TECTONIC
METALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)
(Unaudited)

TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars) (unaudited)

As at

	Note	June 30, 2019	December 31, 2018
ASSETS			
Current			
Cash	4	$ 572,618	$ 2,079,340
Receivables	4	22,604	-
Refundable deposits and other		416,620	94,548
		1,011,842	**2,173,888**
Equipment	5	46,695	24,852
Exploration and evaluation assets	6	618,718	367,998
Right of use asset	10	18,767	-
Deferred financing costs	14	162,500	-
		$ 1,858,522	**$ 2,566,738**
LIABILITIES			
Current			
Trade and other payables	4, 8	$ 658,477	$ 113,219
Lease liability	10	22,201	-
		680,678	**113,219**
SHAREHOLDERS' EQUITY			
Share capital	7	7,084,786	7,032,286
Share subscriptions received in advance	7, 14	21,000	-
Deficit		(5,927,942)	(4,578,767)
		1,177,844	**2,453,519**
		$ 1,858,522	**$ 2,566,738**

Nature of operations and going concern (Note 1)

Subsequent events (Note 14)

Approved on behalf of the Board:

"Antonio Reda" "Eira Thomas"

Antonio Reda **Eira Thomas**

TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars) (unaudited)

	Note		3 months ended June 30, 2019		3 months ended June 30, 2018		6 months ended June 30, 2019		6 months ended June 30, 2018
EXPENSES									
Exploration expenses	6	$	552,040	$	967,665	$	733,830	$	1,082,939
Administration expenses	9		355,153		67,660		609,572		120,298
Foreign exchange loss			5,639		2,031		4,622		2,033
Finance cost			451		-		1,151		-
Loss and comprehensive loss for the period		$	(913,283)	$	(1,037,356)	$	(1,349,175)	$	(1,205,270)
Basic and diluted loss per common share		$	(0.03)	$	(0.03)	$	(0.04)	$	(0.05)
Weighted average number of common shares outstanding			35,130,059		32,171,370		35,928,623		22,173,451

TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars) (unaudited)

	SHARE CAPITAL				
	Number	Amount	Share subscriptions received in advance	Deficit	Total
At December 31, 2017	12,200,000	$ 439,662	$ 350,000	$ (636,882)	$ 152,780
Shares issued for cash	19,005,214	6,396,825	(102,000)	-	6,294,825
Shares issued for exploration expense	400,000	100,000	-	-	100,000
Share purchase warrant exercises	3,380,000	338,000	(248,000)	-	90,000
Shares issued for finder fees	24,845	8,696	-	-	8,696
Share issue costs	-	(247,391)	-	-	(247,391)
Loss for the period	-	-	-	(1,205,270)	(1,205,270)
At June 30, 2018	**35,010,059**	**$ 7,035,792**	**$ -**	**$ (1,842,152)**	**$ 5,193,640**
At December 31, 2018	35,010,059	$ 7,032,286	$ -	$ (4,578,767)	$ 2,453,519
Shares issued for option payment	150,000	52,500	-	-	52,500
Share subscriptions received in advance	-	-	21,000	-	21,000
Loss for the period	-	-	-	(1,349,175)	(1,349,175)
At June 30, 2019	**35,160,059**	**$ 7,084,786**	**$ 21,000**	**$ (5,927,942)**	**$ 1,177,844**

TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars) (unaudited)

	3 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2019	6 months ended June 30, 2018
OPERATING ACTIVITIES				
Loss for the period	$ (913,283)	$ (1,037,356)	$ (1,349,175)	$ (1,205,270)
Items not involving cash:				
Depreciation	8,735	1,236	16,578	1,481
Shares issued for exploration expense	-	100,000	-	100,000
Foreign exchange	4,090	-	5,095	-
Finance cost	640	-	1,340	-
Changes in non-cash working capital items:				
Increase in receivables	(22,604)	-	(22,604)	-
(Increase) Decrease in other current assets	(323,928)	(250,597)	(322,072)	(248,226)
Increase in trade and other payables	347,811	518,951	414,595	599,416
Cash used in operating activities	**$ (898,539)**	**$ (667,766)**	**$ (1,256,243)**	**$ (752,599)**
INVESTING ACTIVITIES				
Exploration and evaluation assets	(116,620)	(142,724)	(198,220)	(296,664)
Equipment	-	(19,551)	(27,267)	(19,551)
Cash used in investing activities	**$ (116,620)**	**$ (162,275)**	**$ (225,487)**	**$ (316,215)**
FINANCING ACTIVITIES				
Share subscriptions received in advance	21,000	-	21,000	-
Proceeds from share and share purchase warrant issuances	-	5,592,339	-	6,294,825
Warrants exercised	-	90,000	-	90,000
Share issuance costs	-	(223,689)		(225,649)
Deferred financing costs	(30,509)	-	(30,509)	-
Lease payments	(4,606)	-	(9,166)	-
Cash (used in) provided by financing activities	**$ (14,115)**	**$ 5,458,650**	**$ (18,675)**	**$ 6,159,176**
Effect of foreign exchange on cash	(5,359)	-	(6,317)	-
Change in cash during the period	(1,034,633)	4,628,609	(1,506,722)	5,090,362
Cash—beginning of period	1,607,251	618,963	2,079,340	157,210
Cash—end of period	**$ 572,618**	**$ 5,247,572**	**$ 572,618**	**$ 5,247,572**

Supplemental cash flow information (Note 11)

01 NATURE OF OPERATIONS AND GOING CONCERN

Tectonic Metals Inc. (the “Company”) was incorporated on April 7, 2017 under the laws of under the British Columbia Business Corporations Act. The Company’s head office is at 312-744 West Hastings Street, Vancouver, British Columbia, V6C 1A5.

The Company’s principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in the United States and Canada. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These condensed interim consolidated financial statements (the “Financial Statements”) have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These Financial Statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The continuance of the Company’s operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company’s investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. With financings completed subsequent to June 30, 2019 (Note 14), management estimates it has sufficient funds to operate for the upcoming twelve months.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These Financial Statements have been prepared in accordance 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”) applicable to the preparation of interim financial statements including International Accounting Standard 34: Interim Financial Reporting. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted. These Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018.

The accounting policies applied in the preparation of these Financial Statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended

December 31, 2018 with the exception of new accounting policies described in Note 3. The Company's interim results are not necessarily indicative of its results for a full year.

Approval of The Financial Statements

These Financial Statements were authorized for issue by the Board of Directors of the Company on September 10, 2019.

Basis of Presentation

These Financial Statements have been prepared on a historical cost basis. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

New Accounting Policies Adopted

IFRS 16: LEASES

The IASB issued IFRS 16 to replace IAS 17: Leases. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The Company adopted IFRS 16 retrospectively from January 1, 2019. No adjustments were necessary to the Company's opening deficit as a result of the adoption of this standard. With respect to the Company's office lease, a $30,027 right of use asset and a corresponding liability for the same amount were recognized as at January 1, 2019. The right of use asset and liability were measured at the present value of the lease payments discounted using the Company's incremental borrowing rate as of January 1, 2019. The right of use asset is amortized over the life of the lease on a straight-line basis. The right of use asset and lease liability are subsequently remeasured to reflect changes to the terms of the lease. Assets and liabilities are recognized for all leases unless the lease term is twelve months or less of the underlying asset has a low value.

03 KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about significant areas of estimation uncertainty and judgments made by management in preparing the consolidated financial statements are described below:

Economic Recoverability and Probability of Future Economic Benefits of Exploration and Evaluation Assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of right of use asset and lease liability

In determining the valuation of the right of use asset and lease liability the Company is required to make judgements regarding the interest rate used for discounting future cash flows. The present value of the lease liability was determined using the estimated incremental borrowing rate of the Company.

04 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The value of cash and trade and other payables approximates their carrying values as June 30, 2019 and December 31, 2018 due to their short-term nature.

Financial Risk Factors

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency, and price risk.

CREDIT RISK

The Company is exposed to industry credit risks arising from its cash. The Company manages credit risk by holding cash with major Canadian financial institutions. The Company's receivables are due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements on an ongoing basis and assess available and required sources of additional capital and financing.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% change in interest rates would result in a nominal difference for the period ended June 30, 2019.

FOREIGN CURRENCY RISK

The Company is exposed to nominally foreign currency risk on fluctuations related to cash and trade and other payables that are denominated in United States Dollars.

PRICE RISK

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

05 EQUIPMENT

For the six months ended June 30, 2019

	COST			ACCUMULATED DEPRECIATION			
	Opening	Additions	Ending	Opening	Depreciation	Ending	Net Book Value
Mining equipment	$ 21,409	$ -	$ 21,409	$ (3,211)	$ (2,730)	$ (5,941)	$ 15,468
Office & furniture	-	17,866	17,866	-	(893)	(893)	16,973
Computer equipment	9,643	9,295	18,938	(2,989)	(1,695)	(4,684)	14,254
Total	**$ 31,052**	**$ 27,161**	**$ 58,213**	**$ (6,200)**	**$ (5,318)**	**$ (11,518)**	**$ 46,695**

For the year ended December 31, 2018

	COST			ACCUMULATED DEPRECIATION			
	Opening	Additions	Ending	Opening	Depreciation	Ending	Net Book Value
Mining equipment	$ -	$ 21,409	$ 21,409	$ -	$ (3,211)	$ (3,211)	$ 18,198
Computer equipment	4,503	5,140	9,643	(1,238)	(1,751)	(2,989)	6,654
Total	**$ 4,503**	**$ 26,549**	**$ 31,052**	**$ (1,238)**	**$ (4,962)**	**$ (6,200)**	**$ 24,852**

Deprecation is recorded in administrative expenses (Note 9).

(Expressed in Canadian dollars - unaudited)

06 EXPLORATION AND EVALUATION ASSETS

Carrying Amount

The following table represents acquisition costs incurred on the exploration and evaluation assets:

	MCQ, Canada	Tibbs, USA	Seventymile, USA	Northway, USA	Total
At December 31, 2017	$ 14,990	$ 40,393	$ -	$ -	$ 55,383
Additions: Cash property payments	100,000	64,940	38,892	38,892	242,724
Additions: Staking	44,370	9,570	-	15,951	69,891
At December 31, 2018	**$ 159,360**	**$ 114,903**	**$ 38,892**	**$ 54,843**	**$ 367,998**
Additions: Cash property payments	50,000	66,620	40,800	40,800	198,220
Additions: Share payments	52,500	-	-	-	52,500
At June 30 2019	**$ 261,860**	**$ 181,523**	**$ 79,692**	**$ 95,643**	**$ 618,718**

Expenditures

Details of the Company's exploration and evaluation expenditures, which have been expensed, are as follows:

	MCQ	Tibbs	Seventymile	Northway	Project Support	For the 3 months ended June 30, 2019
Scholarship fees	$ -	$ -	$ 33,558	$ 33,558	$ -	$ 67,116
GeoProbe Sampling	-	-	2,383	292,290	-	294,673
Geological consulting	-	335	5,233	8,171	26,155	39,894
Salary & legal costs	4,703	5,450	20,564	50,481	32,328	113,526
Other	1,096	1,550	6,328	19,479	8,378	36,831
Total exploration expenditures	**$ 5,799**	**$ 7,335**	**$ 68,066**	**$ 403,979**	**$ 66,861**	**$ 552,040**

(Expressed in Canadian dollars - unaudited)

	MCQ	Tibbs	Seventymile	Northway	Project Support	For the 3 months ended June 30, 2018
Registration fees	$ -	$ -	$ -	$ -	$ 195	$ 195
Scholarship fees	-	-	33,265	33,265	-	66,530
Trenching & helicopter	-	215,321	100,720	-	-	316,041
Pre-season work	-	47,552	-	-	-	47,552
Sampling	100,000	-	61,210	4,473	-	165,683
Surveying	15,693	60,484	66,450	-	-	142,627
Geological consulting	1,775	2,173	1,945	1,263	2,612	9,768
Salary & legal costs	22,147	64,823	54,339	57,794	-	199,103
Other	6,736	4,429	4,472	477	4,052	20,166
Total exploration expenditures	**$146,351**	**$394,782**	**$ 322,401**	**$ 97,272**	**$ 6,859**	**$ 967,665**

	MCQ	Tibbs	Seventymile	Northway	Project Support	For the 6 months ended June 30, 2019
Registration fees	$ -	$ -	$ -	$ 19,976	$ -	$ 19,976
Scholarship fees	-	-	33,558	33,558	-	67,116
GeoProbe Sampling	-	-	2,383	292,290	-	294,673
Geological consulting	-	335	5,233	8,171	54,865	68,604
Salary & legal costs	11,256	15,862	43,248	91,593	75,449	237,408
Other	2,059	2,513	7,424	19,479	14,578	46,053
Total exploration expenditures	**$ 13,315**	**$ 18,710**	**$ 91,846**	**$ 465,067**	**$ 144,892**	**$ 733,830**

	MCQ	Tibbs	Seventymile	Northway	Project Support	For the 6 months ended June 30, 2018
Registration fees	$ 194	$ 13,862	$ -	$ -	$ 195	$ 14,251
Scholarship fees	-	-	33,265	33,265	-	66,530
Trenching & helicopter	-	215,321	100,720	-	-	316,041
Pre-season work	-	57,681	-	-	-	57,681
Sampling	100,000	-	61,210	4,473	-	165,683
Surveying	15,693	60,484	66,450	-	-	142,627
Geological consulting	1,775	2,173	1,945	1,263	2,612	9,768
Salary & legal costs	35,301	91,238	76,791	86,004	-	289,334
Other	6,736	5,287	4,472	477	4,052	21,024
Total exploration expenditures	**$159,699**	**$446,046**	**$ 344,853**	**$ 125,482**	**$ 6,859**	**$ 1,082,939**

(Expressed in Canadian dollars - unaudited)

Property Agreements

NORTHWAY

In June 2018, the Company entered into a mining lease agreement with Doyon, Limited ("Doyon") for a 100% interest in an area of the Alaska Native regional corporation mineral estate in the southern Fortymile Mining District, Alaska (the "Northway Property"). The lease covers the mineral estate and a portion of the surface estate and grants the Company rights to conduct mineral exploration and, if warranted, mineral development and production activities. Doyon is granted a 2% Net Smelter Return ("NSR") for precious minerals and a 1% NSR for base minerals until the end of the fourth year of commercial production. Doyon is granted a 4% NSR for precious minerals and a 3% NSR for base minerals from the fifth to tenth anniversary of commercial production. After the tenth anniversary of commercial production the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds. The initial lease term is for fifteen years and the lease agreement includes renewal clauses to extend the lease period up to the entire operational period of a mine.

In consideration the Company paid Doyon $38,892 in June 2018 and $40,800 in January 2019 ($30,000 USD each) and pursuant to the option agreement is required to pay:

I. $30,000 USD each January in 2020–2021

II. $60,000 USD each January 2022–2027

III. $200,000 USD each January 2028 and thereafter. If the Company exercises an option to extend the lease term by another five years after completion of a feasibility study this annual payment shall be increased to $300,000 USD.

IV. $600,000 USD upon completion of a feasibility study

Pursuant to the option agreement, the Company is required to incur the following amounts for exploration expenditures on the Northway Property:

Calendar Years	Amount of exploration expenditures (USD$)
2018 (commitment fully met)	400,000
2019	600,000
2020–2023	750,000
2024–2027	1,500,000
2028 and each calendar year thereafter	2,000,000

Additionally, the Company is required to pay Doyon a $25,000 USD scholarship each May for the term of the lease. The scholarship amount increases to $50,000 USD each year following the commencement of commercial production at the Northway Property.

During the six months ended June 30, 2019 and 2018, the Company paid Doyon the $25,000 USD scholarship payment.

(Expressed in Canadian dollars - unaudited)

SEVENTYMILE

In June 2018, the Company entered into a mining lease agreement with Doyon for a 100% interest in the area of the Alaska Native regional corporation mineral estate in the Eagle Mining District, Alaska (the "Seventymile Property"). The lease covers the mineral estate and the surface estate and grants the Company rights to conduct mineral exploration and, if warranted, mineral development and production activities. Doyon is granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the end of the fourth year of commercial production. Doyon is granted a 4% NSR for precious minerals and a 3% NSR for base minerals from the fifth to tenth anniversary of commercial production. After the tenth anniversary of commercial production the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds. The initial lease term is for fifteen years and the lease agreement includes renewal clauses to extend the lease period up to the entire operating operation period of a mine.

In consideration the Company paid Doyon $38,892 in June 2018 and $40,800 in January 2019 ($30,000 USD each) and pursuant to the option agreement is required to pay:

i) $30,000 USD each January in 2020–2021

ii) $60,000 USD each January 2022–2027

iii) $200,000 USD each January 2028 and thereafter. If the Company exercises an option to extend the lease term by another five years after completion of a feasibility study this annual payment shall be increased to $300,000 USD.

iv) $600,000 USD upon completion of a feasibility study

Pursuant to the option agreement, the Company is required to incur the following amounts for exploration expenditures on the Seventymile Property:

Calendar Years	Amount of exploration expenditures (USD$)
2018 (commitment fully met)	400,000
2019	600,000
2020-2023	750,000
2024-2027	1,500,000
2028 and each calendar year thereafter	2,000,000

Additionally, the Company is required to pay Doyon a $25,000 USD scholarship each May for the term of the lease. The scholarship amount increases to $50,000 USD each year following the commencement of commercial production at the Seventymile Property.

During the six months ended June 30, 2019 and 2018, the Company paid Doyon the $25,000 USD scholarship payment.

(Expressed in Canadian dollars - unaudited)

TIBBS

In June 2017, the Company entered into a mining lease and option agreement with Tibbs Creek Gold, LLC. ("Tibbs") for a 100% interest in the surface and subsurface rights to State of Alaska Mining Claims in the Fairbanks Recording District, Alaska (the "Tibbs Property"). The agreement grants Tibbs a 2.5% NSR, of which 1.5% can be purchased for $1,500,000 USD. The term of the lease is ten years.

In consideration the Company paid Tibbs $40,393 ($30,000 USD) in June 2017, $64,940 ($50,000 USD) in June 2018, and $66,620 ($50,000 USD) in June 2019. Pursuant to the option agreement, the Company is required to pay a $50,000 USD option payment each June in 2020-2027 and is required to incur an aggregate amount of $1,000,000 USD in exploration expenditures by June 2022.

Subsequent to June 30, 2019, the Company received a notice from another company that seven of the claims on Tibbs wholly or partially overstake their claims and that they have the senior claim. The Company will not perform any exploration work on these claims until the matter is resolved and is currently investigating the validity of this notice with its counsel.

MCQ

In January 2018 and amended January 2019, the Company entered into an option agreement with Shawn Ryan and Wildwood Holdings Inc. (the "MCQ Option Holders") for a 100% interest in the Mayo District of Yukon Canada (the "MCQ Property"). The MCQ Option Holders are granted a 2.0% NSR of which half may be purchased by the Company for $2,000.000.

Pursuant to the option agreement, the Company is required to make payments as follows:

Year	Cash Payment $	Number of common shares of the Company
January 2018	100,000 (PAID)	-
January 2019	50,000 (PAID)	150,000 (ISSUED)
November 2019	50,000	150,000
January 2020	100,000	300,000
January 2021	125,000	300,000
January 2022	150,000	300,000
January 2023	200,000	500,000

During the six months ended June 30, 2019, the Company issued the 150,000 common shares of the Company valued at $52,500 due January 2019 (Note 7) and paid the $50,000 option payment due January 2019.

(Expressed in Canadian dollars - unaudited)

Pursuant to the option agreement, the Company is also required to incur the following amounts for exploration expenditures on the MCQ Property:

Year		Amount of exploration expenditures
By November 15, 2018 (commitment fully met)	$	300,000
By November 15 in each year of 2020-2021	$	500,000
By November 15, 2022	$	1,610,000

During the year ended December 31, 2018, the Company issued Shawn Ryan 400,000 common shares with a value of $0.25 per share for a total issuance of $100,000 in compensation for previous exploration work performed on the MCQ property (Note 7).

07 SHARE CAPITAL AND RESERVES

Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued Share Capital

a) On June 16, 2017, the Company issued 8,200,000 units at a price of $0.05 per unit for gross proceeds of $410,000. Each unit comprised of one common share and half a warrant. Each full warrant is convertible into one common share at an exercise price of $0.10 and expires June 16, 2022. The fair value attributed to the common shares was $410,000.

b) On April 12, 2018, as per the terms of the option agreement on the MCQ Property (Note 6), the Company issued Shawn Ryan of Wildwood Exploration Inc. 400,000 common shares with a value of $0.25 per share for a total issuance of $100,000 in compensation for exploration work performed on the MCQ property.

c) On April 12, 2018, the Company completed an employee financing. The Company issued 1,020,000 common shares at a price of $0.10 per share for gross proceeds of $102,000. These proceeds were received in advance during the period April 7 – December 31, 2017.

d) On April 13, 2018, the Company completed a private placement financing. The Company issued 17,985,214 common shares at a price of $0.35 per share for gross proceeds of $6,294.825. Financing costs were $242,201, for net proceeds of $6,052.624. Additionally, the Company issued 24,845 common shares to an agent as compensation for finder fees valued at $8,696.

e) During the period April 7 – December 31, 2017, the Company declared an early warrant financing. To incentivize warrant holders to exercise their warrants, each warrant exercised would be exchanged for a common share and an additional warrant. Each new warrant would be convertible into one common share at an exercise price of $0.25 and expire June 16, 2022. During the year ended December 31, 2018, 3,380,000 of the warrants issued under Notes 7a and 7c were exercised under the early exercise financing for total proceeds of $338,000. Of these proceeds, $248,000 were received in advance during the period April 7 – December 31, 2017.

(Expressed in Canadian dollars - unaudited)

f) On January 19, 2019, the Company issued 150,000 common shares valued at $52,500 pursuant to the MCQ Property Agreement (Note 6).

g) During the period ended June 30, 2019, the Company received $21,000 in advance of its proposed private placement (Note 14).

Share Purchase Warrants

h) On April 12, 2018, the Company issued 2,980,000 warrants in connection with its early warrant financing described in Note 7e. The value attributable to the warrants was $nil.

i) On April 16, 2018, the Company issued 400,000 warrants in connection with its early warrant financing described in Note 7e. The value attributable to the warrants was $nil.

A summary of the Company's warrants and the changes during the period are as follows:

	Number of warrants	Shares to be issued upon exercise of the warrants	Weighted average exercise price ($)
Balance — December 31, 2017	4,100,00	4,100,000	0.10
Issued	3,380,000	3,380,000	0.25
Exercised	(3,380,000)	(3,380,000)	(0.10)
Balance — December 31, 2018 and June 30, 2019	**4,100,000**	**4,100,000**	**0.22**

Warrants outstanding as at June 30, 2019 are as follows:

Number outstanding	Exercise price per share		Expiry date
720,000	$	0.10	June 16, 2022
3,380,000	$	0.25	June 16, 2022
4,100,000			

(Expressed in Canadian dollars - unaudited)

08 RELATED PARTY TRANSACTIONS

The Company defines key management personnel as its directors and officers. The Company entered into the following transactions with its key management:

	3 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2019	6 months ended June 30, 2018
Employee salaries and benefits – administration expense	$ 89,047	$ 28,364	$ 182,906	$ 51,588
Employee salaries and benefits – exploration expense	38,734	92,459	79,053	140,693
Direct listing costs	3,848	-	3,848	-
Exploration expense	20,869	423,476	20,869	423,476

As of June 30, 2019, included in accounts payable is $16,563 (December 31, 2018: $nil) due to officers and a company controlled by a director of the Company.

09 ADMINISTRATION EXPENSES

The administration expenses for the Company are as follows:

	3 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2019	6 months ended June 30, 2018
Employee benefits and salary	$ 112,936	$ 35,032	$ 218,155	$ 65,578
Professional fees	39,499	11,200	102,153	11,200
Travel and meals	27,273	7,921	45,423	15,345
Insurance	4,254	2,775	7,543	5,146
Marketing	34,857	4,302	72,402	13,527
Direct listing costs	112,804	-	112,804	-
Other	14,794	5,194	34,514	8,021
Depreciation	8,736	1,236	16,578	1,481
Total administration expenses	**$ 355,153**	**$ 67,660**	**$ 609,572**	**$ 120,298**

(Expressed in Canadian dollars - unaudited)

10 LEASE OBLIGATION

The Company signed an office lease agreement to pay undiscounted rent amounts for the remainder of year ended December 31, 2019 of $14,010 and for the year ended December 31, 2020 of $9,214.

		Right of use asset — office lease
Net book value — December 31, 2018	$	-
Additions		30,027
Depreciation		(11,260)
Net book value — June 30, 2019	**$**	**18,767**

		Lease liability
Balance — December 31, 2018	$	-
Lease liability recognized as of January 1, 2019		30,027
Lease payments during the period		(9,166)
Interest expense on lease liability		1,340
Balance — June 30, 2019	**$**	**22,201**

11 SUPPLEMENTAL CASH FLOW INFORMATION

		3 months ended June 30, 2019		3 months ended June 30, 2018		6 months ended June 30, 2019		6 months ended June 30, 2018
Cash paid for interest	$	640	$	-	$	1,340	$	-
Non-cash financing and investing activities:								
Right to use asset and lease liability		-		-		30,027		-
Shares issued for exploration & evaluation asset option payment		-		-		52,500		-
Shares issued for financing fees		-		8,696		-		8,696
Trade and other payables used for share issue costs		-		13,047		-		13,047
Trade and other payables used for deferred financing costs		131,991		-		131,991		-

12 SEGMENTED INFORMATION

The Company's reportable operating segments, which are components of the Company's business where separate financial information is available and which are evaluated on a regular basis by the Company's Chief Executive Officer, who is the Company's chief operating decision maker, for the purpose of assessing performance. The Company's operating segments are its exploration and evaluation assets and expenditures which are disclosed by geographic location in Note 6. All corporate expenses are incurred in Canada.

13 CAPITAL MANAGEMENT

The Company manages its capital structure based on the funds available to the Company in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and warrants.

The properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such the Company has historically relied on the equity markets to fund its activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the six months ended June 30, 2019.

As of June 30, 2019, the capital structure of the Company consists of $1,177,844 (December 31, 2018 – $2,453,519) equity attributable to common shareholders, comprising of issued capital and deficit.

14 SUBSEQUENT EVENTS

PRIVATE PLACEMENT AND PROPOSED LISTING

During the six months ended June 30, 2019, the Company announced a private placement issuance of up to 14,285,715 special warrants at $0.35 per special warrant (the "Special Warrants") concurrent with the intent to list all of its outstanding common shares on the Toronto Venture Stock Exchange (the "TSXV"). The agents have an option to increase the private placement by 15%. Upon closing of the private placement, the Company has 120 days to obtain a receipt for a final non-offering prospectus with the TSXV or the Company will be obligated to issue an additional 10% Special Warrants to existing Special Warrant holders. Each Special Warrant entitles to the holder to one common share of the Company and one warrant exercisable into one common share of the Company with an expiry of two years after closing of the private placement and an exercise price of $0.50.

The Company will pay a cash commission of 6% of the brokered gross proceeds, compensation warrants to acquire common shares equal to 6% of the number of brokered Special Warrants sold (the "Broker Warrants"), and a cash commission of 2% of the non-brokered gross proceeds. The Company will also pay a finance fee of $50,000 payable $25,000 in cash (the "Cash Finance Fee") and 71,428 Special Warrants (the "Warrant Finance Fee).

Subsequent to June 30, 2019, the Company closed its first tranche of the private placement. The Company issued 6,809,370 Special Warrants for gross proceeds of $2,383,280. The Company issued 227,936 Broker Warrants each entitling the holder to acquire one common share with an exercise price of $0.35 expiring July 12, 2021. In connection with the first tranche closing the Company paid $100,851 cash commission, the Cash Finance Fee and issued the Warrant Finance Fee. Total Special Warrants issued including the Warrant Finance Fee were 6,880,798.

During the six months ended June 30, 2019, the Company recognized $162,500 in deferred financing costs incurred for this private placement.

RESTRICTED SHARE ISSUANCE

Subsequent to June 30, 2019, the Company approved a restricted share plan (the "Plan"). Shares issued under the Plan to employees are common shares in the Company (the "Restricted Shares"). No cash consideration is received for Restricted Shares. Performance restrictions are placed on the Restricted Shares as determined by the Board. If employees fail to meet the restrictions, the Restricted Shares are subsequently cancelled and returned to the Company's treasury.

On July 29, 2019, the Company granted 2,400,000 Restricted Shares to certain employees and directors at a value of $0.35 per Restricted Share. The performance restricted set by the Board was a two-year employment period from the date of grant.