TECTONIC
METALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars) (unaudited)

As at

	Note	March 31, 2020	December 31, 2019
ASSETS			
Current			
Cash	4	$ 837,139	$ 1,791,241
Receivables	4	11,197	60,162
Prepaids		143,361	197,399
		991,697	**2,048,802**
Equipment	5	40,552	43,840
Exploration and evaluation assets	6	452,104	373,219
Right of use asset		1,973	7,712
Deferred financing costs	14	10,363	-
		$ 1,496,689	**$ 2,473,573**
LIABILITIES			
Current			
Trade and other payables	4	$ 157,301	$ 521,772
Lease liability		2,352	9,245
		159,653	**$531,017**
SHAREHOLDERS' EQUITY			
Share capital	7	12,065,407	12,065,407
Reserves	7	416,218	294,524
Deficit		(11,144,589)	(10,417,375)
		1,337,036	**1,942,556**
		$ 1,496,689	**$ 2,473,573**

Nature of operations and going concern (Note 1)
Subsequent Events (Note 14)

Approved on behalf of the Board:

"Antonio Reda"	"Michael Roper"
Antonio Reda	**Michael Roper**

TECTONIC
METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars) (unaudited)

	Note		For the three months ended March 31, 2020		For the three months ended March 31, 2019
EXPENSES					
Exploration expenses	6, 8	$	217,126	$	181,790
Administration expenses	8, 9		519,486		254,419
Foreign exchange gain			(9,158)		(1,017)
Finance (income) expense			(240)		700
Loss and comprehensive loss for the period		**$**	**(727,214)**	**$**	**(435,892)**
Basic and diluted loss per common share		$	(0.01)	$	(0.01)
Weighted average number of common shares outstanding			55,203,675		35,130,059

TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	SHARE CAPITAL				RESERVES						
	Number		Amount		Warrants		Restricted Shares		Deficit		Total
At December 31, 2018	35,010,259	$	7,032,286	$	-	$	-	$	(4,578,767)	$	2,453,519
Shares issued for option payment	150,000		52,500		-		-		-		52,500
Loss for the period	-		-		-		-		(435,892)		(435,892)
At March 31, 2019	**35,160,059**	**$**	**7,084,786**	**$**	**-**	**$**	**-**	**$**	**(5,014,659)**	**$**	**2,070,127**
At December 31, 2019	55,203,675	$	12,065,407	$	71,034	$	223,490	$	(10,417,375)	$	1,942,556
Share based payment	-		-		-		121,694		-		121,694
Loss for the period	-		-		-		-		(727,214)		(727,214)
At March 31, 2020	**55,203,675**	**$**	**12,065,407**	**$**	**71,034**	**$**	**345,184**	**$**	**(11,144,589)**	**$**	**1,337,036**

Share Capital (Note 7)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars) (unaudited)

	Note	For the three months ended March 31, 2020	For the three months ended March 31, 2019
OPERATING ACTIVITIES			
Loss for the period		$ (727,214)	$ (435,892)
Items not involving cash:			
Depreciation		9,163	7,843
Foreign exchange		(9,973)	1,005
Finance cost		173	700
Share based payment		121,694	-
Changes in non-cash working capital items:			
Decrease in receivables		48,965	-
Decrease in other current assets		54,038	1,856
Decrease (increase) in trade and other payables		(375,633)	66,784
Cash used in operating activities		**(878,787)**	**(357,704)**
INVESTING ACTIVITIES			
Exploration and evaluation assets		(78,885)	(81,600)
Equipment		-	(27,267)
Cash used in investing activities		**(78,885)**	**(108,867)**
FINANCING ACTIVITIES			
Lease payments		(7,202)	(4,560)
Cash used in financing activities		**(7,202)**	**(4,560)**
Effect of foreign exchange on cash		10,772	(958)
Change in cash during the period		(954,102)	(472,089)
Cash—beginning of period		1,791,241	2,079,340
Cash—end of period		**$ 837,139**	**$ 1,607,251**

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 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 the financing completed subsequent to March 31, 2020 (Note 14), management estimates it has sufficient funds to operate for the upcoming twelve months.

On November 18, 2019, the Company listed all of the Company's outstanding common shares on the Toronto Venture Stock Exchange (the "TSXV") under the stock symbol "TECT".

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, ceconomies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on its business or results of operations at this time. In order to satisfy its 2020 exploration expenditure commitments, the Company is monitoring the current situation in Alaska on a daily basis. Given the rapidly changing government communications regarding classifications of essential services and uncertainty of US-Canada border crossings, the Company is preparing different exploration program scenarios with plans to execute a drilling program.

02 BASIS OF PREPARATION

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 Internationl Accounting Standard 34: Interim Financial Reporting. Accordingly, certain disclosures included in the 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, 2019.

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, 2019. 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 May 21, 2020.

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.

Functional and Presentation Currency

These Financial Statements are presented in Canadian dollars unless otherwise noted, which is the functional currency of the parent and its subsidiaries.

03 KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of the Company’s Financial Statements in conformity with IFRS 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 Financial Statements are described below:

Estimates

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.

SHARE-BASED PAYMENT

The Company issued restricted shares that vest over time. In consideration of IFRS 2, the Company recorded a $nil value to the shares at issuance and will recognize amounts over the vesting period to equity and share-based compensation based on the share value at the time of issuance.

ASSET RETIREMENT OBLIGATION

In determining the valuation of a reclamation liability, the Company is required to make judgements regarding the interest rate used to discount future cash flows, number of labour hours required, and costs for labour and equipment rental.

Judgements

DETERMINATION OF FUNCTIONAL CURRENCY

The Company determines the functional currency through an analysis of several indicators of autonomy such as financing activities, expenses and cash flow, retention of operating cash flows, and frequency of transactions with the reporting entity.

GOING CONCERN

In assessing its ability to continue as a going concern for the next twelve months, the Company estimates future cash outflows based off prevailing market prices for goods and services, foreign exchange rates, and number of days to complete field programs with weather constraints.

04 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The value of cash, receivables, and trade and other payables approximates their carrying values as of March 31, 2020 and December 31, 2019 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 mitigated.

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 three months ended March 31, 2020.

FOREIGN CURRENCY RISK

The Company is exposed nominally to 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. The Company monitors the price of precious metals.

(Expressed in Canadian dollars - unaudited)

05 EQUIPMENT

For the three months ended March 31, 2020

	COST			ACCUMULATED DEPRECIATION			
	Opening	Additions	Ending	Opening	Depreciation	Ending	Net Book Value
Mining equipment	$ 22,685	$ -	$ 22,685	$ (8,862)	$ (1,037)	$ (9,899)	$ 12,786
Office & furniture	17,866	-	17,866	(2,680)	(1,139)	(3,819)	14,047
Computer equipment	21,611	-	21,611	(6,780)	(1,112)	(7,892)	13,719
Total	**$ 62,162**	**$ -**	**$ 62,162**	**$ (18,322)**	**$ (3,288)**	**$ (21,610)**	**$ 40,552**

For the year ended December 31, 2019

	COST			ACCUMULATED DEPRECIATION			
	Opening	Additions	Ending	Opening	Depreciation	Ending	Net Book Value
Mining equipment	$ 21,409	$ 1,276	$ 22,685	$ (3,211)	$ (5,651)	$ (8,862)	$ 13,823
Office & furniture	-	17,866	17,866	-	(2,680)	(2,680)	15,186
Computer equipment	9,643	11,968	21,611	(2,989)	(3,791)	(6,780)	14,831
Total	**$ 31,052**	**$ 31,110**	**$ 62,162**	**$ (6,200)**	**$ (12,122)**	**$ (18,322)**	**$ 43,840**

Depreciation 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	Other, USA	Total
At December 31, 2018	$ 159,360	$ 114,903	$ 38,892	$ 54,842	$ -	$ 367,998
Cash property payments	50,000	66,620	40,800	40,800	-	198,220
Share payments	52,500	-	-	-	-	52,500
Staking	-	384	-	-	15,977	16,361
Impairment	(261,860)	-	-	-	-	(261,860)
At December 31, 2019	**$ -**	**$ 181,907**	**$ 79,692**	**$ 95,643**	**$ 15,977**	**$ 373,219**
Cash property payments	-	-	38,964	39,921	-	78,885
At March 31, 2020	**$ -**	**$ 181,907**	**$ 118,656**	**$ 135,564**	**$ 15,977**	**$ 452,104**

Expenditures

Details of the Company's exploration and evaluation expenditures are as follows:

	Tibbs	Seventymile	Northway	Other	Project Generation	Project Support	Total for the three months ended March 31, 2020
Registration fees	$ 9,432	$ 94	$ 22,698	$ 4,347	$ -	$ 1,282	$ 37,853
Sampling	942	-	941	-	-	-	1,883
Geological consulting	200	-	200	-	20,738	2,550	23,288
Salary & legal costs	673	34,511	9,942	310	18,051	47,990	111,477
Other	1,391	4,389	6,196	210	3,581	1,175	16,942
Share based payment (Note 7)	-	-	-	-	-	25,683	25,683
Total exploration expenditures	**$ 12,638**	**$ 38,994**	**$ 39,977**	**$ 4,867**	**$ 41,970**	**$ 78,680**	**$ 217,126**

(Expressed in Canadian dollars - unaudited)

	MCQ	Tibbs	Seventymile	Northway	Other	Project Support	Total for the three months ended March 31, 2019
Registration fees	$ -	$ -	$ -	$ 19,976	$ -	$ -	$ 19,976
Geological consulting	-	-	-	-	-	28,710	28,710
Salary & legal costs	6,553	10,412	22,684	41,112	-	43,121	123,882
Other	963	963	1,096	-	-	6,200	9,222
Total exploration expenditures	**$ 7,516**	**$ 11,375**	**$ 23,780**	**$ 61,088**	**$ -**	**$ 78,031**	**$ 181,790**

Property Agreements

NORTHWAY

In June 2018 and subsequently amended January 1, 2020, 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% 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 $79,692 to December 31, 2019 and $39,921 in March 2020 ($30,000 USD each year) and pursuant to the option agreement is required to pay:

I. $30,000 USD January 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

(Expressed in Canadian dollars - unaudited)

The Company has committed to incur the following amounts for exploration expenditures on the Northway Property:

Calendar Years	Amount of annual exploration expenditures (USD$)
2018 (commitment fully met)	400,000
2019 (commitment fully met) [1]	600,000
2020	-
2021–2022	750,000
2023	1,500,000
2024–2027	1,500,000
2028 and each calendar year thereafter	2,000,000

1. *Eligible expenditures include all actual, direct costs, expenses, and charges related to exploration and development conducted on or for the benefit of the Northway Property, including without limitation costs and expenses off the property and reasonably allocated to operations on the property. The Company is permitted to carry forward excess expenditures and apply them against a future year. As of March 31, 2020, the Company incurred $1,296,465 USD in cumulative eligible expenditures on the Northway Property.*

Additionally, the Company contributes to the Doyon Foundation a $25,000 USD scholarship each May for the term of the lease. For the year ended December 31, 2020, the scholarship payment has been deferred to the year ended December 31, 2021. The scholarship amount increases to $50,000 USD each year following the commencement of commercial production at the Northway Property. The Company paid Doyon $50,000 USD to December 31, 2019 as scholarship payments.

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 $79,692 to December 2019 and $38,964 in January 2020 ($30,000 USD each year) and pursuant to the option agreement is required to pay:

I. $30,000 USD January 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.

(Expressed in Canadian dollars - unaudited)

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

The Company committed 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 (commitment fully met) [1]	600,000
2020–2023	750,000
2024–2027	1,500,000
2028 and each calendar year thereafter	2,000,000

1. *Eligible expenditures include all actual, direct costs, expenses, and charges related to exploration and development conducted on or for the benefit of the Seventymile Property, including without limitation costs and expenses off the property and reasonably allocated to operations on the property. The Company is permitted to carry forward excess expenditures and apply them against a future year. As of March 31, 2020, the Company incurred $1,165,413 USD in cumulative eligible expenditures on the Seventymile Property.*

Additionally, the Company contributes to the Doyon Foundation, 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. The Company paid Doyon $50,000 USD to December 31, 2019 as scholarship payments. Subsequent to March 31, 2020, the Company paid Doyon the $25,000 USD scholarship payment due May 1, 2020.

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 initial term of the lease is ten years.

In consideration the Company paid Tibbs a total of $171,953 ($130,000 USD) to December 31, 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. As of March 31, 2020, the Company has fulfilled this exploration expenditure commitment.

During the year ended December 31, 2019, the Company received a notice from a junior mining company that seven of the claims on Tibbs wholly or partially overstake their claims, and they are asserting the senior claim. Tectonic considers the disputed claims to be non-core, and this notice will not impact Tectonic’s exploration efforts going forward on the rest of the Company’s Tibbs claims.

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”). On September 30, 2019, the Company delivered a notice to terminate the MCQ option agreement. The Company has no further obligations under the MCQ option agreement other than an obligation to deliver a report on all work carried out by the Company on the MCQ Property to the MCQ Option Holders, which was completed January 2020.

During the year ended December 31, 2019, the Company issued 150,000 common shares valued at $52,500 (Note 7) and paid a $50,000 option payment. The Company's total capitalized costs of $261,860 has been written off as of December 31, 2019.

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

2019 TRANSACTIONS

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

b) On July 29, 2019, the Company issued 2,400,000 restricted common shares to employees and directors under its Restricted Share Plan (see Restricted Shares).

c) On September 17, 2019, the Company issued 950,000 restricted common shares to directors under its Restricted Share Plan (see Restricted Shares).

d) On November 11, 2019, 16,693,416 Special Warrants were automatically converted into one common share and one warrant (see Special Warrants). The fair value attributed to the common shares was $5,817,696.

Special Warrants

During the year ended December 31, 2019, the Company completed a private placement of 16,621,988 special warrants at $0.35 per special warrant (the "Special Warrants") in two tranches. The financings were completed in connection with the Company's direct listing on the TSXV. Each Special Warrant entitled 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 the closing of the private placement and an exercise price of $0.50 (the "Underlying Warrant"). Each Special Warrant was automatically converted for no additional consideration into one common share and the Underlying Warrant on November 11, 2019.

TRANCHE 1

On July 12, 2019, the Company issued 6,809,370 Special Warrants for gross proceeds of $2,383,280. The 6,809,370 Underlying Warrants expire July 12, 2021. As a financing fee, the Company issued 227,936 compensation warrants valued at $38,614 with each warrant entitling the holder to acquire one common share with an exercise price of $0.35 expiring July 12, 2021, a finance fee of $25,000 in cash and 71,428 Special Warrants valued at $25,000, and paid a $105,411 cash commission.

(Expressed in Canadian dollars - unaudited)

TRANCHE 2

On September 26, 2019, the Company issued 9,812,618 Special Warrants for gross proceeds of $3,434,416. The 9,812,618 Underlying Warrants expire September 26, 2021. As a financing fee, the Company issued 235,978 compensation warrants valued at $32,420 with each warrant entitling the holder to acquire one common share with an exercise price of $0.35 expiring September 26, 2021, and paid a $165,034 cash commission.

In addition to the issue costs above, the Company incurred $470,595 of share issue costs during the year ended December 31, 2019. Total share issue costs incurred during the year ended December 31, 2019 for the private placement was $862,074.

A summary of the private placement is as follows:

	Special Warrants #	Special Warrants $	Compensation Warrants #	Compensation Warrants $[1]	Share issue costs $
Tranche 1 Issuance	6,809,370	2,383,280	227,936	38,614	38,614
Corporate Finance Fee	71,428	25,000	-	-	50,000
Tranche 1 Cash Commissions	-	-	-	-	105,411
Tranche 2	9,812,618	3,434,416	235,978	32,420	32,420
Tranche 2 Cash Commissions	-	-	-	-	165,034
Other share issue costs	-	-	-	-	470,595
	16,693,416	**5,842,696**	**463,914**	**71,034**	**862,074**

1. *The fair value of the Compensation Warrants was determined using a Black-Scholes model using the following assumptions: grant date share price of $0.35, exercise price of $0.50, expected volatility of 90%, risk-free interest rate of 1.57% and expected life of 2 years.*

Share Purchase Warrants

2019 TRANSACTION

a) On November 11, 2019, 16,693,416 Special Warrants were automatically converted into one common share and a warrant (see Special Warrants) for a total number of warrants of 16,693,416. The value attributed to the warrants was $nil.

(Expressed in Canadian dollars - unaudited)

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, 2018	4,100,000	4,100,000	0.22
Broker warrants issued in Special Warrant financing	463,914	463,914	0.35
Special Warrant conversion	16,693,416	16,693,416	0.50
Balance — December 31, 2019 and March 31, 2020	**21,257,330**	**21,257,330**	**0.44**

Warrants outstanding as at March 31, 2020 are as follows:

Number outstanding	Exercise price per share ($)	Expiry date
227,936	0.35	July 12, 2021
6,880,798	0.50	July 12, 2021
235,978	0.35	September 26, 2021
9,812,618	0.50	September 26, 2021
720,000	0.10	June 16, 2022
3,380,000	0.25	June 16, 2022
21,257,330		

Stock Options

On April 10, 2019, the Company adopted a stock option plan (the "Stock Option Plan"). The Company may grant share options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the Company's board of directors. The maximum expiry date is ten years from the grant date. The Stock Option Plan permits the issuance of stock options, which, together with the Restricted Share Plan, may not exceed 10% of the Company's issued common shares as at the date of grant.

As of March 31, 2020, no stock options have been granted.

Restricted Shares

On July 29, 2019, the Company adopted a restricted share plan (the "Restricted Share Plan"). The Company may grant common shares to eligible employees, officers, directors and consultants with performance conditions to be determined by the Company' board of directors (a "Restricted Share"). 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. The Restricted Share Plan permits the issuance of restricted shares, which, together with the Stock Option Plan, may not exceed 10% of the Company' issued common shares as at the date of grant.

(Expressed in Canadian dollars - unaudited)

At the date of issuance, no value is recorded in Share Capital. Based on the share price at the date of issuance, the Company records share-based compensation as the shares vest with an offsetting amount recorded to Reserves. Upon completing of the vesting restriction, the amount in Reserves will be transferred to Share Capital.

On July 29, 2019, the Company granted 2,400,000 Restricted Shares, and on September 17, 2019, the Company granted 950,000 Restricted Shares for a total fair value on grant of $1,172,500. Both grants were to certain employees and directors at a value of $0.35 per Restricted Share. The restriction set by the Board was a two-year employment period from the date of grant. Subsequent to March 31, 2020, 450,000 Restricted Shares were forfeited and the shares were cancelled (Note 14).

For the three months ended March 31, 2020, the Company incurred share-based compensation of $121,694 recorded as $25,683 in exploration expense (Note 6) and $96,011 in administrative expense (Note 9).

Escrow

The Company entered into an escrow agreement pursuant to which 19,272,071 common shares and 4,275,642 warrants have been placed in escrow. The escrow agreement provides that 10% of the escrowed securities will be released upon the Company's listing date and that an additional 15% will be released every six months after, over a period of 36 months. As of March 31, 2020 and December 31, 2019, there were 17,344,863 common shares and 3,848,077 warrants held in escrow.

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:

		For the three months ended March 31, 2020		For the three months ended March 31, 2019
Employee salaries and benefits — administration expense	$	104,350	$	93,859
Employee salaries and benefits — exploration expense		40,253		40,329
Share based compensation — restricted shares		108,339		-
Total	**$**	**252,942**	**$**	**134,178**

(Expressed in Canadian dollars - unaudited)

09 ADMINISTRATION EXPENSES

The administration expenses for the Company are as follows:

	Note		For the three months ended March 31, 2020		For the three months ended March 31, 2019
Accounting and legal fees		$	43,009	$	62,654
Depreciation	6		9,163		7,841
Employee benefits and salary			129,053		105,219
General & administration			64,231		19,720
Insurance			9,697		3,290
Marketing			160,338		37,545
Share based compensation – restricted shares	7, 8		96,011		-
Travel and meals			7,984		18,150
Total administration expenses		**$**	**519,486**	**$**	**254,419**

10 LEASE OBLIGATION

During the three months ended March 31, 2020, the Company was subject to an office lease agreement that expired April 30, 2020. During the three months ended March 31, 2020, the Company signed a separate office lease agreement to pay rent commencing May 1, 2020.

The Company's obligations under both office lease agreements are as follows:

Calendar Years		Rental Payment
2020	$	17,226
2021		30,321
2022		30,717
2023		7,679
Total	**$**	**85,943**

(Expressed in Canadian dollars - unaudited)

11 SUPPLEMENTAL CASH FLOW INFORMATION

		For the three months ended March 31, 2020		For the three months ended March 31, 2019
Cash paid for interest	$	173	$	700
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
Deferred financing fees payable		10,363		-

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 components of shareholders' equity.

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 three months ended March 31, 2020.

14 SUBSEQUENT EVENTS

Private Placement

On April 17, 2020, the Company closed a private placement issuance of 10,473,000 units at $0.20 per unit for aggregate gross proceeds of $2,094,600 to Doyon. Each unit was comprised of one common share and one-half common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant has an exercise price of $0.40 and expire April 17, 2022. As a result this financing, Doyon owns 16.1% of Tectonic's current issued and outstanding common shares.

Doyon has agreed not to exercise any Warrants if as a result of such exercise it causes Doyon to hold greater than 19.99% of the total outstanding common shares of Tectonic, unless and until the shareholders of Tectonic have passed a resolution approving such exercise of the Warrants in accordance with the applicable rules and policies of the TSXV.

The Warrants are subject to an acceleration clause under certain terms and conditions.

Doyon was granted a pre-emptive right to maintain its pro-rata interest for as long as Doyon owns more than 10% of the common shares of Tectonic, calculated on a partially diluted basis.

In connection with this financing, the Company accrued $10,363 in deferred financing costs as of March 31, 2020.

Base Shelf Prospectus

On May 8, 2020, the Company filed a preliminary short form base shelf prospectus (the "Prospectus"). The Prospectus, once final, will allow the Company to offer up to $100 million of common shares, warrants, subscription receipts, debt securities, share purchase contracts and units from time to time over the 25-month period following the filing of the final short form base shelf prospectus, and the issuance of a receipt from applicable securities regulatory authorities.

Restricted Shares

The Company retured 450,000 common shares to treasury for the cancellation of restricted shares (Note 7).