



AVRUPA MINERALS LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2020, 2019 AND 2018

AVRUPA MINERALS LTD.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Avrupa Minerals Ltd. (“the Company”), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019 and the consolidated statements of comprehensive loss, changes in shareholders’ (deficiency) / equity and cash flows for each of the years in the three year period ended December 31, 2020, and a summary of significant accounting policies and other explanatory information (collectively referred to as the “financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 and its financial performance and its cash flows for each of the years in the three year period ended December 31, 2020, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Going Concern

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that there are material uncertainties that cast significant doubt about the going concern assumption. The Company has no current source of revenue, has incurred losses from inception and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement, whether due to fraud or error. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

April 28, 2021

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

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

	Note	2020	2019
Assets			
Current assets			
Cash		\$ 205,238	\$ 58,343
Prepaid expenses and advances		54,766	31,334
Due from optionees	5	61,249	31,622
VAT receivables		21,922	17,042
Other receivables		28,494	29,096
		<u>371,669</u>	<u>167,437</u>
Non-current assets			
Property deposits	6	1,561	17,500
Tax deposits	6	41,201	41,201
Exploration and evaluation assets	5	167,920	167,921
Equipment	4	5,296	17,630
Investment in PorMining	5	765	-
		<u>216,743</u>	<u>244,252</u>
Total assets		\$ 588,412	\$ 411,689
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 162,566	\$ 524,028
Accounts payable owed by optionees		61,249	31,622
Due to related parties	8	754,296	568,597
Current portion of long-term loan	9	7,900	6,963
		<u>986,011</u>	<u>1,131,210</u>
Non-current liabilities			
Long-term loan	9	2,738	9,939
		<u>2,738</u>	<u>9,939</u>
Shareholders' (deficiency)			
Share capital	7	9,994,879	9,733,139
Reserves	7	6,988,675	6,782,381
Deficit		(17,383,891)	(17,244,980)
		<u>(400,337)</u>	<u>(729,460)</u>
Total shareholders' (deficiency) and liabilities		\$ 588,412	\$ 411,689

These consolidated financial statements are authorized for issue by the Board of Directors on April 28, 2021. They are signed on the Company's behalf by:

/s/Paul W. Kuhn
Director

/s/Mark T. Brown
Director

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

	Note	2020	2019	2018
Mineral exploration expenses				
Mineral exploration expenses	5	\$ 80,343	\$ 566,427	\$ 2,276,286
Reimbursements from optionee	5	(434,982)	(291,680)	(1,189,652)
		<u>354,639</u>	<u>(274,747)</u>	<u>(1,086,634)</u>
General administrative expenses				
Bank charges		974	1,784	4,661
Consulting fees, wages and benefits		192,577	117,278	143,332
Depreciation		13,303	3,496	-
Investor relations		94,314	139,494	132,189
Listing and filing fees		8,035	9,062	8,791
Office and administrative fees		18,468	19,052	28,686
Professional fees	8	129,511	191,238	231,065
Rent	8	10,200	12,286	9,000
Share-based payment	8	-	9,369	141,124
Transfer agent fees		18,648	9,472	9,670
Travel		8,329	35,723	46,928
		<u>(494,359)</u>	<u>(548,254)</u>	<u>(755,446)</u>
Other items				
Foreign exchange gain (loss)		802	(195)	(485)
Interest income		8	148	1,181
Gain on disposal of equipment		-	6,643	-
Other income		-	-	6,014
Write-down of exploration and evaluation assets	5	(1)	(1,239,994)	-
Write-down of tax deposits	6	-	(41,200)	-
Write-down of property deposits	6	-	-	(49,962)
		<u>809</u>	<u>(1,274,598)</u>	<u>(43,252)</u>
Net loss for the year		<u>(138,911)</u>	<u>(2,097,599)</u>	<u>(1,885,332)</u>
Exchange difference arising on the translation of foreign subsidiaries		(16,786)	20,714	(16,548)
Comprehensive loss for the year		\$ (155,697)	\$ (2,076,885)	\$ (1,901,880)
Basic and diluted loss per share	10	\$ (0.00)	\$ (0.08)	\$ (0.08)

AVRUPA MINERALS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIENCY) / EQUITY
(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, 2017		21,729,696	\$ 8,786,896	\$ 4,674,092	\$ 277,893	\$ 1,147,979	\$ 19,878	\$ 6,119,842	\$ (13,262,049)	\$ 1,644,689
Share issues:										
Shares issued for private placements		5,378,750	851,354	430,646	-	-	-	430,646	-	1,282,000
Share issue costs		-	(55,844)	-	-	-	-	-	-	(55,844)
Share-based payment		-	-	-	-	141,124	-	141,124	-	141,124
Comprehensive loss		-	-	-	-	-	(16,548)	(16,548)	(1,885,332)	(1,901,880)
Balance as at December 31, 2018		27,108,446	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 placements		1,410,000	204,766	77,234	-	-	-	77,234	-	282,000
Share issue costs	8	-	(54,033)	-	-	-	-	-	-	(54,033)
Share-based payment		-	-	-	-	9,369	-	9,369	-	9,369
Comprehensive loss		-	-	-	-	-	20,714	20,714	(2,097,599)	(2,076,885)
Balance as at December 31, 2019		28,518,446	9,733,139	5,181,972	277,893	1,298,472	24,044	6,782,381	(17,244,980)	(729,460)
Share issues:										
Shares issued for private placement		4,219,641	283,277	223,080	-	-	-	223,080	-	506,357
Share issue costs	8	-	(21,537)	-	-	-	-	-	-	(21,537)
Comprehensive loss		-	-	-	-	-	(16,786)	(16,786)	(138,911)	(155,697)
Balance as at December 31, 2020		32,738,087	\$ 9,994,879	\$ 5,405,052	\$ 277,893	\$ 1,298,472	\$ 7,258	\$ 6,988,675	\$ (17,383,891)	\$ (400,337)

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

	2020	2019	2018
Cash flows from operating activities			
Net loss for the year	\$ (138,911)	\$ (2,097,599)	\$ (1,885,332)
Items not involving cash:			
Depreciation	13,303	3,496	-
(Gain) loss on disposal of equipment	-	(6,643)	-
Mineral exploration expenses	-	10,996	23,796
Share-based payment	-	9,369	141,124
Write-down of exploration and evaluation assets	1	1,239,994	-
Write-down of tax deposits	-	41,200	-
Write-down of property deposits	-	-	49,962
Changes in non-cash working capital items:			
VAT receivables	(4,880)	5,266	14,358
Due from optionees	(27,355)	11,601	(14,666)
Prepaid expenses and advances	(23,432)	34,674	(24,034)
Other receivables	602	6,540	(93,278)
Investment in PorMining	(765)	-	-
Accounts payable and accrued liabilities	(363,267)	(101,528)	486,711
Accounts payable owed by optionees	29,627	(11,601)	(45,464)
Due from/to related parties	188,949	392,145	39,129
Funds held for optionees	-	-	(167,910)
Exchange difference arising on the translation of foreign subsidiaries	(18,839)	26,841	(23,469)
Net cash provided by (used in) operating activities	(344,967)	(435,249)	(1,499,073)
Cash flows from investing activities			
Net proceeds from sale of equipment	-	6,643	-
Property deposits	15,939	116,772	-
Purchase of equipment	(7,452)	(6,567)	(6,810)
Net cash provided by (used in) investing activities	8,487	116,848	(6,810)
Cash flows from financing activities			
Proceeds from issuance of common shares	506,357	282,000	1,282,000
Share issue costs	(22,982)	(11,544)	(20,533)
Net cash provided by financing activities	483,375	270,456	1,261,467
Change in cash for the year	146,895	(47,945)	(244,416)
Cash, beginning of the year	58,343	106,288	350,704
Cash, end of the year	\$ 205,238	\$ 58,343	\$ 106,288
Supplementary information:			
Interest received	\$ 8	\$ 148	\$ 1,181

Supplemental disclosure with respect to cash flows (Note 12)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

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

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

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

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

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

b) Basis of preparation

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

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are effective as at December 31, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

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

	% of ownership	Jurisdiction	Nature of operations
MAEPA Empreendimentos Mineiros e Participacoes Lda	100%	Portugal	Exploration
Innomatik Exploration Kosovo LLC	100%	Kosovo	Exploration
Avrupa Holdings Inc. ⁽¹⁾	100%	Barbados	Holding
Avrupa Portugal Holdings Inc. ⁽¹⁾	100%	Barbados	Holding
Avrupa Kosovo Holdings Inc. ⁽¹⁾	100%	Barbados	Holding

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

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

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

b) Interests in Joint Arrangements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Investments in Associates and Joint Ventures

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

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

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

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

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

d) Foreign currencies

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Exploration and evaluation assets and expenditures

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

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

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

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

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

f) Share-based payment transactions

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

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

g) Loss per share

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Significant accounting judgments and estimates

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

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

Critical judgments

- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent, management considered both the funds from financing activities and the currency in which goods and services are paid. The functional currency of its wholly-owned subsidiaries in Europe is the Euro and subsidiaries in Barbados is the US Dollar as management considered the currencies which mainly influence the cost of providing goods and services in those subsidiaries. The Company chooses to report in Canadian dollar as the presentation currency;
- The assessment of indications of impairment of each mineral property and related determination of the net realized value and write-down of those properties where applicable;
- The determination that the Company will continue as a going concern for the next year; and
- The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting. The Company's interest in PorMining is less than 50%, therefore it does not have the current ability to control the key operating activities of the company. Pursuant to the Shareholders' Agreement entered into by the companies, MAEPA, a wholly-owned subsidiary of the Company, was appointed operator during the Phase I period and the board of directors of PorMining is comprised of three directors appointed by EUL and two by MAEPA. The operator prepares and submits annual budgets and programs to the board for approval. Management has determined that the Company does not have significant influence over PorMining. Accordingly, the investment in PorMining is accounted for at cost and not as an investment in associate (Note 5).

Significant estimates

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) Provisions

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

j) Financial instruments

The following financial assets are classified as measured at amortized cost - cash, due from optionees, certain other receivables and property deposits.

The following financial liabilities are classified as measured at amortized cost – accounts payable and accrued liabilities, accounts payable owed by optionees, due to related parties and long-term loan.

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

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

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

k) Income taxes

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

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

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

AVRUPA MINERALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Presented in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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		8,158		2,757		1,530	12,445
As at December 31, 2020	\$	124,225	\$	41,985	\$	23,295	\$ 189,505
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 year		3,015		10,288		-	13,303
Exchange adjustment		7,784		2,162		1,530	11,476
As at December 31, 2020	\$	120,677	\$	40,237	\$	23,295	\$ 184,209
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 December 31, 2020	\$	3,548	\$	1,748	\$	-	\$ 5,296

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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
Write-down of property during the year	-	-	-	(1)	-	-	-	(1)
As of December 31, 2020	\$ -	\$ 167,920	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,920
Mineral exploration expenses for the year ended December 31, 2020								
Concession fees and taxes	\$ -	\$ -	\$ -	\$ 1,841	\$ -	\$ -	\$ -	\$ 1,841
Geological salaries and consulting	-	6,872	-	-	8,971	-	-	15,843
Office and administrative fees	-	4,414	-	74	444	-	-	4,932
Rent	-	55,899	-	-	-	-	-	55,899
Site costs	-	1,539	-	53	-	-	-	1,592
Travel	-	236	-	-	-	-	-	236
Reimbursements from optionee	-	(434,982)	-	-	-	-	-	(434,982)
	\$ -	\$ (366,022)	\$ -	\$ 1,968	\$ 9,415	\$ -	\$ -	\$ (354,639)
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	11,839	206,975	4	-	1,274,290
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	6,515,612	4,692,323	119,801	720,879	12,359	-	13,685,798
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	253,950	236,040	80,223	101,624	5,255	63,191	783,982
Rent	188,804	606,084	408,092	28,694	88,221	-	20,560	1,340,455
Report	-	-	-	24,232	-	-	-	24,232
Site costs	71,452	194,203	172,925	185,127	194,582	-	8,865	827,154
Travel	75,625	237,367	171,652	60,107	22,478	-	15,326	582,555
Trenching and road work	-	-	-	34,339	-	-	-	34,339
Reimbursements from optionee	(2,149,344)	(8,128,822)	(2,741,482)	(2,834,986)	(45,158)	-	-	(15,899,792)
	\$ 488,524	\$ 692,826	\$ 3,656,662	\$ 151,912	\$ 1,787,017	\$ 252,083	\$ 248,848	\$ 7,277,872

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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

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, Unipessoal Lda. (“PorMining”) was incorporated on December 17, 2019 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”.

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.

The effective date of the Transaction is the date that PorMining receives (received on June 15, 2020) 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

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Alvalade: (Continued)

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 (issued on June 15, 2020) 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 was received in December 2019 and the remaining €200,000 was received in June 2020);
- 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 (funded €100,000 in June 2020); 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 starting June 16, 2020, funded by MATSA and which shall form part of the first option expenditures. During the year 2020, €54,166 (\$82,864) was received and has been included in reimbursements from optionee. 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.

As of December 31, 2020, MATSA has funded a total of €464,450 on the Alvalade project, including the €100,000 guarantee with DGEG. Subsequently, MATSA funded another €502,000.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Alvalade: (Continued)

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 met 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;
 - 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 continue to be governed by the shareholder's agreement.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Alvalade: (Continued)

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.

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.

During fiscal 2020, the Company dropped the Alvito property.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

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 write off \$1,096,840.

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

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 \$33,844 (€21,684) as of December 31, 2020 which subsequently was reimbursed by Blackheath.

	December 31, 2020	December 31, 2019
Due from optionees		
Covas - Blackheath	\$ 33,844	\$ 31,622
Alvalade - PorMining	27,405	-
	<u>\$ 61,249</u>	<u>\$ 31,622</u>

Kosovo

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

- Metovit (subsequently dropped)

Slivovo license:

Byrncut International Limited ("Byrncut") 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. Byrncut and the Company 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 Byrncut being the operator. Avrupa's interest in Peshter Mining was subsequently diluted to below 10%, resulting in the Company's interest in Peshter Mining being converted into a 2% Net Smelter Return.

5. EXPLORATION AND EVALUATION ASSETS AND MINERAL EXPLORATION EXPENSES

(Continued)

Slivovo license: (Continued)

On December 31, 2019, the Company wrote down its interest in Slivovo by \$143,154 to \$1 as the Company was in negotiations with the Kosovo Mining Bureau, along with ByrneCut and Peshter Mining as to how to possibly extend the life of this license. During fiscal 2020, ByrneCut decided not to proceed with advancing Slivovo. Rather than dropping the license and potentially allowing a third party to stake the open land, Innomatik Exploration Kosovo LLC ("IEK"), ByrneCut and Peshter Mining entered into a binding term sheet (the "TS") whereby the parties set out the terms on which Peshter Mining would surrender the existing tenements, thereby enabling IEK to apply, as sole beneficial owner, for one or more tenements over the entirety of the tenement area. The license was officially released back to the government and IEK reapplied for the vacated license. The application was reviewed by the board of directors of the Mining Bureau, but no decision was made by the time of their final meeting of their term in office, leaving the decision to a new incoming board of directors. While a new board has not been appointed, the Company remains in discussion with the Mining Bureau concerning the issuance of a new exploration license for the Slivovo property. As of December 31, 2020, the Company wrote off \$1.

As consideration for ByrneCut ensuring that Peshter Mining complies with its obligations under the TS, IEK must pay to ByrneCut milestone cash payments totaling €375,000 and milestone gold payments totaling 850 troy ounces of gold as follows:

Cash

- €125,000 within 30 days of the first to occur of the completion of a positive bankable feasibility study or the board of directors of IEK making a decision to proceed with the development of a commercial mining operation in respect of all or any part of the tenement area;
- €125,000 within 30 days of issue of a mining license in respect of all or any party of the tenement area; and
- €125,000 within 30 days of commencement of construction of a mine within the tenement area.

Gold

- 100 troy ounces within 30 days of commencement of commercial production ("CCP");
- 175 troy ounces within 30 days of the one-year anniversary of CCP;
- 250 troy ounces within 30 days of the two-year anniversary of CCP; and
- 325 troy ounces within 30 days of the three-year anniversary of CCP.

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.

6. PROPERTY DEPOSITS / TAX DEPOSITS

Property deposits:

As of December 31, 2020, the Company had a total of \$1,561 (€1,000) (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 estimated that the judicial review process would 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 was 50%. As a result, tax deposits were written down by \$41,200 (€28,252) during the year ended December 31, 2019. During 2020, the judicial review ruled that approximately €1,971 VAT remained to be paid while the rest were annulled. The Company accepted this ruling. The Company is still waiting for a trial date regarding the stamp tax and it is estimated that the process can take another three to four years.

7. CAPITAL AND RESERVES

(a) Authorized:

At December 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 consolidation

On December 21, 2020, the Company consolidated its share capital on the basis of one new share for every 4 old shares. All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

(c) Share issuances:

- i. On March 26, 2018, the Company completed a non-brokered private placement by issuing 1,718,750 units ("Unit") at a price of \$0.32 per Unit for gross proceeds of \$550,000. Each Unit consists of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share for a 2-year period at a price of \$0.48. The warrants were ascribed a value of \$172,137.

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

7. CAPITAL AND RESERVES (Continued)

(c) Share issuances: (Continued)

- ii. On November 9, 2018, the Company closed the first tranche of a non-brokered private placement by issuing 2,500,000 units ("Unit") at a price of \$0.20 per Unit for gross proceeds of \$500,000, and on December 17, 2018 closed the second tranche of \$232,000 by issuing 1,160,000 units at a price of \$0.20 per Unit. Each Unit consists of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.40 until November 9, 2021 for the first tranche and until December 17, 2021 for the second tranche. The warrants were ascribed a value of \$179,897 and \$78,612 respectively. If however the closing price of the Company's shares are \$0.80 or greater for a period of 20 consecutive trading days, the warrants will expire on the earlier of the 30th day after such notice is given and the original expiry date.

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

- iii. On February 25, 2019, the Company completed the third tranche of a non-brokered private placement by issuing 500,000 units ("Unit") at a price of \$0.20 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 \$0.40. The warrants were ascribed a value of \$35,234. If however the closing price of the Company's shares are \$0.80 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.

- iv. On December 18, 2019, the Company completed a non-brokered private placement by issuing 910,000 units ("Unit") at a price of \$0.20 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 \$0.20 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.

- v. On October 23, 2020, the Company completed a non-brokered private placement by issuing 4,219,641 units ("Unit") at a price of \$0.12 per Unit for gross proceeds of \$506,357. Each Unit consists of one common share and one non-transferable warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.20 until October 23, 2023. The warrants were ascribed a value of \$223,080.

In connection with the financing, a total of \$21,537 share issue costs were incurred.

(d) 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.

On December 21, 2020, the Company's stock options were consolidated on a 4 for 1 basis and the exercised prices were reflected as such (Note 7(b)).

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7. CAPITAL AND RESERVES (Continued)

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

Stock option transactions and the number of stock options for the year ended December 31, 2020 are summarized as follows:

Expiry date	Exercise price	December 31, 2019	Granted	Exercised	Expired/ cancelled	December 31, 2020
July 15, 2020	\$0.40	503,750	-	-	(503,750)	-
September 26, 2021	\$0.72	393,750	-	-	-	393,750
April 26, 2022	\$0.40	327,500	-	-	-	327,500
March 14, 2023	\$0.40	450,000	-	-	-	450,000
March 26, 2023	\$0.40	10,000	-	-	-	10,000
January 7, 2024	\$0.20	45,750	-	-	-	45,750
Options outstanding		1,730,750	-	-	(503,750)	1,227,000
Options exercisable		1,730,750	-	-	(503,750)	1,227,000
Weighted average exercise price		\$0.47	\$Nil	\$Nil	\$0.40	\$0.50

As of December 31, 2020, the weighted average contractual remaining life is 1.53 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	\$0.66	50,000	-	-	(50,000)	-
July 15, 2020	\$0.40	503,750	-	-	-	503,750
September 26, 2021	\$0.72	393,750	-	-	-	393,750
April 26, 2022	\$0.40	327,500	-	-	-	327,500
March 14, 2023	\$0.40	450,000	-	-	-	450,000
March 26, 2023	\$0.40	10,000	-	-	-	10,000
January 7, 2024	\$0.20	-	45,750	-	-	45,750
Options outstanding		1,735,000	45,750	-	(50,000)	1,730,750
Options exercisable		1,735,000	45,750	-	(50,000)	1,730,750
Weighted average exercise price		\$0.48	\$0.20	\$Nil	\$0.660	\$0.47

Stock options transactions and the number of stock options for the year ended December 31, 2018 are summarized as follows:

Expiry date	Exercise price	December 31, 2017	Granted	Exercised	Expired/ cancelled	December 31, 2018
October 16, 2018	\$0.40	286,250	-	-	(286,250)	-
March 3, 2019	\$0.66	50,000	-	-	-	50,000
July 15, 2020	\$0.40	503,750	-	-	-	503,750
September 26, 2021	\$0.72	393,750	-	-	-	393,750
April 26, 2022	\$0.40	327,500	-	-	-	327,500
March 14, 2023	\$0.40	-	450,000	-	-	450,000
March 26, 2023	\$0.40	-	10,000	-	-	10,000
Options outstanding		1,561,250	460,000	-	(286,250)	1,735,000
Options exercisable		1,561,250	460,000	-	(286,250)	1,735,000
Weighted average exercise price		\$0.49	\$0.40	\$Nil	\$0.40	\$0.48

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7. CAPITAL AND RESERVES (Continued)

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

The weighted average assumptions used to estimate the fair value of options for the years ended December 31, 2020, 2019 and 2018 were:

	2020	2019	2018
Risk-free interest rate	n/a	1.33%	1.25%
Expected life	n/a	5 years	5 years
Expected volatility	n/a	123.92%	130.43%
Expected dividend yield	n/a	Nil	Nil

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

(e) Finder's Options:

On December 21, 2020, the Company's finder's options were consolidated on a 4 for 1 basis and the exercised prices were reflected as such (Note 7(b)).

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	\$0.40	102,813	-	-	(102,813)	-
Outstanding		102,813	-	-	(102,813)	-
Weighted average exercise price		\$0.40	\$Nil	\$Nil	\$0.40	\$Nil

The continuity of finder's options for the year ended December 31, 2018 is as follows:

Expiry date	Exercise price	December 31, 2017	Issued	Exercised	Expired	December 31, 2018
July 14, 2018	\$0.40	24,750	-	-	(24,750)	-
July 4, 2019	\$0.40	102,813	-	-	-	102,813
Outstanding		127,563	-	-	(24,750)	102,813
Weighted average exercise price		\$0.40	\$Nil	\$Nil	\$0.40	\$0.40

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7. CAPITAL AND RESERVES (Continued)

(f) Warrants:

On December 21, 2020, the Company's warrants were consolidated on a 4 for 1 basis and the exercised prices were reflected as such (Note 7(b)).

The continuity of warrants for the year ended December 31, 2020 is as follows:

Expiry date	Exercise price	December 31, 2019	Issued	Exercised	Expired	December 31, 2020
March 26, 2020	\$0.48	1,718,750	-	-	(1,718,750)	-
July 12, 2020	\$0.60	2,542,500	-	-	(2,542,500)	-
November 9, 2021 ⁽¹⁾	\$0.40	2,500,000	-	-	-	2,500,000
December 17, 2021 ⁽¹⁾	\$0.40	1,160,000	-	-	-	1,160,000
December 18, 2021	\$0.20	455,000	-	-	-	455,000
February 25, 2022 ⁽¹⁾	\$0.40	500,000	-	-	-	500,000
October 23, 2023	\$0.20	-	4,219,641	-	-	4,219,641
Outstanding		8,876,250	4,219,641	-	(4,261,250)	8,834,641
Weighted average exercise price		\$0.46	\$0.20	\$Nil	\$0.55	\$0.29

⁽¹⁾ These warrants have a forced exercise price. If the closing price of the Company's shares is \$0.80 or greater for a period of 20 consecutive trading days, the warrants will expire on the earlier of the 30th day after such notice is given and the original expiry date.

As of December 31, 2020, the weighted average contractual life is 1.82 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	\$0.60	3,386,750	-	-	(3,386,750)	-
March 26, 2020	\$0.48	1,718,750	-	-	-	1,718,750
July 12, 2020	\$0.60	2,542,500	-	-	-	2,542,500
November 9, 2021 ⁽¹⁾	\$0.40	2,500,000	-	-	-	2,500,000
December 17, 2021 ⁽¹⁾	\$0.40	1,160,000	-	-	-	1,160,000
December 18, 2021	\$0.20	-	455,000	-	-	455,000
February 25, 2022 ⁽¹⁾	\$0.40	-	500,000	-	-	500,000
Outstanding		11,308,000	955,000	-	(3,386,750)	8,876,250
Weighted average exercise price		\$0.52	\$0.30	\$Nil	\$0.60	\$0.46

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

Expiry date	Exercise price	December 31, 2017	Issued	Exercised	Expired	December 31, 2018
July 14, 2018	\$0.60	2,730,000	-	-	(2,730,000)	-
July 4, 2019	\$0.60	3,386,750	-	-	-	3,386,750
July 12, 2020	\$0.60	2,542,500	-	-	-	2,542,500
March 26, 2020	\$0.48	-	1,718,750	-	-	1,718,750
November 9, 2021 ⁽¹⁾	\$0.40	-	2,500,000	-	-	2,500,000
December 17, 2021 ⁽¹⁾	\$0.40	-	1,160,000	-	-	1,160,000
Outstanding		8,659,250	5,378,750	-	(2,730,000)	11,308,000
Weighted average exercise price		\$0.60	\$0.43	\$Nil	\$0.60	\$0.52

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7. CAPITAL AND RESERVES (Continued)

(f) Warrants: (Continued)

The weighted average assumptions used to estimate the fair value of warrants for the years ended December 31, 2020, 2019 and 2018 were:

	2020	2019	2018
Risk-free interest rate	1.46%	1.55%	1.14%
Expected life	3 years	2.52 years	2.68 years
Expected volatility	149.71%	118.63%	108.87%
Expected dividend yield	Nil	Nil	Nil

8. RELATED PARTY TRANSACTIONS AND BALANCES

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

For the year ended December 31, 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	\$ 150,000	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ 150,000

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 ^(e) 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 ^(e) 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 Dirksen Director	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ 7,670	\$ 7,670
Ross Stringer Director	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ 7,670	\$ 7,670
Adriano Barros ^(f)	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ 5,369	\$ 5,369

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

Related party liabilities

	Services / Advances	Years ended			As at December 31, 2020	As at December 31, 2019
		December 31, 2020	December 31, 2019	December 31, 2018		
Amounts due to:						
Pacific Opportunity Capital Ltd. ^(a)	Rent, management, accounting, marketing and financing services	\$ 132,435	\$ 198,158	\$ 228,455	\$ 456,055 ^(b)	\$ 319,029
Paul W. Kuhn ^(e)	Consulting, salaries, housing allowance and share-based payment	\$ 150,000	\$ 217,248	\$ 326,903	\$ 282,633	\$ 203,519
Mark T. Brown ^(d)	Short-term loan and expense reimbursement	\$ Nil	\$ 16,000	\$ Nil	\$ Nil	\$ 16,518
Paul L. Nelles ^(c)	Salaries and share-based payment	\$ Nil	\$ 8,070	\$ 27,620	\$ 15,608	\$ 14,583
Mineralia ^(f)	Consulting	\$ Nil	\$ Nil	\$ 157,536	\$ Nil	\$ 14,948
Adriano Barros ^(f)	Share-based payment	\$ Nil	\$ Nil	\$ 5,369	\$ Nil	\$ Nil
TOTAL:		\$ 282,435	\$ 439,476	\$ 745,883	\$ 754,296	\$ 568,597

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

(b) Includes a \$56,008 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 amount included a \$16,000 advance (paid), a non-interest bearing loan 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 general manager of MAEPA.

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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 \$11,159 (€7,150) as of December 31, 2020, including interest calculated at 5.635%, and maturing on April 5, 2022.

	December 31, 2020		December 31, 2019	
Long-term loan	\$ 10,638	€ 6,816	\$ 16,902	€ 11,590
Less: current portion of long-term loan	7,900	5,062	6,963	4,774
	<u>\$ 2,738</u>	<u>€ 1,754</u>	<u>\$ 9,939</u>	<u>€ 6,816</u>
Payment schedule of long-term loan				
Year 1	\$ 8,370	€ 5,363	\$ 7,821	€ 5,363
Year 2	2,789	1,787	7,821	5,363
Year 3	-	-	2,607	1,788
	<u>11,159</u>	<u>7,150</u>	<u>18,249</u>	<u>12,514</u>
Less: imputed interest	446	286	1,224	839
Other fees	75	48	123	84
	<u>\$ 10,638</u>	<u>€ 6,816</u>	<u>\$ 16,902</u>	<u>€ 11,591</u>

10. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2020 was based on the loss attributable to common shareholders of \$138,911 (2019 – \$2,097,599; 2018 – \$1,885,332) and a weighted average number of common shares outstanding of 29,313,952 (2019 – 27,564,148; 2018 – 23,448,850).

Diluted loss per share did not include the effect of 1,227,000 share purchase options and 8,834,641 warrants outstanding at year end (2019 – 1,730,750 share purchase options and 8,876,250 warrants; 2018 – 1,735,000 share purchase options, 102,813 finder's options and 11,308,000 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 and Kosovo and property deposits are held by Portuguese regulatory authorities. Amounts are receivable from optionees.

11. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

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

As at December 31, 2020, the Company had cash of \$205,238 (December 31, 2019 - \$58,343), VAT receivables of \$21,922 (December 31, 2019 - \$17,042) and other receivables of \$28,494 (December 31, 2019 - \$29,096) to settle current liabilities, net of accounts payable owed by optionees, of \$924,762 (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 \$29,700 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 \$200.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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11. FINANCIAL INSTRUMENTS (Continued)

The following table sets forth the Company's financial assets classified as subsequently measured at amortized cost as at December 31, 2020 and 2019.

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 205,238	\$ -	\$ -	\$ 205,238
Due from optionees	61,249	-	-	61,249
Other receivables	28,494	-	-	28,494
Property deposits	1,561	-	-	1,561
	\$ 296,542	\$ -	\$ -	\$ 296,542
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 measured at amortized cost.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The non-cash transactions during the years ended December 31, 2020, 2019 and 2018 were as follows:

- \$Nil (2019 - \$10,996; 2018 - \$23,796) in mineral exploration expenses was related to depreciation; and
- As at December 31, 2020, a total of \$1,805 (2019 - \$Nil; 2018 - \$3,311) in share issue costs were included in accounts payable and accrued liabilities and \$74,550 (2019 - \$77,800; 2018 - \$32,000) were included in due to related parties.

13. MANAGEMENT OF CAPITAL RISK

The Company manages its cash, common shares, warrants and share purchase options as capital (see Note 7). The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents held.

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry out its exploration or operations in the near term.

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14. INCOME TAX

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

	2020	2019	2018
Net loss	\$ (138,911)	\$ (2,097,599)	\$ (1,885,332)
Expected income tax recovery	\$ (37,000)	\$ (566,352)	\$ (509,040)
Effect of foreign tax rate	(16,000)	46,724	145,825
Non-deductible items	1,000	112,279	38,513
Deductible items	(6,000)	(15,196)	(15,911)
Unrecognized benefit of non-capital losses	58,000	422,545	340,613
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2020	2019
Deferred income tax assets		
Non-capital loss carryforwards	\$ 1,945,000	\$ 1,854,696
Allowable capital losses	9,000	-
Share issue costs	23,000	31,166
	<u>1,977,000</u>	<u>1,885,862</u>
Valuation allowance	(1,977,000)	(1,885,862)
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company has available for deduction against future taxable income non-capital losses of approximately \$7,201,500 in Canada (2019 - \$6,868,500). These losses, if not utilized, will expire through to 2040. Tax benefits which may arise as a result of these non-capital losses have not been recognized in these consolidated financial statements and have been offset by a valuation allowance. The following table shows the non-capital losses in Canada:

Year of Origin	Year of Expiry	Non-capital losses/(Income)
2008	2028	\$ 10,500
2009	2029	45,000
2010	2030	38,500
2010	2030	325,000
2011	2031	51,500
2012	2032	798,000
2013	2033	606,000
2014	2034	921,000
2015	2035	837,000
2016	2036	1,007,000
2017	2037	854,000
2018	2038	657,000
2019	2039	575,000
2020	2040	476,000
		<u>\$ 7,201,500</u>

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15. SEGMENTED FINANCIAL INFORMATION

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current assets		
Portugal	\$ 216,743	\$ 244,251
Kosovo	-	1
	<u>\$ 216,743</u>	<u>\$ 244,252</u>

	<u>Years ended</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Mineral exploration expenses		
Portugal	\$ 68,960	\$ 520,500
Kosovo	11,383	45,927

16. EVENT AFTER THE REPORTING PERIOD

Subsequent to December 31, 2020, the Company incorporated a wholly-owned subsidiary AVU Kosova LLC.