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AVRUPA MINERALS LTD.
(An Exploration Stage Company)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 April 28, 2021. 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, 2020, 2019 and 2018 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, 2020. 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.

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

- Impairment of long-lived assets;
- The progress, potential and uncertainties of the Company's mineral properties in Portugal and Kosovo; 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 and Kosovo.

Over the course of 10 years, Avrupa has brought in partners on its exploration projects that have invested approximately $24 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 large copper-zinc deposits in southern Portugal.

While Avrupa's goal of advancing its exploration projects using funding from partners who then earn an interest in the projects thereby reducing dilution for shareholders, in late 2018 and the early part of 2019, the Company completed its own exploration program at the Alvalade property. This resulted in the Company entering into an Earn-In Joint Venture Agreement for the Alvalade project with Minas de Aguas Teñidas, S.A. ("MATSA") and its wholly-owned subsidiary Emisurmin Unipessoal Lda. ("EUL") in November 2019. See the news releases on October 1, 2019 and November 20, 2019.

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, and to look for new projects in certain mineral belts in Europe, or nearby.

During the year ended December 31, 2020, the Company continued to carefully manage its cash and corporate overhead activities. Detailed Mineral Property information, including 2020 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 October 23, 2020, the Company closed a non-brokered private placement by issuing 4,219,641 units at a price of $0.12 per unit for gross proceeds of $506,357.
- The Company is actively negotiating with the Kosovo Mining Bureau and Byrnecut International Limited ("Byrnecut") regarding extending the life of the Slivovo license.
- The Company is highly experienced in Europe and is negotiating additional ventures on its existing portfolio of properties.

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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".

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

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.

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 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, 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”.

On March 27, 2020, MAEPA Empreendimentos Mineiros e Participacoes Lda (“MAEPA”), a wholly-owned subsidiary of the Company, and MATSA along with EUL, entered into a Quota Transfer Agreement pursuant to which MAEPA split its 100% interest in the share capital of PorMining Lda. (“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 the mineral rights in its name from the General Directorate of Energy and Geology of Portugal ("DGEG"). The Transaction is comprised of the following phases:

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

Phase I – First Option

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

- Paying €400,000 to the Company on or before the effective date (€200,000 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. Subsequent to December 31, 2020, MATSA funded another €502,000.

<u>Phase II – Second Option</u>

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.

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.

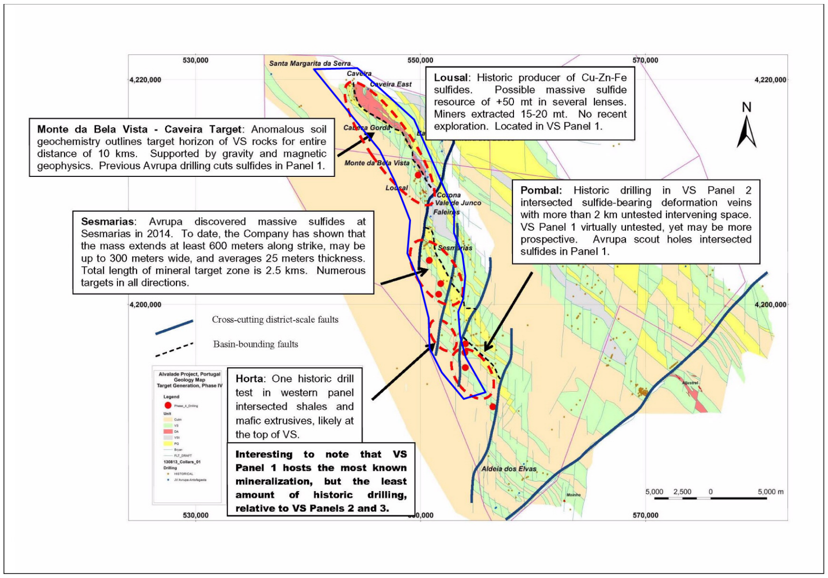
During Phase III, the parties will contribute their respective pro rata share of all approved work programs and budgets.

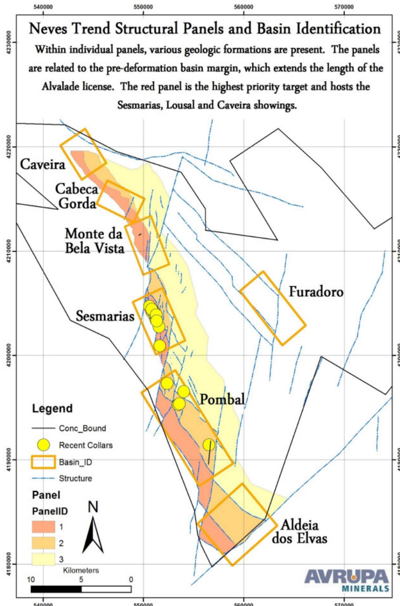
If at any time after Phase III has commenced MAEPA's interest is reduced to below 10% as a result of dilution calculations, its interest will be deemed to be converted to a 1.5% royalty as described above for EUL.

On June 25, 2020, the Company announced that the five-year Experimental Exploitation License ("EEL") was issued to PorMining. The EEL covers an area of approximately 115 square kilometres and includes the Sesmarias massive sulfide discovery, the nearby historic Lousal Mine, the Monte da Bela Vista stockwork zone, and a number of other already-known massive sulfide targets noted on the map. As soon as physically and safely possible, work will commence with the review and full compilation of all historic data from the license area. In order to define new and upgrade existing drill targets, both around Sesmarias and at other locations, initial physical work will include re-logging selected Sesmarias core, first logging and sampling of available, prior-to-Avrupa, historic core, geochemical exploration in selected target areas and Sesmarias extensions, and property-wide geophysics. Given the amount of initial targeting work planned and continued deference to the COVID-19 pandemic, commencement of drilling on the Project is expected to occur during Q4 2020.

On October 5, 2020, the Company announced that the Company would start a 7,000 to 8,000 meter diamond drilling program at the Alvalade Project in October, 2020. The program would test the Sesmarias copper-zinc massive sulfide discovery along strike to both the north and south, as well as the Monte da Bela Vista stockwork zone, located approximately nine kilometers north of Sesmarias. The Company would also drill at a number of other attractive massive sulfide targets around the 115-square kilometer license during the early stages of the program.

In addition to the drilling, an airborne electromagnetic survey would be conducted later this year on the northern half of the Alvalade License. Results from this program would assist in delineating further massive sulfide targets in the license area between Sesmarias and the historic Canal Caveira massive sulfide deposit located at the north end of the license.



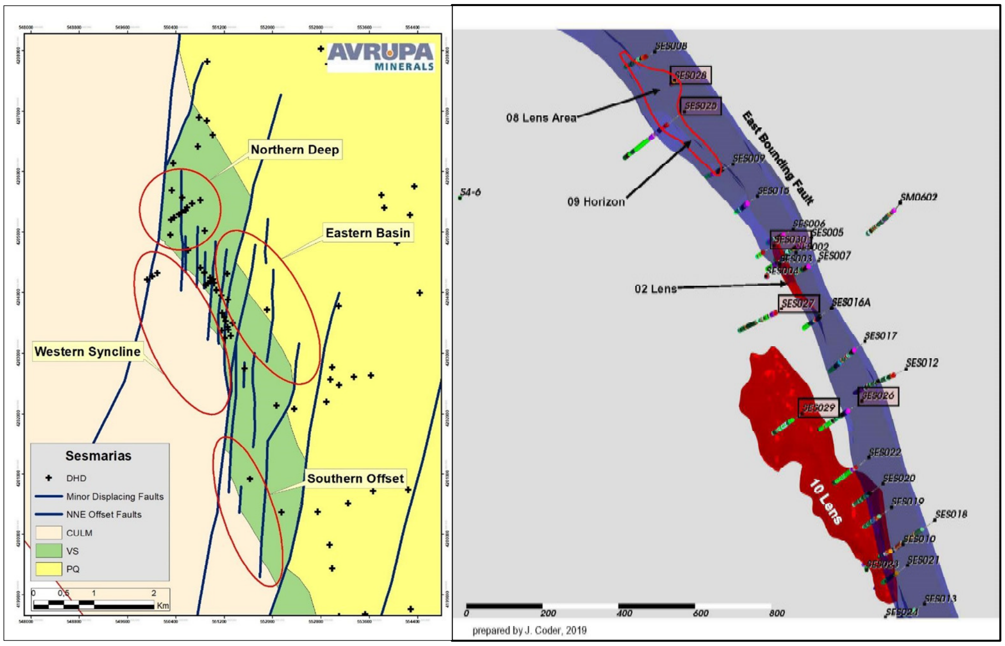


Figures 1 and 2. The Alvalade Experimental Exploitation license covers at least five target basin areas, each with numerous potential drill target setup locations. Sesmarias has seen the most recent work due to Avrupa's copper- and zinc-bearing massive sulfide discovery in 2014. Other areas, including Monte da Bela Vista, Lousal, and Caveira. still need first-and second-pass, discovery-oriented drilling. Airborne geophysics will cover the license from the Caveira Mine in the north to the south end of the Sesmarias zone.

The Joint Venture exploration team would also commence with a thorough compilation and detailed study of the historic Lousal Mine data with the expectation of delineating new, previously untested targets close to and within the old mine workings' area. The Lousal Mine is located 1.5 kilometers south of Monte da Bela Vista, and about seven kilometers north of Sesmarias, but separated by a major fault zone. Geologically, it is possible that the Sesmarias and Lousal massive sulfide lenses were originally part of the same deposit more than 360 million years ago when Pyrite Belt mineralization formed, but movement along the later fault system separated the zones.

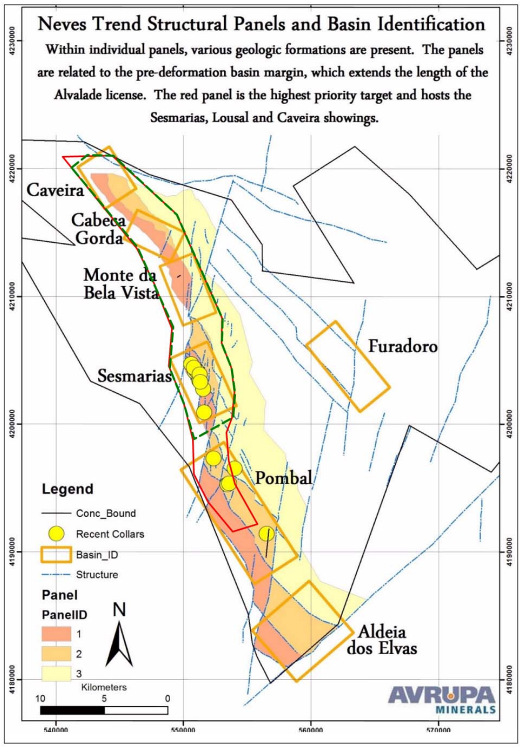
The Company previously acquired a large amount of data for the Lousal Mine which was digitized, but not fully compiled. During 2018, the Company performed a basic review of the data, including a partial collection of annual mine production reports from 1900 to 1988. The reports suggested that miners extracted upwards of 15-20 million metric tonnes of copper-zinc-iron-bearing massive sulfide material from a number of lenses in the Lousal Mine. Several publicly-available reports and studies (all non-compliant with resource estimation regulations and reporting, as outlined in National Instrument 43-101) state that pre-mining, the original lenses may have contained over 50 million metric tonnes of mineralized material.

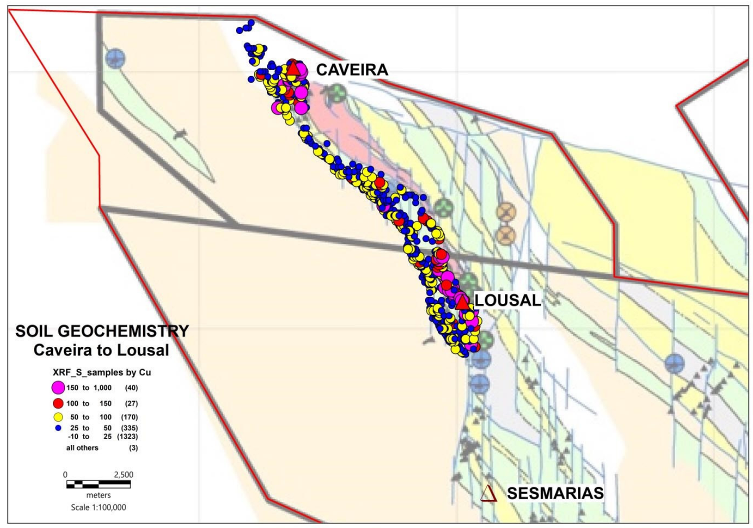
On December 10, 2020, the Company announced that the Company has started drilling on the Alvalade Project. The drill rig is now set up at the northern end of known Sesmarias massive sulfide mineralization where the Company is targeting both strike-length and dip-length extensions of the copper-zinc-iron sulfide zone. Re-logging of previous Avrupa drilling by company and partner geologists along the Sesmarias discovery zone is providing an enhanced look into the targeting for new, additional mineralization, and the first holes will test this expansion potential. In total, the Company expects to drill 7-8,000 meters in this initial program over the coming months.



Figures 1 and 2. In previous work at Sesmarias, Avrupa outlined four immediate target zones around the massive sulfide discovery, beyond downdip targets along the actual mineral lenses, Lens 2, Lens 8, and Lens 10. To date, Lens 8 has seen the least amount of development. The first holes in this drilling phase will be set to extend Lens 8 towards the area of the "Northern Deep" targets, which will be designated the Brejo area, for future reference. Review of project gravity and magnetic geophysical data and re-logging of historic drilling in the Brejo area are providing important vectoring information for the upcoming holes at and along Lens 8.

In addition to the drilling, a helicopter-supported VTEM electromagnetic survey will commence in mid-December, covering the northern 3/4 of the Alvalade License. The survey will be conducted by Canadian-based Geotech Ltd. Results from this program will assist in delineating further massive sulfide targets, particularly in the license area between Sesmarias and the historic Canal Caveira massive sulfide deposit located at the north end of the license. Initial orientation flights over the Sesmarias and Lousal massive sulfide deposits will be of significant value for determining the important geophysical characteristics of these deposits. Understanding the geophysical signatures here will subsequently be utilized to help discover new areas for potential discovery, especially between the historic Caveira Mine and the Sesmarias discovery.

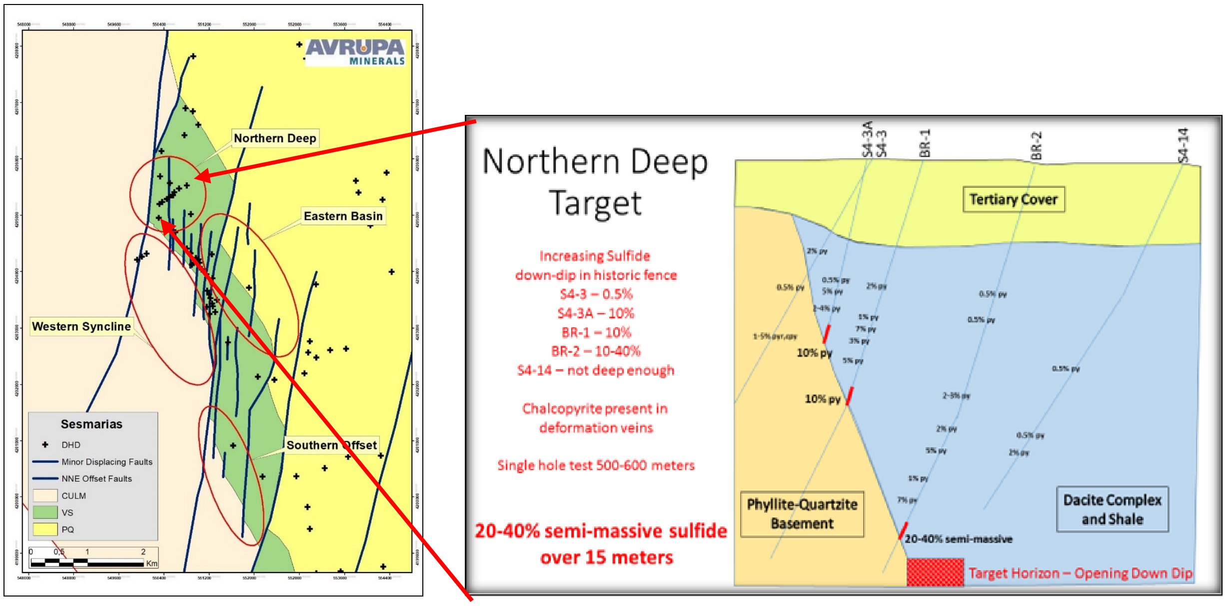




Figures 3 and 4. The Alvalade Experimental Exploitation license covers at least five target basin areas, each with numerous potential drill target setup locations. The VTEM survey, outlined in green in Figure 3, will cover four of the five major basins in this go-around, including Lousal, Monte da Bela Vista, Cabeça Gorda, and Caveira. Figure 4 shows results from previous soil sampling work by Avrupa Minerals which outline a strong copper anomaly in the target Pyrite Belt mine-hosting rock formation in these four basins. We expect to utilize all this data to highlight targets for first-and second-pass, discovery-oriented drilling in the upcoming program.

On February 24, 2021, the Company presented the initial progress report covering drilling at the Sesmarias Prospect in the Alvalade Project. To date, the Company has completed two diamond drill holes, totaling 874 meters, and has started a third hole testing northern extensions of the Sesmarias copper-zinc-iron sulfide mineralization.

The Company completed two drill holes, to date, and started a third one in the SES008 area at the north end of the known Sesmarias massive sulfide mineralization zone. Avrupa discovered massive sulfide mineralization at Sesmarias in 2014, and intermittent drilling since then increased the known strike length of the massive lenses to 1.6 kilometers. The present work is the initial attempt to expand the mineralization to the north from SES008 to the Brejo area (in previous releases, designated as Sesmarias North or Northern Deep target). Wide-spaced, historic drilling suggests strong possibility of massive sulfide mineralization in the Brejo target area.



Figures 1 and 2. Location of Northern Deep (Brejo area) and original targeting idea. Review and re-interpretation of historic work and new drilling have demonstrated significant new potential in the area between SES008 and the "Northern Deep" (Brejo) target shown above.

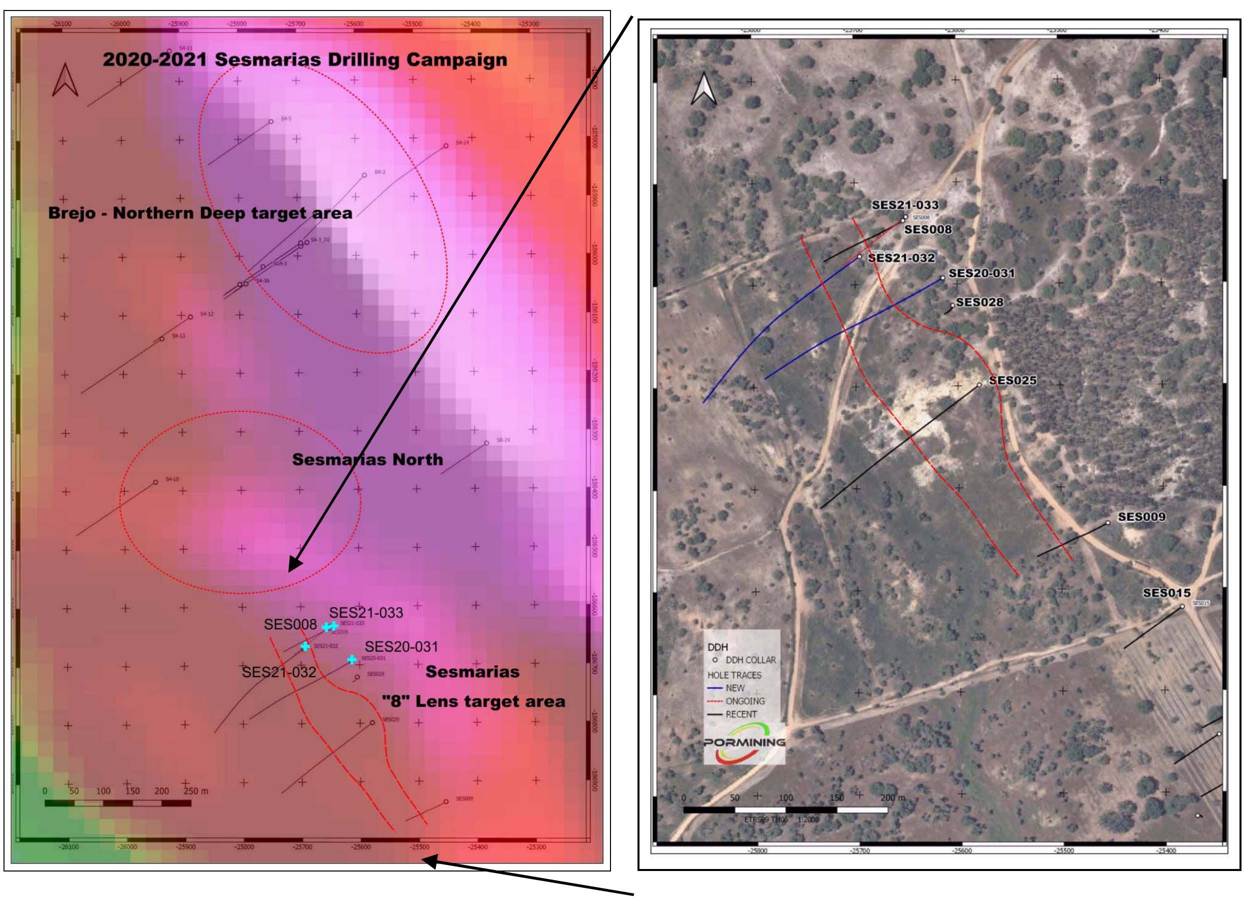
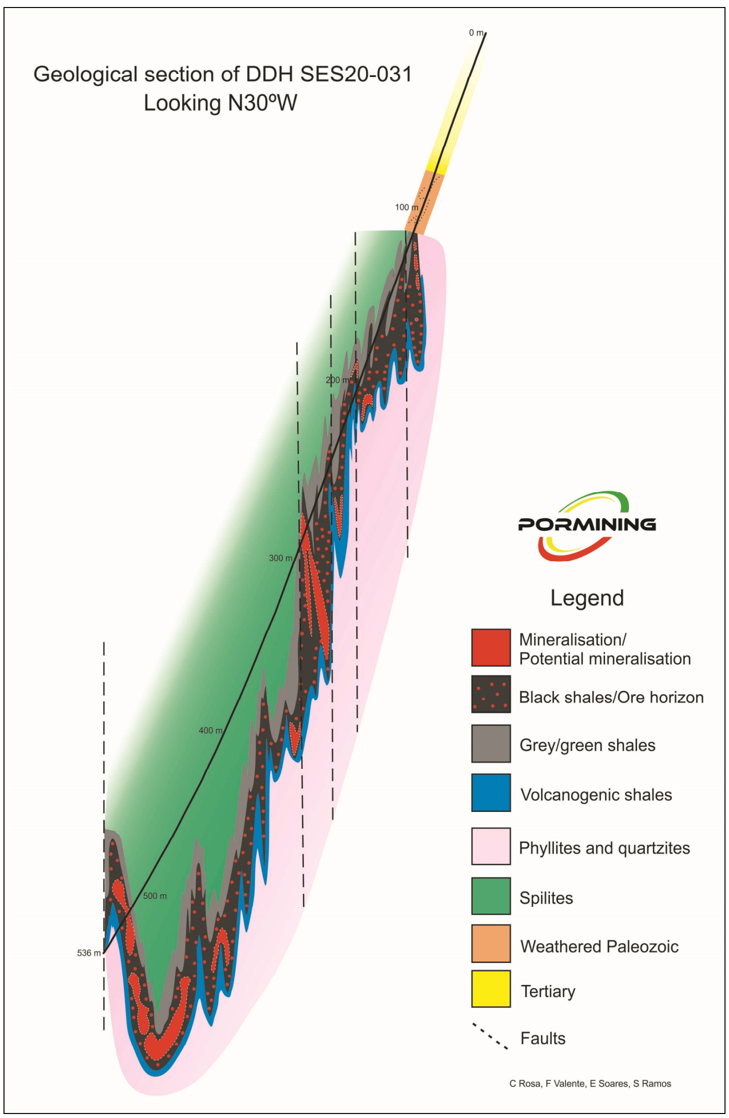


Figure 3. Plan view map of the present drilling area and targets, overlain on top of gravity geophysical information. Sesmarias mineralization is located on the southwest flank of a gravity anomaly only recently explored by Avrupa Minerals and partners. The next obvious target is the strong gravity anomaly in the upper half of the figure. The Brejo (Northern Deep) anomaly is illustrated in Figure 2. We plan to test this target in the near future.

Figure 4. Google Earth enlargement of the Sesmarias "8" Lens target area (outlined in red dashed lines, open to NW/SE and downdip at depth).

SES20-031 targeted potential massive sulfide mineralization related to the SES008 intercept (https://avrupaminerals.com/project/alvalade/). The hole continued to 536 meters depth, in several places intersecting the specific black shale unit that hosts massive sulfide mineralization at Sesmarias and at the Lousal Mine, located six kilometers to the north. Detailed review of the core showed that for its entire length, the drill hole passed through intensely folded rock units of the Volcano-Sedimentary Formation, the general host of mineralization throughout the Iberian Pyrite Belt. Overall, however, the drillhole roughly paralleled the major trend of bedding, allowing only for narrow true widths of mineralized intercepts.



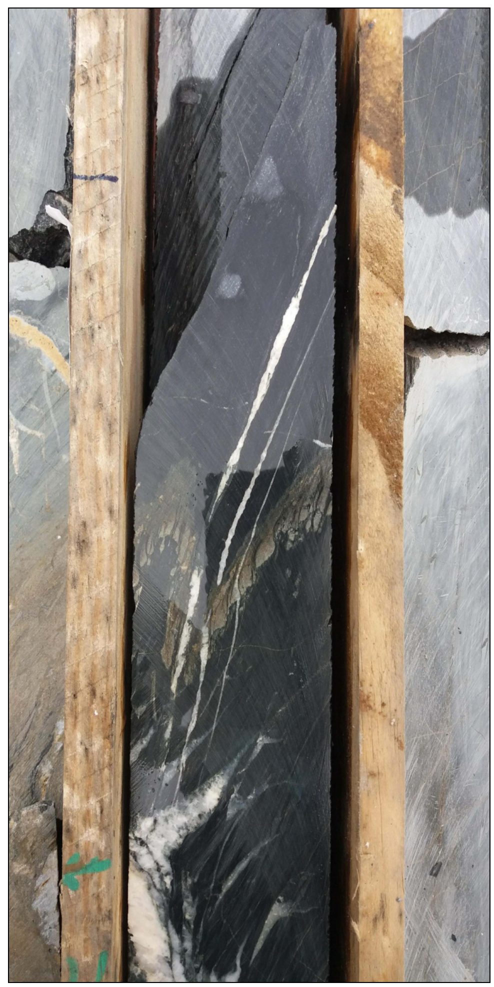


Figure 5. Geological section of SES20-031. Target rocks are noted in red (massive sulfide mineralization) and black (mineral host black shale unit). Previous work by Avrupa suggested that individual massive sulfide lenses were oriented ± vertically, but often dipping steeply to the NE. However, detailed re-logging of Sesmarias area core and subsequent first-logging of SES20-031 lead to the conclusion that intense folding of the limb of a much larger, overall *westerly-dipping* fold system is a realistic reason as to why drilling has not yet cut significant thicknesses of massive sulfide – i.e., the drilling roughly *parallels* the target host unit and never really crosses mineralization at a favorable angle.

Figure 6 is a photograph of a piece of core from SES20-031 (about 20 cm in length). This shows, in miniature, how intensely folded the rocks are in the Sesmarias District, as it directly mimics the larger-scale folding seen in the Sesmarias drill holes. We now see this pattern throughout the entire length of the known mineralization. Design of subsequent follow-up drilling will attempt to take into account the better understanding of the structural complexity of the massive sulfide target.

Figure 5 demonstrates the partial success of the drilling, but also shows that the drillhole skirted or skimmed the main target zone, for the length of the hole. The thickest intercept occurs at 277.70 to 288.45 meters, where drilling skimmed the top of a possible folded/faulted massive sulfide lens. Rocks in the intercept zone are dominantly silica, containing disseminated sulfides, zones of banded sulfide mineralization, sulfide breccias, and one interval of approximately 0.5 meters of massive sulfide material. The intercept includes a 3.8-meter thick, weakly mineralized fault zone. The following table shows the metals' values of the intercept.

From	To	Total	Copper	Lead
277.70	288.45	10.75	0.19%	0.74%
including				
279.20	281.45	2.25	0.35%	1.73%
281.45	285.25	3.80	*Fault zone*	
285.25	288.45	3.20	0.33%	1.12%

Following the completion of SES20-031, we performed a downhole electromagnetic (DEM) survey which produced a strong conductive response in the rocks located above the path of the drill hole. Using this information, we targeted the second hole in the "8" Lens zone directly at the conductor. **SES21-032** continued to a depth of 338 meters. At 201 to 211 meters, the drill hole passed through the Sesmarias mineral horizon, a zone of weakly pyritic, quartz vein-rich, broken, graphitic gray and black shales which we interpret to be the DEM conductor, and likely to represent a distal zone of potential massive sulfide mineralization in the "8" Lens area. We are now detail-logging the drill hole and sampling the shale zone. The pattern of intense folding and faulting continues in this hole, but it appears that we intersected shale units originally located further away from the main part of the target unit shown in Fig. 5.

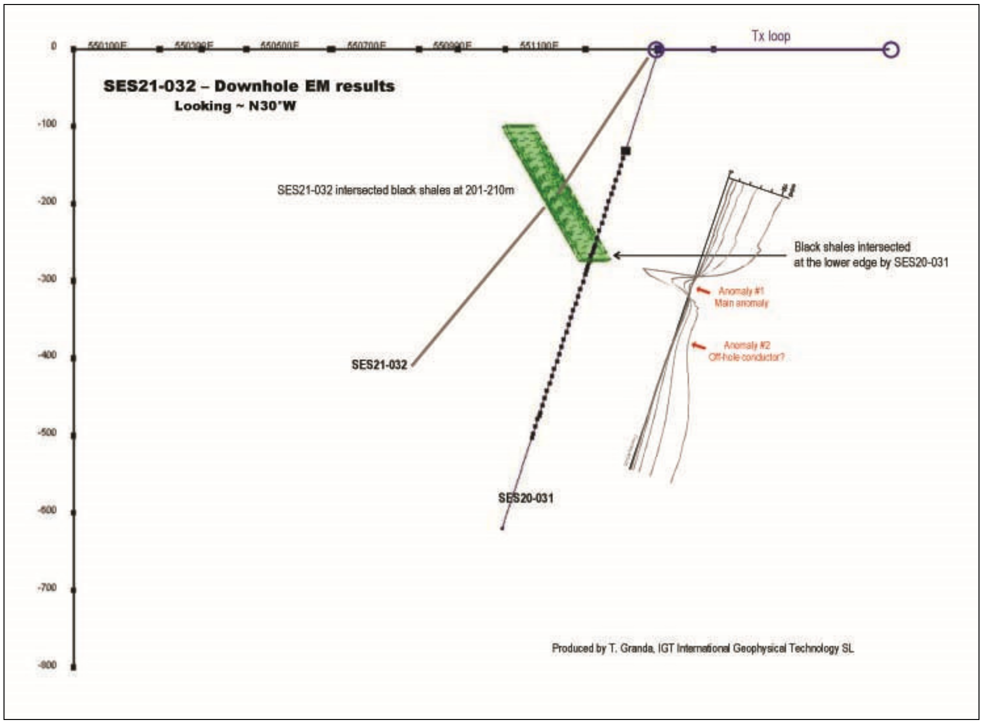


Figure 7. Schematic interpretation of geophysical information obtained in SES20-031 DEM survey. Target, in green, tested by SES21-032, represents the Sesmarias mineral horizon in this sketch. Geological information suggests that mineralization may lie below the trace of SES20-031. The current drill hole, SES21-033, is testing this target below the previously reported massive sulfide mineralization in SES008.

SES21-033 is designed to target potential downdip massive sulfide mineralization beneath SES008 and SES20-031. Further information concerning this hole will be provided upon completion, presently planned for 500 to 600 meters depth.

Following the completion of SES21-033, we intend to move to the northwest of SES008 to potentially increase the strike length of the 8 Lens. At the same time, the geological team continues to assess the historical core in the Brejo area, and has started to map geological structures visible in the old Lousal Mine workings. Initial work there clearly shows similarity of ore control characteristics to what we now know about the Sesmarias massive sulfide mineralization. Historical documents and academic studies (non- compliant to NI 43-101 standards) indicate a universal metal resource at the old mine of over 50 million tonnes of massive sulfide material. Review of original mine records by Avrupa demonstrates that less than 20 million tonnes of ore were actually extracted from Lousal.

b) Other properties

The Company had applied to DGEG to drop Mertola licenses and as of the date of the MD&A, DGEG had not processed such requests.

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'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.

a) Slivovo

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. Byrnecut earned an 85% interest in the Slivovo property after forwarding $2,834,986 (€2,000,000) for the Slivovo property to the Company and completing a Preliminary Feasibility Study ("PFS") by April 10, 2017. Byrnecut and the Company had set up a joint venture entity known as Peshter Mining J.S.C. ("Peshter Mining") to reflect the 85:15 ownership and transferred the Slivovo license into Peshter Mining with Byrnecut being the operator. Avrupa's interest in Peshter Mining had since been diluted to below 10%, resulting in the Company's interest in Peshter Mining being converted into a 2% Net Smelter Return. During fiscal 2020,

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.

b) Metovit (formerly Kamenica)

The Kamenica license was renewed for two years under the new Mining Law in 2010. The size of the license was reduced by 50% to approximately 45 km^2. The Kamenica license has been dropped, but replaced by the fully-overlapping new Metovit license in 2015. The initial period of the Metovit license expired and Kosovo mining bureau issued an extension that was valid until January 31, 2021.

In January 2021, the Company dropped the property.

3(c) Germany

Oelsnitz

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.

The Company's exploration expenses for the year ended December 31, 2020 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, 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

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, 2020 and concluded that no other impairment charge was required except Slivovo because:

- the Company capitalized only its acquisition costs of MAEPA;
- there have been no significant changes in the legal factors or climate that affects the value of the properties in Portugal;
- all properties in Portugal 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, 2020	**Year Ended December 31, 2019**	**Year Ended December 31, 2018**
Total revenues	$ -	$ -	$ -
General and administrative expenses	494,359	548,254	755,446
Loss for the year	138,911	2,097,599	1,885,332
Loss per share	(0.00)	(0.08)	(0.08)
Total assets	588,412	411,689	1,937,958
Total long-term financial liabilities	2,738	9,939	18,096
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, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total Revenues	$ -	$ -	$ -	$ -
Gain (loss) before other items	$ (88,791)	$ (122,394)	$ 194,935	$ (123,470)
Net income (loss)	$ (87,993)	$ (122,396)	$ 194,930	$ (123,452)
Earning (loss) per share	$ (0.00)	$ (0.00)	$ 0.01	$ (0.00)

	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	$ (0.04)	$ (0.00)	$ (0.01)	$ (0.02)

6(c) Review of Operations and Financial Results

For three months ended December 31, 2020 and three months ended December 31, 2019

During the three months ended December 31, 2020, the Company reported a loss of $87,993 ($0.00 loss per share) (2019 – $1,222,817 ($0.04 loss per share)).

Excluding the non-cash depreciation of $3,229 (2019 – $3,496), the Company's general and administrative expenses amounted to $198,459 during the three months ended December 31, 2020 (2019 – $206,808), a slightly decrease of $8,349. The Company incurred a write-down of exploration and evaluation assets of $1 (2019 - $1,239,994) and a write-down of tax deposits of $Nil (2019 - $41,200).

During the three months ended December 31, 2020, the Company expensed exploration costs totaling $15,185 including $6,122 on Alvalade in Portugal, $10 on Slivovo and $9,053 on other projects in Kosovo. 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.

For the year ended December 31, 2020 and years ended December 31, 2019 and 2018

During the year ended December 31, 2020, the Company reported a loss of $138,911 ($0.00 loss per share) (2019 – $2,097,599 ($0.08 loss per share); 2018 - $1,885,332 ($0.08 loss per share)).

Excluding the non-cash depreciation of $13,303 (2019 - $3,496; 2018 - $ Nil) and share-based payment of $Nil (2019 – $9,369; 2018 – $141,124), the Company's general and administrative expenses amounted to $481,056 during the year ended December 31, 2020 (2019 - $535,389; 2018 - $614,322), a decrease of $54,333 from the year ended December 31, 2019 as a result of the decreases in (a) professional fees (from 2019's $191,238 to 2020's $129,511) and (b) investor relations (from 2019's $139,494 to 2020's $94,314) while being offset by an increase in consulting fees, wages and benefits (from 2019's $117,278 to 2020's $192,577) due to the allocation of Paul Kuhn's management fee in consulting fees during the current year while his fees were allocated to different properties during the year 2019. The Company incurred a write-down of exploration and evaluation assets of $1 (2019 - $1,239,994; 2018 - $Nil), a write-down of tax deposits of $Nil (2019 - $41,200; 2018 - $Nil) and a write-down of property deposits of $Nil (2019 - $Nil; 2018 - $49,962).

During the year ended December 31, 2020, the Company expensed exploration costs totaling $80,343 including $68,960 on Alvalade in Portugal, $1,968 on Slivovo and $9,415 on other projects in Kosovo. 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.

6(d) Liquidity and Capital Resources

As at December 31, 2020, the Company had a deficit working capital of $614,342 (December 31, 2019 – deficit working capital of $963,773). With respect to working capital, $205,238 was held in cash (December 31, 2019 - $58,343). The increase in cash was mainly due to net proceeds from issuance of common shares of $483,375 and recovery of property deposit of $15,939 while being offset by the general administrative expenses and exploration work expense totaling $344,967.

On October 23, 2020, the Company completed a non-brokered private placement by issuing 4,219,641 units ("Units") 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 for a 3-year period at a price of $0.20.

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 $1,561 (€1,000) 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 2021. 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, 2020, the Company's share capital was $9,994,879 (December 31, 2019 - $9,733,139) representing 32,738,087 common shares (December 31, 2019 – 28,518,446 common shares).

On December 21, 2020, the Company's stock options and warrants were consolidated on a 4 for 1 basis and the exercise prices were reflected as such.

Stock option transactions and the number of stock options 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

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 share 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.

If the remaining options and warrants were exercised, the Company's available cash would increase by $3,206,578.

As of the date of this MD&A, there were 32,738,087 common shares issued and outstanding and 42,799,728 common shares outstanding on a diluted basis.

6(f) Commitment and Contingency

Property deposits:

As of December 31, 2020, the Company had a total of $1,561 (€1,000) (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 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 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.

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, 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 [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 [(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 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 [(f)]	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil	$ 5,369	$ 5,369

Related party assets / liabilities

		Years ended				
	Services / Advances	December 31, 2020	December 31, 2019	December 31, 2018	As at December 31, 2020	As at December 31, 2019
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.

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, 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 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 $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).

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

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

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 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

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

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;
- 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.

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