TECTONIC
METALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)
(Unaudited)

TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars) (unaudited)

As at

	Note	June 30, 2021	December 31, 2020
ASSETS			
Current			
Cash		$ 8,668,178	$ 3,423,212
Receivables		24,476	8,442
Prepaids		198,413	92,822
		8,891,067	**3,524,476**
Equipment	5	79,422	94,388
Exploration and evaluation assets	6	647,997	534,194
		$ 9,618,486	**$ 4,153,058**
LIABILITIES			
Current			
Trade and other payables		$ 1,019,003	$ 243,042
Lease liability	9	26,499	24,830
		1,045,502	**267,872**
Lease liability – long term	9	24,192	37,771
		1,069,694	**305,643**
SHAREHOLDERS' EQUITY			
Share capital	7	22,764,122	17,681,401
Reserves	7	3,935,957	1,965,785
Deficit		(18,151,287)	(15,799,771)
		8,548,792	**3,847,415**
		$ 9,618,486	**$ 4,153,058**

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

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	3 months ended June 30, 2021	3 months ended June 30, 2020	6 months ended June 30, 2021	6 months ended June 30, 2020
EXPENSES					
Accounting & legal		$ 100,470	$ 87,643	$ 139,002	$ 130,652
Depreciation	5, 9	9,672	9,558	20,333	18,721
Employee benefits & salary	8	242,951	125,393	371,075	254,446
Exploration expenses	6,8	1,086,961	278,995	1,289,286	496,121
Finance cost	9	1,396	1,071	3,359	831
Foreign exchange loss		(5,299)	54,167	(6,692)	45,009
General & administration		66,143	25,401	87,803	71,455
Insurance		12,167	9,937	24,014	19,634
Marketing & corporate development		77,234	105,458	214,946	265,796
Transfer agent & filing fees		8,969	30,835	25,862	49,012
Share-based compensation	7, 8	89,366	96,011	174,332	192,022
Travel & meals		7,774	505	8,196	8,489
Loss and comprehensive loss for the period		$ (1,697,804)	$ (824,974)	$ (2,351,516)	$ (1,552,188)
Basic and diluted loss per common share		$ (0.02)	$ (0.01)	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding		95,437,218	63,593,246	92,692,445	59,444,557

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars) (unaudited)

	SHARE CAPITAL		RESERVES				
	Number	Amount	Warrants	Restricted Shares	Stock Options	Deficit	Total
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	-	(267,829)	-	-	-	-	(267,829)
Restricted share forfeit	(450,000)	-	-	-	-	-	-
Share based compensation	-	-	-	243,388	-	-	243,388
Loss for the period	-	-	-	-	-	(1,552,188)	(1,552,188)
At June 30, 2020	90,142,175	$ 17,701,769	$ 1,258,043	$ 466,878	$ -	$ (11,969,563)	$ 7,457,127
At December 31, 2020	89,917,175	$ 17,681,401	$ 1,258,043	$ 686,641	$ 21,101	$ (15,799,771)	$ 3,847,415
Share issued on private placement	71,760,560	5,623,484	1,552,572	-	-	-	7,176,056
Share issue costs	-	(348,385)		-	-	-	(348,385)
Share purchase warrants issued for finders' fees	-	(192,378)	192,378	-	-	-	-
Share based compensation	-	-	-	196,138	29,084	-	225,222
Loss for the period	-	-	-	-	-	(2,351,516)	(2,351,516)
At June 30, 2021	**161,677,735**	**$ 22,764,122**	**$ 3,002,993**	**$ 882,779**	**$ 50,185**	**$ (18,151,287)**	**$ 8,548,792**

Share Capital (Note 7)

TECTONIC METALS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars) (unaudited)

	6 months ended June 30, 2021	6 months ended June 30, 2020
OPERATING ACTIVITIES		
Loss for the period	$ (2,351,516)	$ (1,552,188)
Items not involving cash:		
Depreciation	20,333	18,721
Foreign exchange	11,092	44,230
Finance cost	2,888	1,651
Share based compensation	225,222	243,388
Shares issued for dataset acquisition	-	73,500
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(16,034)	45,011
(Increase) decrease in other current assets	(105,591)	32,545
Increase (decrease) in trade and other payables	720,336	(320,747)
Cash used in operating activities	**(1,493,270)**	**(1,413,889)**
INVESTING ACTIVITIES		
Exploration and evaluation assets	(113,803)	(146,030)
Cash used in investing activities	**(113,803)**	**(146,030)**
FINANCING ACTIVITIES		
Proceeds from share and share purchase warrant issuances	7,176,056	7,017,700
Share issuance costs	(298,127)	(249,475)
Lease payments	(14,798)	(14,489)
Cash provided by (used in) financing activities	**6,863,131**	**6,753,736**
Effect of foreign exchange on cash	(11,092)	(43,423)
Change in cash during the period	5,244,966	5,150,394
Cash—beginning of period	3,423,212	1,791,241
Cash—end of period	**$ 8,668,178**	**$ 6,941,635**

Supplemental cash flow information (Note 10)

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 favorable or adverse market conditions occur. Management estimates it has sufficient funds to continue operations for the next 12 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". During the period ended June 30, 2021, 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 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements including International Accounting Standard 34: Interim Financial Reporting. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted. These Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

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, 2020. 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 August 27, 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 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 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 Black-Scholes option pricing model ("BSM") to determine the relative fair value of the warrant portion.

VALUE OF EXPLORATION AND EVLUATION ASSETS

The carrying value of the Company's exploration and evaluation assets is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered.

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

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 1% change in interest rates would result in a nominal difference for the period ended June 30, 2021.

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.

05 EQUIPMENT

For the six months ended June 30, 2021

	COST			ACCUMULATED DEPRECIATION			
	Opening	Additions	Ending	Opening	Depreciation	Ending	Net Book Value
Mining equipment	$ 22,685	$ -	$ 22,685	$ (13,009)	(2,074)	(15,083)	7,603
Office & furniture	17,866	-	17,866	(7,236)	(2,278)	(9,514)	8,352
Computer equipment	25,786	5,254	31,040	(11,855)	(3,091)	(14,946)	16,093
Right of use asset	77,450	-	77,450	(17,186)	(12,890)	(30,076)	47,374
Total	**$ 143,787**	**$ 5,254**	**$ 149,041**	**$ (49,286)**	**(20,333)**	**(69,619)**	**79,422**

For the year ended December 31, 2020

	COST			ACCUMULATED DEPRECIATION			
	Opening	Additions	Ending	Opening	Depreciation	Ending	Net Book Value
Mining 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
Right of use asset	-	77,450	77,450	-	(17,299)	(17,299)	60,151
Total	**$ 62,162**	**$ 81,625**	**$ 143,787**	**$ (18,322)**	**$ (31,077)**	**$ (49,399)**	**$ 94,388**

(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	Maple Leaf, USA	Carrie Creek & Mt. Harper, USA	Total
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	$534,194
Cash property payments	-	62,875	38,196	-	-	12,732	113,803
At June 30, 2021	**$ -**	**$ 311,927**	**$ 156,852**	**$ 135,564**	**$ 15,977**	**$ 27,677**	**$647,997**

Expenditures

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

	Tibbs	Seventymile	Northway	Carrie Creek / Mt. Harper	Other	Project Generation	Project Support	For the 3 months ended June 30, 2021
Drilling program	805,465	-	-	-	-	-	-	805,465
Geological consulting	61,035	33,399	-	-	-	-	-	94,434
Mapping program	344	281	-	26,636	-	-	-	27,261
Other	8,958	7,937	145	2,718	504	-	293	20,555
Registration fees	561	-	-	1,123	-	-	-	1,684
Salary & legal costs	29,638	5,659	-	2,745	1,450	102	50,834	90,428
Scholarship fees	-	30,713	-	-	-	-	-	30,713
Share based payment (Note 8)	-	-	-	-	-	-	13,102	13,102
Surveying program	-	-	-	3,319	-	-	-	3,319
Total exploration expenditures	**906,001**	**77,989**	**145**	**36,541**	**1,954**	**102**	**64,229**	**1,086,961**

(Expressed in Canadian dollars - unaudited)

	Tibbs	Seventymile	Northway	Maple Leaf	Project Generation	Project Support	Total for the 3 months ended June 30, 2020
Registration fees	$ 9,430	$ 94	$ 2,763	$ 6,648	$ -	$ -	$ 18,935
Scholarship fees	-	35,165	-	-	-	-	35,165
Geological dataset acquisition	7,350	-	-	44,100	22,050	-	73,500
Sampling program	-	-	3,275	-	-	-	3,275
Drilling program	3,231	2,524	-	-	-	-	5,755
Geological consulting	250	750	100	-	2,300	1,500	4,900
Salary & legal costs	14,851	14,240	8,642	6,944	19,286	33,583	97,546
Other	2,805	2,749	2,631	225	3,285	2,541	14,236
Share based compensation (Note 7)	-	-	-	-	-	25,683	25,683
Total exploration expenditures	**$ 37,917**	**$ 55,522**	**$ 17,411**	**$ 57,917**	**$ 46,921**	**$63,307**	**$ 278,995**

	Tibbs	Seventymile	Northway	Maple Leaf	Carrie Creek / Mt. Harper	Project Generation	Project Support	For the 6 months ended June 30, 2021
Drilling program	805,465	-	-	-	-	-	-	805,465
Geological consulting	94,082	76,119	4,405	-	3,053	26,941	144	204,744
Mapping program	2,888	1,281	812	-	26,686	-	480	32,147
Other	13,206	11,547	1,157	224	3,702	505	1,103	31,444
Registration fees	561	-	19,237	-	1,122	-	1,500	22,420
Salary & legal costs	48,781	15,270	429	411	4,076	3,115	58,672	130,754
Sampling program	1,702	372	-	-	-	-	-	2,074
Scholarship fees	-	30,713	-	-	-	-	-	30,713
Share based payment (Note 8)	-	-	-	-	-	-	26,206	26,206
Surveying program	-	-	-	-	3,319	-	-	3,319
Total exploration expenditures	**966,685**	**135,302**	**26,040**	**635**	**41,958**	**30,561**	**88,105**	**1,289,286**

(Expressed in Canadian dollars - unaudited)

		Tibbs		Seventymile		Northway		Maple Leaf		Project Generation		Project Support		Total for the 6 months ended June 30, 2020
Registration fees	$	18,861	$	188	$	25,461	$	10,995	$	-	$	1,283	$	56,788
Scholarship fees		-		35,165		-		-		-		-		35,165
Geological dataset acquisition		7,350		-		-		44,100		22,050		-		73,500
Sampling program		942		-		4,216		-		-		-		5,158
Drilling program		3,231		2,524		-		-		-		-		5,755
Geological consulting		450		750		300		-		22,638		4,050		28,188
Salary & legal costs		15,524		48,751		18,584		7,254		37,337		81,573		209,023
Other		4,196		7,138		8,827		435		6,866		3,716		31,178
Share based compensation (Note 7)		-		-		-		-		-		51,366		51,366
Total exploration expenditures	**$**	**50,554**	**$**	**94,516**	**$**	**57,388**	**$**	**62,784**	**$**	**88,891**	**$**	**141,988**	**$**	**496,121**

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 $119,613 to December 31, 2020, and $nil to June 30 2021 and pursuant to the option agreement is required to pay:

I. $30,000 USD in 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)

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

Calendar Years	Amount of exploration expenditures (USD$)
2018 (commitment fully met)	400,000
2019 (commitment fully met) [1]	600,000
2020–2022	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.*

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 $118,656 to December 31, 2020 and $38,196 in January 2021 ($30,000 USD each year) and pursuant to the option agreement is required to pay:

I. $60,000 USD each January 2022–2027

II. $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.

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

(Expressed in Canadian dollars - unaudited)

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

Calendar Years	Amount of exploration expenditures (USD$)
2018 (commitment fully met)	400,000
2019 (commitment fully met)	600,000
2020–2023 (commitment fully met) [1]	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.*

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 six months ended June 30, 2021.

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 $301,973 ($230,000 USD) to June 30, 2021. Pursuant to the option agreement, the Company is required to pay a $50,000 USD option 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 June 30, 2021, 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.

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.

(Expressed in Canadian dollars - unaudited)

In consideration, the Company paid Doyon $13,405 to December 31, 2020 ($10,000 USD) and $12,732 to June 30, 2021 ($10,000 USD) and pursuant to the lease agreement is required to pay:

I. $10,000 USD each January 2022-2024

II. $40,000 USD each January 2025–2029

III. $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.

IV. $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.

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

2021 TRANSACTIONS

On June 23, 2021, the Company issued 71,760,560 units at a price of $0.10 per unit for gross proceeds of $7,176,056. 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 $0.17 and expires June 23, 2023. The value attributable to the warrants was $1,552,572. The company paid finders fees $277,958 and issued 2,488,588 brokers warrants valued at $192,378 Each Finders Warrant is exercisable at a price of $0.17 and expires June 23, 2023.

2020 TRANSACTIONS

a) 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.

b) 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 6).

c) 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-Broker Warrants"). The value attributable to the warrants was $792,627. The Non-Broker Warrants are subject to the Acceleration Clause. The Company paid finders' fees of $194,826 and issued 956,130 brokers warrants valued at $150,972. Each broker at a price of $0.20 and expires June 30, 2022.

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").

(Expressed in Canadian dollars - unaudited)

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 June 30, 2020, Doyon owns approximately 16.5% of the common shares of Tectonic on a partially diluted basis.

Share Purchase Warrants

The value of the warrants issued during the period were determined using the BSM with the following assumptions:

2021 TRANSACTION

	Fair Value Attributed $	Grant Date Share Price $	Exercise Price $	Expected Volatility	Risk-Free Interest Rate	Expected Life (years)
Non-Broker Warrants	35,880,280	0.07	0.17	116%	0.42%	2
Finders Warrants	2,488,588	0.07	0.17	116%	0.42%	2

2020 TRANSACTIONS

	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-Broker 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, 2019	21,257,330	21,257,330	0.44
Doyon Warrants issued	5,236,500	5,236,500	0.40
Non-Broker 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**
Non-Broker Warrants issued	35,880,280	35,880,280	0.17
Finders Warrants issued	2,488,588	2,488,588	0.17
Balance — June 30, 2021	**78,126,578**	**78,126,578**	**0.30**

(Expressed in Canadian dollars - unaudited)

Warrants outstanding as at June 30, 2021 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
35,880,280[1]	0.17	June 23, 2023
2,488,588	0.17	June 23, 2023
78,126,578		

1. *Warrants are subject to the Acceleration Clause*

Stock Options

The Company has 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 April 30, 2021, the Company granted 250,000 stock options to consultants. Each stock option has an exercise price of $0.155 and vests over a two-year period as follows: 125,000 stock options will vest April 30, 2022 and 125,000 stock options will vest April 30, 2023. The stock option vesting is contingent upon continued services provided to Tectonic. The stock options expire April 30, 2031. All 250,000 stock options remain issued and outstanding as of June 30, 2021 and had a value of $17,578 (or $0.14 per option) and remaining contractual life of 9.84 years. A total of $4,405 was recognized in relation to this grant with the following assumptions: Expected volatility of 117%, Risk free rate of 1.54% and expected life of 9.84 years. During the six months ended June 30, 2021, a total of $4,405 (June 30, 2020 – $nil) vested in relation to this grant and was charged to administration expense.

During the six months ended June 30, 2021, the Company also issued 400,000 stock options to a former CFO.

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 June 30, 2021 and had a remaining contractual life of 4.33 years. Stock based compensation related to this grant was calculated using the following assumptions: Expected volatility of 90%, Risk free rate of 0.33% and expected life of 5 years. During the six months ended June 30, 2021, a total of $24,684 (June 30, 2020 – $nil) vested in relation to this grant and was charged to marketing expense.

(Expressed in Canadian dollars - unaudited)

Restricted Shares

The Company has 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.

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. 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. During the six months ended June 30, 2021, a total of $169,932 (June 30, 2020 – $192,022) vested in relation to this grant and was charged to administration expense.

The Company incurred total share-based compensation as follows:

		3 months ended June 30, 2021		3 months ended June 30, 2020	6 months ended June 30, 2021		6 months ended June 30, 2020
Administration expense	$	89,366	$	96,011	174,332	$	192,022
Marketing expense		-		-	24,684		-
Exploration expense (Note 6)		17,503		25,683	26,206		51,366
Total share-based compensation	**$**	**106,869**	**$**	**121,694**	**225,222**	**$**	**243,388**

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 June 30, 2021, there were 8,672,433 (December 31, 2020 – 11,563,243) common shares and 1,924,041 (December 31, 2020 – 2,565,387) warrants held in escrow.

Base Shelf Prospectus

During the six months 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.

(Expressed in Canadian dollars - unaudited)

08 RELATED PARTY TRANSACTIONS

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

	3 months ended June 30, 2021	3 months ended June 30, 2020	6 months ended June 30, 2021	6 months ended June 30, 2020
Employee salaries – administration expense	163,977	$ 98,844	297,727	$ 203,194
Employee salaries– exploration expense	87,500	38,844	125,000	79,097
Share based compensation – restricted shares	83,344	82,656	166,688	165,312
Share based compensation – exploration expense	17,503	25,683	29,084	51,366

09 LEASE OBLIGATION

During the six months ended June 30, 2021, the Company renewed an office lease agreement to pay rent as follows:

Calendar Years	Rental Payment
2021	$ 15,188
2022	30,376
2023	10,126
Total	**$ 55,690**

	Lease liability
Balance — December 31, 2020	**$ 62,601**
Lease payments during the period	(14,798)
Interest expense on lease liability	2,888
Balance — June 30, 2021	**50,691**
Current	$ 26,499
Long-Term	24,192
Total — June 30, 2021	**$ 50,691**

(Expressed in Canadian dollars - unaudited)

10 SUPPLEMENTAL CASH FLOW INFORMATION

	6 months ended June 30, 2021	6 months ended June 30, 2020
Non-cash financing and investing activities:		
Right to use asset and lease liability	-	77,337
Shares issued for exploration & evaluation asset dataset	-	73,500
Finder Warrants issued for financing fees	192,378	150,972
Trade and other payables used for share issue costs	50,258	18,354
Assets acquired included in accounts payable	5,254	-

11 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.

12 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 six months ended June 30, 2021.

13 SUBSEQUENT EVENT

STOCK OPTION GRANT

Subsequent to June 30, 2021, the Company Issued 400,000 options to an employee exercisable at $0.20 with 100,000 vesting on August 4, 2022 and an additional 100,000 options vesting on the three subsequent anniversary dates thereafter.