil	$ Nil	$ Nil	$ Nil	$ 7,670	$ 27,620
Frank Hogel Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 7,670	$ 7,670
Mark T. Brown Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 9,588	$ 9,588
Paul Dircksen Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 7,670	$ 7,670
Ross Stringer Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 7,670	$ 7,670
Adriano Barros [d]	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 5,369	$ 5,369

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 [g] 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
Paul L. Nelles [c] Director	$ 19,100	$ Nil	$ Nil	$ Nil	$ Nil	$ 4,220	$ 23,320
Frank Hogel Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 4,220	$ 4,220
Mark T. Brown Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 12,660	$ 12,660
Paul Dircksen Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 4,220	$ 4,220
Ross Stringer Director	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 4,220	$ 4,220
Adriano Barros [d]	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 16,880	$ 16,880

Related party assets / liabilities

		Years ended				
	Services / Advances	December 31, 2019	December 31, 2018	December 31, 2017	As at December 31, 2019	As at December 31, 2018
Amounts due to:						
Pacific Opportunity Capital Ltd. [(a)]	Rent, management, accounting, marketing and financing services	$ 198,158	$ 228,455	$ 218,690	$ 319,029 [(b)]	$ 62,754
Paul W. Kuhn [(g)]	Consulting, salaries, housing allowance and share-based payment	$ 217,248	$ 326,903	$ 335,970	$ 203,519	$ 33,523
Mark T. Brown [(f)]	Short-term loan	$ 16,000	$ Nil	$ Nil	$ 16,518	$ Nil
Paul L. Nelles [(c)]	Salaries and share-based payment	$ 8,070	$ 27,620	$ 23,320	$ 14,583	$ Nil
Mineralia [(d)]	Consulting	$ Nil	$ 157,536	$ 198,089	$ 14,948	$ 34,375
B&B Renting and Consulting Lda. [(e)]	Rent	$ Nil	$ Nil	$ 42,026	$ Nil	$ Nil
Adriano Barros [(d)]	Share-based payment	$ Nil	$ 5,369	$ 16,880	$ Nil	$ Nil
TOTAL:		$ 439,476	$ 745,883	$ 834,975	$ 568,597	$ 130,652

(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) Mineralia, a private company partially owned by Adriano Barros, the general manager of MAEPA.
(e) B&B Renting and Consulting Lda., a private company partially owned by Adriano Barros, the general manager of MAEPA.
(f) Mark T. Brown is a director of the Company. The $16,000 advance is non-interest bearing without specific terms of repayment.
(g) 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.

6(i) 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. The Company's receivable consists primarily of goods and services tax due from the federal government of Canada and the value-added taxes in Portugal and Kosovo.

(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, 2019, the Company had cash of $58,343 (December 31, 2018 - $106,288), VAT receivables of $17,042 (December 31, 2018 - $22,308) and other receivables of $29,096 (December 31, 2018 - $35,636) to settle current liabilities, net of funds held for optionees and accounts payable owed by optionees, of $1,099,588 (December 31, 2018 - $766,550).

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(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 $339,300 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 $6,600.

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 December 31, 2019.

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.

6(j) Management of Capital Risk

The Company manages its cash, common shares, warrants, finder's options and share purchase options as capital. 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.

7. Subsequent Events

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. See Notes 3 a) and 5.

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

- The company 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, the company has the 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 the company, the parties mutually agree on the termination of the Agreement or as provided for under the Earn-In Joint Venture Agreement.

8. Policies and Controls

8(a) Significant Accounting Policies 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. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 for. The functional currency of its wholly-owned subsidiaries in Europe is the Euros and that the functional currency of its wholly-owned 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; and

- 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.

Significant estimates

- The estimate that 50% of the tax deposits will be recovered within one to five years.

8(b) Changes in Internal Controls over Financial Reporting ("ICFR")

Changes in Internal Control Over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

Disclosure Controls and Procedures

The Company's CEO and CFO are responsible for establishing and maintaining the Company's disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company's disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

9. Information on the Board of Directors and Management

Directors:
Mark T. Brown, B.Comm, CPA, CA
Paul Kuhn, M.Sc., P. Geo, SME Registered Member, QP
Paul Dircksen, M.S.
Dr. Paul Nelles
Frank Högel

Audit Committee members:
Mark T. Brown (Chair), Paul Dircksen and Frank Högel

Management:
Paul Kuhn, M.Sc. – Chief Executive Officer, President
Winnie Wong, CPA, CA – Chief Financial Officer and Corporate Secretary