



CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Tectonic Metals Inc.

Opinion

We have audited the accompanying consolidated financial statements of Tectonic Metals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.


As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 10, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current			
Cash	5	\$ 3,423,212	\$ 1,791,241
Receivables	5	8,442	60,162
Prepays		92,822	197,399
		3,524,476	2,048,802
Equipment	6	34,237	43,840
Exploration and evaluation assets	7	534,194	373,219
Right of use asset	10	60,151	7,712
		\$ 4,153,058	\$ 2,473,573
LIABILITIES			
Current			
Trade and other payables	5	\$ 243,042	\$ 521,772
Lease liability	10	24,830	9,245
		267,872	531,017
Lease liability – long term	10	37,771	-
		305,643	531,017
SHAREHOLDERS' EQUITY			
Share capital	8	17,681,401	12,065,407
Reserves	8	1,965,785	294,524
Deficit		(15,799,771)	(10,417,375)
		3,847,415	1,942,556
		\$ 4,153,058	\$ 2,473,573

Nature of operations and going concern (Note 1)

Approved on behalf of the Board:

“Antonio Reda”

Antonio Reda

“Michael Roper”

Michael Roper

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2020	For the year ended December 31, 2019
EXPENSES			
Accounting & legal		\$ 265,540	\$ 194,364
Depreciation	6, 10	38,813	34,951
Direct listing costs		-	512,499
Employee benefits & salary	9	493,253	546,609
Exploration expenses	7,9	3,266,102	3,524,025
Finance cost		3,772	1,772
Foreign exchange loss		106,417	9,490
General & administration		137,718	85,635
Impairment		-	261,860
Insurance		40,405	19,868
Listing & filing fees		91,650	22,954
Marketing & corporate development		553,941	340,198
Share-based compensation	7,8	372,999	161,511
Travel & meals		11,786	122,872
Loss and comprehensive loss for the year		\$ (5,382,396)	\$ (5,838,608)
Basic and diluted loss per common share		\$ (0.07)	\$ (0.15)
Weighted average number of common shares outstanding		75,069,437	38,741,275

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	SHARE CAPITAL		RESERVES			Deficit	Total
	Number	Amount	Warrants	Restricted Shares	Stock Options		
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
Special Warrants issued for cash	16,621,988	5,817,696	-	-	-	-	5,817,696
Share issue costs	71,428	(837,075)	71,034	-	-	-	(766,041)
Restricted share issuance	3,350,000	-	-	-	-	-	-
Share-based payment	-	-	-	223,490	-	-	223,490
Loss for the year	-	-	-	-	-	(5,838,608)	(5,838,608)
At December 31, 2019	55,203,675	\$ 12,065,407	\$ 71,034	\$ 223,490	\$ -	\$ (10,417,375)	\$ 1,942,556
Share and share purchase warrants issued for cash	35,088,500	5,981,663	1,036,037	-	-	-	7,017,700
Shares issued for dataset acquisition	300,000	73,500	-	-	-	-	73,500
Share purchase warrants issued for finders' fees	-	(150,972)	150,972	-	-	-	-
Share issue costs	-	(288,197)	-	-	-	-	(288,197)
Restricted share forfeit	(675,000)	-	-	-	-	-	-
Share-based payment	-	-	-	463,151	21,101	-	484,252
Loss for the year	-	-	-	-	-	(5,382,396)	(5,382,396)
At December 31, 2020	89,917,175	\$ 17,668,401	\$ 1,258,043	\$ 686,641	\$ 21,101	\$ (15,799,771)	\$ 3,847,415

Share Capital (Note 8)

CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	Note	For the year ended December 31, 2020	For the year ended December 31, 2019
OPERATING ACTIVITIES			
Loss for the year		\$ (5,382,396)	\$ (5,838,608)
Items not involving cash:			
Depreciation	6	38,813	34,951
Foreign exchange		123,327	11,260
Finance cost	10	5,110	2,195
Impairment	7	-	261,860
Share based payment	7,8	484,252	223,490
Shares issued for dataset acquisition	7	73,500	-
Changes in non-cash working capital items:			
Decrease (increase) in receivables		51,720	(60,162)
Decrease (Increase) in other current assets		104,577	(102,851)
(Decrease) increase in trade and other payables		(279,536)	409,342
Cash used in operating activities		(4,780,633)	(5,058,523)
INVESTING ACTIVITIES			
Exploration and evaluation assets	7	(160,975)	(214,581)
Equipment	6	(4,175)	(31,110)
Cash used in investing activities		(165,150)	(245,691)
FINANCING ACTIVITIES			
Proceeds from share and share purchase warrant issuances	8	7,017,700	-
Proceeds from Special Warrant issuance	8	-	5,817,696
Share issuance costs		(288,197)	(766,041)
Lease payments	10	(29,091)	(23,491)
Cash provided by (used in) financing activities		6,700,412	5,028,164
Effect of foreign exchange on cash		(122,658)	(12,049)
Change in cash during the year		1,631,971	(288,099)
Cash—beginning of year		1,791,241	2,079,340
Cash—end of year		\$ 3,423,212	\$ 1,791,241

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 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 financings completed during the year ended December 31, 2020 (Note 8) and working capital of \$3,256,604 as of December 31, 2020, 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”. On July 23, 2020, the Company’s common shares began trading on the OTCQB under the symbol “TETOF”. Subsequent to December 31, 2020, the Company’s common shares began trading on the Frankfurt Stock Exchange under the symbol “T15B”.

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 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.

02 BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 1, “Presentation of Financial Statements” and utilize accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Approval of The Financial Statements

These Financial Statements were authorized for issue by the Board of Directors of the Company on February 10, 2021.

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 consolidated financial statements are presented in Canadian dollars unless otherwise noted, which is the functional currency of the parent and its subsidiaries.

Basis of Consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly-owned U.S. subsidiaries, District Metals LLC and Tectonic Resources LLC, the principal activity of which is exploration in the United States. Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that control ceases. Control is achieved when the Company is exposed to or has the right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All inter-company transactions and balances have been eliminated upon consolidation.

03 SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

FINANCIAL ASSETS

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets at amortized cost are measured at amortized cost using the effective interest method. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. On derecognition, the difference between the carrying amount measured at the date of derecognition and the consideration received is recognized in profit or loss.

The Company’s financial assets, which consist of cash and receivables, are classified as amortized cost.

FINANCIAL LIABILITIES

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities are derecognized only when the Company’s obligations are discharged, cancelled, or they expire.

The Company’s financial liabilities, which consist of trade and other payables and lease liability, are classified as amortized cost.

IMPAIRMENT OF FINANCIAL ASSETS

An expected credit loss (“ECL”) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined, and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective

interest rate, either directly or through the use of an allowance account, and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

There were no impairment losses recognized on financial assets during the years ended December 31, 2020 and December 31, 2019.

Cash

Cash includes cash on account and demand deposits and are subject to insignificant changes in value.

Equipment

Computer equipment, computer software and exploration equipment are recorded at cost less accumulated depreciation. The Company provides for depreciation using the declining balance method at rates designated to depreciate the cost of the asset over their estimated useful lives. All equipment is depreciated using an annual depreciation rate of 30%.

Exploration and Evaluation Assets

Exploration and evaluation costs are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on an individual prospect basis. Amounts received for the sale of exploration and evaluation assets, option payments and exploration advances are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized. Development costs are net of the proceeds from the sale of metals from ore extracted during the development phase. Costs for a producing property will be depleted on a unit-of-production method based on the estimated life of the ore reserves when the technical feasibility and commercial viability of the property have been established. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability to obtain the necessary financing.

Impairment of Assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Leases

Upon lease commencement, the Company recognizes a right-of-use asset, which is initially measured at the amount of the lease liability plus any direct costs incurred, which is then amortized over the life of the lease on a straight-line basis. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease; if the implicit lease rate cannot be determined, the incremental borrowing rate is used. Payments against the lease term are then offset against the lease liability. The lease liability and right-of-use asset 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 or the underlying asset has a low value.

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the amount and timing of the Company's estimates of reclamation costs, are charged to profit or loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

Income Taxes

CURRENT INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

DEFERRED TAX

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax. Equity instruments issued to agents as financing costs are measured at their fair value at the date the services were provided.

VALUATION OF EQUITY UNITS ISSUED IN PRIVATE PLACEMENTS

Beginning January 1, 2020, the Company adopted an accounting policy whereby it allocates the proceeds from the issue of units between common shares and share purchase warrants on a pro-rata basis based on the relative fair values at the date of issuance. The fair value of the common shares is based on the market closing price on the date the units are issued and the fair value of the share purchase warrants is determined using the Black-Scholes Option Pricing Model ("BSM") as of the date of issuance. Previously the Company valued units using the residual value method. As the effect is within equity, no revision to prior year comparatives has been recorded.

Any value attributed to the warrants is recorded to reserves. Upon exercise, the original consideration is reallocated from share purchase warrants reserve to issued share capital along with the associated exercise price. Original consideration associated with expired share purchase warrants is reallocated to issued share capital.

RESTRICTED SHARES

The Company grants common shares to eligible employees, officers, directors, and consultants with performance conditions (a "Restricted Share"). No cash consideration is received for Restricted Shares. 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 straight-line over the vesting period with an offsetting amount recorded to Reserves. Upon completing the performance vesting restriction, the amount in Reserves will be transferred to Share Capital.

At the end of each reporting period, the Company re-assesses the estimate of the number of Restricted Shares that are expected to vest and recognizes the impact of any revisions to this estimate in profit or loss.

STOCK OPTIONS

The Company recognizes share-based compensation expense for all stock options awarded based on the fair value of the stock options determined at the date of grant. The fair value of stock options is determined using the BSM with market related inputs. The fair value of stock options is expensed over the vesting periods of the stock options with a corresponding increase to Reserves. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. At the end of each reporting period, the Company re-assesses its estimates of the number of stock options that are expected to vest and recognizes the impact of any revisions to this estimate in profit or loss. Upon exercise of the stock option, the amount in Reserves will be transferred to Share Capital.

Basic and Diluted Loss Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated assuming that outstanding share purchase warrants and options, with an average market price that exceeds the average exercise prices of the warrants or options for the reporting period, are exercised, and the proceeds are used to repurchase shares of the Company at the average market price of the common shares for the reporting period. Warrants and options were excluded from diluted loss per share for the periods presented as their effect is anti-dilutive.

Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company's operating segments are components of the Company's business for which discrete financial information is available and which are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance.

04 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 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 COMPENSATION AND ISSUANCE OF UNITS

The Company issued restricted shares and stock options that vest over time. In consideration of IFRS 2, the Company determines the fair value 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. The Company also issued units under private placements and has used the BSM to determine the relative fair value of the warrant portion.

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.

05 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value Hierarchy

Financial instruments measured at fair value are classified into one of three levels in fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quote prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

Level 3: Inputs that are not based on observable market data

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, accounts receivable, and trade and other payables. The fair value of cash is measured on the statement of financial position using Level 1 of the fair value hierarchy. The fair value of receivables and trade and other payables approximate their book values due to the short-term nature of these instruments.

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 and receivables. 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 10% change in interest rates would result in a nominal difference for the year ended December 31, 2020.

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 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.

06 EQUIPMENT

For the year ended December 31, 2020

	COST			ACCUMULATED DEPRECIATION			Net Book Value
	Opening	Additions	Ending	Opening	Depreciation	Ending	
Exploration equipment	\$ 22,685	\$ -	\$ 22,685	\$ (8,862)	\$ (4,147)	\$ (13,009)	\$ 9,676
Office & furniture	17,866	-	17,866	(2,680)	(4,556)	(7,236)	10,630
Computer equipment	21,611	4,175	25,786	(6,780)	(5,075)	(11,855)	13,931
Total	\$ 62,162	\$ 4,175	\$ 66,337	\$ (18,322)	\$ (13,778)	\$ (32,100)	\$ 34,237

For the year ended December 31, 2019

	COST			ACCUMULATED DEPRECIATION			Net Book Value
	Opening	Additions	Ending	Opening	Depreciation	Ending	
Exploration 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

07 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	Maple Leaf, USA	Carrie Creek & Mt. Harper, USA	Total
At December 31, 2018	\$ 159,360	\$ 114,903	\$ 38,892	\$ 54,843	\$ -	\$ -	\$ 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	-	67,145	38,964	39,921	-	14,945	160,975
At December 31, 2020	\$ -	\$ 249,052	\$ 118,656	\$ 135,564	\$ 15,977	\$ 14,945	\$ 534,194

Expenditures

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

	Tibbs	Seventymile	Northway	Maple Leaf	Carrie Creek / Mt. Harper	Project Generation	Project Support	For the year ended Dec. 31, 2020
Computer software	\$ 7,011	\$ 13,807	\$ 8,792	\$ 450	\$ 471	\$ 6,671	\$ 9,578	\$ 46,780
Dataset acquisition	7,350	-	-	44,100	-	22,050	-	73,500
Drilling program	946,492	1,135,171	-	-	-	-	-	2,081,663
Geological consulting	10,127	13,464	445	2,692	5,683	79,838	10,333	122,582
Mapping program	20,486	12,944	-	26,725	18,641	-	284	79,080
Other	26,189	3,801	2,988	2,751	1,901	196	3,417	41,243
Reclamation	(7,400)	20,000	(2,420)	-	-	-	-	10,180
Registration fees	63,746	663	42,455	22,072	100	-	1,283	130,319
Salary & legal costs	55,706	90,800	22,629	12,622	6,202	43,496	115,645	347,100
Sampling program	105,263	-	4,216	-	-	-	-	109,479
Scholarship fees	-	35,165	-	-	13,404	-	-	48,569
Share based payment (Note 8)	-	-	-	-	-	-	90,152	90,152
Surveying program	83,265	2,190	-	-	-	-	-	85,455
Total exploration expenditures	\$ 1,318,235	\$ 1,328,005	\$ 79,105	\$ 111,412	\$ 46,402	\$ 152,251	\$ 230,692	\$ 3,266,102

	Tibbs	Seventymile	Northway	Maple Leaf	MCQ	Project Support	For the year ended Dec. 31, 2019
Computer software	\$ 5,128	\$ 2,606	\$ 5,129	\$ 111	\$ 1,734	\$ 811	\$ 15,519
Drilling program	1,181,808	-	387,696	-	-	-	1,569,504
Geological consulting	1,200	17,874	27,161	-	-	61,349	107,584
GeoProbe sampling	-	581,167	328,134	-	-	-	909,301
Other	35,808	16,170	35,314	2,679	10,912	23,520	124,403
Reclamation	35,768	9	7,323	-	-	-	43,100
Registration fees	13,918	63	23,129	6,624	4,354	-	48,088
Salary & legal costs	83,591	78,514	148,804	2,430	24,098	161,070	498,507
Scholarship fees	-	33,558	33,558	-	-	-	67,116
Share based payment (Note 8)	-	-	-	-	-	61,979	61,979
Test pit sampling	-	-	-	428	73,443	385	74,256
Trenching & helicopter	-	-	-	-	-	4,668	4,668
Total exploration expenditures	\$ 1,357,221	\$ 729,961	\$ 996,248	\$ 12,272	\$ 114,541	\$ 313,782	\$ 3,524,025

Property Agreements

NORTHWAY

In June 2018 and subsequently amended January 1, 2020, the Company entered into a mining lease agreement with Doyon, Limited (“Doyon”), an Alaska Native Regional Corporation, 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 returns royalty (“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 lease 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

Pursuant to the lease agreement, the Company is required 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 December 31, 2020, the Company incurred \$1,331,180 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.

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 lease agreement is required to pay:

- I. \$30,000 USD January 2021 (payment made subsequent to December 31, 2020)
- 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 lease agreement, the Company is required to incur the following amounts for exploration expenditures on the Seventymile Property:

Calendar Years	Amount of annual exploration expenditures (USD\$)
2018 (commitment fully met)	400,000
2019 (commitment fully met)	600,000
2020 (commitment fully met) ¹	750,000
2021–2023	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 December 31, 2020, the Company incurred \$2,119,666 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 \$25,000 USD for a scholarship payment during the year ended December 31, 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 \$239,098 (\$180,000 USD) to December 31, 2020. Pursuant to the lease agreement, the Company is required to make a \$50,000 USD lease payment each June in 2021-2027 and is required to incur an aggregate amount of \$1,000,000 USD in exploration expenditures by June 2022. As of December 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 overstate 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.

CARRIE CREEK & MT. HARPER

In August 2020, 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 Goodpastor District, Alaska (the “Carrie Creek and Mt. Harper Properties”). 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 3% NSR for precious minerals and a 2% 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 \$13,405 during the year ended December 31, 2020 (\$10,000 USD) and pursuant to the lease agreement is required to pay:

- V. \$10,000 USD each January 2021-2024 (2021 payment made subsequent to December 31, 2020)
- VI. \$40,000 USD each January 2025–2029
- VII. \$100,000 USD each January 2030 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 \$200,000 USD.

VIII. \$150,000 USD upon completion of a feasibility study

Pursuant to the lease agreement, the Company is required to incur the following amounts for exploration expenditures on the Carrie Creek and Mt. Harper Properties:

Calendar Years	Required aggregate exploration expenditures over period (USD\$) ¹
2020-2022	1,000,000
2023-2026	1,200,000
2027-2030	2,000,000
Each four-lease year period commencing 2031	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 Carrie Creek and Mt. Harper Properties, 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. Tectonic is required to spend at least 25% of its required aggregate expenditures for each expenditure period for the benefit of each the Carrie Creek Property and Mt. Harper Property.

Additionally, the Company contributes to the Doyon Foundation, an annual \$10,000 USD scholarship for the term of the lease. The scholarship amount increases to \$50,000 USD each year following the commencement of commercial production at either the Carrie Creek or Mt. Harper Property. The Company paid Doyon \$10,000 USD for a scholarship payment during the year ended December 31, 2020.

MAPLE LEAF

The Company staked certain claims in the State of Alaska located near the Tibbs Property (the “Maple Leaf Property”).

DATASET ACQUISITION

On June 25, 2020, the Company issued 300,000 common shares valued at \$73,500 to Rubicon Minerals (“Rubicon”) in exchange for a geological, geophysical and geochemical dataset from exploration work conducted at multiple prospects including the Tibbs and Maple Leaf Properties (Note 8).

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 8) 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.

08 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 7).
- 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 value attributed to the common shares was \$5,817,696.

2020 TRANSACTIONS

- e) On April 17, 2020, the Company issued 10,473,000 units at a price of \$0.20 per unit for gross proceeds of \$2,094,600 to Doyon (the "Doyon Private Placement"). 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 \$0.40 and expires April 17, 2022 ("Doyon Warrants"). The value attributed to the warrants was \$243,410.
- f) On June 25, 2020, the Company issued 300,000 common shares at a price of \$0.245 per common share for an aggregate issuance price of \$73,500 to Rubicon in exchange for a geological dataset from exploration work conducted at multiple prospects including the Tibbs and Maple Leaf Properties (Note 7).
- g) On June 30, 2020, the Company issued 24,615,500 units at a price of \$0.20 per unit for gross proceeds of \$4,923,100 (the "Non-Brokered Private Placement"). 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 \$0.40 and expires June 30, 2022 ("Non-Brokered Warrants"). The value attributable to the warrants was \$792,627.

Doyon Private Placement

Doyon has agreed not to exercise any Doyon 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 Doyon Warrants in accordance with the applicable rules and policies of the TSXV.

The Doyon Warrants are subject to an acceleration clause whereby if the volume-weighted average trading price of Tectonic's common shares on the TSXV is \$0.56 or greater for a period of 10 consecutive trading days, Tectonic has the right to accelerate the expiry day of the Doyon Warrants to 30 days from the date of issuance of a news release by Tectonic announcing the accelerated exercise period (the "Acceleration Clause").

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. As of December 31, 2020, Doyon owns approximately 16.4% of the common shares of Tectonic on a partially diluted basis.

Non-Brokered Private Placement

The Non-Broker Warrants are subject to the Acceleration Clause.

In connection with the Non-Brokered Private Placement, the Company paid finders' fees of \$194,826 and issued 956,130 warrants (each a "Finders Warrant") valued at \$150,972. Each Finders Warrant is exercisable for one common share of Tectonic at an exercise price of \$0.20 and expires June 30, 2022.

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.

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

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.

2020 TRANSACTIONS

The value of the warrants issued during the year ended December 31, 2020 were determined using the BSM with the following assumptions:

	Fair Value Attributed \$	Grant Date Share Price \$	Exercise Price \$	Expected Volatility	Risk-Free Interest Rate	Expected Life (years)
Doyon Warrants	243,410	0.17	0.40	90%	0.35%	2
Non-Brokered Warrants	792,627	0.28	0.40	90%	0.26%	2
Finders Warrants	150,972	0.28	0.20	90%	0.26%	2

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	21,257,330	21,257,330	0.44
Doyon Warrants issued	5,236,500	5,236,500	0.40
Non-Brokered Warrants issued	12,307,750	12,307,750	0.40
Finders Warrants issued	956,130	956,130	0.20
Balance – December 31, 2020	39,757,710	39,757,710	0.42

Warrants outstanding as at December 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
5,236,500 ¹	0.40	April 17, 2022
720,000	0.10	June 16, 2022
3,380,000	0.25	June 16, 2022
12,307,750 ¹	0.40	June 30, 2022
956,130	0.20	June 30, 2022
39,757,710		

1. Warrants are subject to the Acceleration Clause

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.

On July 27, 2020, the Company granted 400,000 stock options to an employee. Each stock option has an exercise price of \$0.33 and vest over a three-year period as follows: 100,000 stock options will vest July 27, 2021, 100,000 stock options will vest July 27, 2022, and 200,000 stock options will vest July 27, 2023. The stock option vesting is contingent upon continued employment with Tectonic. The stock options expire July 27,

2025. All 400,000 stock options remain issued and outstanding as of December 31, 2020 and had a remaining contractual life of 4.57 years.

The value of the stock options granted during the year ended December 31, 2020 were determined using a BSM with the following assumptions:

	Fair Value at Date of Grant	Grant Date Share Price \$	Exercise Price \$	Expected Volatility	Risk-Free Interest Rate	Expected Life (years)
July 27, 2020 Grant	\$80,786	0.30	0.33	90%	0.33%	5

The Company incurred share-based compensation as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Marketing expense	\$ 21,101	\$ -
Total share-based compensation	\$ 21,101	\$ -

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 conditions are placed on the Restricted Shares as determined by the Board. If employees fail to meet the conditions, 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.

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 condition, 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 condition set by the Board was a two-year employment period from the date of grant. During the year December 31, 2020, 675,000 Restricted Shares were forfeited and the shares were cancelled.

The Company incurred share-based compensation as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Share-based compensation	\$ 372,999	\$ 161,511
Exploration expenses (Note 7)	90,152	61,979
Total share-based compensation	\$ 463,151	\$ 223,490

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 December 31, 2020, there were 11,563,243 (December 31, 2019 - 17,344,863) common shares and 2,565,387 (December 31, 2019 - 3,848,077) warrants held in escrow.

Base Shelf Prospectus

During the year ended December 31, 2020, the Company filed a short form base shelf prospectus (the "Prospectus"). The Prospectus allows 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 until June 29, 2022.

09 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:

	Year ended December 31, 2020	Year ended December 31, 2019
Employee salaries and benefits - administration expense	\$ 406,344	\$ 476,623
Employee salaries and benefits - exploration expense	154,561	174,337
Share based compensation - restricted shares	365,197	141,458
Share based compensation - exploration expense	54,613	25,521
Exploration expense	-	208,928

10 LEASE OBLIGATION

During the year ended December 31, 2020, the Company renewed an office lease agreement to pay rent as follows:

Calendar Years	Rental Payment
2021	\$ 29,985
2022	30,376
2023	10,126
Total	\$ 70,487

The Company recognized a right of use asset ("ROU") based on the present value of the lease payments over the initial term lease discounted at a discount rate of 10%. A continuity of the ROU asset is as follows:

	Right of use asset — office lease
Net book value — December 31, 2018	\$ -
Additions	30,541
Depreciation	(22,829)
Net book value — December 31, 2019	\$ 7,712
Additions	77,337
Depreciation	(25,035)
Adjustment to finance cost	137
Net book value — December 31, 2020	\$ 60,151

	Lease liability
Balance — December 31, 2018	\$ -
Lease liability recognized during the year	30,541
Lease payments during the year	(23,491)
Interest expense on lease liability	2,195
Balance — December 31, 2019	\$ 9,245
Lease liability recognized during the year	77,337
Lease payments during the year	(29,091)
Interest expense on lease liability	5,110
Balance — December 31, 2020	\$ 62,601
Current	\$ 24,830
Long-Term	37,771
Total — December 31, 2020	\$ 62,601

11 SUPPLEMENTAL CASH FLOW INFORMATION

	For the year ended December 31, 2020	For the year ended December 31, 2019
Cash paid for interest	\$ 5,110	\$ 2,195
Non-cash financing and investing activities:		
Right to use asset and lease liability	77,337	30,027
Shares issued for exploration & evaluation asset option payment	-	52,500
Shares issued for exploration & evaluation asset dataset	73,500	-
Compensation Warrants issued for financing fees	150,972	71,034
Special Warrants issued for share issue costs	-	25,000

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 7. All corporate expenses are incurred in Canada.

13 INCOME TAXES

The income tax recovery differs from the amount that would result from applying the federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Loss for the year before income tax	\$ (5,382,396)	\$ (5,838,608)
Canadian federal and provincial income tax rates	27%	13%
Income tax recovery based on the above rates	(1,453,247)	(754,860)
Increase (decrease) due to:		
Difference between statutory and foreign and long-term tax rates	(129,005)	(927,628)
Permanent differences and other	131,454	(227,897)
Change in unrecognized deductible temporary differences	1,450,798	1,910,385
Total income tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included in the consolidated statement of financial position are as follows:

	2020	2019
Deferred tax assets:		
Exploration and evaluation assets	\$ 3,660,855	\$ 2,232,746
Non-capital losses available for future period	843,749	885,426
Other	271,507	207,141
Value of deferred income tax assets	4,776,111	3,325,313
Unrecognized deferred income tax assets	(4,776,111)	(3,325,313)
Net deferred income tax assets	\$ -	\$ -

Tax attributes are subject to review and potential adjustment by tax authorities.

The Company has non-capital losses of \$3,124,995 available to offset against taxable income in future years, which, if unutilized, will expire 2037-2040 and share issue costs of \$846,590 available to offset against taxable income in future years, which if unutilized will expire through 2024. The Company also has resource exploration expenditures of \$12,592,345 available to offset taxable income in future years. Deferred tax benefits that may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these financial statements due to a lack of probability of their realization.

14 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 year ended December 31, 2020.